

Department of Revenue
Document Management and Facial Recognition Systems Upgrade

Capital Development Committee Staff Questions

Please respond as soon as possible to Kori Donaldson at Kori.Donaldson@state.co.us.

1. Please explain how a gated-issuance system improves the security of issuing identity documents. Are there limits on the use of temporary licenses? Is it possible for identity fraud to be perpetrated using a temporary license?

Response: The gated issuance system allows the Department to complete the document application process, even when systems are not operational. This means that that the Department can collect all information from the applicant and process it through the federal systems at a time when the systems are operational to verify identity and status. This allows the Department the opportunity to halt manufacture and/or issuance of a card if, for example, an applicant's social security number does not match or if the applicant is under suspension or revocation in another state. Statistics show that when someone steals an identity, most of the fraud occurs within 48 to 72 hours. If the Department, through thorough process and review, can keep the card out of the hands of the identity thief until all checks have occurred, there is a better chance of preventing financial loss.

The temporary document can be used fraudulently only to the extent that a business or entity is willing to accept it (without a photo) as identification. The Department advises businesses not to accept the paper document as evidence of identity without some other form of identification to verify it. In all cases but initial issuance of a driver's license or identification card, the applicant is given back his/her previous driver's license or ID with the expiration date punched out. That gives the applicant some form of identification until the new document is received in the mail.

2. Will source documents be automatically authenticated with the new machine authentication systems?

Response: The document authentication systems will examine the documents for appropriate security features to determine authenticity and/or counterfeit materials. The Department will still make a determination that the document belongs to the person presenting it to prove his or her identity.

3. What is the source of revenue to the Licensing Services Cash Fund?

Response: Revenue generated from a portion of the fees associated with the issuance of driver's licenses and identification cards, as well as revenue generated from a one-time \$25 fee related to the issuance of most special license plates is deposited into the Licensing Services Cash Fund. Senate Bill 07-241 established

the fees and funding mechanism. Specific information on the fees can be found in Title 42, Articles 2 and 3. The fiscal note associated with S.B. 07-241 is attached for more specific references.


 Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
FINAL FISCAL IMPACT

Drafting Number: LLS 07-0875
Prime Sponsor(s): Sen. Johnson
 Rep. Pommer

Date: June 4, 2007
Bill Status: Signed into Law
Fiscal Analyst: Brad Denning (303-866-4777)

TITLE: CONCERNING IMPOSITION OF FEES TO FUND THE OPERATION OF DRIVER'S LICENSE OFFICES, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue		
Cash Funds - Licensing Services Cash Fund	\$5,758,929	\$6,504,760
State Expenditures		
General Fund - Driver's License Offices	(\$5,758,929)	(\$6,504,760)
General Fund - Computer Programming	6,806*	0
Cash Funds - Licensing Services Cash Fund	5,758,929	6,504,760
Cash Funds Exempt - CSTARS Account	11,911*	0
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: The Governor signed the bill into law on May 31, 2007, and it is effective July 1, 2007.		
Appropriation Summary for FY 2007-2008: See State Appropriations section.		
Local Government Impact: Increased fee revenue to County Clerks.		

** The Joint Budget Committee (JBC) is recommending \$226,788 and 2.2 FTE in the FY 2007-08 Long Bill for IT costs in the Department of Revenue associated with 2007 proposed legislation. Of the total amount, \$66,846 is General Fund and \$159,942 is cash funds exempt from the Colorado State Titling and Registration System account and other sources. The fiscal note identifies the programming costs associated with this bill, but the bill does not require an appropriation due to the JBC's actions.*

Summary of Legislation

The bill adds an additional \$25 fee for the issuance of certain special license plates and increases various driver's license and other fees anywhere from \$1.90 to \$9.40 (see Table 1). Most of the revenue from the fee increases is allocated to the newly created Licensing Services Cash Fund and appropriated to the Department of Revenue (DOR) for personal services and operating expenses of driver's license offices, along with any interest and income earned on the deposit and investment of moneys in the fund. A portion of the increased fees, for driver's licenses issued by a county clerk and recorder, is retained by the county clerk. Moneys in the fund at the end of a fiscal year are to remain in the fund.

