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Fiscal Note

Drafting Number: LLS 21-0413
Prime Sponsors: Sen. Priola
Rep. Valdez A.

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Bill Status: Senate Transportation
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Bill Topic: **LICENSE PLATE EXPIRATION ON CHANGE OF OWNERSHIP**

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

The bill creates a license plate reissuance process beginning January 1, 2022, and allows for the issuance of license plates in previously retired styles. The bill increases state revenue and expenditures and local revenue beginning in FY 2021-22.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$593,627 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under SB 21-069

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue	Cash Fund	\$502,132	\$1,004,265
	Total Revenue	\$502,132	\$1,004,265
Expenditures	General Fund	\$593,627	-
	Cash Fund	-	\$908,255
	Total Expenditures	\$593,627	\$908,255
Transfers	General Fund	-	\$593,627
	Cash Fund	-	(\$593,627)
	Net Transfer	-	\$0
TABOR Refund		-	-

Summary of Legislation

The bill implements a license plate reissuance process beginning January 1, 2022. Additional details about the bill's provisions are listed below.

License plate reissuance. The bill specifies that license plates for Class C motor vehicles will expire upon transfer of the owner's title or interest in the vehicle. However, the owner will retain priority right to use the same combination of letters or numbers from the expired plates when registering a new vehicle. To do so, the owner must surrender their expired plates to the Department of Revenue (DOR), and then apply for a new set of personalized plates.

Previously retired styles. The bill also authorizes DOR to issue license plates for passenger cars and trucks in previously retired styles for an additional fee. However, previously retired styles will only be available if DOR determines demand for the style is high enough to justify the costs of production. An additional fee will be set to defray the costs of producing and issuing the plates, but must not exceed \$50.

Background

There are currently 180 license plate types in Colorado. Colorado Correctional Industries (CCi) is the state's license plate manufacturer. This enterprise is located in the Department of Corrections (DOC) and is TABOR-exempt. Their materials fee is set at \$4.73 for a set of embossed license plates and \$8.06 for a set of digitally printed plates. The DOR pays for license plates through the License Plate Cash Fund (LPCF). Of the 180 license plate types, 26 are considered high issuance and are ordered quarterly from CCi and stocked at Division of Motor Vehicle county offices. All other license plates are printed on demand.

Personalized license plate fees. Applicants for personalized license plates are also required to pay an additional annual fee. Upon initial application, applicants pay an additional \$35, which is distributed to the Highway Users Tax Fund (HUTF). Upon renewal, owners pay an additional \$25, which is also distributed to the HUTF.

Special license plate fees. Applicants for group special license plates are required to pay an additional \$50 fee, of which \$25 is credited to the HUTF and \$25 is credited to the Licensing Services Cash Fund (LSCF).

Assumptions

In FY 2018-19, there were 192,020 class C motor vehicles owners who transferred their license plate to a new vehicle. This fiscal note assumes similar transfer rates in future years. Transfers in FY 2021-22 are prorated to a half-year impact (96,010 license plates) to reflect the effective date of January 1, 2022. Because the number of personalized and group special license plates transferred in this period cannot be predicted, the fiscal note has assumed the cost of the standard embossed plates, \$4.73 per set. The fiscal note has also not estimated the impacts to the HUTF from personalized and group special license plate fees.

State Revenue

The bill will increase state cash fund revenue by \$502,132 in FY 2021-22 and \$1,004,265 in FY 2022-23. These increases to the DOR and the Department of Transportation are discussed below.

Department of Revenue. The bill will increase fee revenue to the DOR by \$502,132 in FY 2021-22 and \$1,004,265 in FY 2022-23, deposited into the License Plate Cash Fund. This estimate is based on the DOR assessing both the standard material fee of \$4.73 for a passenger vehicle plate set when reissuing license plates and a temporary \$0.50 surcharge to cover the upfront General Fund costs that must be repaid under this bill. Fee impacts are shown in Table 2 below. The fiscal note assumes the surcharge would be charged until there is sufficient fund balance to repay the General Fund, which is assumed to occur in FY 2022-23.

