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Final Fiscal Note

Drafting Number:	LLS 21-0065	Date:	August 23, 2021
Prime Sponsors:	Rep. Hooton; Valdez A. Sen. Bridges	Bill Status:	Signed into Law
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Bill Topic: ELECTRIC VEHICLE LICENSE PLATE

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" 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

The bill creates the Electric Vehicle license plate. It increases state revenue and expenditures and increases local government revenue on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill requires and includes an appropriation of \$91,636 to the Department of Revenue.

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

**Table 1
State Fiscal Impacts Under HB 21-1141**

		Budget Year FY 2021-22	Out Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Funds	\$216,443	\$506,386	\$579,887
	State Highway Fund	\$106,525	\$249,178	\$285,305
	Total	\$322,968	\$755,564	\$865,192
Expenditures	Cash Funds	\$91,636	\$128,892	\$146,811
	Total	\$91,636	\$128,892	\$146,811
Transfers		-	-	-
TABOR Refund	General Fund	\$322,968	\$755,564	\$865,192

Summary of Legislation

This bill creates the Electric Vehicle license plate. When registering their vehicle in Colorado, electric vehicle owners will be able to choose between purchasing the currently available electric vehicle decal, or the newly created electric vehicle license plate, unless the owner chooses an alternate license plate. Those that choose the electric vehicle license plate will pay the same taxes and fees as regular motor vehicle license plates, in addition to the annual \$50.00 fee that registered electric vehicles currently pay. The bill also allows owners to apply for personalized electric vehicle license plates and to transfer the alphanumeric combination from an existing personalized license plate to their electric vehicle. The electric vehicle license plate will be available on or after January 1, 2022.

Background

Electric vehicles include motor vehicles that qualify for the federal plug-in electric vehicle credit under 26 U.S.C. section 30D, or any motor vehicle that can be recharged from an external source of electricity and that uses electricity stored in a rechargeable battery pack to drive or contribute to the drive of the vehicle's wheels. As of December 10, 2020, there were 43,550 electric vehicles registered in Colorado. Each year the state titles and registers around 8,900 new electric vehicles.

Currently, electric vehicle owners that register in Colorado are issued an electric vehicle decal for \$0.25, which must be attached to the vehicle's windshield in the upper right-hand corner. Registered owners are also charged a \$50.00 annual fee, of which \$20.00 is distributed to the Electric Vehicle Grant Fund in the Colorado Energy Office and \$30.00 is distributed to the Highway Users Tax Fund (HUTF).

Assumptions

It is indeterminate how many current and future electric vehicle owners will choose to be issued the electric vehicle license plate. In order to estimate the fiscal impact of this legislation, this fiscal note estimates that a quarter of current owners and future owners will elect to be issued the license plate instead of the existing decal each year.

State Revenue

This bill is anticipated to increase state cash fund revenue by a total of \$380,327 in FY 2021-22, \$889,736 in FY 2022-23, and \$1,018,818 in FY 2023-24, as shown in Table 2. This revenue is subject to TABOR.

**Table 2
Revenue Under HB 21-1141**

	FY 2021-22	FY 2022-23	FY 2023-24
License Plate Sets Issued	6,555	15,334	17,557
License Plate Cash Fund (\$8.06)	\$52,836	\$123,592	\$141,512
Highway Users Tax Fund (\$25)	\$163,884	\$383,350	\$438,931
Licensing Services Cash Fund (\$25)	\$163,884	\$383,350	\$438,931
Reduction in Electric Vehicle Decals	(1,112)	(2,223)	(2,223)
License Plate Cash Fund (\$0.25)	(\$279)	(\$556)	(\$556)
Total Revenue	\$380,327	\$889,736	\$1,018,818

Standard license plate fees. Upon registration, all vehicle owners must pay a plate and tab production fee of \$8.06 for a digital passenger vehicle plate set, \$4.73 for an embossed passenger vehicle plate set, or \$3.01 for a motorcycle plate set. All electric vehicle plates will be manufactured as digital plates, and the fiscal note assumes motorcycle issuance will be minimal. Fees from plate and tab production are credited to the License Plate Cash Fund (LPCF). Projected revenue for FY 2021-22 is prorated for a half-year impact.

