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Final Fiscal Note

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Prime Sponsors: Sen. Priola Bill Status: Signed into Law
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Bill Topic: LICENSE PLATE EXPIRATION ON CHANGE OF OWNERSHIP

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

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

Appropriation Summary: For FY 2021-22, the bill requires and includes an appropriation of \$598,290 to the Department of Revenue.

Fiscal Note Status: This revised fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under SB 21-069

Table with 4 columns: Category, Sub-category, Budget Year FY 2021-22, and Out Year FY 2022-23. Rows include Revenue (Cash Funds, Total), Expenditures (General Fund, Cash Funds, Total), Transfers, and TABOR Refund (General Fund).

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 the 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. This requirement does not apply to the transfer of an owner's title or interest in personal property that has personalized plates, has a valuable registration that has been reserved for use under the "Laura Hershey Disability Act," or is a horseless carriage.

Previously retired style. The bill also authorizes DOR to issue license plates for passenger cars and trucks in a previously retired style (white alpha-numerals on a background of green mountains and white sky) for an additional fee. The previously retired style 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. Applicants for license plates in the previously retired style must also pay an additional fee of \$25 to the disability support fund.

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. Currently, around 13 percent of all plates are digitally printed, including all special plates, which cannot be completed on an embossed plate.

Personalized license plate fees. Applicants for personalized license plates are 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 vehicle 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. The fiscal note also assumes that transfer rates for digital and embossed plates will reflect current plate distribution. Therefore, the cost for 87 percent of plates issued under the bill are assumed to be the standard embossed plates (\$4.73 per set) while the other 13 percent are assumed to be digitally printed (\$8.06 per set). The fiscal note has not estimated the impacts to the HUTF from personalized and group special license plate fees. It also has not estimated the impacts to the Disability Support Fund from the \$25 fee that will be charged to applicants of the previously retired license plate style if it is reissued.

State Revenue

The bill will increase state cash fund revenue by \$495,690 in FY 2021-22 and \$991,380 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 \$495,690 in FY 2021-22 and \$991,380 in FY 2022-23, deposited into the License Plate Cash Fund. This estimate is based on the DOR assessing both the standard material fees of \$4.73 and \$8.06 for embossed and digital passenger vehicle plate sets when reissuing license plates, as explained in the Assumptions section and shown in Table 2.

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.

Table 2
Fee Impact on Vehicle Owners

Fiscal Year	License Plate Fee	Estimated Fee	Number Affected	Total Fee Impact
FY 2021-22	Embossed Plates	\$4.73	83,529	\$395,091
	Digitally Printed Plates	\$8.06	12,481	\$100,599
FY 2021-22 Total				\$495,690
FY 2022-23	Embossed Plates	\$4.73	167,057	\$790,182
	Digitally Printed Plates	\$8.06	24,963	\$201,198
FY 2022-23 Total				\$991,380

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.

State Expenditures

The bill increases costs in the DOR by \$598,290 in FY 2021-22 and by \$991,380 in FY 2022-23. These expenditures are summarized in Table 3 and discussed below. First-year costs for computer programming are assumed to be paid from the General Fund, while license plate material costs will be paid from the License Plate Cash Fund; all 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	\$102,600	-
License Plate Materials	\$495,690	\$991,380
Total Cost	\$598,290	\$991,380

DRIVES programming costs. In FY 2021-22, one-time program costs of \$102,600 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 456 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 material costs. As discussed in the State Revenue section, materials costs for license plates are \$4.73 per embossed license plate set and \$8.06 per digital license plate set. Based on the assumed number of plates reissued, costs will increase by \$495,690 in FY 2021-22 and \$991,380 in FY 2022-23 and future years, paid from the License Plate Cash Fund.

Retired plate style. The DOR will have additional workload to implement a retired plate style, including updating design templates, materials, and entering the new plate into DRIVES. Implementing this plate style can be accomplished with minimal new effort and cost, and does not require an additional appropriation.

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. TABOR refunds are paid from the General Fund. This estimate is based on the June 2021 LCS revenue forecast, which incorporates the revenue impacts of bills passed during the 2021 session. A forecast of state revenue subject to TABOR is not available beyond FY 2022-23.

Federal ARPA funds. This bill increases state revenue, which may impact the state's flexibility in spending federal American Rescue Plan Act (ARPA) funds. For more information, see the LCS memo, titled "Legislative Changes and Flexibility in Use of American Rescue Plan Funds," available online at: <https://leg.colorado.gov/node/2211881>.

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 was signed into law by the Governor on July 2, 2021, and takes effect on September 7, 2021, assuming no referendum petition is filed.

State Appropriations

For FY 2021-22, the bill requires and includes the following appropriations to the Department of Revenue:

- \$102,600 General Fund for DRIVES programming; and
- \$495,690 from the License Plate Cash Fund, 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