

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0854	Date: April 21, 2014
Prime Sponsor(s): Sen. Steadman Rep. May; Gerou	Bill Status: Senate Appropriations
	Fiscal Analyst: Kristen Koehler (303-866-4918)

SHORT TITLE: DRIVER'S LICENSE FEE ALLOCATIONS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-17
State Revenue	\$0	\$5,178,951	\$6,864,284
Cash Funds	0	5,178,951	6,864,284
<i>State Transfers</i>			
Cash Funds - Identification Security Fund	(\$206,760)		
Cash Funds - Licensing Services Cash Fund	206,760		
State Expenditures	\$216,974	\$177,215	\$178,300
General Fund	191,651	148,504	148,504
Centrally Appropriated Costs**	25,323	28,711	29,796
FTE Position Change	2.7 FTE	3.0 FTE	3.0 FTE
Appropriation Required: \$191,651 - DOR (FY 2014-15); \$6,077 - OIT (FY 2014-15)			

* This summary shows changes from current law under the bill for each fiscal year. Transfers result in no net change to state revenue. Parentheses indicate a decrease in funds.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

As recommended by the Joint Budget Committee (JBC), this bill:

- defines exceptions processing and requires that by September 1, 2014, the Department of Revenue (DOR) provide in-person exceptions processing services in at least four regional offices that are operated by the DOR and that issue driver's licenses;
- establishes increased fees for the issuance of driver's licenses, instructional permit applications, duplicate permits and duplicate minor's driver's licenses, identification cards, and commercial driver's licenses;
- authorizes the DOR to assess an additional fee for the issuance of a driver's license when an applicant retakes the knowledge or driving exam;
- authorizes the DOR to raise or lower fees established in statute related to the issuance of driver's licenses and identification cards, except that the DOR cannot increase fees by more than 20 percent in FY 2015-16, and by not more than 5 percent beginning in FY 2016-17 and each year thereafter;
- requires that if a rule is created to raise a fee, the rule and fee will not take effect until 30 days after the DOR has submitted a report to the JBC listing the fee to be changed, the amount by which it will be changed, and an explanation and analysis for why the increase is needed;

- eliminates the Identification Security Fund within the Highway Users Tax Fund (HUTF), transfers all unexpended and unencumbered balances to the Licensing Services Cash Fund (LSCF) on the effective date of the bill, and allocates moneys previously allocated to the security fund to the LSCF;
- eliminates the Motorist Insurance Identification Account within the HUTF and reallocates the motorist insurance identification fee to the Colorado State Titling and Registration System Account (CSTARS) within the HUTF;
- specifies that any unexpended or unencumbered balances in the CSTARS Account or in the License Plate Cash Fund (LPCF) remain in those funds at the end of any fiscal year;
- modifies the allocation of the driver's license restoration fee to distribute \$73 to the Driver's License Administrative Revocation Account of the HUTF, and \$22 to the First Time Drunk Driving Offender Account of the HUTF (currently \$60 and \$35, respectively); and
- allows eligible applicants for driver's licenses and identification cards to renew the card electronically for two consecutive renewal periods.

State Revenue

This bill increases cash fund revenue by at least \$5,178,951 in FY 2015-16 and by at least \$6,864,284 per year beginning in FY 2016-17. No impact on cash fund revenue is anticipated in FY 2014-15.

Fee setting. The bill authorizes the DOR to raise or lower fees related the issuance of driver's licenses and identification cards. For FY 2015-16, the bill authorizes the DOR to raise fees by up to 20 percent over the fee amount established in statute. Beginning in FY 2016-17, and each year thereafter, the DOR may raise fees by up to an additional 5 percent. Appendix A and B show the net increase in fee revenue under the bill for FY 2015-16 and FY 2016-17. Fee calculations are based on an assumed 20 percent increase in fees in FY 2015-16 and an assumed 5 percent increase in fees in FY 2016-17. The number of documents affected is based on historical trends; however, some items are not currently tracked in the Driver's License System (DLS) and have been designation in the Appendices as "N/A".

