


Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

Drafting Number: LLS 09-0085	Date: June 12, 2009
Prime Sponsor(s): Rep. Sonnenberg Sen. Renfroe	Bill Status: Postponed Indefinitely
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TITLE: CONCERNING THE REGISTRATION OF MOBILE MACHINERY OPERATED IN INTERSTATE COMMERCE.

Fiscal Impact Summary	FY 2009-10	FY 2010-11
State Revenue		
Cash Fund - Highway Users Tax Fund (reduction)	(\$135,000)	(\$270,000)
State Expenditures		
General Fund *	\$96,856	284,620
Cash Fund - License Plate Cash Fund	52,200	0
FTE Position Change	0.9 FTE	1.8 FTE
Effective Date: The bill was postponed indefinitely by the House Appropriations Committee on April 3, 2009.		
Appropriation Summary for FY 2009-2010: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

* A portion of these costs (\$55,318 in FY 2009-10) is appropriated in the Long Bill to the Department of Revenue for computer programming costs associated with new legislation..

Summary of Legislation

The bill was originally recommended by the Transportation Legislation Review Committee. As amended in the House Transportation & Energy Committee, the bill designates certain mobile machinery and self-propelled construction equipment operated in interstate commerce as class A personal property for registration purposes, but maintains the same tax rate and taxable value for purposes of calculating specific ownership taxes. Mobile machinery and self-propelled construction equipment includes wheeled vehicles commonly used in the construction, maintenance, and repair of roadways; the drilling of wells; and the digging of ditches. Under current law, such vehicles are registered as class F personal property.

As amended, the bill limits eligibility for class A designation to vehicles that are titled and plated in Colorado, equipped to operate on public highways, and equipped with a device to measure mileage.

Background

In addition to vehicle registration fees, Colorado imposes a specific ownership tax on motor vehicles in lieu of a property tax. For all vehicles except those used in interstate commerce, specific ownership tax revenue remains within the county where the vehicle is based. Revenue is allocated to local governments within the county (municipalities, school districts, special districts, and the county itself) based on property tax collections. Vehicles used in interstate commerce pay specific ownership taxes and registration fees that are apportioned among each of the states in which a vehicle travels based on the miles traveled in each state. Within Colorado, specific ownership tax revenue from interstate vehicles is allocated to counties based on the number of highway miles in each county, regardless of the county in which the vehicle is based. This bill would allow mobile machinery and self-propelled construction equipment that is registered in Colorado but used in other states to pay registration fees and taxes based on the interstate apportionment system.

State Revenue

The bill is estimated to reduce state revenue from registration fees by **\$135,000 in FY 2009-10** and by \$270,000 per year thereafter, as shown in Table 1. FY 2009-10 figures reflect one-half of the total annual impact based on the bill's January 1, 2010, effective date.

Table 1. Estimated Revenue Impact of HB 09-1029		
Components	FY 2009-10	FY 2010-11
Vehicles	7,500	15,000
Loss in Registration Fee Revenue (Avg = \$17.50)	\$131,250	\$262,500
Loss in CSTARS* Fee Revenue (\$0.50 per vehicle)	\$3,750	\$7,500
TOTAL STATE REVENUE LOSS	\$135,000	\$270,000

**Colorado State Titling and Registration System*

This fiscal note assumes that only vehicle owners who would pay less under the bill will register their mobile machinery as class A vehicles. Without detailed data about how and where each of these vehicles is used, this fiscal note assumes that roughly one-half of the estimated 30,000 eligible mobile machines based in Colorado will register as class A vehicles. It also assumes that the interstate apportionment system will reduce the registration fees paid on those vehicles by one-half. On average, these vehicles currently pay about \$35 per year in registration fees.

The actual impact on state revenue may differ from this estimate depending on the actual number of vehicles registered as class A under the bill and the proportion of miles driven by those vehicles in Colorado. Registration fees are credited to the Highway Users Tax Fund (HUTF). A separate \$0.50 fee imposed on motor vehicle registrations is credited to the Colorado State Titling and Registration System (CSTARS) Account of the HUTF.

State Expenditures

The bill will increase state expenditures by an estimated \$149,056 in FY 2009-10 and \$284,620 in FY 2010-11, as shown in Table 2 and described below. Actual costs may differ from this estimate depending on the number of pieces of mobile machinery and self-propelled construction equipment based in Colorado that register as class A vehicles.

