

Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
REVISED FISCAL IMPACT
(replaces fiscal note dated February 20, 2013)

Drafting Number: LLS 13-0360
Prime Sponsor(s): Rep. Fischer
 Sen. Jones

Date: April 8, 2013
Bill Status: Senate Transportation
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TITLE: CONCERNING CHARGES RELATED TO MOTOR VEHICLES THAT TRAVEL ON THE PUBLIC HIGHWAYS OF THE STATE.

Fiscal Impact Summary	FY 2013-14	FY 2014-15	FY 2018-19
State Revenue			
Cash Funds - HUTF, Electric Vehicle Grant Fund	\$192,431	\$505,109	\$1,125,537
State Expenditures			
Cash Funds - CSTARS, HUTF Exempt, License Plate Cash Fund, LPG and Natural Gas Inspection Fund	\$254,096	\$109,886	\$387,903
FTE Position Change		1.0 FTE	4.0 FTE
Effective Date: August 15, 2013, except changes to fees and taxes effective January 1, 2014.			
Appropriation Summary for FY 2013-2014: See the State Appropriations section.			
Local Government Impact: See the Local Government Impact section.			

Note: This fiscal note has been revised based on amendments adopted in the House Transportation Committee on February 13, 2013 and new information.

Summary of Legislation

As **amended**, HB13-1110 alters revenue collected from vehicles propelled by natural gas and plug-in electricity. Table 1 illustrates the differences between current law and HB13-1110. Under current law, in addition to normal registration fees, natural gas-based vehicles pay an annual fee based on the weight of the vehicle in-lieu of paying a special fuel tax. The Department of Revenue issues these vehicles a decal that must be displayed. Under HB13-1110, the decal system is repealed and natural gas-based vehicles will instead pay a reduced special fuel tax rate on a gallon of gas equivalent when the fuel is purchased.

Under HB13-1110, plug-in electric vehicles will pay an annual fee of \$50. The Department of Revenue will then issue a decal that is required to be displayed.

Table 1. Comparison of Fees for Natural Gas and Plug-in Electric Vehicles Under Current Law and HB13-1110		
Fuel Type	Current Law	HB13-1110
Vehicles propelled by Compressed Natural Gas; Liquefied Petroleum Gas; and Liquefied Natural Gas.	-An annual license fee is charged based on the weight of the vehicle in lieu of the special fuel tax. (decal system)	The decal system is repealed. -A reduced special fuels tax is levied on a gallon of gasoline equivalent. (See table 3 on page 3)
Plug-in Electric Vehicles	None	An annual license decal fee of \$50
Truckloads of Compressed Natural Gas; Liquefied Petroleum Gas; and Liquefied Natural Gas consumed in Colorado.	A \$10 fee is assessed on all truckloads of Liquefied Petroleum Gas used in Colorado.	A truckload is defined as 8,000 gallons or gallon equivalent. A \$10 fee is assessed for all truckloads of Liquefied Petroleum Gas, Liquefied Natural Gas, and Compressed Natural Gas used in Colorado.

The Department of Revenue will administer the tax on natural gas-based fuels. County clerk and recorders are required to collect the \$50 decal fee for plug-in electric vehicles and remit the money to the State Treasurer; \$30 is deposited into the Highway Users Tax Fund (HUTF) and \$20 into the Electric Vehicle Grant Fund. The Division of Oil and Public Safety in the Department of Labor and Employment is required to write and enforce rules related to the use of natural gas-based fuels. The Division of Oil and Public Safety will receive the fee of \$10 for every 8,000 gallon of Compressed Natural Gas (CNG), Liquefied Petroleum Gas (LPG), and Liquefied Natural Gas (LNG) consumed in the state. These funds will be credited to the Liquefied Petroleum Gas and Natural Gas Inspection Fund. The Department of Transportation is required to submit an impact report to the Transportation Legislation Review Committee by January 1, 2017. A series of conforming changes are also made.

State Revenue

As shown in Table 2, the bill will increase cash fund revenue by \$192,431 in FY 2013-14, \$505,109 in FY 2014-15, and \$1,125,537 in FY 2018-19, when the bill is fully implemented. Each type of revenue source is explained below.

Table 2. Revenue Under HB13-1110			
Revenue Component	FY 2013-14	FY 2014-15	FY 2018-19
Repeal of Natural Gas Decal	(\$60,599)	(\$133,318)	(\$195,191)
Special Fuel Excise Tax	63,173	180,209	706,723
Electric Vehicle Decal - HUTF	83,672	213,914	307,167
Electric Vehicle Decal - Electric Vehicle Grant Fund	55,781	142,609	204,778
Odorized LPG and Natural Gas Fee	50,404	101,695	102,060
TOTAL	192,431	505,109	1,125,537

Repeal of Natural Gas Decal. The repeal of the decal will decrease revenue by \$60,599 in FY 2013-14, \$133,318 in FY 2014-15, and \$195,191 in FY 2018-19, when the bill is fully implemented. Currently all LPG, CNG, LNG vehicles are required to annually buy a decal when the vehicle is registered. The repeal of this decal system will decrease revenue to the HUTF. Estimates for reduced revenue figures are based on current decal revenue and expectations for growth in the demand for these vehicles.