Fee redistribution. Fee redistribution under the bill will not directly impact state revenue collections, but will provide flexibility to the DOR. The bill eliminates the Identification Security Fund and allocates money previously credited to the security fund to the LSCF beginning in FY 2014-15. Under current law, \$0.60 of the fee for the issuance of a driver's license or identification card is credited to the security fund. Beginning in FY 2014-15, these fees will be credited to the LSCF and it is expected that revenue to the LSCF will increase by about \$656,786 per year as a result.

The bill also eliminates the Motorist Insurance Identification Account within the HUTF and allocates the motorist insurance identification fee to the Colorado State Titling and Registrations System (CSTARS) account. Beginning in FY 2014-15, this fee will be credited to the CSTARS account and it is expected that revenue to the account will increase by about \$511,613 per year as a result.

Finally, the bill modifies the allocation of the driver's license reinstatement fee to distribute \$73 to the Driver's License Administrative Revocation Account within the HUTF, and \$22 to the First Time Drunk Driving Offender Account within the HUTF (currently \$60 and \$35 respectively). Beginning in FY 2014-15, this is expected to increase revenue to the Driver's License Administrative Revocation Account by about \$1,013,480 per year, and reduce revenue to the First Time Drunk Driving Offender Account by that same amount each year.

State transfers. The bill eliminates the Identification Security Fund within the HUTF and requires that all unexpended and unencumbered balances in the fund on the effective date of the bill be transferred to the LSCF. The projected balance of the Identification Security Fund for May, 2014 is estimated to be \$206,760 and will result in a transfer to the LSCF of approximately that amount.

State Expenditures

For FY 2014-15, this bill increases workload and General Fund expenditures by \$216,975 and 2.7 FTE; for FY 2015-16 the bill increases General Fund expenditures by \$177,215 and 3.0 FTE; and for FY 2016-17, and beyond, the bill increases General Fund expenditures by \$178,300 and 3.0 FTE per year.

Department of Revenue. Beginning September 1, 2014, the DOR is required to provide in-person exceptions processing in at least four regional that provide driver's licenses and are operated by the DOR. This will require an increase of 2.0 FTE Driver's License Examiner III (DLE) to provide 0.5 FTE in each of the four regional offices in Colorado Springs, Denver Central, Fort Collins, and Grand Junction to provide this service. It will also require 1.0 FTE Compliance Investigator I to provide support from the Lakewood office. This position will be a statewide resource and provide oversight of the process, address complex situations, make final decisions, provide training to the DLE III's and provide on-call assistance. Travel expenses will be required for participation in quarterly training. The process will require programming of the Colorado Interactive System to allow for on-line appointment scheduling for exceptions processing at a one-time cost of \$10,000. The system must also be programmed to allow for two consecutive on-line driver's license or identification card renewals at a one-time cost of \$10,000. The DOR will also be required to program the DLS to allow fees to be modified, at a one-time cost of \$6,077 and will be performed by the Office of Information Technology (OIT). Costs for the DOR are shown in Table 1.

Table 1. Expenditures Under SB 14-194			
Cost Components	FY 2014-15	FY 2015-16	FY 2016-17
Personal Services	\$123,325	\$134,536	\$134,536
FTE	2.7 FTE	3.0 FTE	3.0 FTE
Operating, Travel, and Capital Outlay Expenses	42,249	13,968	13,968
DLS and Colorado Interactive Programming	26,077	0	0
Centrally Appropriated Costs*	25,323	28,711	29,796
TOTAL	\$216,974	\$177,215	\$178,300

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Law. The Department of Law will experience increased workload to assist the DOR in promulgating rules for exceptions processing and for rules concerning fees for retake exams and for document issuance. It is estimated that these activities will require 80 hours of support; however, the increase in workload can be accomplished within existing resources and does not require an appropriation.

