



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-0735
Prime Sponsors: Sen. Lundeen

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Bill Status: Senate SVMA
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Bill Topic: **LATE VEHICLE TITLING & REGISTRATION PENALTIES**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill exempts vehicle owners from any fines and fees related to improperly registering and titling their vehicles between January 1, 2021 and January 1, 2023, and requires the General Fund to reimburse the Highway Users Tax Fund for any related revenue that would have been collected otherwise. The bill increases state expenditures and decreases state revenue in FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$65.0 million to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under SB 22-123

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Funds	(\$9,518,276)	-
	Total Revenue	(\$9,518,276)	-
Expenditures	General Fund	\$65,003,546	\$14,064,280
	Total Expenditures	\$65,003,546	\$14,064,280
	Total FTE	97.0 FTE	32.0 FTE
Transfers	General Fund	(\$9,518,276)	-
	Highway Users Tax Fund	\$9,518,276	-
	Net Transfer	\$0	-
Other Budget Impacts	TABOR Refund	(\$9,518,276)	-
	General Fund Reserve	\$9,750,532	\$2,109,642

Summary of Legislation

If a vehicle owner titles and registers their vehicle by June 1, 2023, this bill exempts them from any penalties, fines, surcharges and late fees associated with not properly titling or registering their vehicle between January 1, 2021, and January 1, 2023. The amount of fines and fees that would have been paid if not for this exemption must be transferred to the Highway Users Tax Fund from the General Fund by June 30, 2023. If a vehicle owner pays or has paid penalties, fines, surcharges or fees for not properly registering or titling their vehicle within the exempted timeframe, and then titles and registers their vehicle by June 1, 2023, the Department of Revenue (DOR) must reimburse the individual with money from the General Fund.

Background

Vehicle owners in Colorado are required to title and register their vehicle within 60 days of purchase, or within 90 days of becoming a state resident, and must renew their registration annually. When a vehicle owner is late in registering or titling a recently purchased vehicle, or in renewing the registration for a vehicle, the DOR assesses \$25 in late fees for each month late, up to a maximum of \$100. The DOR also charges a \$10 late fee for camper trailers and other multipurpose trailers. Late fees collected by the DOR in calendar years 2020 and 2021, as well as estimated late fees that will be collected in calendar year 2022, are listed in Table 2 below.

Table 2
Vehicle Title and Registration Late Fees

	CY 2020	CY 2021	CY 2022 (estimated)
Number of Fees	1,028,426	1,475,720	1,385,917
Total Fees Collected	\$27,331,555	\$41,411,955	\$38,073,105

Vehicle owners who fail to properly title and register their vehicles may be charged additional fines and penalties by local and state law enforcement and courts. The potential fines and penalties for these offenses are shown in Table 3 below. Due to recent changes in law, several of these penalties are changing or being reclassified from petty offenses to civil infractions during the exemption period under the bill; therefore, Table 3 shows both the current law penalties and fines, as well as those later in the exemption period.

**Table 3
Vehicle Title and Registration Violations and Potential Penalties**

Violation	Penalty in March 2023	Current Penalty
Fail to register a vehicle within 60 days of purchase	<ul style="list-style-type: none"> • \$25 to \$100 Fine • \$15 to \$100 Penalty 	<ul style="list-style-type: none"> • \$25 to \$100 Fine • \$15 to 100 Penalty
Fail to register a trailer or semitrailer	<ul style="list-style-type: none"> • \$10 Fine 	<ul style="list-style-type: none"> • \$10 Fine
Fail to register or title within 90 days of becoming a resident	<ul style="list-style-type: none"> • \$500 Civil Penalty 	<ul style="list-style-type: none"> • \$500 Civil Penalty
Knowingly fail to register within 90 days	<ul style="list-style-type: none"> • Petty Offense • \$25 to \$100 Fine 	<ul style="list-style-type: none"> • \$1,000 Fine • \$500 Civil Penalty • \$25 to \$100 Fine
Knowingly fail to register with proper address	<ul style="list-style-type: none"> • Petty Offense • \$500 Civil Penalty 	<ul style="list-style-type: none"> • \$1,000 Fine • \$500 Civil Penalty
Improper sale or transfer of a vehicle	<ul style="list-style-type: none"> • Petty Offense 	<ul style="list-style-type: none"> • \$10 to \$500 Fine • 10 days to 6 months in jail
Fail to follow any part of title statute	<ul style="list-style-type: none"> • \$15 to \$100 Fine 	<ul style="list-style-type: none"> • \$10 to \$500 Fine • 10 days to 6 months in jail

