

**STATE and LOCAL
FISCAL IMPACT**

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Prime Sponsor(s): Rep. Primavera

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Bill Status: House Transportation & Energy
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BILL TOPIC: REGISTER TITLE KEI VEHICLE FOR ROADWAY

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	FY 2017-2018
State Revenue	<u>at least \$38,615</u>	<u>at least \$151,241</u>	<u>at least \$121,083</u>
Cash Funds	33,615	146,241	116,083
Fine Revenue	at least 5,000	at least 5,000	at least 5,000
State Expenditures	<u>\$65,314</u>	<u>\$101,187</u>	<u>\$83,747</u>
Cash Funds	61,017	83,544	69,412
Centrally Appropriated Costs**	4,297	17,643	14,335
Tabor Set-Aside	at least 38,615	at least 151,241	at least 121,083
FTE Position Change	0.4 FTE	1.6 FTE	1.3 FTE
Appropriation Required: \$61,017 - Department of Revenue (FY 2015-16).			

* This summary shows changes from current law under the bill for each fiscal year.

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

Summary of Legislation

The bill allows the Department of Revenue (DOR) to title, register, and issue a rear license plate to kei vehicles—also known as microtrucks or utility transportation vehicles. A person with a valid driver's license and insurance may operate a registered kei vehicle on a roadway with a posted speed limit of 55 miles per hour (MPH) or less, unless it is a limited access highway.

In order to register the kei vehicle with the DOR, the owner must pay annual specific ownership tax (SOT) of \$3 per year, a one-time kei vehicle registration fee of \$15, and additional standard fees. The registration is valid until the kei vehicle transfers ownership. The bill also allows kei vehicles to be titled as off-highway vehicles.

The bill provides safety equipment requirements that kei vehicles must abide by which include having brakes; a headlight and two taillights; front and rear turn signals; a windshield with wipers; a rear view mirror; and seatbelts.

Under the bill, it is a Class B traffic infraction to operate a kei vehicle on an unauthorized roadway; without proper registration; or without required safety equipment.

Background

National Highway Traffic Safety Administration. The National Highway Traffic Safety Administration (NHTSA) certifies that vehicles meet minimum federal safety and equipment standards. Kei vehicles, as defined by HB 15-1089 as a vehicle that has a top speed of 55 MPH, are classified as unconventional vehicles by the NHTSA. Under NHTSA standards, as long as unconventional vehicles are incapable of exceeding 20 MPH, they are subject to only state and local requirements. However, vehicles that are manufactured to reach speeds over 20 MPH are considered motor vehicles and classified as passenger cars by the NHTSA. Both motor vehicles and passenger cars must meet stricter NHTSA standards than low-speed vehicles. NHTSA rulings do not currently certify kei vehicles for use on roadways.

Unconventional Vehicle Working Group — DOR. In an effort to address the issue of titling and registering unconventional vehicles, the DOR has established the Unconventional Vehicle Working Group (UVWG). This group reviews titling and registration applications for unconventional vehicles that fall outside the NHTSA certification standards. The UVWG is comprised of Division of Motor Vehicles (DMV) Titles and Registrations Section managers, county clerk and recorder representatives, and Office of Information Technology (OIT) representatives. Generally, these applications are from unconventional vehicle manufacturers, distributors, importers, or dealers seeking to sell unconventional vehicles in Colorado. The UVWG works with the applicant to assist them in obtaining NHTSA certification. In the event that NHTSA certification is unable to be obtained, the UVWG uses NHTSA rules and American Association of Motor Vehicle Administrators (AAMVA) best practices to determine if and how to title and register the vehicles in Colorado. Due to NHTSA rulings and AAMVA best practices, the UVWG has currently denied titling and registration of kei vehicles in Colorado.

State Revenue

This bill is expected to increase state cash fund revenue by **at least \$38,615 in FY 2015-16, \$151,241 in FY 2016-17, and \$121,083 in FY 2017-18** and each year thereafter.

Assumptions. The calculations in this fiscal note are based on the following assumptions:

- the bill takes effect January 1, 2016;
- there are an estimated 3,000 kei vehicles currently in Colorado that are not titled or registered, and are operating on private property;
- an additional 5,000 new kei vehicles will be added in Colorado annually, beginning in FY 2016-17, as a result of this bill and the ability to operate these vehicles on roadways;
- kei vehicles are not certified by the NHTSA for use on roadways, so vehicle identification numbers (VINs) are not currently required for these vehicles;
- for the DOR to register a vehicle, it must have a VIN that conforms to NHTSA standards;
- the VIN serves as a unique identifier within the Colorado State Titling and Registration System (CSTARS) for law enforcement and emissions testing; therefore, all kei vehicles will need a corresponding VIN plate issued at the time of registration;
- 13.6 percent of registered kei vehicles will be sold or transferred beginning in FY 2016-17, requiring the license plate to be replaced;
- because kei vehicles meet the definition of motor vehicle, they will be subject to emissions inspection requirements upon registering with the DOR; and
- kei vehicle license plates will be manufactured using print-on-demand.

