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FISCAL NOTE

Drafting Number:	LLS 18-0292	Date:	January 30, 2018
Prime Sponsors:	Rep. Becker J.; Ginal Sen. Scott; Zenzinger	Bill Status:	House Transportation
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Bill Topic: PRIVATE INTERSTATE COMMERCIAL VEHICLE REGISTRATION

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue (<i>no change</i>)	<input 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 private parties to perform expedited vehicle registrations for commercial trucks. It will increase computer programming costs on an ongoing basis, and reduce workload in the Department of Revenue beginning in FY 2018-19.

Appropriation Summary: The bill requires a cash fund appropriation of \$41,000 to the Department of Revenue in FY 2018-19.

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 18-1042**

		FY 2018-19	FY 2019-20
Revenue		-	-
Expenditures	Cash Funds	\$41,000	(\$14,524)
	Centrally Appropriated	-	(\$7,200)
	Total	\$41,000	(\$21,724)
	Total FTE	-	(0.6 FTE)
Transfers		-	-

Summary of Legislation

This bill requires the Department of Revenue to promulgate rules in order to allow a private provider to perform expedited vehicle registration for Class A commercial vehicles. The provider may retain a service fee, but will collect and remit the registration taxes and fees to the department.

Private providers of expedited Class A vehicle registrations must:

- be approved by the department;
- utilize a department-approved software that will calculate taxes and fees and be updated regularly to account for any rate changes;
- file evidence of a surety bond or an alternative to a surety bond; and
- provide for reimbursement of any damages caused to the state, local governments, or owners of Class A vehicles through its acts or omissions.

The department is required to ensure that the expedited registration program:

- operates efficiently;
- provides additional services or increases the speed or quality of services at an overall cost savings to the state; and
- complies with state law.

The department may deny, suspend, or revoke approval of a private provider who violates a contract, makes a material misstatement, fails to comply with state law or rules, or fails to provide expedited service.

The department may also accept financial assistance from a private party to implement the expedited registration program to the extent permitted, credited to the Colorado State Titling and Registration System (CSTARS) Account or the Colorado Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES) Vehicle Services Account.

Background

Commercial vehicle registration. Class A commercial vehicles are registered through the International Registration Plan, a reciprocity agreement among the states of the U.S., the District of Columbia, and the provinces of Canada which provides for the payment of apportionable registration fees on the basis of total distance operated in all jurisdictions. Carriers register their vehicles in their base jurisdiction with a single application. In Colorado, the registration of these vehicles can be completed in person, via mail, or online. International Registration Plan registrations are completed in the department's GenTax database currently, but will be integrated into the DRIVES database, which is scheduled to come online August 6, 2018.

CSTARS and DRIVES accounts. House Bill 17-1107 modified the statutes to update the term CSTARS with the term DRIVES and transferred revenue from the CSTARS Account to DRIVES Vehicle Services account at two points in FY 2018-19. As a result, the fiscal note references the DRIVES Vehicle Services Account throughout.

State Revenue

While the bill allows the Department of Revenue to accept financial assistance to implement the program, the fiscal note assumes that any entity providing funding to the department would not be eligible to be a private provider due to conflicts of interest. Therefore, the fiscal note estimates no change in state revenue to the DRIVES Vehicle Services Account.

State Expenditures

In FY 2018-19, the Department of Revenue will have cash fund expenditures of \$41,000, paid from the DRIVES Vehicle Services Account, to accept file transfers from private entities and to perform computer programming in the state accounting system. Beginning in FY 2019-20, the cash fund expenditures for the department will be reduced by \$21,724 and 0.6 FTE from the Licensing Services Cash Fund as a result of the workload offset created by the expedited registration program. These expenditure impacts are shown in Table 2 and discussed further below.

**Table 2
Expenditures Under HB 18-1042**

	FY 2018-19	FY 2019-20
Department of Revenue		
Personal Services		(\$27,786)
Operating Expenses and Capital Outlay Costs		(\$570)
Computer Programming, Ware, and Maintenance	\$41,000	\$13,832
Centrally Appropriated Costs*		(\$7,200)
FTE – Personal Services		(0.6 FTE)
Total Cost	\$41,000	(\$21,724)
Total FTE		(0.6 FTE)

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

Personal services. Beginning in FY 2019-20, the Department of Revenue will require a reduction of \$21,724 and 0.6 FTE from the Licensing Services Cash Fund as a result of a workload offset.

Data and assumptions. In FY 2016-17, there were approximately 7,600 IRP transactions processed by 3.0 FTE. The fiscal note assumes that about 30 percent of IRP customers will utilize the private provider instead of the department to register its vehicles, which represents 2,280 transactions performed by the private provider and a reduction of workload in the department equivalent to 0.9 FTE. The department will be required to support and oversee private providers — the majority of this workload will involve transaction audits and provider support — for which the fiscal note estimates a requirement of 0.3 FTE per year. As a result of the decrease of 0.9 FTE and an increase of 0.3 FTE, the net reduction is 0.6 FTE. Finally, the fiscal note assumes that this decrease will occur in FY 2019-20, which allows time for the system to be put in place by the department and utilized by IRP customers.

The department can accomplish preliminary processes related to vehicle registration by private providers within existing appropriations. This includes rulemaking, selecting and approving private providers for commercial vehicle registrations through the state procurement process, training private providers, and updating its website and related materials.

Computer programming. In FY 2018-19, the Department of Revenue's contractor will program DRIVES so that private providers can upload files to the system on a weekly basis. The fiscal note estimates 160 hours of programming at the contracted rate of \$225 per hour and \$5,000 of hardware and software, for a one-time cost of \$41,000 paid from the DRIVES Vehicle Services Account.

Beginning in FY 2018-19, OIT will perform ongoing security and maintenance tasks related to the process, estimated in this fiscal note at 2 hours per week. Using OIT's Network Analyst rate of \$108 per hour and its Information Security Architect rate of \$158 per hour, this results in ongoing costs of \$13,832 beginning in FY 2019-20, to be reappropriated to OIT.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain cost reductions 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 cost reductions, which include employee insurance and supplemental employee retirement payments, are estimated to be \$7,200 in FY 2019-20.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

Departmental Difference

The Department of Revenue estimates costs of \$211,336 and 1.0 FTE in FY 2018-19 and \$59,463 and 1.0 FTE in FY 2019-20 to implement the bill. DOR assumes that it is responsible for the day-to-day management of private providers — including operating a help desk and providing ongoing training — and that technology interface programming is required. The fiscal note assumes that private providers will not require day-to-day management and the least cost alternative is a secure file transfer protocol. The fiscal note also assumes a workload offset is created by the estimated migration of nearly one-third of IRP transactions to a private provider.

State Appropriations

In FY 2018-19, the bill requires a cash fund appropriation of \$41,000 from the DRIVES Vehicle Services Account to the Department of Revenue.

State and Local Government Contacts

Information Technology

Law

Revenue