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Fiscal Note

Drafting Number: LLS 22-1006
Prime Sponsors: Rep. Valdez A.

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Bill Status: House Trans. & Local Govt.
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Bill Topic: VEHICLE REGISTRATION & CERTIFICATE OF TITLE

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

The bill makes various changes to vehicle title and registration regulations. It increases state expenditures, decreases state revenue and increases local revenue on an ongoing basis starting in FY 2022-23, and increases local expenditures in FY 2022-23 only.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$59,413 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 22-1388

Table with 4 columns: Category, Sub-category, Budget Year FY 2022-23, and Out Year FY 2023-24. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (General Fund, Cash Funds, Total Expenditures), Transfers, and Other Budget Impacts (TABOR Refund, General Fund Reserve).

## Summary of Legislation

Starting in FY 2022-23, the bill makes various changes to vehicle title and registration regulations, including:

- when a vehicle is registered for less than a year and the owner owns multiple vehicles, the vehicle registrations can be set to expire at the same time, as long as the owner pays prorated surcharges, taxes and fees;
- late registration fees for trailer coaches are set at the same rate as campers and multipurpose trailers;
- distinctive special license plates, group special license plates, and special alumni license plates may be transferred after purchase of a vehicle;
- trailer coach owners must pay \$16 annually for the road safety surcharge and \$13 annually for the bridge safety surcharge;
- vehicle owners no longer need to provide a notarized bill of sale when obtaining a bonded certificate of title if they are unable to present ordinary proof of ownership for collector's items, street-rod vehicles, or horseless carriages that are 25 years old or older;
- the owner of a truck may present a manufacturer's certificate of origin, certificate of title, certified scale ticket or other documents or systems as determined by rule when registering their vehicle, instead of only being able to present a certified scale ticket;
- lienholders are no longer required to certify copies of lien documents, and lien filings are no longer public records; and
- lienholders may file a notarized declaration instead of a written declaration that is made under penalty of perjury when releasing a lien.

**Inoperable vehicles.** Currently, a vehicle that is inoperable must pay all required taxes and fees and be issued a license plate with validation tabs. The bill allows the owner of an inoperable vehicle undergoing maintenance, repair, restoration, rebuilding, or renovation on private property to not pay fees or surcharges if they receive evidence of registration and attach it to their vehicle. Owners of inoperable vehicles must still pay an annual specific ownership tax.

**Dealer titles.** The bill allows vehicle dealers seeking expedited titling for vehicles in their inventory to obtain these services from a local county motor vehicle office instead of the Division of Motor Vehicles (DMV). If title fees are paid to a county clerk, the bill allows them to keep \$21.80 of registration fees that they process and transfer the remaining balance to the DRIVES Cash Fund.

**Recreational trucks.** Current law requires the Department of Revenue to assess certain weight-based fees for recreational trucks that weigh less than 10,000 pounds. This bill lowers that threshold to 6,000 pounds.

## Background and Assumptions

**Inoperable vehicles.** Inoperable vehicles are not reported to DOR or county motor vehicle offices. The fiscal note assumes that 18,565, or 0.27 percent of the state's 6,875,908 currently-registered vehicles, are inoperable. To establish annual registration costs for inoperable vehicles, the fiscal note assumes an average per-vehicle cost of \$64.07 in state fees and \$7.20 in county fees, which are the fees

charged for a 10-year old passenger vehicle weighing 4,000 pounds with a standard license plate and registered in a county that requires emissions testing.

**Recreational trucks.** There are currently 27,940 recreational trucks registered in Colorado with a weight of 10,000 pounds or less, and 279 that weigh over 10,000 pounds. The average base registration fee for trucks weighing 6,000 to 10,000 pounds is \$69.28 per vehicle, and the fiscal note assumes the bill will decrease this to \$41.00 per vehicle. The average base registration fee for recreational trucks weighing over 10,000 pounds is \$126.54, and the fiscal note assumes the bill will decrease this to \$106.48 per vehicle.

**Dealer titles.** Over the last year, 21,952 expedited dealer titles were issued at a price of \$25.00 by the DMV. The fiscal note assumes that as a result of the bill, half of vehicle dealers will choose to seek titles from their local county motor vehicle office instead of the DMV.

## State Revenue

The bill is anticipated to decrease state cash fund revenue by \$2.2 million in FY 2022-23 and future years, as shown in Table 2 and described. This revenue is subject to TABOR.

**Table 2**  
**Revenue Under HB 22-1388**

	<b>FY 2022-23</b>	<b>FY 2023-24</b>
Highway Users Tax Fund (HUTF)	(\$1,872,617)	(\$1,872,617)
DRIVES Cash Fund	(\$250,416)	(\$250,416)
Emergency Medical Services Cash Fund	(\$37,130)	(\$37,130)
Air Cash Fund	(\$37,130)	(\$37,130)
POST Board Cash Fund	(\$18,565)	(\$18,565)
License Plate Cash Fund	\$558	\$558
<b>Total Revenue</b>	<b>(\$2,215,300)</b>	<b>(\$2,215,300)</b>

**Inoperable vehicle fees.** Starting in FY 2022-23, revenue from multiple state cash funds will decrease by \$1.2 million annually as a result of 18,565 inoperable vehicles not paying registration fees. The DOR will recover \$0.25 from each inoperable vehicle registration to produce and mail an inoperable vehicle decal, resulting in \$4,641 annually to the License Plate Cash Fund.