State Revenue

The bill is expected to generate \$6.5 million annually in new state revenue from increased fees on driver's licenses, ID cards, and special license plates. Because of the need for computer changes to implement the fee increases, only 10 months of collections (\$5.8 million) are expected in the first year, FY 2007-08. Table 1 shows the current and proposed fees and the revenue generated by SB 07-241. This bill includes two other special license plates (HB07-1120, Italian-American Heritage; SB07-067, Share-the-Road) that would be subject to the additional \$25 fee proposed by this bill. Should both of these license plate bills be enacted, additional revenues are estimated at \$150,000.

The additional fee revenue is credited to the Licensing Services Cash Fund, along with any income earned on the deposit and investment of moneys in the account. All existing license and registration fees that are currently credited to the HUTF will continue to be deposited in the HUTF.

Table 1: Estimated Revenue from SB07-241 and Fee Impact on Individuals, Families or Businesses					
Type of Fee	Current Fee*	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
Special License Plate Fee	\$25.00	\$50.00	\$25.00	119,539	\$2,988,475
				Subtotal	\$2,988,475
Driver's License/Document					
State Issuance					
New Driver's License/Renewal	\$15.00	\$20.40	\$5.40	288,167	\$1,556,102
Minor License/Renewal	\$15.00	\$20.40	\$5.40	93,642	\$505,669
Minor Instruction Permit	\$10.00	\$13.40	\$3.40	86,657	\$295,063
Commercial Driver's License (CDL)/Renewal	\$25.00	\$34.40	\$9.40	54,098	\$508,529
CDL Instruction Permit	\$10.00	\$13.40	\$3.40	13,595	\$46,291
ID Card	\$7.00	\$9.90	\$2.90	105,607	\$306,738
Instruction Permits	\$10.00	\$13.40	\$3.40	56,244	\$191,507
Replacement of Lost Stolen Destroyed Licenses	\$5.00	\$6.90	\$1.90	55,996	\$106,387
				Subtotal	\$3,516,285
County Clerk Issuance				Subtotal	\$270,260
				Subtotal	\$3,786,545
				Grand Total	\$6,775,020

* excludes \$0.60 identification security surcharge

Of the revenue shown in Table 1, \$270,260 will be retained locally. The net increase in state revenue is \$6,504,760.

State Expenditures

The bill does not increase overall state expenditures, but it cash funds \$5,758,929 in FY 2007-08 and \$6,504,760 in FY 2008-09 that would normally be paid out the General Fund.

Background. This bill is part of the JBC's FY 2007-08 budget package. The annual Long Bill for FY 2007-08 (SB07-239) includes \$2.7 million for 53.0 new FTE and three new offices; \$2.5 million for continuation funding for the Division of Motor Vehicles; and \$0.6 million for partnering with counties. SB07-241 is intended to provide the necessary cash funding from new fees to support these new offices and staff, and to refinance \$5.8 million General Fund.

Driver's license offices. Costs for FY 2007-08 (\$5,758,929) and FY 2008-09 (\$6,504,760) are to open new state driver's license offices, for county office enhancements, and for the addition of FTE to existing driver's license offices. The difference between projected revenues and expenditures in FY 2008-09 allows for lower revenues.

Computer programming. FY 2007-08 costs of \$11,911 are for modifying the state's motor vehicle registration system (350 hours x \$34.03 per hour) to establish the new \$25 license plate fee. Other costs are for modifying the driver's license computer system to establish the additional fee for special license plates (200 hours x \$34.03 = \$6,806). Driver's license costs are paid from the General Fund; motor vehicle registration costs are paid from the Colorado State Titling and Registration System Account. This fiscal note assumes that computer programming costs of \$18,717 are paid from the FY 2007-08 Long Bill.

Local Government

The bill increases fee revenue by \$270,260 per year retained by clerks for driver's licenses issued by county clerk and recorder offices, as opposed to state driver's licenses offices.

State Appropriations

The bill includes the required appropriation:

Increase - Licensing Services Cash Fund	\$5,758,929
Decrease - General Fund	\$5,758,929

Departments Contacted

Revenue	JBC Staff
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