



Legislative
Council Staff

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FISCAL NOTE

Drafting Number: LLS 20-0573
Prime Sponsors: Rep. Melton

Date: April 24, 2020
Bill Status: House Trans. & Local Govt.
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Bill Topic: **AUTOMOBILE RECYCLERS LICENSURE ACT**

- Summary of Fiscal Impact:**
- State Revenue
 - TABOR Refund
 - State Expenditure
 - Local Government
 - State Transfer
 - Statutory Public Entity

The bill creates a licensure program for automobile recyclers. It increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$481,413 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 20-1337**

		FY 2020-21	FY 2021-22
Revenue	Cash Funds	\$548,337	\$0
	Total	\$548,337	\$0
Expenditures	General Fund	\$481,413	-
	Cash Funds	-	\$432,929
	Centrally Appropriated	\$95,095	\$115,408
	Total	\$513,508	\$548,337
	Total FTE	4.1 FTE	5.0 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

The bill creates a licensing program for automobile recyclers in the Auto Industry Division in the Department of Revenue. It sets conditions and qualifications for licenses, including that recyclers must:

- provide a National Motor Vehicle Title Information System identification number;
- designate a business location where all records will be stored and most business will take place;
- comply with the applicable Department of Public Health and Environment permitting requirements;
- be of good moral character; and
- pay the required fees.

The bill creates three fees: an application fee to be filed with a license application; a license fee; and a renewal fee. Fees are credited to the new Automobile Recyclers License Fund, which is subject to annual appropriation to carry out the regulatory functions of the program.

Recyclers are required to report every vehicle received to the National Motor Vehicle Title Information System. Recyclers are further required to keep a daily record of goods received or transmitted, including detailed information about the goods and the manner in which they are received or transmitted. These records must be available during business hours for inspection by the division or by a peace officer, and they must be available for use as evidence.

The division has the authority to:

- establish rules to carry out these regulations;
- refuse to issue or renew a license if the conditions and qualifications are not met;
- suspend or revoke licenses;
- issue cease and desist orders;
- initiate investigations or disciplinary proceedings; and
- enforce established rules and regulations.

Anyone who fails to register as required or otherwise violates regulatory requirements commits a Class 1 misdemeanor.

The automobile recyclers licensure program repeals on September 1, 2030, following a sunset review by the Department of Regulatory Agencies.

Comparable Crime Analysis

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a crime, changes the classification of an existing crime, or changes an element of an existing crime. This section outlines data on a crime comparable to the offense in this bill and discusses assumptions on future rates of criminal conviction for that offense.

Prior conviction data and assumptions. This bill creates the new offense of failing to obtain a license or engaging in automobile recycling without an active license, a class 1 misdemeanor. To form an estimate on the prevalence of this new crime, the fiscal note analyzed the existing offense of failure of a secondhand dealer to keep records of each sale or trade of secondhand property as

a comparable crime. From 2017 to 2019, zero offenders have been sentenced and convicted of this existing crime; therefore, the fiscal note assumes that there will be minimal or no additional case filings or convictions for the new offense under the bill.

Assumptions

The fiscal note assumes that 180 companies will be licensed as automobile recyclers in Colorado and that the number will remain constant.

State Revenue

The bill increases revenue by \$548,337 in FY 2020-21 to the Automobile Recyclers License Fund from fees.

Fee impact on automobile recyclers. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only; actual fees will be set administratively by the Department of Revenue based on estimated program costs and the estimated number of auto recyclers subject to the fee. Table 2 below identifies the fee impact of this bill. Fee revenue is subject to TABOR.

Table 2
Fee Impact on Automobile Recyclers

Fiscal Year	Type of Fee	Current Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2020-21	Application Fee	-	\$1,523	180	\$274,169
	License Fee	-	\$1,523	180	\$274,169
FY 2020-21 Total					\$548,337

**Totals may not sum or multiply due to rounding.*

The fiscal note assumes that expenses for the first year of the regulatory program will be paid from the General Fund, and subsequent years will be funded by fee revenue. Based on the estimated number of automobile recyclers in Colorado, the Department of Revenue will have to set application and license fees to \$1,523 in FY 2020-21. New licenses are expected to be minimal in FY 2021-22. In FY 2021-22 and subsequent years, application, license, and renewal fees will increase to cover two years of expenditures. Licenses are valid for two years; therefore, revenue is generally expected to accrue to the cash fund in alternating years, and will need to cover two years of expenditures. The fiscal note estimates that fees in future years could be up to \$6,000 per renewal.

