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Revised Fiscal Note

(replaces fiscal note dated March 14)

Drafting Number: LLS 24-0071 Date: April 15, 2024
Prime Sponsors: Rep. Hamrick; Frizell Bill Status: Senate Appropriations
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Bill Topic: VEHICLE ELECTRONIC NOTIFICATIONS

Summary of Fiscal Impact: [X] State Revenue [ ] State Transfer [X] Local Government
[X] State Expenditure [ ] 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 revenue and expenditures starting in FY 2024-25 and decreases local expenditures on net starting in FY 2025-26.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$449,456 to the Department of Revenue.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill, as amended by the Senate Finance Committee.

Table 1
State Fiscal Impacts Under HB 24-1089

Table with 5 columns: Category, Sub-category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue (Cash Fund, Total Revenue), Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund).

## **Summary of Legislation**

By March 31, 2026, 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, missing documentation, and hearings. The DOR must establish rules for implementing the electronic notification process by December 31, 2024. In addition, by September 30, 2024, the DOR must modify their Electronic Vehicle Registration and Titling (EVTR) system to allow electronic transactions for leased motor vehicles, while removing electronic transactions for special mobile machinery and off-highway vehicles.

## **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 the first year, with an additional 5 percent per year in each additional year 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 April 2026, so first-year cost savings associated with the notifications assume a three-month impact.

**Leased vehicle transactions.** The DOR has seen a 20 percent increase each month in electronic vehicle transactions since the program began in November 2022. In March 2024, the DOR processed 9,770 EVTR transactions. This fiscal note assumes the 20 percent monthly growth rate will continue until the end of FY 2025-26. This fiscal note also assumes the bill, by adding EVTR transactions for leased vehicles, will increase the total number of transactions by an additional 10 percent, resulting in additional revenue to the DOR. While the bill eliminates transactions from special mobile machinery and off-highway vehicles, these transactions are insignificant and not accounted for in this fiscal note.

**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 Revenue**

The bill increases state cash fund revenue from fees by about \$253,000 in FY 2024-25 and \$725,000 in FY 2025-26. This revenue is deposited to the Electronic Transactions Cash Fund, and is subject to TABOR. The bill's fee impact is described in Table 2.

**Table 2  
Fee Impact from HB 24-1089**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Fee Amount</b>	<b>Additional EVTR Transactions</b>	<b>Total Fee Impact</b>
FY 2024-25	EVTR Transaction Fee	\$3	84,170	<b>\$252,510</b>
FY 2025-26	EVTR Transaction Fee	\$3	241,776	<b>\$725,328</b>

**State Expenditures**

The bill increases expenditures in the DOR by about \$469,000 in FY 2025-26, \$661,000 in FY 2025-26, and \$153,000 in FY 2026-27 and following years. These costs are paid from the DRIVES Cash Fund in FY 2024-25 and the DRIVES and Electronic Transactions Cash Funds in subsequent years. These expenditures are shown in Table 3 and detailed below.

**Table 3  
Expenditures Under HB 24-1089**

	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>
<b>Department of Revenue</b>			
Personal Services	\$56,722	\$193,799	\$226,887
Operating Expenses	\$1,536	\$5,248	\$6,144
Capital Outlay Costs	\$6,670	\$26,680	-
Programming Costs	\$384,568	\$408,937	-
Materials and Printing Costs	-	(\$39,240)	(\$156,960)
Centrally Appropriated Costs <sup>1</sup>	\$19,262	\$65,812	\$77,048
<b>Total Cost</b>	<b>\$468,718</b>	<b>\$661,236</b>	<b>\$153,119</b>
<b>Total FTE</b>	<b>1.2 FTE</b>	<b>4.1 FTE</b>	<b>4.8 FTE</b>

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

**Staff.** The bill increases staffing costs in the DOR starting in FY 2024-25. Standard operating and capital outlay costs are included.

- **EVTR auditing.** The DOR requires 1.3 FTE in FY 2024-25 and 3.9 FTE in FY 2025-26 and ongoing years to account for the expected increase in EVTR transactions. DOR currently audits 20 percent of EVTR transactions, and technicians require approximately 10 minutes per audit. The fiscal note assumes an August 2024 start date for the first 1.3 FTE and a July 2025 start date for the remaining 2.6 FTE.
- **Call center.** The electronic notification system will require 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 an April 2026 start date.

**DRIVES programming.** The bill requires \$384,528 in FY 2024-25 for DRIVES programming to satisfy the bill's requirements for the EVTR system, and \$408,937 for the second round of EVTR system programming plus programming to develop the electronic notification system required by the bill. 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 2025-26 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 \$39,240 in FY 2025-26 and \$156,960 in FY 2026-27 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 April 2026.

**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 3.

## 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**

**Effective Date.** The bill requires the DOR to have modified the EVTR system by September 30, 2024. However, updating the system requires 1,440 programming hours, which does not allow for successful implementation by that deadline. In addition, the fiscal note currently includes a duplicative programming cost for the DOR's DRIVES system, as discussed in the Background 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 upon signature of the Governor, or upon becoming law without his signature.

## **State Appropriations**

For FY 2024-25, the bill an appropriation of \$449,456 from the DRIVES Cash Fund to the Department of Revenue.

## **State and Local Government Contacts**

Counties	County Clerks	Local Affairs
Regulatory Agencies	Revenue	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](#).