



# Fiscal Note

**Drafting Number:** LLS 23-0110  
**Prime Sponsors:**

Sen. Winter F.  
 Rep. Boesenecker; Lindsay

**Date:** January 17, 2023  
**Bill Status:** Senate Transportation  
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**Bill Topic:** **MINOR DRIVER'S EDUCATION REQUIREMENTS**

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires anyone under the age of 21 to take a driver's education course before the individual can get an instructional permit or driver license. The bill also creates a tax credit for individuals who pay for a driver's education course. Starting in FY 2023-24, the bill decreases state revenue and increases state expenditures on an ongoing basis.

**Appropriation Summary:** For FY 2023-24, the bill requires appropriations totaling \$893,855 to the Department of Revenue.

**Fiscal Note Status:** The fiscal note reflects the introduced bill, which was recommended by the Transportation Legislation Review Committee.

**Table 1**  
**State Fiscal Impacts Under SB 23-011**

		<b>Budget Year FY 2023-24</b>	<b>Out Year FY 2024-25</b>
<b>Revenue</b>	General Fund	(\$19.6 million)	(\$37.3 million)
	<b>Total Revenue</b>	<b>(\$19.6 million)</b>	<b>(\$37.3 million)</b>
<b>Expenditures</b>	General Fund	\$580,756	\$382,356
	Cash Funds	\$313,099	\$100,885
	Centrally Appropriated	\$152,359	\$131,460
	<b>Total Expenditures</b>	<b>\$1,046,214</b>	<b>\$614,701</b>
	<b>Total FTE</b>	<b>9.4 FTE</b>	<b>8.1 FTE</b>
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	TABOR Refund	(\$19.6 million)	(\$37.3 million)
	General Fund Reserve	\$87,113	\$57,353

## **Summary of Legislation**

The bill creates a tax credit for purchasing driving school or training for a minor and changes the requirements to receive a driver license and instructional permits for individuals under the age of 21.

**Income tax credit.** For tax years 2023 through 2032, the bill creates a state income tax credit for up to \$1,000 per student for qualifying taxpayers who incur certain driving instructional expenses on behalf of a minor. Qualifying expenses include either a 30-hour driver education course approved by the Department of Revenue (DOR) or 6 hours of behind-the-wheel training with a driving instructor. The tax credit is refundable, meaning if the amount exceeds the taxpayer's state income tax liability, the balance is refunded to the taxpayer. The maximum credit amount is adjusted for inflation each income tax year after 2023.

**Driver license requirement.** The bill changes the requirements to receive a Colorado driver license for individuals under the age of 21. For individuals who are receiving their license at 18 or younger, the bill adds the requirement that the individual successfully complete a 30-hour driver education course that is approved by the DOR, and receive a minimum of 6 hours of behind-the-wheel training with a driving instructor or 12 hours of behind-the-wheel training from a parent if no entity within 30 miles offers an approved training. For individuals 18 to 21, the bill adds the requirement that the individual successfully complete a four-hour prequalification driver awareness program or a 30-hour driver education course.

**Instructional permit.** The bill requires anyone under the age of 18 applying for an instructional permit to complete a 30-hour driver education course and for individuals between the ages of 18 and 21 to complete a 30-hour driver education course or a 4-hour prequalification driver awareness program.

**Background checks.** Finally, the bill requires commercial driving instructors to get a criminal background check before providing behind-the-wheel instruction to a minor.

## **Background**

**Instruction permit.** Under current law, anyone over the age of 16 may receive an instructional permit without formal driving instruction. 15-year-olds are required to meet certain instruction requirements, with individuals aged 15 to 15.5 year olds required to take the 30-hour driver education course and individuals aged 15.5 years old to 16 years old required to take a four-hour prequalification driver awareness program. For a complete list of requirements to receive an instructional permit under current law, visit: <https://dmv.colorado.gov/minor-permit>.

**Minor driver license.** Under current law, a minor under the age of 16.5 must complete 6 hours of behind-the-wheel driving with a driving instructor, as well as hold their permit for 12 months. Those over the age of 16 and a half and younger than 18 do not require six hours of behind-the-wheel driving but do need to have held a permit for 12 months. For complete list of requirements for a minor's license, visit: <https://dmv.colorado.gov/minor-license#BTW%20Training>. Table 2 outlines the change to driver education requirements under the bill.

