

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-0387 **Date:** January 28, 2015
Prime Sponsor(s): Sen. Todd **Bill Status:** Senate Transportation
 Rep. Tyler **Fiscal Analyst:** Erin Reynolds (303-866-4146)

BILL TOPIC: TEMPORARY REGISTRATION DOCUMENT STANDARDS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	\$183,931	\$1,103,585
Cash Funds	183,931	1,103,585
State Expenditures	\$551,793	\$1,103,585
General Fund	367,862	
Cash Funds	183,931	1,103,585
TABOR Set-Aside	\$183,931	\$1,103,585
FTE Position Change		
Appropriation Required: \$551,793 - Department of Revenue (FY 2015-16).		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

The bill requires that temporary motor vehicle registration plates, tags, and certificates (temporary tags) meet the same statutory requirements regarding attachment, visibility, and readability as permanent plates. The bill sets a July 1, 2016, deadline for the Department of Revenue (DOR) to promulgate rules and accept gifts, grants, and donations for the purposes of implementing this legislation.

State Revenue

The bill is expected to increase revenue to the License Plate Cash Fund (LPCF) by **\$183,931 in FY 2015-16, and \$1,103,585 in FY 2016-17 and each year thereafter.**

Assumptions. The bill requires temporary tags to meet the same criteria as permanent plates; therefore, the DOR will issue two temporary tags for passenger vehicles, to be mounted on the front and rear of the vehicle. Motorcycles, trailers, and other vehicles exempted from the front and rear permit requirement will be issued a single temporary tag. Both categories will require protective material for each tag. Material costs are assumed to be \$0.22 per additional temporary tag, and \$0.30 per protective material kit—to include stiff backer board and a sealable bag—at an additional cost of \$0.82 for a set of temporary tags issued to a passenger vehicle and \$0.30 for those vehicles requiring a single temporary tag.

An average of 1,462,319 temporary tags are issued annually by the DOR, 779,494 to county clerk and recorders and the remaining 682,825 to dealers, who reissue the temporary tags to vehicle owners. There is a lag between the time temporary tag fees are collected by county clerk and recorders and dealers and when these revenues are deposit into the LPCF; therefore, in FY 2015-16, it is assumed that only two months of temporary tag revenue will be credited to the LPCF as a result of this bill, amounting to \$183,931. In FY 2016-17 and each year thereafter, the lag time issue is expected to be resolved, and the entire 12 months of revenue, \$1,103,585, will be credited to the LPCF.

Fee impact on individuals and businesses. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1, below, identifies the fee impact of this bill once fully implemented in FY 2016-17.

Table 1. Fee Impact on Individuals and Businesses in FY 2016-17					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
Temporary tag set for passenger vehicles	\$0.22	\$1.04	\$0.82	1,278,633	\$1,048,479
Single temporary tag for motorcycle, trailer, etc.	0.22	0.52	0.30	183,686	55,106
TOTAL					\$1,103,585

Gifts, grants, and donations. The bill may increase state revenue from gifts, grants, and donations to support the creation of a temporary tag that meets the same criteria as permanent plates. Currently, no source of gifts, grants, or donations has been identified. Any revenue received from gifts, grants, or donations will be credited to the Colorado State Titling and Registration System (CSTARS) Cash Fund.

TABOR Impact

The bill increases state cash fund revenue from fees, which will increase the amount required to be refunded under TABOR.

State Expenditures

Making temporary tags conform to certain standards for license plates will cost **\$551,793 in FY 2015-16**, which includes \$367,862 General Fund and \$183,931 LPCF. In FY 2016-17 and each year thereafter, LPCF expenditures will increase by **\$1,103,585**. These expenditures are outlined in Table 2 and discussed below.

Assumptions. The DOR business practice benefits from a January 1 rollout of a new program, therefore the fiscal note assumes that the program will be implemented January 1, 2016, six months in advance of the deadline specified in the bill. Because temporary tags are issued to intermediaries—county clerk and recorders and dealers—it is assumed the DOR will be required to purchase six months of material inventory in advance with LPCF moneys. However, because of the lag time for these revenues to return to DOR, which is detailed in the State Revenue assumptions section above, the fiscal note assumes that the LPCF will not have sufficient revenue to support the initial purchase of materials and will require a General Fund appropriation to offset the large cost to the LPCF, the equivalent of four months of inventory.

Table 2. Expenditures Under SB 15-090			
Cost Components	Number Impacted	FY 2015-16	FY 2016-17
Additional Materials for Permit Sets (\$0.82/unit)	1,278,633	\$551,793	\$1,103,585
Additional Materials for Single Permits (\$0.30/unit)	183,686		
General Fund (4 months)		367,862	
License Plate Cash Fund		183,931	1,103,585
TOTAL		\$551,793	\$1,103,585

DOR — Temporary tag materials. Beginning in FY 2015-16, the DOR will incur material costs to create a temporary tag that meets the same criteria as permanent plates. These costs will be \$551,793 in FY 2015-16, and \$1,103,585 in FY 2016-17 and each year thereafter. Because of the assumption described above, in FY 2015-16, four months of the cost, \$367,862, will be paid from General Fund. The Colorado Correctional Industries within the Department of Corrections will be the material vendor for the protective material kits, which include stiff backer board and a sealable bag.

Office of Information Technology. In order to issue and track material inventory and recover the material fees, changes must be made to the CSTARS. In FY 2015-16, this effort requires less than 10 hours of programming services from the Office of Information Technology (OIT). It is assumed that this workload increase is minimal and can be absorbed within existing appropriations.

No appropriation clause. The bill specifies that no separate appropriation of state moneys is required to implement its provisions. However, even when a bill specifies that no appropriation is required, legislative rules require the fiscal note to analyze the workload and cost impacts to state agencies that are expected to result from the proposed legislation.

Local Government Impact

County clerk and recorders will be required update policies and provide training concerning temporary tags in order to implement the bill, which may result in a minimal workload increase. It is assumed any increases can be absorbed within current appropriations.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2015-16, the DOR requires a General Fund appropriation of \$367,862, and a cash fund appropriation of \$183,931 from the LPCF. To the extent that gifts, grants, or donations are received, the appropriation will be offset by available funds in the CSTARS Cash Fund.

State and Local Government Contacts

Clerk and Records
Local Affairs
Public Safety

Corrections
Municipalities
Revenue

Counties
Office of Information Technology
Transportation