



**Colorado  
Legislative  
Council  
Staff**

**Bill 5  
FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0365  
**Prime Sponsor(s):**

**Date:** October 27, 2015  
**Bill Status:** Transportation Legislation Review  
Committee Bill Request

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**BILL TOPIC:** REGISTER TITLE KEI VEHICLE FOR ROADWAY

<b>Fiscal Impact Summary*</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
<b>State Revenue</b>	<b>\$16,514</b>	<b>\$28,073</b>	<b>\$27,367</b>
Cash Funds	16,514	28,073	27,367
<b>State Expenditures</b>	<b>\$49,168</b>	<b>\$12,013</b>	<b>\$5,647</b>
General Fund	1,338	1,434	0
Cash Funds	45,621	8,341	4,528
Centrally Appropriated Costs**	2,209	2,238	1,119
<b>TABOR Impact</b>	\$16,514	\$28,073	\$27,367
<b>FTE Position Change</b>	0.2 FTE	0.2 FTE	0.1 FTE
<b>Appropriation Required:</b> \$46,959 - Department of Revenue (FY 2016-17).			
<b>Future Year Impacts:</b> Costs and revenue under the bill are ongoing in future years.			

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

*\*\*These costs are not included in the bill's appropriation. See the State Expenditures section for more information.*

**Summary of Legislation**

The bill allows the Department of Revenue (DOR) to title, register, and issue a rear license plate to kei vehicles—also known as minitrucks, microtrucks, and utility transportation vehicles. A person with a valid driver's license and insurance may operate a registered kei vehicle on a roadway with a posted speed limit of 55 miles per hour (MPH) or less, unless it is a limited access highway.

In order to register the kei vehicle with the DOR, the owner must pay a specific ownership tax (SOT) at the class C personal property rate, a kei vehicle registration fee of \$15, and additional standard fees. The registration is valid for one year. In addition, vehicle owners must show proof of insurance when registering the vehicle or sign a statement of nonuse. Kei vehicles, which are classified as off-road vehicles (OHV) under the bill, used for agricultural purposes and under other specific circumstances are exempt from registration requirements for on-road use.

The bill defines the features of a kei vehicle and safety equipment requirements that must be met that include having brakes; a headlight and two tail lights; front and rear turn signals; a windshield with wipers; a rear view mirror; and seat belts.

Under the bill, it is a class B traffic infraction to operate a kei vehicle on an unauthorized roadway, without proper registration, or without the required safety equipment.

## **Background**

**National Highway Traffic Safety Administration.** The National Highway Traffic Safety Administration (NHTSA) certifies that vehicles meet minimum federal safety and equipment standards. Kei vehicles, as defined by the bill as a vehicle that has a top speed of 55 MPH, are classified as unconventional vehicles by the NHTSA. Under NHTSA standards, as long as unconventional vehicles are incapable of exceeding 20 MPH, they are subject to only state and local requirements. However, vehicles that are manufactured to reach speeds over 20 MPH are considered motor vehicles and classified as passenger cars by the NHTSA. Both motor vehicles and passenger cars must meet stricter NHTSA standards than low-speed vehicles. NHTSA rulings do not currently certify kei vehicles for use on roadways.

**Unconventional Vehicle Working Group—DOR.** In an effort to address the issue of titling and registering unconventional vehicles, the DOR has established the Unconventional Vehicle Working Group. This group reviews titling and registration applications for unconventional vehicles that fall outside the NHTSA certification standards. The group is comprised of Division of Motor Vehicles (DMV) Titles and Registrations Section managers, county clerk and recorder representatives, and Office of Information Technology (OIT) representatives. Generally, these applications are from unconventional vehicle manufacturers, distributors, importers, or dealers seeking to sell unconventional vehicles in Colorado. The group works with the applicant to assist them in obtaining NHTSA certification. In the event that NHTSA certification is unable to be obtained, the group uses NHTSA rules and American Association of Motor Vehicle Administrators best practices to determine if and how to title and register the vehicles in Colorado. Due to NHTSA rulings and industry best practices, the group has currently denied titling and registration of kei vehicles in Colorado.

**Emissions standards—Environmental Protection Agency.** The federal Environmental Protection Agency (EPA) requires that kei vehicles be permanently modified to have a maximum governed speed of 25 MPH and, in some instances, a Certificate of Conformity in order to comply with the Clean Air Act (CAA). When imported kei vehicles do not meet EPA emission requirements, U.S. Customs detains or seizes the equipment and works with the EPA to coordinate enforcement on CAA violations; the maximum penalty is \$32,500 for each illegal engine or vehicle. Imported kei vehicles that are altered to be capable of exceeding the 25 MPH threshold must be regulated as motor vehicles under the CAA, subject to state emissions testing.

## **State Revenue**

This bill affects a variety of fees and is expected to increase state cash fund revenue by \$16,514 in FY 2016-17, \$28,073 in FY 2017-18, and \$27,367 in FY 2018-19. Revenue is outlined in Table 1 and detailed below.