Department of Transportation. The bill will increase revenue to the HUTF by an indeterminate amount due to vehicle owners purchasing new group special license plates. The bill does not exempt special license plates from reissuance or from paying the \$50 fee. Additionally, revenue may increase to the extent that previously retired license plates are reissued. Of the HUTF revenue generated under this bill from the fee, 65 percent is credited to the State Highway Fund (SHF) for expenditure by the department, 26 percent is credited to counties, and 9 percent is credited to municipalities. This revenue increase has not been estimated.

Fee impact on vehicle owners. 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 DOR based on cash fund balance, estimated program costs, and the number of license plates reissued under the bill. The table below identifies the fee impact of this bill.

**Table 2
Fee Impact on Vehicle Owners**

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2021-22	License Plate Material Fee	\$4.73	96,010	\$454,127
	Surcharge	\$0.50	96,010	\$48,005
FY 2021-22 Total				\$502,132
FY 2022-23	License Plate Material Fee	\$4.73	192,020	\$908,255
	Surcharge	\$0.50	192,020	\$96,010
FY 2022-23 Total				\$1,004,265

State Transfers

When there is sufficient fund balance, the bill requires the DOR to initiate a transfer from the License Plate Cash Fund to the General Fund to repay the costs of implementing this bill originally paid from the General Fund. The exact timing of the transfer will depend on how quickly sufficient fund balance is built up. Based on the estimate in the State Revenue section, it is assumed that a transfer to the General Fund of \$593,627 will occur in FY 2022-23.

State Expenditures

The bill increases costs in the DOR by \$593,627 in FY 2021-22 and by \$908,255 in FY 2022-23. These expenditures are summarized in Table 3 and discussed below. First-year costs are assumed to be paid from the General Fund; second- and future-year costs will be paid from the License Plate Cash Fund.

**Table 3
Expenditures Under SB 21-069**

	FY 2021-22	FY 2022-23
Department of Revenue		
Computer Programming	\$139,500	-
License Plate Materials	\$454,127	\$908,255
Total Cost	\$593,627	\$908,255

DRIVES programming costs. In FY 2021-22, one-time program costs of \$139,500 are required to update the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. Programming costs for development, testing, and documentation generation are calculated at 620 hours at a rate of \$225 per hour, and are paid from the General Fund. These costs are for modifications related to both the reissuance of plates and the potential use of retired plate styles.

License plate costs. As discussed in the State Revenue section, materials costs for license plates are \$4.73 per embossed license plate set. Based on the assumed number of plates reissued, costs will increase by \$454,127 in FY 2021-22, paid from the General Fund, and \$908,255 in FY 2022-23 and future years, paid from the License Plate Cash Fund.

Retired plate styles. Because the DOR will need to determine demand and production costs for previously retired plate styles before they become available, this fiscal note cannot predict which and how many styles will be reissued or provide an estimate of these costs. The DOR will determine production costs before individual retired plate styles can be made available. It is assumed that when issuing a retired style that the DOR will set fees administratively and seek any required spending authority through the annual budget process as necessary. Potential costs, preliminarily estimated at about \$200,000 per plate style, include plate design, custom dies and machinery, and computer system programming. Updates to rules, staff training, and demand estimation concerning retired plate styles can be accomplished within existing appropriations.

Local Government

This bill will increase local government HUTF revenue from the group special license plate fee. HUTF revenue generated by license plate fees is distributed to counties (26 percent) and municipalities (9 percent) for transportation needs. This revenue impact has not been estimated.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2021-22, the bill requires a General Fund appropriation of \$593,627 to the Department of Revenue, of which \$256,970 is reappropriated to the Department of Corrections for services provided by Colorado Correctional Industries.

State and Local Government Contacts

Corrections
Information Technology
Transportation

Counties
Municipalities

County Clerks
Revenue