



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

**FISCAL NOTE**

**Drafting Number:** LLS 18-0142  
**Prime Sponsors:** Rep. Beckman

**Date:** February 26, 2018  
**Bill Status:** House Judiciary  
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**Bill Topic:** FINANCIAL RESPONSIBILITY DRIVERS MOTOR VEHICLES

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill increases the penalties for driving without an insurance policy. This bill increases state revenue, expenditures, and workload beginning in FY 2018-19.

**Appropriation Summary:** For FY 2018-19, the bill requires an appropriation of \$177,456 to the Department of Revenue.

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

**Table 1**  
**State Fiscal Impacts Under HB 18-1204**

		FY 2018-19	FY 2019-20	FY 2020-21
<b>Revenue</b>	Cash Funds	up to \$6.4 million	up to \$11.2 million	up to \$16.0 million
	<b>Total</b>	<b>up to \$6.4 million</b>	<b>up to \$11.2 million</b>	<b>up to \$16.0 million</b>
<b>Expenditures</b>	Cash Funds	\$177,456	\$121,894	\$166,467
	Centrally Appropriated	\$4,972	\$36,463	\$59,667
	<b>Total</b>	<b>\$182,428</b>	<b>\$158,357</b>	<b>\$266,134</b>
	<b>Total FTE</b>	<b>0.3 FTE</b>	<b>2.2 FTE</b>	<b>3.6 FTE</b>
<b>Transfers</b>		-	-	-

## Summary of Legislation

This bill requires the Department of Revenue (DOR) to suspend the driver license of any person who drives a motor vehicle without the required insurance policy, sets a multi-year fee for drivers who drive without insurance, and repeals the Motorist Insurance Identification Database.

**Penalties for driving without insurance.** If someone is pulled over and a determination is made that he or she is driving without an insurance policy, his or her driver license will be suspended until he or she:

- provides proof of insurance;
- pays a suspension fee of \$250; and
- pays a \$95 reinstatement fee.

In addition to the penalties listed above, a second determination of driving without an insurance policy requires the suspension of the driver's license for at least four months; and the third and subsequent determinations require the suspension of the driver's license for at least eight months.

*Suspension fee.* The \$250 suspension fee can be reduced to \$125 if a driver provides proof that he or she has prepaid for insurance for at least six months. The suspension fee is waived if the driver has a household income that is at or below 133 percent of the federal poverty line and prepays for insurance for at least six months. Drivers are required to pay this fee three times; first to get their driver license reinstated, again at 12 months after the suspension has been lifted, and finally at 24 months after the suspension has been lifted. The courts may require law enforcement to put a boot on a driver's vehicle if he or she fails to pay the fines for driving without insurance.

*Causing bodily injury.* If a violation for driving without insurance occurs in conjunction with an accident that causes serious bodily injury to another person, the driver is also required pay a surcharge of up to \$4,000.

**Motorist Insurance fee.** This bill sets an annual motorist insurance fee of \$0.10, to be paid by insurers for every insurance policy. It is credited to the DRIVES Vehicle Services Account in the Highway Users Tax Fund.

**Motorist Insurance Identification Database Program (MIIDB).** Under current law, whenever an insurer issues an insurance policy to a driver, the insurer must provide the DOR a record of the policy. The bill repeals this requirement.

## Background

Under current law, proof of insurance is required at the time of vehicle registration. According to an estimate from the Department of Revenue, there are about 5.2 million vehicles in Colorado that are required to provide proof of complying insurance at registration. Insurers report insurance policies to the MIIDB, which determines if a driver is currently insured for purposes of facilitating registration renewals online and at a third-party kiosk.

**Comparable Crime**

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or changes an element of the existing crime that creates a new factual basis for the offense. Between January 1, 2015, and December 31, 2017, there were 24,068 people convicted of driving without insurance, or an average of 8,022 per year. Of this number, 20,178 were White, 1,884 were African American, 1,431 were Hispanic, 162 were Asian, 70 were American Indian, 204 were other, and there were 130 for which race data were unavailable; 15,991 were male, 8,025 were female, and there were 52 for which gender data were unavailable. Driving without insurance is a class 1 misdemeanor traffic offense, and is punishable by a fine of \$300 to \$1,000, 10 days to one year of imprisonment, or both.