**Assumptions.** The calculations in this fiscal note are based on the following assumptions:

- registration of kei vehicles begins January 1, 2017;
- there are an estimated 1,000 kei vehicles currently in Colorado, 500 of which will be registered in FY 2016-17 and 500 in FY 2017-18. Some members of the agricultural community may however decide to not register kei vehicles used for agricultural purposes only;
- an additional 200 new kei vehicles will be added annually, beginning in FY 2016-17;
- kei vehicles will not be subject to emissions inspection requirements upon registering with the DOR.

**Fee impact on individuals and business.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 identifies the fee impact of this bill. Revenue from fees generated by this bill are credited to the License Plate Cash Fund (LPCF), the Highway Users Tax Fund (HUTF), the Colorado State Titling and Registration System (CSTARS) fund, and counties.

**License Plate Cash Fund.** Money from various license plate fees is deposited into the LPCF within the DOR. In FY 2016-17 a combined fee of \$4.42 will be collected from 700 new registrations, totaling \$3,094. Revenue is generated from the temporary tag fee of \$0.24 and the temporary registration permit mounting board fee of \$1.08. Revenue is also generated from the license plate material fee of \$2.82 per single plate and the validating year and month tab fee of \$0.28, which all kei vehicle owners are required to pay upon initial registration and upon license plate replacement during the sale or transfer of a vehicle. Upon subsequent registrations, owners must also pay the validating year tab fee of \$0.17.

**Colorado State Titling and Registration System Fund.** The CSTARS fund will receive the full \$15 annual kei vehicle registration fee, a \$3.20 portion of the title fee, and a \$0.50 portion of the SOT collections. In FY 2016-17, this amounts to \$13,090.

**Highway Users Tax Fund.** The Highway Users Tax Fund (HUTF) receives a \$0.40 portion of the temporary registration fee, and a \$6.25 portion of the fee for providing temporary registration documents to licensed dealerships. HUTF revenue from registration fees is distributed to the State Highway Fund, as well as to counties and municipalities. The State Highway Fund is administered by the Colorado Department of Transportation. In FY 2016-17, new HUTF revenue of \$330 is anticipated.

<b>Table 1. Fee Impact on Individuals and Business under Bill 5</b>							
		<b>FY 2016-17</b>		<b>FY 2017-18</b>		<b>FY 2018-19</b>	
<b>Type of Fee</b>	<b>Fee</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
License Plate Fees (LPCF)*	\$4.42	700	\$3,094	1,400	\$3,803	1,600	\$1,797
HUTF Portion of Fees**	N/A	708	330	708	330	208	130
CSTARS Fees***	\$18.70	700	13,090	1,400	23,940	1,600	25,440
<b>State Retained</b>			16,514		28,073		27,367
<b>County Retained****</b>			41,966		79,962		88,018
<b>Total Fee Impact</b>			<b>\$58,480</b>		<b>\$108,035</b>		<b>\$115,385</b>

\*Includes fees charged for license plate material, validating year and month tabs, temporary tag, and temporary permit mounting board. Fees in FY 2017-18 and FY 2018-19 also include the validating year tab fee and license plate and tab replacement fees for vehicles sold or transferred.

\*\*Includes the HUTF portion of the temporary registration fee and HUTF portion of the fee for providing temporary registration documents to licensed dealerships.

\*\*\*Includes the kei registration fee, CSTARS portion of the title fee, and CSTARS portion of the SOT collection.

\*\*\*\*See Local Government Impact section for more details.

**Revenue from fines.** This bill creates a Class B traffic infraction for operating a kei vehicle on the road without being properly registered with the DOR, and for violating the kei vehicle safety equipment requirements. The penalty for a Class B traffic infraction is a minimum fine of \$15, up to \$100 maximum. Under current law, it is a Class B traffic infraction to operate a motor vehicle that is not registered on a roadway, and to operate a motor vehicle on a roadway without a headlight (violating a safety equipment requirement). Over the past five years, there have been 21,177 cases with a charge for operating a motor vehicle on a roadway without the vehicle being properly registered, and 4,168 cases with a charge for violating the motor vehicle safety equipment requirement of having a headlight. Because the bill creates an avenue for kei vehicles to be in compliance, it is expected that changes to fine revenue overall will be minimal.

**TABOR Impact**

This bill increases state revenue from fees and fines, which will increase the amount required to be refunded under TABOR. TABOR refunds are paid out of the General Fund.

**State Expenditures**

This bill will increase state cash fund expenditures in the DOR by \$49,168 and 0.2 FTE in FY 2016-17, \$12,013 and 0.2 FTE in FY 2017-18, and \$5,647 and 0.1 FTE in FY 2018-19 and thereafter. Expenditures are shown in Table 2 and detailed below. All costs except for materials are paid from the CSTARS fund. Materials are paid from the LPCF and the General Fund. General Fund is required because the LPCF does not have sufficient revenue or fund balance to support the purchase of additional inventory.