Based on these assumptions, this fiscal note estimates that in FY 2015-16, approximately 1,500 existing kei vehicles will be titled and registered. In FY 2016-17, an estimated 6,500 kei vehicles will be titled and registered, which includes the remaining 1,500 current kei vehicles and an additional 5,000 new kei vehicles. Beginning with FY 2017-18, an additional 5,000 kei vehicles will be titled and registered, per year. Also in FY 2016-17, it is estimated that 204 kei vehicles will be sold or transferred, and 1,430 will be replaced in FY 2017-18 and beyond, resulting in the collection of the one-time registration fee for these vehicles.

Fee impact on individuals and business. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 identifies the fee impact of this bill. Revenue from fees generated by this bill are credited to the License Plate Cash Fund (LPCF), the Highway Users Tax Fund (HUTF), the Colorado State Titling and Registration System (CSTARS) fund, and counties, as noted in the table below.

Table 1. Fee Impact on Individuals and Business under HB 15-1089							
Type of Fee (Fund)	Proposed Fee	Number Impacted FY 15-16	Fee Impact FY 15-16	Number Impacted FY 16-17	Fee Impact FY 16-17	Number Impacted FY 17-18	Fee Impact FY 17-18
License Plate Material Fee (LPCF)	\$2.82	1,500	\$4,230	6,500	\$18,330	5,000	\$14,100
License Plate Replacement Fee (LPCF)	\$2.82	-	-	204	\$576	1,430	\$4,033
Temporary Tag (LPCF)	\$0.24	1,500	\$360	6,500	\$1,560	5,000	\$1,200
Temporary Registration Fee (Counties)	\$1.60	1,500	\$2,400	6,500	\$10,400	5,000	\$8,000
Temporary Registration Fee (HUTF)	\$0.40	1,500	\$600	6,500	\$2,600	5,000	\$2,000
Title Fee (Counties)	\$4.00	1,500	\$6,000	6,500	\$26,000	5,000	\$20,000
Title Fee (CSTARS)	\$3.20	1,500	\$4,800	6,500	\$20,800	5,000	\$16,000
Kei Registration Fee (HUTF)	\$15.00	1,500	\$22,500	6,500	\$97,500	5,000	\$75,000
SOT (CSTARS)	\$0.50	1,500	\$750	6,500	\$3,250	5,000	\$2,500
SOT (Counties)	\$2.00	1,500	\$3,000	6,500	\$13,000	5,000	\$10,000
SOT (Clerk & Recorders)	\$0.50	1,500	\$750	6,500	\$3,250	5,000	\$2,500
Dealer blocks of 25 (Clerk & Recorders)	\$6.25	60	\$375	260	\$1,625	200	\$1,250
Dealer blocks of 25 (HUTF)	\$6.25	60	\$375	260	\$1,625	200	\$1,250
License Plate Cash Fund (LPCF)			\$4,590		\$20,466		\$19,333
Highway Users Tax Fund (HUTF)			\$23,475		\$101,725		\$78,250
State Titling and Registration System (CSTARS)			\$5,550		\$24,050		\$18,500
State Retained			\$33,615		\$146,241		\$116,083
County Retained			\$12,525		\$54,275		\$41,750
Total Fee Impact			\$46,140		\$200,516		\$157,833

License Plate Cash Fund. Revenue is generated from the temporary tag fee of \$0.24 and the license plate material fee of \$2.82 per single plate, which all kei vehicle owners are required to pay upon registration. These fees are credited to the LPCF within DOR.

Highway Users Tax Fund. As part of the registration fee collections, the Highway Users Tax Fund (HUTF) receives the full \$15 kei vehicle registration fee, in addition to a portion of the temporary registration fee, and a portion of the fee for providing temporary registration documents to licensed dealerships. HUTF revenue from registration fees is distributed to the State Highway Fund, as well as to counties and municipalities. The State Highway Fund is administered by the Colorado Department of Transportation.

Colorado State Titling and Registration System Fund. The bill will increase SOT collections; however, the majority of the SOT paid at the time a vehicle is registered is retained by the county registering the vehicle. The CSTARs cash fund will receive \$0.50 for every registration, and a portion of the title fee, as shown in Table 1.

Revenue from fines. This bill creates a Class B traffic infraction for operating a kei vehicle on the road without being properly registered with the DOR, and for violating the kei vehicle safety equipment requirements. The penalty for a Class B traffic infraction is a minimum fine of \$15, up to \$100 maximum. Under current law, it is a Class B traffic infraction to operate a motor vehicle that is not registered on a roadway, and to operate a motor vehicle on a roadway without a headlight (violating a safety equipment requirement). Over the past five years, there have been 21,177 cases with a charge for operating a motor vehicle on a roadway without the vehicle being properly registered, and 4,168 cases with a charge for violating the motor vehicle safety equipment requirement of having a headlight. As a result, it is anticipated that this bill will increase revenue from fines by at least \$5,000 per year. Revenue from fines is credited to the Highway Users Tax Fund.