Assumptions

The fiscal note makes the following assumptions:

- the DOR and local governments will stop assessing fees, fines and other penalties when vehicles owners fail to properly title and register their vehicles, upon an effective date of September 1, 2022;
- roughly 80 percent of individuals who are or were charged late fees in 2021 and 2022 will seek reimbursement from the DOR, and 0.5 percent of these individuals will also seek an average reimbursement of \$750 for fines and penalties charged by local and state law enforcement and courts; and
- the DOR will process around 2 million reimbursements in FY 2022-23 and FY 2023-24.

Comparable Crime Analysis

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 creates a new factual basis for an existing crime. This section outlines data on crimes comparable to the offense in this bill and discusses assumptions on future rates of criminal conviction for those offense.

Prior conviction data and assumptions. This bill temporarily suspends existing offenses related to not properly titling and registering vehicles in Colorado until January 1, 2023, as shown in Table 3 of the Background section. From FY 2018-19 to FY 2020-21, 554 offenders have been sentenced and convicted for these offenses, including 550 for failing to register a vehicle within 60 days, 3 for failing to properly title a vehicle, and 1 for failing to register a vehicle upon becoming a resident of Colorado. Of these, 397 were male, 156 were female, and 3 did not have a gender identified. Demographically, 447 were White, 66 were African American, 18 were Hispanic, 2 were Asian, 21 were designated as

Other, and 2 did not have a race identified. Because the bill only applies to offenses committed between January 1, 2021 and January 1, 2023, and may only affect new offenses committed for three months after the bill's presumed effective date of September 1, 2022, the fiscal note assumes that there will be a minimal, temporary reduction in criminal case filings or convictions for these offenses under the bill. Visit leg.colorado.gov/fiscalnotes for more information about criminal justice costs in fiscal notes.

State Revenue

The bill is anticipated to decrease state cash fund revenue by \$9,518,276 in FY 2022-23, as shown in Table 4 and described below. This revenue is subject to TABOR.

Table 4
Revenue Under SB 22-123

	FY 2022-23
Number of Fees Collected	(346,479)
Amount of Fees Collected	(\$9,518,276)

Title and registration late fee reduction. The bill exempts vehicle owners from paying fees to the DOR when they are late in registering and titling their vehicles between January 1, 2021 and January 1, 2023. This exemption is dependent upon the vehicle owner properly titling and registering their vehicle by June 1, 2023. Because of the bill's effective date, the fiscal note assumes that it requires the DOR to halt fee collection from September 1, 2022 to January 1, 2023. The amount of reduced revenue shown in Table 4 is an estimate based on projected late fee collection in calendar year 2022. The actual amount of reduced revenue under the bill will be calculated by the DOR in 2023 and may differ from this estimate. Late fees for vehicle titling and registration are credited to the Highway Users Tax Fund (HUTF).

State Transfers

For FY 2022-23, the bill requires a one-time transfer of \$9,518,276 from the General Fund to the HUTF to reimburse the fund for vehicle title and registration late fees that are not collected as a result of this bill. This transfer amount is an estimate based on projected late fee collection in calendar year 2022, described in the Revenue section above. The actual amount of state transfers required by the bill will depend on the amount of late fees that are not collected in 2022 as a result of the bill.

State Expenditures

The bill increases state expenditures in the DOR by \$65.0 million in FY 2022-23 and \$14.1 million in FY 2023-24 from the General Fund, and may decrease expenditures in the Judicial Department in FY 2022-23. Expenditures are shown in Table 5 and detailed below.