<b>Table 2. Expenditures Under Bill 5</b>			
<b>Cost Components</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Personal Services	\$7,151	\$7,151	\$3,575
FTE	0.2 FTE	0.2 FTE	0.1 FTE
Operating Expenses and Capital Outlay Costs	1,420	190	95
Computer Systems Programming	36,050		
Material Costs	2,338	2,434	858
Centrally Appropriated Costs*	2,209	2,238	1,119
<b>TOTAL</b>	<b>\$49,168</b>	<b>\$12,013</b>	<b>\$5,647</b>

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

**Department of Revenue.** Tinting and registering kei vehicles requires the DOR to scan and retain documents and perform document retrieval services. Furthermore, personnel will be required at the call center to respond to inquiries from the public. These efforts require additional personnel beginning in FY 2016-17. In addition to personal services, standard operating costs and capital outlay expenses are shown. The DOR will also experience a workload increase in order to provide training to agents, titles and registration staff, law enforcement, and other entities impacted by this bill. In addition, rules, forms, manuals, and websites will require updating to reflect the change in law. The bill will also create workload within the DOR's Auto Industry Division for license issuance and enforcement activities related to kei vehicle dealers. These activities do not require new appropriations.

**Computer programming.** The DOR will be required to purchase one-time computer programming services in FY 2016-17 to modify the CSTARS system to issue titles and registration to kei vehicle owners. Computer programming will be completed by the Office of Information Technology (OIT) at a total cost of \$36,050 (350 hours of programming at a rate of \$103 per hour).

**Material costs.** The DOR will incur costs to purchase license plates, tabs, temporary registration permits and permit mounting boards, and to retain documents. Material fees are driven by the number of kei vehicles being titled and registered each year.

**Judicial Department.** This bill may also impact the workload of trial courts within the Judicial Department because it creates a Class B traffic infraction for kei vehicle owners who do not comply with the vehicle safety equipment requirements and the rules of the road. However, the bill also creates an avenue for kei vehicle drivers to do so legally. Judicial officers can process over 30,000 traffic infractions per year; therefore, any impact to workload is expected to be minimal and can be absorbed within current appropriations.

**Department of Public Safety.** The Colorado State Patrol (CSP) within the Department of Public Safety may experience an increase in workload as a result of kei vehicles being operated on roadways, which may lead to more traffic accidents, investigations, and tickets. It is expected that any workload increase to the CSP will be minimal.

**Department of Education.** The bill increases SOT collections, a portion of which goes to school districts for school finance. The increase in the local share of school finance could result in a reduction in state aid payments, if the value of the negative factor remains unchanged.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs 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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

<b>Table 3. Centrally Appropriated Costs Under Bill 5*</b>			
<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,597	\$1,597	\$799
Supplemental Employee Retirement Payments	612	641	320
<b>TOTAL</b>	<b>\$2,209</b>	<b>\$2,238</b>	<b>\$1,119</b>

\*More information is available at: <http://colorado.gov/fiscalnotes>

**Local Government Impact**

The bill is expected to increase local government and school districts revenue from SOT collections. It will also increase local government revenue from the county portions of the title fee, temporary registration fee, and the fee for providing temporary registration documents to licensed dealerships. Local government revenue is outlined in Table 4.

<b>Table 4. Fee Impact on Local Government under Bill 5</b>							
		<b>FY 2016-17</b>		<b>FY 2017-18</b>		<b>FY 2018-19</b>	
<b>Type of Fee</b>	<b>Fee</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
SOT average per kei vehicle	\$54.28	700	\$37,996	1,400	\$75,992	1,600	\$86,848
County portion of Title Fee	4.00	700	2,800	700	2,800	200	800
County portion of Temporary Registration Fee	1.60	700	1,120	700	1,120	200	320
County portion of dealer blocks of 25	6.25	8	50	8	50	8	50
<b>Total Local Government Fee Impact</b>			<b>\$41,966</b>		<b>\$79,962</b>		<b>\$88,018</b>

The bill is also expected to increase the workload of county clerk and recorder offices beginning in FY 2016-17, which will increase costs for personal services and operating costs to account for new kei vehicles registrations, temporary permits, and other transactions such as plate replacements, and duplicates.

**Comparable Crime**

Colorado law requires Legislative Council Staff 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. This bill creates a Class B traffic infraction for operating a kei vehicle on the road without being properly registered with the DOR, and for violating the kei vehicle safety equipment requirements. The penalty for a Class B traffic infraction is a minimum fine of \$15, up to \$100 maximum.

Under current law, it is a Class B traffic infraction to operate a motor vehicle that is not registered on a roadway, and to operate a motor vehicle on a roadway without a headlight (violating a safety equipment requirement). Over the past five years, there have been 21,177 cases with a charge for operating a motor vehicle on a roadway without the vehicle being properly registered, and 4,168 cases with a charge for violating the motor vehicle safety equipment requirement of having a headlight.

**Effective Date**

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

**State Appropriations**

For FY 2016-17, the Department of Revenue requires the following appropriations: \$1,338 from the General Fund; \$1,000 from the LPCF; and \$44,621 and 0.2 FTE from the CSTARs fund. The OIT requires spending authority for \$36,050 in reappropriated funds.

**State and Local Government Contacts**

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