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Fiscal Note

Drafting Number: LLS 24-1092 Date: March 18, 2024
Prime Sponsors: Rep. Holtorf Rep. Martinez Bill Status: House Ag., Water & Natural Res.
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Bill Topic: COLORADO AGRICULTURE SPECIAL LICENSE PLATE

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

The bill creates the Colorado Agriculture license plate. It increases state and local government revenue and state expenditures on an ongoing basis.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$33,206 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 24-1369

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

Summary of Legislation

The bill creates the Colorado Agriculture license plate. The license plate is available to all applicants who pay three one-time fees of \$25, one of which will be credited to the Agriculture Management Fund and designated for supporting or expanding marketing programs to promote Colorado agricultural products to consumers, retailers, and restaurants. It will be available January 1, 2025, or when the department is able to issue the plates.

Background

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.

Assumptions

Demand for this new plate is assumed to be similar to the demand for the Share the Road license plate. For the Share the Road license plate, 1,713 plates were issued in the first year of availability and 1,845 were issued in the second year.

State Revenue

The bill is anticipated to increase state cash fund revenue by about \$146,000 FY 2024-25 and \$158,000 in FY 2025-26 and future years, as shown in Table 2. This revenue is subject to TABOR.

Table 2
State Revenue Under HB 24-1369

	FY 2024-25	FY 2025-26
License Plate Sets Issued	1,713	1,845
Highway Users Tax Fund (\$25)	\$42,825	\$46,125
DRIVES Cash Fund (\$25)	\$42,825	\$46,125
Agriculture Management Fund (\$25)	\$42,825	\$46,125
License Plate Cash Fund (\$10.03 in FY 2024-25, \$10.70 in FY 2025-26)	\$17,181	\$19,742
Total Revenue	\$145,656	\$158,117

Standard license plate fees. Upon registration, all vehicle owners must pay a plate and tab production fee of \$10.03 for a digital passenger vehicle plate set in FY 2024-25 and \$10.70 the following year. All specialty plates are manufactured as digital plates, and the fiscal note assumes motorcycle issuance will be minimal. Fees from plate and tab production are credited to the License Plate Cash Fund (LPCF).

Special license plate fees. Applicants for the Colorado agriculture special license plate are also required to pay an additional \$75 in one-time fees, of which \$25 is credited to the Highway Users Tax Fund (HUTF), \$25 is credited to the DRIVES Cash Fund, and \$25 is credited to the Agriculture Management Fund.

Colorado Department of Transportation. Of the HUTF revenue generated under this bill, 65 percent is credited to the State Highway Fund (SHF) for expenditure by the department, 26 percent is credited to counties, and 9 percent is credited to municipalities. Table 3 outlines the estimated distribution of HUTF revenue generated under this bill.

Table 3
Estimated HUTF Distributions Under HB 24-1369

	FY 2024-25	FY 2025-26
State Highway Fund (65 percent)	\$27,836	\$29,981
Counties (26 percent)	\$11,135	\$11,993
Municipalities (9 percent)	\$3,854	\$4,151
Total HUTF Distribution	\$42,825	\$46,125

State Expenditures

Expenditures in DOR will increase by about \$33,000 in FY 2024-25 and \$36,000 in FY 2025-26 and in future years for the production costs only, as shown in Table 4. Spending from the Agriculture Management Fund by the Department of Agriculture (CDA) and the State Highway Fund by the Department of Transportation (CDOT) will also increase.

Table 4
Expenditures Under HB 24-1369

	FY 2024-25	FY 2025-26
Department of Revenue		
Computer Programming	\$15,775	\$16,111
Plate and Tab Production	\$17,431	\$19,742
Total Cost	\$33,206	\$35,853

Department of Revenue. The DOR will have costs to make computer system changes, produce the new plates, and make other updates, as outlined below.

- **Computer programming.** Computer programming costs in FY 2024-25 and FY 2025-26 include DRIVES programming, estimated at 48 hours at a rate of \$248 per hour in FY 2024-25 and 48 hours at a rate of \$255 per hour in FY 2025-26; ISD development and testing costs, estimated at 35 hours at a rate of \$35 per hour in each year; support from the Office of Information Technology estimated at 18 hours at a rate of \$99 per hour in each year, paid to OIT through real-time billing; and business user acceptance testing at 27 hours at a rate of \$32 per hour in each year.
- **Plate and tab production.** As discussed in the State Revenue section, plate tab and production costs are \$10.03 per license plate set in FY 2024-25 and \$10.70 per license plate set in FY 2025-26. Based on the assumed number of plates, this will increase costs as shown in Table 4 above. These costs are paid from the LPCF.
- **Update training and materials.** In addition, DOR will be required to update rules, forms, manuals, and the department's website to reflect the change in law. Additionally, the DOR will provide training to authorized agents, Title and Registration Section staff, and law enforcement. Any workload increases or costs associated with these activities can be accomplished within existing appropriations.

Department of Agriculture. Expenditures will increase in the CDA to support or expand marketing programs to promote Colorado agricultural products to consumers, retailers, and restaurants. As shown in Table 2, the license plate is expected to generate approximately \$45,000 per year to the Agriculture Management Fund in the first two years of the program. Spending authority will be addressed through the annual budget process, as necessary.

Department of Transportation. By increasing revenue to the State Highway Fund, expenditures by CDOT on transportation projects will also increase. The State Highway Fund is continuously appropriated to CDOT. Future decisions on the amount and timing of such expenditures will be made by the Transportation Commission.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

This bill will increase local government HUTF revenue by the amounts shown in Table 3. HUTF revenue generated by license plate fees is distributed to counties (26 percent) and municipalities (9 percent) for transportation needs.

Technical Note

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 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 appropriations of \$33,206 to the Department of Revenue, including:

- \$17,431 from the License Plate Cash Fund; and
- \$15,775 from the DRIVES Cash Fund.

State and Local Government Contacts

Revenue

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](#).