**Table 5
Expenditures Under SB 22-123**

	FY 2022-23	FY 2023-24
Department of Revenue		
Personal Services	\$6,945,187	\$2,318,044
Operating Expenses	\$145,125	\$43,605
Capital Outlay Costs	\$799,800	-
Late Fee Refunds	\$52,932,417	\$10,586,483
Printing and Postage	\$1,844,449	\$368,890
Computer Programming	\$78,762	-
Employee Insurance/Supplemental PERA	\$2,257,806	\$747,258
FTE – Personal Services	97.0 FTE	32.0 FTE
Total Cost	\$65,003,546	\$14,064,280
Total FTE	97.0 FTE	32.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Refund processing staff. Based on the assumptions above, the DOR will require an additional 97.0 FTE in FY 2022-23 and 32.0 FTE in FY 2023-24 to process refund requests and mail payments. This assumes 8 minutes of staff time per request to process 2,012,126 requests. The fiscal note assumes the new staff will begin work on September 1, 2022 and finish processing refunds in September 2023. Standard operating and capital outlay costs are included, as well as costs for leased space to house additional staff, and FTE in FY 2022-23 are adjusted for the General Fund pay date shift.

Late fee refunds. The fiscal note assumes that around two million refund requests will be processed by the DOR as a result of the bill. This amount is based on the estimated fees paid to DOR during this time period, plus an additional amount for fines and penalties. The portion from fines and penalties assumes that roughly 10,000 people paid an average of \$750 in fines and penalties to local and state law enforcement and the courts. Based on this, the DOR will require \$53 million in FY 2022-23 and \$10.6 million in FY 2023-24 from the General Fund to provide refunds required by this bill. The exact amount of the total refund will depend on the total number refund requests submitted and the amount of fines issued in 2022.

Printing and postage. Expenditures in the DOR will increase to print and mail refunds. These costs include \$0.03 for paper, \$0.49 for printing and \$0.58 for mailing for each refund.

Computer programming. In FY 2022-23, one-time programming costs of \$62,100 are required 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 276 hours of programming at a rate of \$225 per hour, as well as \$16,662 in other implementation costs, which include implementation support to the vendor from DOR staff and quality assurance support from the Office of Information Technology.

Other DOR impacts. The 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.

Employee insurance and supplemental PERA payments. Pursuant to a Joint Budget Committee policy, when a bill increases staffing by more than 20 FTE, certain costs that are typically addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills are instead directly appropriated in the bill. These costs, which include employee insurance, supplemental employee retirement payments, and leased space, are shown in Table 2.

Judicial Department. In FY 2022-23, case filings in trial courts will minimally decrease as a result of the temporary suspension of penalties for failing to properly register or title a vehicle. No change in appropriations is required.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$9.5 million in FY 2022-23 only. 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 \$9.7 million in FY 2022-23 and \$2.1 million in FY 2023-24, which will decrease the amount of General Fund available for other purposes.

Local Government

The fiscal note assumes that local governments will continue to charge fees for failing to properly title and register a vehicle until the effective date of this bill. Upon the effective date of the bill, local governments will experience a loss in revenue, equal to any late title and registration penalties and fees that would be charged from September 1, 2022 to January 1, 2023. The exact amount of revenue loss will vary by locality, and depend on the number of individuals who would have been charged a fee for failing to properly title and register their vehicle.

Technical Note

The bill requires the DOR to reimburse vehicle owners for fines and penalties paid to local governments. The DOR does not have access to data related to several of the fines and penalties paid to local governments covered under the bill, and therefore would be unable to verify that these fines and penalties had been paid, or would incur significant additional costs to verify these payments. This fiscal note assumes the DOR will accept an affidavit from persons requesting refund of these fines and penalties affirming the amount requested, but will not be required to verify the amounts of all local fines and penalties paid when individuals seek refunds as allowed under the bill.

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 offenses occurring on or after January 1, 2021, and before January 1, 2023, as well as to applications or issuances of certificates of title or registrations made on or after the bill's effective date.

State Appropriations

For FY 2022-23, the bill requires an appropriation of \$65,003,546 to the Department of Revenue from the General Fund, with 97.0 FTE.

State and Local Government Contacts

Counties	County Clerks	Information Technology
Judicial	Law	Local Affairs
Municipalities	Public Safety	Revenue
Sheriffs	Transportation	