**Table 2**  
**Changes to Driver Education Requirements Under SB 23-011<sup>1</sup>**

<b>Permit Age</b>	<b>To Receive a Permit</b>		<b>To Receive a Driver License</b>		
	<b>Current Law</b>	<b>Under SB 23-011</b>	<b>License Age</b>	<b>Current Law</b>	<b>Under SB 23-011</b>
<b>15 to 15.5</b>	30-Hour DE	30-Hour DE	<b>16 to 16.5</b>	6-hour BTW	30-Hour DE AND 6-Hour BTW <sup>2</sup>
<b>15.5 to 16</b>	30-Hour DE OR 4-hour DA	30-Hour DE	<b>16.5 to 17</b>	None	30-Hour DE AND 6-Hour BTW
<b>16 to 17</b>	None	30-Hour DE	<b>17</b>	None	30-Hour DE AND 6-Hour BTW
<b>18 to 20</b>	None	30-Hour DE OR 4-Hour DA	<b>18 to 20</b>	None	30-Hour DE OR 4-Hour DA

<sup>1</sup> 30-Hour DE refers to the 30-hour driver education course, 4-hour DA refers to the 4-hour driver awareness course, and 6-hour BTW refers to the 6-hour behind-the-wheel training with an instructor.

<sup>2</sup> 6-hour behind-the-wheel training course can be substituted for with 12 hour behind-the-wheel training with a parent, legal guardian or an alternate permit supervisor if no entities offer an approved training within 30 miles.

## Assumptions

The fiscal note assumes that the state's approximately 750 commercial driving instructors already undergo fingerprint background checks that review an individual's criminal history; therefore, no revenue or expenditure impact from background checks is anticipated.

## State Revenue

**Tax credit for driving instruction.** The bill is expected to decrease General Fund revenue by \$19.6 million in FY 2023-24 (half-year impact), by \$37.3 million in FY 2024-25, and by increasing amounts, due primarily to inflation, for each full year through FY 2031-32. The credit will repeal in FY 2032-33, in which a half-year impact will occur. The bill reduces individual income tax revenue, which is subject to TABOR. Credits claimed and costs per credit are shown in Table 3.

**Table 3**  
**State Revenue Impacts Under SB 23-011<sup>1</sup>**

	<b>Tax Year 2024</b>			<b>Tax Year 2025</b>		
	<b>Credits Claimed</b>	<b>Avg. Credit Amount</b>	<b>Total Reduction</b>	<b>Credits Claimed</b>	<b>Avg. Credit Amount</b>	<b>Total Reduction</b>
<b>30-Hour Driver's Education Class</b>	97,000	\$180	\$17.5 million	66,000	\$185	\$12.2 million
<b>6-Hour Behind-the-Wheel Training</b>	47,000	\$461	\$21.5 million	47,000	\$473	\$22.1 million
<b>Tax Year Total</b>	<b>144,000</b>		<b>\$39.0 million</b>	<b>113,000</b>		<b>\$34.3 million</b>
<b>Fiscal Year Total</b>	<b>FY 2023-24: \$19.6 million</b>			<b>FY 2024-25: \$37.3 million</b>		

<sup>1</sup> Totals may not sum due to rounding. Tax year totals are based on the calendar year; fiscal year totals allocate tax revenue based on the state fiscal year, which runs from July 1 to June 30 each year.

**Assumptions.** The fiscal note assumes that taxpayers will claim the credit for about 144,000 minor drivers in calendar year 2023, and about 113,000 minor drivers in calendar year 2024 and similar numbers thereafter. In the first year, about 70 percent of credits are assumed to be claimed for the 30-hours driving course and 30 percent for behind-the-wheel training; in future years, this split is assumed to be approximately 60 percent and 40 percent, respectively. The fiscal note further assumes that the average credit claimed will be \$180 for the 30-hour driving course (including online options) and \$461 for the 6 hours of behind-the-wheel training based on data from a sample of 2022 prices listed by state-approved driving schools. These costs are adjusted for inflation for each year using estimates published in the December 2022 forecast. In determining the instructional costs that may be claimed for the credit, the costs of written and driving tests, which are included in many driving instruction packages, are excluded as these are assumed to not be qualified expenses under the bill.

If the new requirements result in fewer minors under age 18 seeking a permit or license, if the cost of driving instruction is less than assumed, or if a larger number of minors meet the qualifications for parental- or guardian-supervised behind-the-wheel training, the bill will decrease revenue by less than estimated. If the refundable income tax credit creates an incentive for more minors to obtain a permit or driving license or if the cost of driving courses and behind-the-wheel driving instruction is greater than assumed under this fiscal note, the bill will decrease revenue by more than estimated. Additionally, if increased demand for driver education courses results in an increase in the price of these courses, the bill will decrease revenue by more than estimated.

**Permit and licensing fees.** To the extent that changing the requirements to receive an instructional permit or driver licenses decreases the number of individuals eligible to receive a permit or license, revenue to the DOR will decrease. The exact number of individuals who would not get a permit or license under the bill cannot be determined at this time.

