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Fiscal Note

Drafting Number: LLS 24-0071 Date: February 19, 2024
Prime Sponsors: Rep. Hamrick; Frizell Bill Status: House Finance
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Bill Topic: VEHICLE ELECTRONIC NOTIFICATIONS

Summary of Fiscal Impact:
State Revenue [ ] State Transfer [ ] Local Government [x]
State Expenditure [x] TABOR Refund [ ] Statutory Public Entity [ ]

The bill requires the Department of Revenue to create a process for vehicle owners to request and receive electronic notifications for transactions and notices. It increases state expenditures and decreases local expenditures on an ongoing basis.

Appropriation Summary: For FY 2024-25, the bill requires appropriations totaling \$175,033 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1089

Table with 4 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures), Total FTE, Transfers, and Other Budget Impacts.

## **Summary of Legislation**

The bill requires the Department of Revenue (DOR) to create a process for a vehicle owner to request and receive electronic notifications for transactions and notices, including vehicle registration expiration, plate or placard renewal, fleet vehicle registration renewal, dealer license plate and depot tag issuance, and missing documentation. The DOR must establish rules for implementing the electronic notification process by December 31, 2024.

## **Background and Assumptions**

**Driver participation.** County motor vehicle offices process approximately 6.5 million annual notifications for transactions and notices, and an additional 25,500 registrations are completed through the state Department of Motor Vehicles (DMV). This fiscal note assumes 25 percent of customers will opt in to receive electronic motor vehicle notices in FY 2024-25, with an additional 5 percent per year in FY 2025-26 and future years until reaching about 40 to 45 percent of customers (in line with current use of online services generally for motor vehicle services). The fiscal note also assumes the DMV will begin issuing electronic notifications in January 2025, so first year cost savings associated with the notifications assume a six-month impact.

**DRIVES programming.** The Division of Motor Vehicles (DMV) in the DOR uses its Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES) information technology system for all driver license and motor vehicle transactions. The DRIVES system requires an extensive 18-month upgrade which is scheduled to take place from July 1, 2024, through March 31, 2026. As a result, the DOR has requested that any new legislation requiring DRIVES programming have an effective date of April 1, 2026, with roll-forward spending authority through FY 2026-27, noting that each programming requirement during the system upgrade period may increase the overall project timeline. Based on the current effective date in the bill, the fiscal note includes costs for the DRIVES programming to take place twice—in the existing and new system.

**State Expenditures**

On net, the bill increases state cash fund expenditures in the DOR by about \$183,000 in FY 2024-25 and \$122,000 in FY 2025-26 for staffing and computer programming costs. It will also reduce printing and mailing expenses. These expenditures are shown in Table 2 and detailed below.

**Table 2  
Expenditures Under HB 24-1089**

	<b>FY 2024-25</b>	<b>FY 2025-26</b>
<b>Department of Revenue</b>		
Personal Services	\$23,634	\$42,541
Operating Expenses	\$640	\$1,152
Capital Outlay Costs	\$6,670	-
Programming Costs	\$209,489	\$220,641
Materials and Printing Costs	(\$65,400)	(\$156,960)
Centrally Appropriated Costs <sup>1</sup>	\$8,026	\$14,446
<b>Total Cost</b>	<b>\$183,059</b>	<b>\$121,821</b>
<b>Total FTE</b>	<b>0.5 FTE</b>	<b>0.9 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Staff.** The DOR requires 0.9 FTE annually for a call center technician to support additional calls to the DMV customer service. The DMV anticipates approximately 60 additional calls per day as a result of questions and concerns around electronic notifications. This fiscal note assumes a January 2025 start date, and standard operating and capital outlay costs are included.

**DRIVES programming.** The bill requires \$209,489 in FY 2024-25 for DRIVES programming to develop the electronic notification system required by the bill. This includes \$156,128 for 656 hours of programming at a rate of \$238 an hour plus \$53,361 for ISD development, Office of Information Technology support, and additional testing. The second round of programming in FY 2025-26 requires \$220,641 to account for an increase in DRIVES programming costs to \$255 per hour.

Because of uncertainty regarding when the DRIVES upgrade will be finalized and the second round of programming will take place, some of the bill's programming efforts may extend into FY 2026-27. Therefore, any DRIVES programming-related expenditures not expended in FY 25-26 should be allowed to roll forward to the following fiscal year.

**Reduction in material and printing costs.** Based on the customer opt-in numbers discussed in the Background and Assumptions section, the bill decreases DOR expenditures by \$65,400 in FY 2024-25 and \$156,960 in FY 2025-26 and ongoing by reducing expenses for paper notifications for certain vehicle transactions and notices. While the majority of counties pay for postage and production costs themselves, the state DMV pays for paper stock and envelopes, which cost about \$0.08 per transaction. The state DMV also pays for postage, paper, and production for transactions in a few counties and the state DMV office, at an average cost of \$0.71 per transaction. The fiscal note assumes the DMV will begin issuing electronic notifications in January 2025.

**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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

## Local Government

The bill decreases expenditures to counties by reducing the costs of postage and production for county motor vehicle offices. Based on the participation rates discussed in the Background and Assumptions section, county offices will replace approximately 1.6 million annual paper notifications with electronic notifications.

## Technical Note

The fiscal note currently includes a duplicative programming cost for the DOR's DRIVES system, as discussed in the Background and Assumptions section. The duplicate cost would be removed if the bill's effective date were amended to April 1, 2026, when the DRIVES upgrade is complete.

## Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## State Appropriations

For FY 2024-25, the bill requires the following changes in appropriations to the Department of Revenue from the DRIVES Cash Fund:

- an increase of \$240,433 for new costs identified in Table 2, of which \$24,849 is reappropriated to the Office of Information Technology; and,
- a reduction of \$65,400 for printing and material costs.

**State and Local Government Contacts**

Counties  
Regulatory Agencies

County Clerks  
Revenue

Local Affairs  
Treasury

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).