



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

Drafting Number: LLS 10-0882
Prime Sponsor(s): Rep. King S.

Date: February 21, 2010
Bill Status: House SVMA
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TITLE: CONCERNING ESTABLISHMENT OF A TWO-YEAR REGISTRATION FOR VEHICLES.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
Cash Funds		
Multiple Cash Funds	\$ 11.8 million	\$ 0
State Expenditures		
General Fund	\$ 50,000	(\$ 890,000)
Cash Funds		
Highway Users Tax Fund – CSTAR Account*	47,861	0
FTE Position Change		
Effective Date: August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

* *No separate appropriation of these funds is required because of ongoing appropriations to the Department of Revenue for computer programming provided in the Long Bill for new legislation.*

Summary of Legislation

This bill requires the Department of Revenue to develop a 2-year registration program for Class B, Class C, Class D, and Class F vehicles. Vehicles registered under the 2-year registration program are exempt from registration late fees but must pay 2 years' worth of registration fees and specific ownership taxes. Vehicle owner participation in the program is optional.

Background. Under current law, the Department of Revenue already has the authority to offer the option of a 2-year registration cycle but has never exercised this authority. When 2-year registrations occur, revenue, expenditures, and workload will likely spike in the initial year.

State Revenue

Revenue under this bill is expected to increase by **\$11.8 million in FY 2010-11**. As Table 1 shows, state revenue is impacted in two ways. First, the bill shifts the collection of registration fees and specific ownership taxes forward one year for any person who chooses to register on a 2-year cycle. Second, waived late fees will reduce state revenue as discussed below.

Table 1. Revenue Under HB10-1268		
Cost Components	FY 2010-11	FY 2011-12
Registration Fee Collections*	\$9,164,044	\$0
Specific Ownership Tax Collections*	3,072,364	0
Waived Late Fees	(434,327)	0
TOTAL	\$11,802,081	\$0

* Note that FY 2011-12 fee and tax collections net to zero because the reduction in revenue from FY 2010-11 is offset by an increase in 2-year revenue from the new participants (2.5 percent of vehicles).

Revenue changes are based on the following assumptions:

- P To provide time for the DOR to make programming changes, 2-year registrations will not be available until January 2011.
- P Approximately 20 percent of vehicle owners with registration fees and taxes less than \$100 will choose a 2-year registration. Since the program will begin in January 2011, half of the registrations will be in FY 2010-11 and half in FY 2011-12.
- P 10 percent of owners with vehicles that have late fees will opt to purchase a 2-year registration and have the fee waived.

Waived Late Fees. Reductions in late fees charged will **reduce HUTF revenue by \$434,327 in FY 2010-11**, thereby reducing distributions to the State Highway Fund, counties, and municipalities. All impacts are in FY 2010-11 as late registrations are expected to reach a minimal level by FY 2011-12. Table 2 illustrates the bill's impact.

Table 2. Estimated Late Fee Reductions Under HB10-1268			
	Current Law	Under HB 10-1268	
	FY 2010-11	FY 2010-11	Difference
State Highway Fund (60%)	\$2,605,965	\$2,345,368	(\$260,597)
Counties (22%)	955,520	859,968	(95,552)
Municipalities (18%)	781,789	703,610	(78,179)
TOTAL	\$4,343,274	\$3,908,947	(\$434,327)

State Expenditures

State expenditures increase **\$97,861 in FY 2010-11** and **decrease by \$891,000 in FY 2011-12**. Up front costs are in the Department of Revenue as described below. The bill will have school finance implications in FY 2011-12.

Department of Revenue. Expenditures are for computer programming to the systems used for titling and registration. Computer programming is paid at a rate of \$39.23 per hour and is for the following:

- P *Colorado State Titling and Registration System (1000 hours – \$39,230 CSTAR Account).* CSTARS is the system used by county motor vehicle registration personnel. The bill requires 1000 hours to make the changes that include the following:
 - P add the 2-year option;
 - P incorporate fee waivers;
 - P allow for appropriate modifications to fees based on the type of registration and circumstances such as theft of a vehicle;
 - P distribute, track, and report on the donation revenue; and
- P *VIPER (220 hours – \$8,631 CSTAR Account).* VIPER is the department's system used to manage and process the registration revenue. The system needs to track and report on revenue from 2-year registrations.

An additional \$50,000 is required to add a 2-year registration option to the Colorado Interactive System. This is the online registration renewal system that is maintained by an outside vendor.

No appropriation is necessary for programming costs in the CSTAR system because of ongoing appropriations to the department for computer programming provided in the Long Bill for new legislation. Colorado Interactive System programming requires a General Fund appropriation because it is for an outside vendor.

Note that this analysis assumes that the Department of Revenue will issue tabs each year, even if a person has selected a 2-year registration. This will allow that department to better predict the participation in the program without ordering duplicate year tabs for vehicles. Once participation is understood, the total number of tabs ordered by the department should be reduced. Each tab is \$0.17.

School Finance Act. The bill is expected to increase specific ownership tax collections by \$3,072,364 in FY 2010-11. Under the School Finance Act, specific ownership taxes provide a source of local funding that offsets the need for state aid. Approximately 29 percent of all specific ownership tax is distributed to school districts. Thus, the bill reduces the need for state General Fund appropriations for school finance in the following fiscal year (FY 2011-12) by an estimated \$891,000.

Local Government Impact

This bill will impact local governments in the following ways:

- P Specific ownership taxes will increase by \$3.1 million in FY 2010-11. These taxes are distributed to local governments in proportion to the property taxes collected by each entity within the county.
- P It will change HUTF revenue to counties and municipalities from a reduction of late registration fees by \$173,731 in FY 2010-11 and increased collection of other registration fees.
- P County processes for registrations may require changes to paperwork and computer systems that are not reflected in the above analysis.

State Appropriations

For FY 2010-11, the Department of Revenue requires a General Fund appropriation of \$50,000.

Departments Contacted

Revenue