**State Revenue**

This bill will increase state cash fund revenue by up to \$6.4 million in FY 2018-19, up to \$11.2 million in FY 2019-20, and up to \$16.0 million in FY 2020-21. It will also decrease General Fund revenue by approximately \$30,000 per year, beginning in FY 2018-19. These impacts are shown in Table 2 and described below.

**Table 2  
Revenues Under HB 18-1204**

<b>Revenue Components</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
Suspension Fee	up to \$4.8 million	up to \$9.6 million	up to \$14.4 million
DORA Fees	(\$30,000)	(\$30,000)	(\$30,000)
Bodily Injury Surcharge	up to \$1.6 million	up to \$1.6 million	up to \$1.6 million
<b>Total</b>	<b>up to \$6.4 million</b>	<b>up to \$11.2 million</b>	<b>up to \$16 million</b>

**Department of Revenue.** Beginning in FY 2018-19, this bill will increase state revenue from the suspension fee paid for driving without an insurance policy. The fiscal note assumes that, on average, 19,233 drivers per year are suspended for driving without insurance and will pay the maximum suspension fee of \$250. This fee must be paid by the driver three times. This results in an increase in revenue of up to \$4.8 million in FY 2018-19, up to \$9.6 million in FY 2019-20, and up to \$14.4 million in FY 2020-21 and in future years. As this fee can be reduced to \$125 or waived if drivers meet certain qualifications, this revenue impact may be less. The suspension fee is deposited in the DRIVES vehicles services account in the Highway Users Tax Fund (HUTF).

*Registration fee.* Under currently law, the MIIDB is funded by a \$0.10 fee on every registration completed. Under this bill, that fee is replaced by a \$0.10 fee on every registration, which instead goes to the DRIVES Vehicle Services Account for the funding and development of the DRIVES system. As the MIIDB fee is replaced with this DRIVES fee, there is no net revenue change.

**Department of Regulatory Agencies.** Beginning in FY 2018-19, this bill will decrease General Fund revenue by about \$30,000 per year. Under current law, the Division of Insurance in the Department of Regulatory Agencies issues fines against insurance carriers for failing to promptly and accurately report insurance policies to the Department of Revenue. This fine is up

to \$250 for each day an insurer fails to report this information, and all fine revenue is deposited into the General Fund. In 2017, the division issued \$51,840 in penalties, and waived \$24,009 of that amount, resulting in a total of \$27,831 in fines. This bill removes the requirement for insurers to report insurance policies, and these fines will no longer be assessed.

**Judicial Department.** Under this bill, if a violation for driving without insurance occurs in conjunction with an accident that causes serious bodily injury to another person, the driver will also pay a surcharge of up to \$4,000. Annually, 8,022 drivers are convicted of driving without insurance. If 5 percent of these convictions also result in bodily injury, surcharge revenue could increase by up to \$1.6 million per year. Judges have discretion when assessing this surcharge.

*Highway Users Tax Fund.* Revenue from this surcharge is deposited in the Highway Users Tax Fund, of which 65 percent is diverted to the Colorado Department of Transportation.

**TABOR Refund**

The bill increases state revenue subject to TABOR by up to \$6.4 million in FY 2018-19 and \$11.2 million in FY 2019-20. State revenue is not currently expected to exceed the TABOR limit in either year and no refund is required. Therefore, the bill is not expected to impact TABOR refunds in these years. However, refunds in future years when the state next collects a TABOR surplus will be increased.

**State Expenditures**

This bill will increase cash fund expenditures in the DOR by \$182,428 and 0.3 FTE in FY 2018-19, \$158,357 and 2.2 FTE in FY 2019-20, and \$226,134 and 3.6 FTE in FY 2020-21. Additionally, beginning in FY 2018-19, this bill will impact workload in the Judicial Department and the Department of Regulatory Agencies. These expenditure and workload impacts are shown in Table 3 and described below.