Centrally appropriated costs. 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 estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB 14-194*			
Cost Components	FY 2014-15	FY 2015-16	FY 2016-17
Employee Insurance	\$16,759	\$18,283	\$18,283
Supplemental Employee Retirement Payments	8,564	10,428	11,513
TOTAL	\$25,323	\$28,711	\$29,796

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

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, the Department of Revenue requires a General Fund appropriation of \$191,651 and an allocation of 2.7 FTE. In addition, the Governor's Office of Information Technology requires spending authority for \$6,077 in reappropriated funds.

State and Local Government Contacts

Revenue
Cities and Counties
Transportation

Law
Clerk and Recorder

Local Affairs
Public Safety

Appendix A. Change in Fee Revenue Under SB 14-194 - FY 2015-16 (Proposed fee is 20% increase over fees in current law)

Type of Fee	Current Fee	FY 15-16 Proposed Fee	Fee change from current law	Number Affected	FY 15-16 Change in Fee Revenue	Fee Split by Fund Under Current Law		Revised Fee Split by Fund FY 15-16		FY 15-16 Net Change by Fund
Driver's License Issuance Fee (State Issued)	\$21.00	\$25.20	\$4.20	824,843	\$3,464,340	LSCF	\$21.00	LSCF	\$25.20	\$3,464,340
Driver's License Issuance Fee (County Issued)	21.00	25.20	4.20	158,008	663,634	LSCF Counties	13.00 8.00	LSCF Counties	17.20 8.00	64,156 0.00
Driver's License Extension Fee	3.00	3.60	.60	3,730	2,238	LSCF	3.00	LSCF	3.60	2,238
Returned Driver's License Fee	3.00	3.60	.60	N/A	increase	LSCF	3.00	LSCF	3.60	increase
Replacement Driver's License Fee	5.60	6.00	.40	1,621	648	LSCF	5.60	LSCF	6.00	648
First Duplicate Permit or Minor Driver's License Fee	7.50	9.00	1.50	20,970	31,455	LSCF	7.50	LSCF	9.00	31,455
Second Duplicate Permit or Minor Driver's License Fee	14.00	16.80	2.80	4,313	12,076	LSCF	14.00	LSCF	16.80	12,076
Exam Retake Fee	0	15.00	15.00	N/A	increase	N/A	N/A	LSCF	15.00	increase
Instruction Permit Fee	14.00	16.80	2.80	141,320	395,696	LSCF	14.00	LSCF	16.80	395,696
CDL Fee (State Issued)	35.00	42.00	7.00	36,643	256,501	LSCF	35.00	LSCF	42.00	256,501
CDL Fee (County Issued)	35.00	42.00	7.00	1,519	10,633	LSCF Counties	27.00 8.00	LSCF Counties	34.00 8.00	10,633 0.00
CDL Drive Test Fee	100.00	120.00	20.00	N/A	increase	LSCF	100.00	LSCF	120.00	increase
CDL Testing Unit License Fee Initial Registration	300.00	360.00	60.00	N/A	increase	LSCF	300.00	LSCF	360.00	increase
CDL Testing Unit License Fee Annual Renewal	100.00	120.00	20.00	100	2,000	LSCF	100.00	LSCF	120.00	2,000
CDL Tester License Fee Initial Registration	100.00	120.00	20.00	N/A	increase	LSCF	100.00	LSCF	120.00	increase
CDL Tester License Fee Annual Renewal	50.00	60.00	10.00	225	2,250	LSCF	50.00	LSCF	60.00	2,250
ID Issuance or Renewal Fee	10.50	12.60	2.10	111,793	234,765	LSCF	10.50	LSCF	12.60	234,765
ID Reissuance Fee	20.00	24.00	4.00	N/A	increase	LSCF	20.00	LSCF	24.00	increase
Copy Fees for Accident Reports	2.20	2.64	.44	N/A	increase	LSCF HUTF CSTARS	0.00 2.10 .10	LSCF HUTF CSTARS	2.54 0.00 .10	increase decrease (2.10) 0.00
Copy Fees for Vehicle Records	2.20	2.64	.44	233,444	102,715	CSTARS	2.20	CSTARS	2.64	102,715
Copy Fee for Certified Driving Records	2.70	3.24	.54	N/A	increase	LSCF HUTF CSTARS	0.00 2.60 .10	LSCF HUTF CSTARS	3.14 0.00 .10	increase decrease (2.60) 0.00
TOTAL FY 2015-16 FEE REVENUE INCREASE					\$5,178,951					