Electric vehicle decal fees. Currently, newly registered electric vehicle owners are issued an electric vehicle decal for \$0.25 and are charged a \$50.00 annual fee, of which \$20.00 is distributed to the electric vehicle grant fund and \$30.00 is distributed to the Highway Users Tax Fund (HUTF). Individuals that wish to purchase the electric vehicle license plate will still be charged this annual fee on top of standard license plate fees, but these new registrants will not be issued the vehicle decal. Fees from decal production are credited to the LPCF.

Colorado Department of Transportation. Of the HUTF revenue from license plate and tab production, 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. Table 3 outlines the estimated HUTF revenue generated under this bill.

**Table 3
Estimated HUTF Distributions Under HB 21-1141**

	FY 2021-22	FY 2022-23	FY 2023-24
State Highway Fund (65 percent)	\$106,525	\$249,178	\$285,305
Counties (26 percent)	\$42,610	\$99,671	\$114,122
Municipalities (9 percent)	\$14,750	\$34,502	\$39,504
Total Revenue	\$163,884	\$383,350	\$438,931

State Expenditures

State cash fund expenditures in the DOR will increase by \$91,636 in FY 2021-22, \$128,892 in FY 2022-23, and \$146,811 in FY 2023-24, as shown in Table 4 and detailed below.

**Table 4
Expenditures Under HB 21-1141**

	FY 2021-22	FY 2022-23	FY 2023-24
Department of Revenue			
Plate and Tab Production Cost	\$52,836	\$123,592	\$141,511
Computer Programming	\$33,300	-	-
Advance Fuel Module program	\$5,300	\$5,300	\$5,300
License Plate Design	\$200	-	-
Total Expenditures	\$91,636	\$128,892	\$146,811

Department of Revenue. The DOR will have costs related to materials, computer programming, vehicle verification, and license plate design, as discussed below.

Plate and tab production costs. As discussed in the State Revenue section, plate tab and production costs for electric vehicle plates will be \$8.06 per license plate set. This fiscal note assumes that 6,555 license plates will be issued in FY 2021-22, 15,334 will be issued in FY 2022-23, and 17,557 will be issued in FY 2023-24. First-year costs are prorated for a half-year impact. License plate and tab production costs are expended from the LPCF.

DRIVES programming. In FY 2021-22, one-time programming costs of \$33,300, as well as re-occurring maintenance and support costs of \$5,300, are required to update and maintain the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. These costs are further described as follows:

- One-time DRIVES programming costs will include updating the DRIVES vehicle inventory to include electric vehicles, updating related reports, allowing eServices transactions, as well as collecting and distributing taxes and fees. DRIVES programming costs are calculated at 148 hours, at a rate of \$225 per hour, and are paid from the DRIVES Vehicle Services Account.
- Recurring maintenance and support costs in DRIVES will include implementing and maintaining the Advance Fuel Module program. This program will allow DOR to identify electric vehicles using VIN verification, instead of the current practice of relying on a vehicle owner’s declaration during titling and registration. This annual programming cost of \$5,300 will likewise be paid from the DRIVES Vehicle Services Account.

License plate design. DOR will require one hour of plate design, at a cost of \$200 per hour, for the design of the electric vehicle license plate. This fiscal note assumes that design costs will be paid from the LPCF.

Information updates and training. DOR will be required to update rules, forms, manuals, and the department's website to reflect the change in law. Additionally, the DOR will 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.

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 by the amounts shown in Table 3. HUTF revenue generated by license plate fees is distributed to counties (26 percent) and municipalities (9 percent) for transportation needs.

Effective Date

The bill was signed into law by the Governor on June 25, 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 appropriations of \$91,636 to the Department of Revenue. Of this total:

- \$38,600 is from the DRIVES Vehicle Services Account; and
- \$53,036, is from the License Plate Cash Fund.

Departmental Difference

The DOR estimates that it requires \$38,600 in FY 2021-22 for DRIVES system programming and that the General Fund is required to pay for these costs. The fiscal note estimates that the DOR will have sufficient cash fund balance in the DRIVES Vehicle Services Account to cover the costs related to DRIVES programming.

State and Local Government Contacts

Colorado Energy Office
County Clerks
Transportation

Corrections
Information Technology

Counties
Revenue