TABOR Impact

This bill increases state revenue from fees and fines, which will increase the amount required to be refunded under TABOR.

State Expenditures

This bill will increase state cash fund expenditures in the DOR. Expenditures are shown in Table 2 below and detailed on the following page.

Table 2. State Expenditures Under HB 15-1089			
Cost Components	FY 2015-16	FY 2016-17	FY 2017-18
Personal Services	\$14,163	\$56,654	\$46,031
FTE	0.4 FTE	1.6 FTE	1.3 FTE
Operating Expenses and Capital Outlay Costs	5,083	1,520	1,235
Computer System Programming	36,050		
Material Costs	5,721	25,370	22,146
Centrally Appropriated Costs*	4,297	17,643	14,335
TOTAL	\$65,314	\$101,187	\$83,747

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

Department of Revenue. Titling and registering kei vehicles requires the DOR to scan and retain documents, and perform document retrieval services. Personnel will be required at the call center to respond to inquiries from the public. These efforts require additional personnel beginning in FY 2015-16. Standard operating costs and capital outlay expenses are included. The DOR will also experience a workload increase in order to provide training to agents, titles and registration staff, law enforcement, and other entities impacted by this bill. In addition, rules, forms, manuals, and websites will require updating to reflect the change in law. These activities do not require new appropriations.

Computer programming. The DOR will be required to purchase one-time computer programming services in FY 2015-16 to modify the CSTARs system to issue titles and registration to kei vehicle owners. Computer programming will be completed by the Governor's Office of Information Technology (OIT) at a total cost of \$36,050 (350 hours of programming at a rate of \$103 per hour).

Material costs. The DOR will incur costs to purchase license plates, temporary registration permits, VIN stickers, registration and titling document supplies, and to retain documents. Material fees are driven by the number of kei vehicles being titled and registered each year.

Judicial Department. This bill may also impact the workload of trial courts within the Judicial Department because it creates a Class B traffic infraction for kei vehicle owners who do not comply with the vehicle safety equipment requirements and the rules of the road. However, the bill also creates an avenue for kei vehicle drivers to do so legally. Judicial officers can process over 30,000 traffic infractions per year; therefore, any impact to workload is expected to be minimal and can be absorbed within current appropriations.

Department of Public Safety. The Colorado State Patrol (CSP) within the Department of Public Safety may experience an increase in workload as a result of kei vehicles being operated on roadways, which may lead to more traffic accidents, investigations, and tickets. It is expected that any workload increase to the CSP will be minimal.

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 3 on the following page.

Table 3. Centrally Appropriated Costs Under 15-1089*			
Cost Components	FY 2015-16	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$3,199	\$12,796	\$10,396
Supplemental Employee Retirement Payments	1,098	4,847	3,939
TOTAL	\$4,297	\$17,643	\$14,335

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

Local Government Impact

This bill is expected to increase local government revenue from temporary registration and title fees and the SOT by \$12,525 in FY 2015-16, by \$54,275 in FY 2016-17, and by \$41,750 in FY 2017-18 and each year thereafter. In addition, this bill is expected to increase local government revenue from the HUTF portion of registration fees by \$9,390 in FY 2015-16, by \$40,690 in FY 2016-17, and by \$31,300 in FY 2017-18.

This bill is also expected to increase the workload of county clerk and recorder offices beginning in FY 2015-16, which will increase costs for personal services and operating costs to account for new kei vehicles registrations, temporary permits, and other transactions such as VIN number assignments, plate replacements, and duplicates. The fiscal note assumes county clerk and recorder office expenditures will increase by approximately \$8,600 in FY 2015-16, \$28,000 in FY 2016-17, and \$21,500 in FY 2017-18.

Comparable Crime

Pursuant to Section 2-2-322 (2.5), C.R.S., Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or changes an element of the existing crime that creates a new factual basis for the offense. This bill creates a Class B traffic infraction for operating a kei vehicle on the road without being properly registered with the DOR, and for violating the kei vehicle safety equipment requirements. The penalty for a Class B traffic infraction is a minimum fine of \$15, up to \$100 maximum.

Under current law, it is a Class B traffic infraction to operate a motor vehicle that is not registered on a roadway, and to operate a motor vehicle on a roadway without a headlight (violating a safety equipment requirement). Over the past five years, there have been 21,177 cases with a charge for operating a motor vehicle on a roadway without the vehicle being properly registered, and 4,168 cases with a charge for violating the motor vehicle safety equipment requirement of having a headlight.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed. It applies to acts and applications made on or after January 1, 2016.

State Appropriations

For FY 2015-16, the DOR requires two cash fund appropriations: \$5,721 from the License Plate Cash Fund; and \$55,296 and 0.4 FTE from the CSTARS account. The OIT requires spending authority for \$36,050 in reappropriated funds.

State and Local Government Contacts

Revenue	Counties	Municipalities
Local Affairs	Transportation	Judicial
Law	Natural Resources	Corrections
Public Safety	Clerk and Recorders	