**Recreational trucks.** Starting in FY 2022-23, HUTF revenue will decrease by around \$800,000 annually as a result of reductions in base registration fees charged to recreational trucks weighing 6,000 pounds or more.

**Dealer titles.** Starting in FY 2022-23, DRIVES Cash Fund revenue will decrease by around \$240,000 annually as a result of around 11,000 expedited dealer titles being issued at local county motor vehicle offices instead of by the DMV.

**HUTF Reductions.** Of the HUTF revenue decreased by the bill, 65 percent is reduced from the State Highway Fund (SHF), 26 percent is reduced from counties, and 9 percent is reduced from municipalities. Table 3 outlines the estimated HUTF revenue that decreased under this bill.

**Table 3  
 Estimated HUTF Distributions Under HB 22-1388**

	FY 2022-23	FY 2023-24
State Highway Fund (65 percent)	(\$1,217,202)	(\$1,217,202)
Counties (26 percent)	(\$486,880)	(\$486,880)
Municipalities (9 percent)	(\$168,535)	(\$168,535)
<b>Total HUTF Distribution</b>	<b>(\$1,872,617)</b>	<b>(\$1,872,617)</b>

**State Expenditures**

State expenditures in the DOR will increase by \$59,413 in FY 2022-23 and \$4,641 in FY 2023-24 and future years, as shown in Table 4 and detailed below.

**Table 4  
 Expenditures Under HB 22-1388**

	FY 2022-23	FY 2023-24
<b>Department of Revenue</b>		
Computer Programming	\$54,772	-
Inoperable Vehicle Decal	\$4,641	\$4,641
<b>Total Cost</b>	<b>\$59,413</b>	<b>\$4,641</b>

**Computer programming.** The DOR requires one-time programming costs of \$54,772 in FY 2022-23 to update the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. Programming costs, to be paid from the General Fund, are based on 192 hours of programming at a rate of \$225 per hour, as well as \$11,572 in other implementation costs, which include implementation support to the vendor from DOR staff and quality assurance support from the Office of Information Technology.

**Inoperable vehicle decal.** Starting in FY 2022-23, the DOR requires \$4,641 annually in material costs for the production and shipping of new inoperable vehicle decals, based on the assumption that 18,565 new decals will be produced annually at \$0.25 per decal. These costs are expended from the License Plate Services Cash Fund.

**Policy updates and training.** The DOR will be required to update rules, forms, manuals, and the department's website to reflect the changes in law, and to provide training to authorized agents, Title and Registration Section staff, and law enforcement. Any workload increases or costs associated with these activities can be accomplished within existing appropriations.

## Other Budget Impacts

**TABOR refunds.** The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$2.2 million for FY 2022-23 and FY 2023-24. This estimate assumes the December 2021 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. Because TABOR refunds are paid from the General Fund, decreased cash fund revenue will increase the amount of General Fund available to spend or save.

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, which will decrease the amount of General Fund available for other purposes.

## Local Government

Starting in FY 2022-23, this bill will decrease HUTF revenue to municipalities by the amounts shown in Table 3, and decrease county government revenue by the amounts shown in Table 5 and described below.

**Table 5  
County Revenue Under HB 22-1388**

	<b>FY 2022-23</b>	<b>FY 2023-24</b>
Dealer Titles	\$239,277	\$239,277
Inoperable Vehicle Fee Decrease	(\$133,668)	(\$133,668)
HUTF Decrease	(\$486,880)	(\$486,880)
<b>Net County Revenue</b>	<b>(\$381,272)</b>	<b>(\$381,272)</b>

**Dealer titles.** Starting in FY 2022-23, the bill increases county revenue by around \$240,000 annually by allowing vehicle dealers to seek expedited title services from local county motor vehicle offices instead of the DMV, and allowing counties to keep \$21.80 from each expedited title they process.

**Inoperable vehicle fees.** Starting in FY 2022-23, HUTF revenue to counties will decrease by around \$490,000 as a result of removing the requirement that inoperable vehicles pay certain registration fees. It will also reduce other county registration fees by around \$135,000 annually.

**Policy updates and training.** Workload will increase in FY 2022-23 for county motor vehicle offices to update their policies and procedures and provide related training to staff.

## 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 applications made and amounts collected on or after the bill's effective date.

## State Appropriations

For FY 2022-23, the bill requires appropriations of \$59,413 to the Department of Revenue. Of this total:

- \$54,772 is from the General Fund; of which \$7,277 is reappropriated to the Office of Information Technology; and,
- \$4,641 is from the License Plate Cash Fund.

## State and Local Government Contacts

Counties  
Revenue

County Clerks  
Transportation

Information Technology