

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
CONDITIONAL FISCAL IMPACT**

Note: This fiscal note is written pursuant to Joint Rule 22 (b)(c) and reflects strike below Amendment L.001.

Drafting Number: LLS 11-0713	Date: February 16, 2011
Prime Sponsor(s): Sen. Grantham Rep. Conti	Bill Status: Senate SVMA
	Fiscal Analyst: Kurtis Morrison (303-866-3140)

TITLE: CONCERNING SURFACE TRANSPORTATION FUNDING.

Fiscal Impact Summary	FY 2011-2012	FY 2014-2015	FY 2015-2016
State Revenue			
Cash Funds			
Highway Users Tax Fund		(\$160.4 million)	(\$160.4 million)
State Transfers			
Transfer from the General Fund to the Highway Users Tax Fund		(\$151.8 million) 151.8 million	(\$151.8 million) 151.8 million
State Expenditures			
General Fund		\$34,250	
Cash Funds			
HUTF CSTAR Account		2,664	
FTE Position Change			
Effective Date: July 1 of the first state fiscal year for which General Fund transfers to the HUTF are made pursuant to Section 24-75-219, C.R.S.			
Appropriation Summary for FY 2011-2012: None required.			
Local Government Impact: See Local Government Impact section.			

Summary of Legislation

Senate Bill 11-095, with amendment L.001, eliminates fee and surcharge revenue established by Senate Bill 09-108, also referred to as the Funding Advancements for Surface Transportation and Economic Recovery Act of 2009 (FASTER), and amends transfer and distribution requirements for Senate Bill 09-228 transfers to the Highway Users Tax Fund (HUTF). The bill's requirements take effect if and when personal income growth in Colorado meets or exceeds 5 percent. The following paragraphs describe the amendment's specific provisions.

General Fund Transfers for Transportation Funding. State law provides that 2 percent of total General Fund revenue be transferred to the HUTF beginning in FY 2012-13, if in the previous calendar year the state experienced personal income growth by at least 5 percent. The bill increases Senate Bill 09-228 transfers from 2 percent to 4 percent of total General Fund revenue.

Vehicle Registration Fee, Surcharge, and Penalty Reductions. The bill eliminates or reduces fees, surcharges, and penalties established or increased by Senate Bill 09-108. Specifically, the bill:

- eliminates the road safety surcharge and related exemptions;
- eliminates the daily vehicle rental fee and related exemptions;
- eliminates the supplemental oversize/overweight vehicle surcharge;
- eliminates the supplemental unregistered vehicle fine for failure to register a vehicle upon becoming a Colorado resident;
- reduces the late vehicle registration fee to a \$10 fee, waiveable by the Department of Revenue (DOR) or county clerks, and eliminates related exemptions; and
- reduces penalties from \$1,000 to \$500 for obtaining a license or certificate of title to a motor vehicle under an address other than: the owner's residential address; the address of where the vehicle is permanently maintained; or, for vehicles used for business purposes, at an address where the vehicle is principally operated and maintained.

Changes to Highway Users Tax Fund Distributions. Under current law, Senate Bill 09-108 revenue is credited to the State Highway Fund (SHF) (60 percent), counties (22 percent) and cities (18 percent). This bill requires that the additional 2 percent General Fund transfers to the HUTF established by the bill are also distributed according to the same formula.

Vehicle Registration Requirements. The bill also reduces the length of time a new Colorado resident has to register a vehicle that is licensed, registered, or has a certificate of title from another state, from 90 days to 30 days

State Revenue

The bill reduces state cash fund revenue by approximately \$160.4 million per fiscal year following enactment. The bill requires that fee and surcharge reductions and eliminations will not take effect until the first fiscal year in which personal income grows by at least 5 percent. According to the December 2010 Legislative Council Staff forecast, personal income is not expected to grow by 5 percent until 2014 or later. Thus, this fiscal note assumes that personal income growth may reach 5 percent in 2014, thereby triggering the bill's requirements in FY 2014-15. Table 1 summarizes the bill's revenue reductions in the first year of enactment.

