



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Fiscal Note

<b>Drafting Number:</b>	LLS 23-0102	<b>Date:</b>	January 25, 2023
<b>Prime Sponsors:</b>	Rep. Froelich; Rich Sen. Bridges; Hisey	<b>Bill Status:</b>	House Trans. & Local Govt.
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**Bill Topic:** REGISTRATION OF VEHICLES IN RENTAL FLEETS

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill allows fleet operators to manage vehicle titling and registration independent of an authorized agent, maintain a transferrable license plate inventory, and use a third-party provider. It will increase state revenue and expenditures on an ongoing basis beginning in FY 2023-24.

**Appropriation Summary:** For FY 2023-24, the bill requires an appropriation of \$1.9 million to the Department of Revenue.

**Fiscal Note Status:** The fiscal note reflects the introduced bill, as recommended by the Transportation Legislation Review Committee.

**Table 1  
State Fiscal Impacts Under HB 23-1022**

		Budget Year FY 2023-24	Out Year FY 2024-25	Out Year FY 2025-26
<b>Revenue</b>	Cash Funds	\$62,473	\$76,037	\$76,037
	<b>Total Revenue</b>	<b>\$62,473</b>	<b>\$76,037</b>	<b>\$76,037</b>
<b>Expenditures</b>	Cash Funds	\$1,861,046	\$386,588	\$284,776
	Centrally Appropriated	\$65,544	\$72,833	\$49,139
	<b>Total Expenditures</b>	<b>\$1,926,590</b>	<b>\$459,421</b>	<b>\$333,915</b>
	<b>Total FTE</b>	<b>3.8 FTE</b>	<b>4.2 FTE</b>	<b>2.9 FTE</b>
<b>Transfers</b>		-	-	-
<b>Other Budget Impacts</b>	TABOR Refund	\$62,473	\$76,037	\$76,037

## Summary of Legislation

The bill allows motor vehicle fleet operators owning a fleet of at least 25 Class B or C motor vehicles to transfer license plates in good condition from one fleet vehicle to another during a title or interest transfer. The Department of Revenue (DOR) must allow fleet operators to maintain an inventory of new number plates and to use a third-party provider to handle registration, lien, and titling, and its plate inventory, management, and distribution. The DOR may promulgate rules related to requirements of participating fleet operators, as well as oversight and auditing requirements.

## Background

Since the passage of [Senate Bill 21-069](#), fleet operators are prohibited from transferring license plates between fleet vehicles, and must now purchase new license plates during the titling and registration process at the local county clerk's office. This transaction is completed in the Colorado Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES), administered by the DOR. Fleet vehicle owners are currently permitted to conduct bulk transactions.

## State Revenue

The bill will increase state revenue to the License Plate Cash Fund from license plate fees by an estimated \$62,473 in FY 2023-24 and \$76,037 in subsequent years as a result of anticipated physical inventory needs of fleet operators, and assuming that the number of fleet plates in stock at county clerks' offices will not be adjusted until usage data are available. The number of license plates on hand at fleet operator locations assumes 5.33 percent of vehicles annually replace their license plates. There are currently 145,458 fleet vehicles registered in Colorado, resulting in 7,751 license plates purchased annually at a material fee of \$8.06 per plate in 2023-24 and \$9.81 the following year.

## State Expenditures

The bill increases state expenditures in the DOR by the amounts shown in Table 2 and discussed below from the DRIVES Vehicle Services Account and the License Plate Cash Fund. Costs in FY 2025-26 represent the ongoing costs of the program.

**Department of Revenue.** In FY 2023-24 only, the bill requires the DOR to program its DRIVES system to allow specialized access to fleet operators and their contractors to manage their inventory and perform license plate transactions. On an ongoing basis, the DOR will perform audits of fleet operator locations with physical inventory of licenses plates, and retain program assistants for fleet operator transactions.

- **Assumptions.** The fiscal note assumes that:
  - that most costs begin September 1, 2023, but that the DOR will need at least six months to perform computer programming, which may delay first-year operations (see Technical Note);

- approximately 13 percent, or 200, of the state’s 1,497 eligible fleet operators will utilize the bill’s registration program and maintain a license plate inventory; and
- that the DOR will perform an annual audit of fleet operators that maintain license plate inventory.

**Table 2**  
**Expenditures Under HB 23-1022**

	FY 2023-24	FY 2024-25	FY 2025-26
<b>Department of Revenue</b>			
Personal Services	\$252,933	\$283,693	\$183,636
Operating Expenses	\$2,830	\$5,670	\$3,915
Capital Outlay Costs	\$46,690	\$0	\$0
DRIVES Programming	\$1,490,823	\$0	\$0
Auditor Travel	\$62,473	\$76,037	\$76,037
License Plate Manufacture	\$5,297	\$21,188	\$21,188
Centrally Appropriated Costs <sup>1</sup>	\$65,544	\$72,833	\$49,139
<b>Total</b>	<b>\$1,926,590</b>	<b>\$459,421</b>	<b>\$333,915</b>
<i>DRIVES Cash Fund</i>	<i>\$1,798,573</i>	<i>\$310,551</i>	<i>\$208,739</i>
<i>License Plate Cash Fund</i>	<i>\$62,473</i>	<i>\$76,037</i>	<i>\$76,037</i>
<i>Centrally Appropriated</i>	<i>\$65,544</i>	<i>\$72,833</i>	<i>\$49,139</i>
<b>Total FTE</b>	<b>3.8 FTE</b>	<b>4.2 FTE</b>	<b>2.9 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

- **DRIVES programming.** DRIVES programming costs are estimated at \$1.5 million in FY 2023-24 only, including \$1,220,850 to the DRIVES vendor for an estimated 5,426 hours of programming at \$225 per hour, and \$269,973 to be reappropriated to the Office of Information Technology for business and quality assurance analysts.

In addition, in FY 2023-24 only, 1.8 FTE Business Analysts and a 0.2 FTE Business Analyst Supervisor are required in FY 2023-24 for development and testing work in support of DRIVES. Another 1.3 FTE Business Analyst IV is required to assist with the programming modifications from FY 2023-24 to FY 2024-25, which will be backfilled by temporary staff. First-year costs are prorated for a September 1, 2023, start date.

- **Help desk and auditor.** The DOR requires 1.9 FTE Program Assistant II to maintain the new fleet operator-based inventory, and 1.0 FTE Program Assistant II to annually audit any inventory location with a value of \$100,000 or more. These positions will begin once DRIVES programming is completed; the fiscal note assumes a start date of April 1. Travel costs for auditing work are also prorated to that start date.

- **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 employee insurance and supplemental employee retirement payments, are shown in Table 2.

## Other Budget Impacts

**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. This estimate assumes the December 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

## Technical Note

The bill requires extensive computer programming, which will result in the DOR being unable to meet the bill's August 2023 effective date. The fiscal note shows the relevant cost drivers, but has not adjusted for an alternate effective date.

## 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 2023-24, the bill requires the following appropriations to the Department of Revenue:

- \$1,861,046 from the DRIVES Vehicle Services Account, and 3.8 FTE, of which \$269,973 is reappropriated to the Office of Information Technology; and
- \$62,473 from the License Plate Cash Fund.

## State and Local Government Contacts

Information Technology

Revenue