Table 2. Estimated State Expenditures Under HB 09-1029			
Cost Components	FY 2009-10	FY 2010-11	FY 2011-12
Personal Services	\$35,978	\$71,955	\$71,955
FTE	0.9	1.8	1.8
Operating Expenses and Capital Outlay	\$5,560	\$6,415	\$1,710
Computer Programming	\$55,318	\$0	\$0
License Plate Manufacturing	\$52,200	\$0	\$0
State Aid Backfill for Schools	\$0	\$206,250	\$412,500
TOTAL	\$149,056	\$284,620	\$486,165

Department of Revenue — Personal Services, Operating Expenses, and Capital Outlay. Class A vehicles are registered through the department's Motor Carrier Services Division. Based on the number of vehicles identified in Table 1, the division will require 0.9 FTE in FY 2009-10 and 1.8 FTE per year thereafter. Costs for these staff are based on salary and benefits (\$39,975 per FTE per year), ongoing operating expenses (\$950 per FTE per year), and one-time capital outlay for desks and computers (\$5,228 per FTE). These costs will be paid from the General Fund.

Department of Revenue — Computer Programming and License Plate Manufacturing. The department will have to modify its computer systems to accommodate the new type of class A vehicles specified by this bill. Changes are required to both the credentialing and registration systems. In total, these changes will require 1,432 hours of computer programming, paid at a rate of \$38.63 per hour. Computer programming changes will be paid from the General Fund, but because the department receives ongoing appropriations for this purpose, no separate appropriation is required for this bill. The department will also have to produce 15,000 new interstate license plates at a cost of \$3.48 each. License plate costs are paid from the License Plate Cash Fund.

Department of Education — State Aid Backfill for Schools. Specific ownership taxes help fund public schools, so a reduction in those taxes will increase the need for state aid. It is assumed that about 25 percent of these taxes are attributable to school finance act funding, so a reduction of \$1.65 million in specific ownership taxes would require an increase in state aid of \$412,500. The first-year impact is one-half the annual total and does not occur until FY 2010-11 because the school finance act formula counts specific ownership tax collections from the prior year in the calculation of state need in the current year. The primary source of funding for the school finance act is the state General Fund.

Expenditures Not Included

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 summarized in Table 3.

Cost Components	FY 2009-10	FY 2010-11
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,161	\$12,323
Supplemental Employee Retirement Payments	1,169	2,986
TOTAL	\$7,330	\$15,309

**More information is available at: http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf*

Departmental Difference

The Department of Revenue has identified the maximum fiscal impact of the bill based on the assumption that all 30,000 eligible vehicles would choose to be designated as class A vehicles beginning in FY 2009-10. Specifically, the department has estimated that the bill could reduce state revenue by over \$1 million and increase state expenditures by \$318,946 and 3.5 FTE in FY 2009-10. Although the actual number of vehicles that will be designated as class A vehicles under the bill is unknown, the figures in this fiscal note reflect only about half of all eligible vehicles being designated as class A, based mainly on the assumption that vehicle owners would not choose class A designation unless it will reduce the amount paid in specific ownership taxes and registration fees.

Local Government Impact

The bill will affect local governments in several ways. First, it will reduce specific ownership tax collections by \$1.65 million per year (one-half that amount in FY 2009-10). These moneys are currently allocated to counties, municipalities, school districts, and special districts. It will also change the allocation of any remaining portion of specific ownership tax revenue paid by vehicles that are registered as class A under the bill. Instead of the revenue remaining in the county in which the vehicle is registered, it would be allocated across all counties in the state. As a result, counties where these vehicles are based will receive significantly less than they currently receive, but other counties will receive more than under current law.

Second, the bill reduces HUTF allocations to counties and municipalities from motor vehicle registration fees by an estimated \$270,000 per year (one-half that amount in FY 2009-10). Finally, the bill will reduce the number of vehicles registered by county clerks, as well as the amount of revenue from motor vehicle registrations retained by clerks.

State Appropriations

For FY 2009-10, the Department of Revenue will require the following appropriations:

- \$41,538 from the General Fund and 0.9 FTE; and
- \$52,200 from the License Plate Cash Fund.

Departments Contacted

Revenue