

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 13-0503
Prime Sponsor(s): Sen. Ulibarri; Morse
 Rep. Melton

Date: April 9, 2013
Bill Status: Senate Judiciary
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TITLE: CONCERNING DOCUMENTARY EVIDENCE NEEDED FOR AN INDIVIDUAL TO BE ISSUED AN IDENTITY DOCUMENT BY THE DEPARTMENT OF REVENUE.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
Cash Funds	<u>\$1,254,754</u>	<u>\$32,581</u>
Licensing Services Cash Fund	1,215,265	31,556
Identification Security Cash Fund	39,489	1,025
State Expenditures		
Cash Funds	<u>\$1,391,423</u>	<u>\$31,369</u>
Licensing Services Cash Fund	1,349,960	30,292
Identification Security Cash Fund	41,463	1,077
FTE Position Change	0.5 FTE	0.5 FTE
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: See Local Government section.		

Summary of Legislation

This bill allows the state to issue a driver's license, minor's driver's license, instruction permit or state-issued identification card (state-issued documents) to a noncitizen resident of Colorado who cannot provide proof of lawful presence in the United States. In order to be eligible for a state-issued document, an applicant must present proof of Colorado residency, Colorado income tax returns, a federal individual taxpayer identification number (ITIN), and proof of identity issued by the applicant's county of origin. The document will have the word "noncitizen" printed on it.

Background

Under current law, an applicant for a state-issued license or identification card must be of driving age (in the case of the driver's license) and provide documentation establishing identity and residency in Colorado. These documents are valid for five years. An applicant must also show evidence of lawful presence in the United States. This evidence includes:

- a U.S. passport;
- an out-of-state driver's license, if the issuing state has verified lawful presence in the United States;
- a U.S. military identification card; or
- immigration documents, such as Form I-551 (green card).

It is estimated that Colorado has a noncitizen resident population of approximately 200,000 individuals in 2013. Based on the Driving Privilege Card (DPC) legislation enacted in Utah in 2005, about one third of the state's noncitizen residents will obtain a state-issued document.

State Revenue

Allowing more individuals to obtain state-issued documents increases state revenue. As shown in Table 1, this bill is expected to increase state cash fund revenue by \$1,254,754 in FY 2013-14, and \$32,581, in FY 2014-15. Each driver's license issued by the state generates \$21 in revenue, and each ID card generates \$10.50. Consistent with current issuances, 93 percent of applicants will apply for a driver's license, and 7 percent will apply for an identification card.

Revenue Impact Under SB13-251				
	Applicants	State Revenue	County Revenue	Total Yearly Revenue
FY 2013-14	65,815	\$1,254,754	\$78,978	\$1,333,732
FY 2014-15	1,709	\$32,581	\$2,050	\$34,631

Because these documents are renewed every five years, a spike in revenues similar to that shown for FY 2013-14 will occur in FY 2018-19, and so forth. This estimate excludes revenue generated from instruction permits because it is not clear how foreign driving permits will be considered as evidence of driving experience (and thus bypass the learner's permit process), nor is the age distribution of the noncitizen resident population known.

It should be noted that in FY 2015-16 and forward, a portion of the revenue collected for driver's license and identification cards will be credited to the Highway Users Tax Fund. This portion is currently credited to the Licensing Services Cash Fund.

State Expenditures

This bill is expected to increase state cash fund expenditures by \$1,391,423 and 0.5 FTE in FY 2013-14 and \$31,369 and 0.5 FTE in FY 2014-15, within the Department of Revenue (DOR).

Personal services. Since this bill is expected to increase the number of driver's licenses issued by 65,815 in its first year, and by 1,709 in the following years, staff time is needed to issue these documents. Each document is estimated to require four minutes to process, thus 0.5 FTE is required to handle this new workload in FY 2013-14 and beyond, at a cost of \$19,648.