## **State Expenditures**

The bill increases state expenditures in the DOR by \$1.0 million in FY 2023-24 and \$614,700 in FY 2024-25, with costs paid from the General Fund and the DRIVES Vehicle Services Account. Expenditures are shown in Table 4 and detailed below.

**Table 4**  
**Expenditures Under SB 23-011**

<b>Cost Components</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>
<b>Department of Revenue – Division of Motor Vehicles</b>		
Personal Services	\$118,966	\$98,455
Operating Expenses	\$2,970	\$2,430
Capital Outlay Costs	\$20,010	-
Computer Programming	\$171,153	-
Centrally Appropriated Costs <sup>1</sup>	\$35,368	\$29,042
FTE – Personal Services	2.2 FTE	1.8 FTE
<b>DMV Subtotal (DRIVES Vehicle Services Account)</b>	<b>\$348,467</b>	<b>\$129,927</b>
<b>Department of Revenue – Tax Division (GF)</b>		
Personal Services	\$402,551	\$352,775
Operating Expenses	\$11,070	\$8,505
Capital Outlay Costs	\$73,370	-
Computer Programming/Reporting	\$79,636	\$7,328
Form Changes	\$14,129	\$13,748
Centrally Appropriated Costs <sup>1</sup>	\$116,991	\$102,418
FTE – Personal Services	7.2 FTE	6.3 FTE
<b>Tax Division Subtotal (General Fund)</b>	<b>\$697,747</b>	<b>\$484,774</b>
<b>Total</b>	<b>\$1,046,214</b>	<b>\$614,701</b>
<b>Total FTE</b>	<b>9.4 FTE</b>	<b>8.1 FTE</b>

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

**Division of Motor Vehicles.** Starting in FY 2023-24, expenditures in the Division of Motor Vehicles in the DOR will increase to audit additional documents and to make changes to the department's Driver License, Record, Identification, and Vehicle Enterprise Solutions (DRIVES) system.

- **Auditing license and permit documentation.** The Division of Motor Vehicles will require 2.9 FTE in FY 2023-24 and 1.8 FTE in FY 2024-25 and ongoing to audit additional documents to ensure that minors are completing the requirements for a license or permit under the bill. Staffing assumes that the division will receive around 250,000 additional documents in FY 2023-24 and 154,000 additional documents in FY 2024-25 and in future years and that 1.0 FTE can review around 90,000 documents per year. Costs in FY 2023-24 are prorated for an October 1 start date.

- **DRIVES programming.** In FY 2023-24, the DOR will be required to update DRIVES to eliminate the current tiered system for driver education and testing, and to program the system to meet the new identification requirements under the bill. Programming costs are calculated at 608 hours at a rate of \$225 per hour for a total cost of \$136,800. In addition, programming and testing within the innovation strategy and delivery team, which maintains the DRIVES system, will cost \$34,353, which is reappropriated to the Office of Information Technology.

**Tax Division.** Expenditures in the Tax Division within the DOR will increase to administer the tax credit, to update the GenTax system, and make form changes.

- **Tax credit administration.** The Tax Division will require 6.2 FTE in FY 2023-24 and 6.3 FTE in FY 2024-25 to administer the tax credit based on current DOR staff levels. Staff will review and verify credits and correspond with taxpayers to ensure that required information is verified. Costs in FY 2024-25 are prorated for a October 1 start date and the General Fund pay date shift.
- **GenTax programming.** The DOR requires 1.0 FTE to program, test, and update database fields in the DOR's GenTax software system. GenTax programming costs are estimated at \$72,244, which includes 180 hours of contract programming at a rate of \$225 per hour, and 992 hours of user acceptance testing at a rate of \$32 per hour. These are one-time costs.

Expenditures in the Office of Research and Analysis are also required for changes in the related GenTax reporting system so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at \$7,392, representing 231 hours for data management and reporting at \$32 per hour. These costs are ongoing.

- **Form changes.** The DOR will make changes to its tax forms. The changes are expected to cost \$14,129 in FY 2023-24 and \$13,748 in FY 2024-25. This work will be performed by the Department of Personnel and Administration using reappropriated funding from DOR.

**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.

## **Other Budget Impacts**

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, which will decrease the amount of General Fund available for other purposes.

**TABOR refunds.** The bill is expected to decrease 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 2022 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, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

## **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 2023-24, the bill requires the following appropriations to the Department of Revenue:

- \$580,756 from the General Fund, and 7.2 FTE, with \$14,129 reappropriated to the Department of Personnel and Administration; and
- \$313,099 from the DRIVES Vehicle Services Account, and 2.2 FTE, with \$34,353 reappropriated to the Office of Information Technology.

## **State and Local Government Contacts**

Information Technology

Judicial

Personnel

Public Safety

Revenue

State Auditor

Transportation