**Table 3  
Expenditures Under HB 18-1204**

<b>Cost Components</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Department of Revenue</b>			
Personal Services	\$11,181	81,993	134,172
Operating Expenses and Capital Outlay Costs	-	11,026	3,420
Postage	28,875	28,875	28,875
Computer System Changes	137,400	-	-
Centrally Appropriated Costs*	4,972	36,463	59,667
FTE – Personal Services	0.3 FTE	2.2 FTE	3.6 FTE
FTE – Legal Services		-	-
<b>Total</b>	<b>\$182,428</b>	<b>\$158,357</b>	<b>\$226,134</b>
<b>Total FTE</b>	<b>0.3 FTE</b>	<b>2.2 FTE</b>	<b>3.6 FTE</b>

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

**Personal services and operating expenses.** Beginning in FY 2018-19, the DOR will require 0.3 FTE to assist drivers who have licenses that were inadvertently suspended. Annually, an average of 9,957 drivers with insurance have their license inadvertently suspended. Currently, the MIIDB is used to verify the insurance status of these drivers. With the repeal of the MIIDB, new personnel will be required to manually check the insurance status of these drivers.

The department will also require 1.9 FTE in FY 2019-20 and 3.3 FTE in FY 2020-21 and in future years to handle additional customer transactions and calls. On average, 19,233 drivers have their license suspended each year for not having insurance. As this bill requires drivers to pay the suspension fee for three years, this will increase workload in the department to handle an increase in the volume of phone calls and cash management transactions.

**Postage.** The DOR will be required to mail notifications to drivers who inadvertently have their license suspended for not having insurance. These notifications will inform these individuals that they must provide proof of insurance to the DMV. Approximately five pieces of correspondence will need to be mailed to each driver at a cost of \$0.58 per correspondence, resulting in an annual increase of \$28,875.

**Computer system changes.** This bill will require a net increase of \$137,400 in computer system changes, including \$243,000 in new costs and \$105,600 in cost reduction.

*DRIVES.* The bill will increase expenditures in the DOR to modify the DRIVES program to remove MIIDB and allow for the program to accept scanned images of proof of insurance. It is estimated that this work will require 1,080 hours at \$225 per hour, resulting in a one-time expenditure of \$243,000.

*Colorado Interactive.* DOR currently pays Colorado Interactive \$105,600 annually to host and maintain the MIIDB. With the elimination of the database, the department will no longer have this expenditure, and the amount will be retained in the DRIVES account.

**Judicial Department.** Under this bill, the court may order law enforcement to put an immobilization device on a person's vehicle if they fail to pay the required fees for driving without insurance. To the extent that this occurs, it may increase the number of hearings in the trial courts. This workload is expected to be minimal, and can be accomplished within existing appropriations.

**Department of Regulatory Agencies.** Repealing the requirement for insurers to report insurance policies to the MIIDB will minimally decrease workload in the Division of Insurance in the Department of Regulatory Agencies (DORA). DORA currently runs monthly reports from the database and issues penalties to insurers who do not report insurance in an accurate or timely way. This decrease in workload is expected to be minimal.

## Local Government

Repealing the MIIDB will prevent county offices from using the database to verify insurance policies using online renewal platforms or automatic kiosks. As a result, all drivers will have to renew their registration in person or mail proof of insurance. This will increase the number of customers at DMV offices and increase workload for county DMVs. This increase to workload is estimated to increase the cost to county offices statewide by 255 FTE and \$15.8 million annually. In addition to increased workload, repealing MIIDB will likely increase costs related to infrastructure, including office space, parking, computer, and equipment costs.

**Highway Users Tax Fund.** This bill increases revenue from the \$4,000 surcharge imposed on drivers who cause bodily injury while driving with a suspended license. This revenue impact is estimated to be up to \$1.6 million per year. Revenue from this surcharge is deposited in the Highway Users Tax Fund, of which 26 percent is diverted to counties and 9 percent is diverted to municipalities. This would result in a revenue increase of up to \$416,000 to counties and up to \$144,000 to municipalities.

**Effective Date**

The bill takes effect September 1, 2018, if no referendum petition is filed.

**State Appropriations**

This bill requires an appropriation of \$177,456 from the DRIVES Vehicle Services Account to the Department of Revenue.

**State and Local Government Contacts**

Counties	County Clerks	District Attorneys
Information Technology	Judicial	Law
Municipalities	Public Safety	Regulatory Agencies
Revenue	Sheriffs	Transportation