Temporary drivers examiners. In addition, most of the 65,000 new issuances will require a drivers test to ensure the applicant has the necessary skills to drive safely. Each driving test requires 30 minutes of a Driver's License Examiner time. To handle the sharp increase expected in the first year of this bill, temporary Driver's License Examiners will be hired to cover the 32,500 hours of extra work. These temporary employees are expected to be paid approximately \$15.25 per hour. The total cost for these workers is \$492,158. In FY 2018-19, temporary staff may be required again to address an expected influx of renewals.

IT costs for new document creation. The unique documents produced under this bill need to be created. This requires a new design that accommodates modern document security features, as well as readability standards. This work is done under contract with the Department of Revenue by the firm Morpho Trust at a one-time cost of \$415,000.

IT costs for DOR system reprogramming. This bill requires the reprogramming of the DOR driver's license system. The Governor's Office of Information Technology will spend 420 hours to change the existing tables, pass new data to Morpho Trust, and track sworn statements and tax returns. These one-time costs are expected to be \$31,080.

Document production. Each new card produced under this bill costs the state \$6.58 to manufacture. Since there will be 65,815 new documents produced in the first year, an expenditure of \$433,062 is required. In subsequent years, it is expected that 1,709 new documents will be produced at a cost of \$11,245. Again, it should be noted that in FY 2018-19 renewals will cause a spike in production similar to that shown for FY 2013-14.

Cost Components	FY 2013-14	FY 2014-15
Personal Services	\$19,648	\$19,649
FTE	.5	.5
Operating Expenses and Capital Outlay	475	475
Temporary Driver Examiners	492,158	0
IT Costs (New Document Creation)	415,000	0
IT Costs (DOR System Reprogramming)	31,080	0
Document Production	433,062	11,245
TOTAL	\$1,391,423	\$31,369

It should be noted that this bill may contravene the federal REAL ID Act, which requires that driver's licenses are only issued to United States citizens. The result of this possible contravention is unknown, however the Department of Law (DOL) is responsible for defending the state in these circumstances. As such, any legal action against the state resulting from this bill will incur legal expenses within DOL. In late 2012, the Department of Homeland Security announced that it will begin a schedule for phased-in enforcement of the REAL ID Act no later than Fall 2013.

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 3.

Table 3. Expenditures Not Included Under SB13-251*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$3,345	\$3,345
Supplemental Employee Retirement Payments	1,206	1,364
TOTAL	\$4,551	\$4,709

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

Local Government Impact

Counties that issue driver's license and state identification documents retain \$8.00 for each document issued, and counties issue approximately 15 percent of these documents. Since the initial year of this program is expected to issue approximately 65,819 documents, it is expected that counties will receive \$78,978 in that year. In subsequent years, counties will receive approximately \$2,050 because it is estimated that there will be 1,709 new documents issued.

In addition, costs may be incurred to increase awareness among law enforcement to understand the new identification's appearance, and it's legal restrictions in state and federal law. This bill may also reduce costs, as it is assumed there will be fewer arrests because the presentation of a valid driver's license eliminates the need to ticket or incarcerate the driver for driving without a license.

Departmental Difference

The Department of Revenue asserts that 57 percent of the undocumented population will choose to obtain a driver's license or identification document under this bill. The DOR estimate is based on the average of two participation rates under similar programs in Utah and New Mexico.

Utah has a 33 percent participation rate, and the DOR asserts that New Mexico has an 80 percent participation rate. Using an average 57 percent participation rate, it is assumed that 113,680 individuals would apply for a document in the first year, raising state expenditures to \$2.4 million in FY 2013-14, and approximately \$40,000 in subsequent years.

While there are a number of factors exist impacting the likelihood of individuals to participate in this program, this fiscal note concludes that the program in Utah, known as the Driving Privilege Card, enacted in 2005, bears the most resemblance to the program proposed under this bill. Therefore this fiscal estimates and reflects a 33 percent participation rate.

State Appropriations

For FY 2013-14, the Department of Revenue requires the following appropriations:

- \$41,463 to the Identification Security Cash Fund; and
- \$1,349,960 to the Licensing Services Cash Fund, of which \$31,080 should be reappropriated to the Governor's Office of Information Technology.

Departments Contacted

Counties	Municipalities	Governor's Office
Judicial	Law	Local Affairs
Public Safety	Revenue	Transportation