

**STATE
FISCAL IMPACT**

Drafting Number: LLS 11-0763	Date: February 15, 2011
Prime Sponsor(s): Rep. Riesberg; Gerou Sen. Aguilar	Bill Status: House Transportation Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING THE FUNDING OF PROGRAMS THAT HELP PERSONS WITH DISABILITIES OBTAIN BENEFITS BY THE SALE OF UNIQUELY VALUABLE REGISTRATION NUMBERS FOR VEHICLES.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue Cash Funds Disability-Benefit Support Fund Registration Number Fund License Plate Cash Fund	Potential increase See State Revenue section	
State Transfers Transfer from the Registration Number Fund to the Disability-Benefit Support Fund Transfer from the Registration Number Fund to the General Fund Transfer from the Disability-Benefit Support Fund to the Registration Number Fund	See State Transfers section	
State Expenditures Cash Funds Highway Users Tax Fund - CSTAR Account Disability-Benefit Support Fund Registration Number Fund License Plate Cash Fund	\$2,960 Potential increase Potential increase Potential increase	\$15,648 Potential increase Potential increase
FTE Position Change		0.3 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

This bill creates the Laura Hershey Disability-Benefit Support Act, and establishes a program to award state contracts to one or more non-profit organizations that assist disabled persons with obtaining benefits. The 9-member Disabled-Benefit Support Contract Committee (DBSCC) is created in the Colorado Department of Human Services (CDHS) and tasked with contracting and evaluation of services. Revenue for the program is generated through the receipt of gifts, grants, and donations, and the sale of uniquely valuable license plates, as discussed below.

License plate sales. The bill creates the 7-member License Plate Auction Group (LPAG), housed in the Governor's Office, to create a market and manage the sales of uniquely valuable license plate numbers. It authorizes the Department of Revenue (DOR) to hold and release available license plate numbers for sale by the LPAG. Private entities or the LPAG may sell identified license plate numbers. The state receives the full amount of revenue for the sale of unissued license plate numbers, and a 25 percent royalty on sales by private entities. A buyer of a designated license plate number secures the exclusive right to its use, and if the number is not within the normal format for license plates, it shall be issued as a personalized plate. The LPAG is authorized to accept gifts, grants, and donations; hire employees; and set prices and auction available license plate numbers.

All revenue generated by the LPAG is credited to the Registration Number Fund. A portion of these moneys are allowed to be used for administrative expenses, with the balance credited to the Disability-Benefit Support (DBS) Fund or General Fund.

Contract awards. Within 6 months of receiving revenue from the sale of license plate numbers, the DBSCC is to issue a request for proposals (RFP) to non-profit organizations that meet certain criteria. Any contracts issued are limited to 1-year terms, with an option to renew for up to 5 years. Gifts, grants, and donations may be received, and are credited to the DBS Fund.

Background

The sale of uniquely valuable license plate numbers is in limited practice in only a few states, including Delaware, Massachusetts, and Texas. Recent sales of license plate numbers have typically included low-digit or personalized license plate combinations, including Delaware plate number 6, which was auctioned for \$675,000 in 2008, and Texas license plates personalized with the words "ranger" and "cowboys," which sold for \$10,000 and \$11,500, respectively. Colorado currently allows personalized license plates in combinations of 2 to 7 letters and numbers.

State Revenue

State revenue may increase under HB11-1216 through the receipt of gifts, grants, and donations; the sale of license plate numbers; and by issuing new special license plates. Depending on their source and intended purpose, gifts, grants, and donations may be credited to either the Registration Number Fund or DBS Fund, and revenue generated from the sale of license plate numbers is credited to the Registration Number Fund. Assuming a buyer of a unique license plate number chooses to register the number to their vehicle, a new personalized license plate will be issued. Each new personalized license plate requires a fee of \$5.92, credited to the License Plate Cash Fund. The amount of increased revenue has not been estimated.

State Transfers

Based on available fund balances, multiple transfers from the two new cash funds created under the bill - the DBS Fund and the Registration Number Fund - are authorized. The DBS Fund may make transfers to the Registration Number Fund as requested. The fiscal note assumes such transfers would be made on an as-needed basis to pay administrative and start up costs of the LPAG. Transfers from the Registration Number Fund are also allowed, and occur in the following order:

- up to 5 percent may be used for administrative costs, however the bill is silent as to whether these expenditures will be made from the account or transferred to another fund;
- the fund balance, up to \$1.5 million is transferred to the DBS Fund;
- following the initial transfer to the DBS Fund, any remaining funds, up to \$2.5 million are transferred to the General Fund; and
- following a transfer to the General Fund, any remaining funds are transferred to the DBS Fund.

State Expenditures

This bill will increase state expenditures by at least \$2,960 in FY 2011-12. In FY 2012-13, state costs of at least \$15,648 from the DBS Fund and 0.3 FTE are conditional upon the receipt of sufficient revenues to fund program activities. Table 1 and the discussion that follows address the cost components of the bill.

Table 1. Expenditures Under HB11-1216		
Cost Components	FY 2011-12	FY 2012-13
Personal Services (Procurement costs)	\$0	\$15,648
FTE		0.3
CSTARS Computer System Changes	2,960	-
Special License Plates - \$5.92 per set	potential increase	potential increase
TOTAL	\$2,960	\$15,648

Computer system changes — DOR. The Colorado State Titling and Registration System (CSTARS) requires programming to track license plate numbers identified by the LPAG. The one-time cost of these changes is \$2,960, or 40 hours of programming at \$74 per hour. These costs are payable from the Highway Users Tax Fund - CSTAR account.

Procurement costs — CDHS. Staff is needed to manage the state procurement process for the DBSCC once sufficient revenues are raised by the LPAG. The fiscal note assumes that contracting will not begin until FY 2012-13, and only one solicitation will occur in that year. Costs are estimated to be \$15,648 and 0.3 FTE, paid from the DBS Fund. Future contracting levels are anticipated to remain constant or increase, depending on the amount of program revenue available.

Personalized license plates — DOR. The bill requires auctioned license plate numbers to be registered on vehicles as a personalized license plate if they fall outside of the normal format. All vehicle owners pay an annual registration fee of \$5.92 fee to offset the Department of Revenue's license plate tab and production costs. This fee is credited to the License Plate Cash Fund. The fiscal note assumes that in the year an auctioned license plate number is acquired, this fee may be captured twice — once for the existing license plates through the annual registration process, and once to replace the existing license plate with a new personalized plate. The number of personalized license plates to be issued has not been estimated.

Other state agencies. The fiscal note assumes that the Departments of Human Services and Revenue, and the Governor's Office may require additional resources to cover the administrative costs for the DBSCC or LPAG. Any administrative costs that do incur, whether contracted or provided by a state agency, are conditional upon the receipt of sufficient gifts, grants, and donations or revenue from the sale of license plate numbers. These costs have not been estimated, but will be paid from either the DBS Fund or the Registration Number 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 2.

Table 2. Expenditures Not Included Under HB11-1216*		
Cost Components	FY 2011-12	FY 2012-13
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$0	\$2,130
Supplemental Employee Retirement Payments	0	834
TOTAL	\$0	\$2,964

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

State Appropriations

For FY 2011-12, the Department of Revenue requires an appropriation of \$2,960 from the Highway Users Tax Fund - CSTAR Account.

Departments Contacted

Governor's Office	Health Care Policy and Financing	Human Services
Legislative Council	Personnel and Administration	Public Safety
Revenue		