Criminal fines. The bill is anticipated to increase state revenue by less than \$5,000 per year, credited to the Fines Collection Cash Fund in the Judicial Department. The fine penalty for a class 1 misdemeanor offense is \$500 to \$5,000. Because the courts have the discretion of incarceration, imposing a fine, or both, the precise impact to state revenue cannot be determined. However, based on the low number of fines imposed by the courts, the fiscal note assumes that any revenue generated is likely to be less than \$5,000.

State Expenditures

The bill will increase expenditures by \$513,508 and 4.1 FTE in FY 2020-21, and cash fund expenditures by \$548,337 and 5.0 FTE in FY 2021-22, in the Department of Revenue from the Automobile Recyclers License Fund. In addition, the bill will increase workload in the Department of Law and the Judicial Department beginning in FY 2020-21. These impacts are shown in Table 3 and described below.

**Table 3
 Expenditures Under HB 20-1337**

	FY 2020-21	FY 2021-22
Department of Revenue		
Personal Services	\$316,907	\$380,288
Operating Expenses	\$5,535	\$6,750
Capital Outlay Costs	\$31,000	-
Fleet Vehicle Leases and Mileage	\$35,775	\$42,930
Law Enforcement Equipment	\$21,396	\$2,961
Computer Programming	\$7,800	-
Centrally Appropriated Costs*	\$95,095	\$115,408
FTE – Personal Services	4.1 FTE	5.0 FTE
Total Cost	\$513,508	\$548,337
Total FTE	4.1 FTE	5.0 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Revenue. In order to manage the licensure program, the Auto Industry Division requires 0.5 FTE director, 1.0 FTE criminal investigator III to oversee enforcement, 2.0 FTE criminal investigator I to conduct compliance and research activities, and 1.0 FTE administrative assistant III to perform administrative functions related to the application, licensure, and compliance processes. The Hearings Division requires 0.5 FTE hearings officer II to manage two to three disciplinary hearings each month. Personal services costs are prorated in FY 2020-21 to account for the August effective date. In addition, the department will have the following costs:

- *fleet vehicles and mileage.* Each of the three investigator positions requires a vehicle. The fiscal note includes a mileage allowance of 18,000 miles per position per year.
- *law enforcement equipment.* Investigators receive equipment for enforcement and protection for inspection of recycling sites. While most equipment is a one-time purchase, some equipment require annual payments.
- *computer programming.* The department will require 8 hours of computer programming to update its GenTax system with new liability codes, and 40 hours of programming for updates to the My License Office system for tracking applications, licenses, and supporting documents for the new licensing program.

Department of Law. Workload will increase in the Department of Law, which will assist the Department of Revenue with rulemaking in FY 2020-21 only. This workload is expected to be accomplished within existing appropriations.

Judicial Department. As the bill creates a new class 1 misdemeanor, workload will increase in the Judicial Department to update its case management system, and potentially in trial courts, to the extent that cases are filed. This workload is expected to be minimal. Similarly, potential workload increases for the Division of Probation and agencies that provide representation to indigent persons require no change in appropriations.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include leased space, employee insurance and supplemental employee retirement payments, are estimated to be \$95,095 in FY 2020-21 and \$115,408 in FY 2021-22.

TABOR refund. Under the March 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. It applies to offenses or violations occurring on or after July 1, 2021.

State Appropriations

In FY 2020-21, the bill requires a General Fund appropriation of \$418,413 and 4.1 FTE to the Department of Revenue.

State and Local Government Contacts

District Attorneys
Labor
Revenue

Information Technology
Law
Treasury

Judicial
Public Health and Environment