Special Fuel Excise Tax. The special fuel excise tax will increase revenue by \$63,173 in FY 2013-14, \$180,209 in FY 2014-15, and \$706,723 in FY 2018-19, when the bill is fully implemented. Instead of the decal system, the bill subjects LPG, LNG, and CNG fuels to a reduced special fuel tax rate on a gallon of gas equivalent. This rate, displayed in Table 3, is phased in over six years and will yield an increase in revenue to the HUTF. It is assumed that consumption of natural gas-based fuels will follow historical growth rates.

Table 3. Per Gallon Excise Rate for Natural Gas-Based Fuels by Calendar Year						
Fuel Type	2014	2015	2016	2017	2018	2019
Compressed Natural Gas	¢3	¢6	¢9	¢12	¢15	¢18
Liquefied Natural Gas	¢3	¢5	¢7	¢8	¢10	¢12
Liquefied Petroleum Gas	¢3	¢5	¢7	¢9	¢11	¢13

Electric Vehicle Decal Fee. The electrical vehicle decal fee will increase revenue to the HUTF by \$83,672 in FY 2013-14, \$213,914 in FY 2014-15, and \$307,167 in FY 2018-19, when the bill is fully implemented. It will also increase revenue to the Electric Vehicle Grant Fund by \$55,781 in FY 2013-14, \$142,609 in FY 2014-15, and \$204,778 in FY 2018-19, when the bill is fully implemented. The bill requires plug-in electric vehicles to be charged an annual fee of \$50 to purchase a decal when the vehicle is registered, of which \$30 is credited to the HUTF and \$20 is credited to the Electric Vehicle Grant Fund. The decal is required to be displayed in the upper right corner of the windshield at all times. This fee is specifically for plug-in vehicles and will not apply to hybrid vehicles that cannot be plugged in. These figures assume that sales of plug-in vehicles will grow at rates similar to those of other hybrid technologies.

Odorized LPG and Natural Gas Fee. The bill will increase revenue to the LPG and Natural Gas Inspection Fund by \$50,404 in FY 2013-14, \$101,695 in FY 2014-15, and \$102,060 in FY 2018-19, when the bill is fully implemented. Under current law a fee of \$10 is charged on all trucks carrying LPG for use in the state, regardless of size. This bill alters this rule to define a truckload as 8,000 gallons or gallon equivalent and expand it to include LNG and CNG. These funds will be credited to the LPG and Natural Gas Inspection Fund.

State Expenditures

As shown in Table 4, the bill will increase expenditures by \$254,096 in FY 2013-14 and \$109,886 in FY 2014-15. Expenditures will increase by an estimated \$387,903 in FY 2018-19, when the bill is fully phased-in.

Table 4. Expenditures Under HB13-1110			
Cost Components	FY 2013-14	FY 2014-15	FY 2018-19
Department of Labor and Employment - Cash Funds		\$99,690	\$375,963
FTE	0.0	1.0	4.0
Department of Revenue - Cash Funds	\$254,096	10,196	10,196
TOTAL	254,096	109,886	387,903

Division of Oil and Public Safety. The division will incur minimal expenses in FY 2013-14 for operating costs related to drafting rules and regulations; these expenses can be absorbed within current appropriations. In FY 2014-15, the division will incur \$99,690 in personnel expenses to hire inspectors to enforce the various standards related to natural gas-based fuels. As the advent of natural gas technology spreads, it is estimated that more inspectors will be needed. These expenses will be funded by the LPG and Natural Gas Inspection Fund.

The Department of Revenue. The Department of Revenue will need one-time funding of \$254,069 in FY 2013-14 to implement this bill. Programming updates to the Colorado State Tilting and Registration System (CSTARS) and other databases will cost \$68,212 and be paid out of the CSTARS cash fund. Additionally, \$14,610 in postage is expected in FY 2013-14 and will be paid out of the CSTARS account. Altering the programming for the fuel tracking and GenTax systems is expected to cost \$160,675 in FY 2013-14 and will be paid out of the HUTF Exempt, which is an existing appropriation to the Department of Revenue specifically for managing the HUTF. The purchase of decals for electric vehicles is expected to cost \$10,599 and will be paid from the Licensing Plate cash 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 5.

Table 5. Expenditures Not Included Under HB13-1110*			
Cost Components	FY 2013-14	FY 2014-15	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$0	\$4,505	\$17,997
Supplemental Employee Retirement Payments	0	3,647	13,718
TOTAL	0	11,768	33,733

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

Local Government Impact

All funds in the HUTF are distributed between the state, counties, and municipalities based on a statutory formula. Because this bill alters HUTF revenue, it will also affect the funds received by counties and municipalities. Table 6 shows the increase in revenue to counties and municipalities under the bill.

Table 6. Transfers from the HUTF to Local Governments under HB13-1110			
	FY 2013-14	FY 2014-15	FY 2018-19
Counties	\$21,501	\$64,585	\$194,806
Cities	9,839	30,726	114,309
TOTAL	31,340	95,311	309,115

State Appropriations

The Department of Revenue. The Department of Revenue will require an appropriation of \$247,312 from the following cash funds in FY 2013-14:

- Colorado State Titling and Registration System (CSTARS): \$82,822
- Highway Users Tax Fund Exempt: \$160,675
- License Plate Cash Fund: \$10,599

Departments Contacted

Revenue	Transportation	Personnel	Labor
Law	Counties	Municipalities	