Appendix B. Change in Fee Revenue Under SB 14-194 - FY 2016-17 (Proposed fee is 5% increase over FY 15-16 fees)

Type of Fee	Current Fee	FY 16-17 Proposed Fee	Fee change from current law	Number Affected	FY 16-17 Change in Fee Revenue	Fee Split by Fund Under Current Law		Revised Fee Split by Fund FY 16-17		FY 16-17 Net Change by Fund
Driver's License Issuance Fee (State Issued)	\$21.00	\$26.46	\$5.46	841,007	\$4,591,898	LSCF	\$21.00	LSCF	26.46	\$4,591,898
Driver's License Issuance Fee (County Issued)	21.00	26.46	5.46	161,105	879,634	LSCF Counties	13.00 8.00	LSCF Counties	18.46 8.00	879,634 0.00
Driver's License Extension Fee	3.00	3.78	.78	3,803	2,966	LSCF	3.00	LSCF	3.78	2,966
Returned Driver's License Fee	3.00	3.78	.78	N/A	increase	LSCF	3.00	LSCF	3.78	increase
Replacement Driver's License Fee	5.60	6.30	.70	1,652	1,156	LSCF	5.60	LSCF	6.30	1,156
First Duplicate Permit or Minor Driver's License Fee	7.50	9.45	1.95	21,381	41,693	LSCF	7.50	LSCF	9.45	41,693
Second Duplicate Permit or Minor Driver's License Fee	14.00	17.64	3.64	4,398	16,009	LSCF	14.00	LSCF	17.64	16,009
Exam Retake Fee	0	15.75	15.75	N/A	increase	N/A	N/A	LSCF	15.75	increase
Instruction Permit Fee	14.00	17.64	3.64	144,089	524,484	LSCF	14.00	LSCF	17.64	524,484
CDL Fee (State Issued)	35.00	44.10	9.10	37,361	339,985	LSCF	35.00	LSCF	LSCF	339,985
CDL Fee (County Issued)	35.00	44.10	9.10	1,548	14,087	LSCF Counties	27.00 8.00	LSCF Counties	36.10 8.00	14,087 0.00
CDL Drive Test Fee	100.00	126.00	26.00	N/A	increase	LSCF	100.00	LSCF	126.00	increase
CDL Testing Unit License Fee Initial Registration	300.00	378.00	78.00	N/A	increase	LSCF	300.00	LSCF	378.00	increase
CDL Testing Unit License Fee Annual Renewal	100.00	126.00	26.00	100	2,600	LSCF	100.00	LSCF	126.00	2,600
CDL Tester License Fee Initial Registration	100.00	126.00	26.00	N/A	increase	LSCF	100.00	LSCF	126.00	increase
CDL Tester License Fee Annual Renewal	50.00	63.00	13.00	225	2,925	LSCF	50.00	LSCF	63.00	2,925
ID Issuance or Renewal Fee	10.50	13.23	2.73	113,984	311,176	LSCF	10.50	LSCF	13.23	311,176
ID Reissuance Fee	20.00	25.20	5.20	N/A	increase	LSCF	20.00	LSCF	25.20	increase
Copy Fees for Accident Reports	2.20	2.77	.57	N/A	increase	LSCF HUTF CSTARS	0.00 2.10 .10	LSCF HUTF CSTARS	2.77 0.00 .10	increase decrease (2.60) 0.00
Copy Fees for Vehicle Records	2.20	2.77	.57	238,019	135,671	CSTARS	2.20	CSTARS	2.77	135,671
Copy Fee for Certified Driving Records	2.70	3.40	.70	N/A	increase	LSCF HUTF CSTARS	0.00 2.60 .10	LSCF HUTF CSTARS	3.30 0.00 .10	increase decrease (2.60) 0.00
TOTAL FY 2016-17 FEE REVENUE INCREASE					\$6,864,284					