

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 10-0270

Date: March 5, 2010

Prime Sponsor(s): Sen. Renfroe

Bill Status: Senate SVMA

Rep. Gardner C.

Fiscal Analyst: Kurtis Morrison (303-866-3140)

TITLE: CONCERNING AUTHORIZATION FOR A NO-STREET-USE VEHICLE REGISTRATION, AND, IN CONNECTION THEREWITH, REDUCING THE AMOUNT OF THE SPECIFIC OWNERSHIP TAX LEVIED ON A VEHICLE REGISTERED AS A NO-STREET-USE VEHICLE AND EXEMPTING THE OWNER OF SUCH A VEHICLE FROM PAYING THE ROAD SAFETY AND BRIDGE SAFETY SURCHARGES IMPOSED PURSUANT TO SENATE BILL 09-108.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
Cash Funds		
Highway Users Tax Fund	(\$13.9 million)	(\$16.7 million)
Statewide Bridge Enterprise Special Revenue Fund	(5.5 million)	(6.6 million)
License Plate Cash Fund	141,667	170,000
Multiple Cash Funds	< 20,000	< 20,000
State Expenditures		
General Fund – School Finance		\$435,000
Cash Funds		
License Plate Cash Fund	\$173,000	\$173,000
Highway User Tax Fund - CSTAR Account*	19,615	
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

Senate Bill 10-137 creates a special registration for idle vehicles under which they pay reduced taxes and fees in comparison to standard registration. The bill requires that such vehicles:

- remit 50 percent less in specific ownership tax (SOT);
- are exempt from the road safety surcharge established under SB09-108; and
- are exempt from the bridge safety surcharge established under SB09-108.

The bill permits vehicle owners to switch a vehicle's registration status during a registration period by:

- changing from standard registration to no-street-use (idle) registration — requiring that a county clerk issue a prorated refund of road and bridge safety surcharge fees paid for the current registration period; and
- changing from no-street-use registration to standard registration — requiring that a vehicle owner remit road and bridge safety surcharge fees proportionate to the portion of the registration period under standard registration.

The bill requires the Department of Revenue (DOR) to provide special validating tabs or stickers to identify no-street-use vehicles. Operating a vehicle registered for no-street-use on a public highway is punishable as a class B traffic infraction and incurs state fines plus a fine equal to the amount the vehicle owner saved in registration fees by registering his or her vehicle under no-street-use designation.

State Revenue

The bill reduces state revenue by \$19.3 million in FY 2010-11 and \$23.1 million in FY 2011-12. Vehicles under no-street-use designation are exempt from road and bridge safety surcharges established by Senate Bill 09-108. Road safety surcharge revenue is credited to the Highway Users Tax Fund (HUTF) and subsequently allocated to the State Highway Fund, counties, and municipalities. All bridge safety surcharge revenue is credited to the Statewide Bridge Enterprise Special Revenue Fund. No-street-use vehicles will also be required to affix a validating tab indicating the designation, thereby increasing revenue by \$0.17 for each tab issued.

Approximately 5.1 million vehicles were registered in Colorado as of December 31, 2009. The fiscal note assumes that 600,000 vehicles (11.8 percent) will register under no-street-use designation for a full registration period and that 400,000 vehicles (7.8 percent) will register for a partial registration period of 6 months. Table 1 provides a summary of the bill's revenue impact.

Table 1. State Revenue Reductions Under Senate Bill 10-137				
Vehicles Under No-Street-Use Designation		Fee	FY 2010-11	FY 2011-12
<i>Full Year</i> 600,000		Bridge Safety Surcharge* (\$8.25)	(\$4,125,000)	(\$4,950,000)
		Road Safety Surcharge* (20.84)	(10,420,000)	(12,504,000)
		Validating Tab 0.17	85,000	102,000
		<i>SUBTOTAL</i>	(14,460,000)	(17,352,000)
<i>Partial Year</i> 400,000		Bridge Safety Surcharge* (\$8.25)	(\$1,375,000)	(\$1,650,000)
		Road Safety Surcharge* (20.84)	(3,473,333)	(4,168,000)
		Validating Tab 0.17	56,667	68,000
		<i>SUBTOTAL</i>	(4,791,667)	(5,750,000)
		TOTAL	(\$19,251,667)	(\$23,102,000)
		Highway Users Tax Fund	(\$13,893,333)	(\$16,672,000)
		Statewide Bridge Enterprise Special Revenue Fund	(\$5,500,000)	(\$6,600,000)
		License Plate Cash Fund	\$141,667	\$170,000

* Table 1 assumes the average road and bridge safety surcharge fee amounts collected from July 2009 through January 2010.

Additional revenue is generated by vehicle owners assessed a class B traffic violation for violating the provisions of the bill. Violations incur a \$50 fine credited to the HUTF and a \$16 surcharge credited to the Crime Victim Compensation Fund and the Victims and Witnesses Assistance and Law Enforcement Fund. The number of violations has not been quantified but is expected to result in less than \$20,000 in revenue.

State Expenditures

The bill affects state expenditures in 2 ways: cash fund expenditures to produce tabs for idle vehicles; and General Fund expenditures for the School Finance Act to backfill lost SOT.

State cash fund expenditures are \$192,615 in FY 2010-11 and \$173,000 each fiscal year thereafter. Production of validating tabs for no-street-use designation requires \$173,000 in expenditures annually (1,000,000 tabs at \$0.17 per tab). Programming for DOR computer systems requires \$19,615 (500 hours of programming work at \$39.23 per hour). Programming expenditures will include adding new plate types, adding new tabs to inventory, and modifying various reports. No separate appropriation of the Colorado State Titling and Registration System (CSTARS) is required because of ongoing appropriations to the DOR for computer programming provided in the Long Bill for new legislation.

General fund expenditures are \$435,000 in FY 2011-12 and each year thereafter. Under the School Finance Act, SOT provides a source of local funding that offsets the need for state aid and the state is required to backfill any reduction in such funding. Approximately 29 percent of SOT revenue is distributed to school district funding under the act. Current law provides that motor vehicles are assessed an SOT of \$3 or more. Assuming the \$3 minimum tax, the bill will decrease SOT revenue by \$1.5 million (50 percent of total SOT generated by 1 million vehicles at \$3 per vehicle). Thus, the backfill is \$435,000.

Local Government Impact

SOT revenue is distributed to local governments in proportion to property taxes collected by each entity within the county. The **bill decreases SOT revenue by requiring no-street-use vehicles to pay 50 percent of SOT due.** The bill also reduces road safety surcharge revenue, thereby **decreasing HUTF distributions to counties and municipalities by \$5.6 million in FY 2010-11 and \$6.7 million in FY 2011-12.**

State Appropriations

The DOR requires an appropriation of \$173,000 for FY 2010-11 from the License Plate Cash Fund.

Departments Contacted

Public Safety

Revenue

Transportation