Table 1. Highway Users Tax Fund Revenue Reductions Under Senate Bill 11-095, Amendment L.001 *			
Fee/Surcharge	Revenue Collections Projected for FY 2014-15		
	Current Law	SB 11-095	Difference
Road Safety Surcharge <i>— \$16 through \$39 surcharge based on vehicle weight</i>	\$119.3 million	\$0	(\$119.3 million)
Late Vehicle Registration Fee** <i>— \$25 per month fee, up to \$100</i>	19.5 million	0	(19.5 million)
Daily Vehicle Rental Fee <i>— \$2 per day fee for vehicle rentals</i>	20.6 million	0	(20.6 million)
Supplemental OS/OW Vehicle Surcharge <i>— Doubling of the permit fee for OS/OW vehicles</i>	1.0 million	0	(1.0 million)
Supplemental Unregistered Vehicle Fine** <i>— \$25 per month fee, up to \$100</i>	< 20,000***	0	(20,000)
Penalty for Registering a Vehicle at an Unauthorized Address <i>— \$1,000 penalty</i>	< 20,000***	< 10,000	(10,000)
Total HUTF Revenue	\$160.4 million	< \$10,000	(\$160.4 million)

Source: Legislative Council Staff, December 2010 Forecast.

* Totals may not sum due to rounding.

** Fee revenue exceeding \$10 per charge is credited to the HUTF.

*** The fiscal note assumes a minimal number of violations are cited resulting in payment of the supplemental unregistered vehicle fine and penalties for registering a vehicle at an unlawful address.

State Transfers

Once triggered by 5 percent personal income growth, the bill would transfer an additional \$151.8 million — 2 percent of total General Fund revenue — from the General Fund to the HUTF, in addition to a 2 percent transfer of General Fund monies already set in state law. Table 2 illustrates the bill's transfer of funds from the General Fund to the HUTF, and subsequent distributions to the State Highway Fund (SHF), counties, and cities.

Table 2. Senate Bill 11-095 Transfers and Distributions Under Senate Bill 11-095, Amendment L.001*			
Transferred From	Transferred To	Distributions	Additional Distributions and Requirements
<i>Current Law</i>			
General Fund ▶ \$151.8 million	100% to HUTF ▶ \$151.8 million	100% to SHF ▶ \$151.8 million	<i>Not applicable.</i>
<i>Senate Bill 11-095, Amendment L.001</i>			
General Fund ▶ \$303.5 million	50% to the HUTF ▶ \$151.8 million	100% to SHF ▶ \$151.8 million	▶ 62.5% expended on transportation projects and related purposes — \$94.9 million ▶ 37.5% expended on road safety projects — \$56.9 million
	▶ \$151.8 million	60% to SHF ▶ \$91.1 million	▶ 62.5% expended on transportation projects and related purposes — \$56.9 million ▶ 37.5% expended on road safety projects — \$91.1 million
		22% to counties ▶ \$33.4 million	▶ 100% expended on road safety projects — \$33.4 million
		18% to cities ▶ \$27.3 million	▶ 100% expended on road safety projects — \$27.3 million

*Totals may not sum due to rounding.

Table 2 assumes that personal income growth will have risen such that Senate Bill 09-228 transfers to the HUTF will occur in FY 2014-15. Dollar amounts are based on revenue estimates from the 2010 Legislative Council Staff forecast of General Fund revenue for FY 2012-13 (\$7.588 billion), the last year in the forecast period.

State Expenditures

The bill has no immediate impact on state cash fund expenditures. Current projections are that personal income growth will not exceed 5 percent until at least 2014. Therefore, the bill's provisions will not take effect in FY 2011-12, and no expenditures or appropriations are necessary for FY 2011-12.

However, if and when economic conditions do permit the bill to take effect, the following one-time DOR computer programming costs are anticipated with subsequent need for reappropriated funds for the Governor's Office of Information Technology:

- \$2,664 (36 hours of programming at \$74 per hour) to update the Colorado State Titling and Registration System (CSTARS), paid from the HUTF CSTAR Account; and
- \$34,250 (125 hours of programming at \$74 per hour, and 125 hours of programming at \$200 per hour by FAST Enterprises) to update the Colorado Integrated Tax Architecture (CITA) program, paid from the General Fund.

Local Government Impact

The bill may increase or decrease local government revenue. The bill reduces Senate Bill 09-108 revenue to the HUTF that is subsequently distributed to local governments. However, the bill also increases revenue distributed to local governments, through an identical formula, from General Fund transfers. Based upon General Fund and HUTF revenue collections at the time when the bill takes effect, local government revenue may either increase or decrease.

Departments Contacted

Judicial Revenue Transportation