Colorado Legislative Council Staff

HB16-1293

FINAL FISCAL NOTE

FISCAL IMPACT: ☒ State ☐ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 16-0853	**Date:**	May 23, 2016
Prime Sponsor(s):	Rep. Melton Sen. Holbert	**Bill Status:**	Postponed Indefinitely
		Fiscal Analyst:	Erin Reynolds (303-866-4146)

BILL TOPIC: TOTAL LOSS BRAND TITLE MOTOR VEHICLE

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
State Expenditures	**$102,540**	**$105,304**
Cash Funds	97,142	98,663
Centrally Appropriated Costs	5,398	4,481
FTE Position Change	0.5 FTE	0.4 FTE
Appropriation Required: $97,142 – Department of Revenue (FY 2016-17).		
Future Year Impacts: Ongoing state expenditure increase.		

Note: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

The bill requires automobile insurers to submit to the Department of Revenue (DOR) a statement notifying DOR when a motor vehicle:

- has been damaged and needs repairs exceeding the vehicle's value; or
- has been designated by the insurer as a total loss.

Upon receipt of this statement from the insurer, the DOR must:

- notify the owner and all lienholders and provide each with a copy of the statement;
- issue a new title branded with "insurance loss," or a salvage title if the statement includes facts that qualify the vehicle as a salvage vehicle; and
- note on the title any unreleased liens and deliver the title to the senior lienholder or the owner with a demand that the original title be surrendered.

The bill does not apply to collector's or street-rod vehicle types.

Background

A branding is a permanent marking on a motor vehicle's title, associated with the vehicle's identification number (VIN), that provides information about the value of the vehicle. A vehicle's title branding must carry forward to future titles, and a branding from another state must carry forward to the vehicle's Colorado title. Under current law, a motor vehicle's certificate of title is branded if the vehicle:

- is a salvage vehicle or is rebuilt from salvage;
- is non-repairable or flood-damaged;
- has had its odometer tampered with; or
- has a designation that was placed on its title by another jurisdiction.

Owners of non-repairable vehicles must apply for a non-repairable title and may only sell the vehicles as scrap or for parts. Owners of salvage vehicles, which include vehicles damaged by collision, fire, flood, accident, trespass, or other occurrence, excluding hail damage, must apply for a salvage title, unless the vehicle has been made roadworthy, in which case the vehicle's title must be branded with "rebuilt from salvage." If a vehicle is determined to be junk, the DOR must cancel the VIN, collect the title, and remove the vehicle from the motor vehicle system. Current law also requires any owner or dealer to disclose any title brand prior to sale or trade of a motor vehicle through a branded title disclosure statement.

The Department of Public Safety (DPS) performs certified VIN inspections on any vehicle deemed appropriate. Typically, these inspections are required for vehicles coming from out of state or rebuilt from salvage. The fee is $20 for these inspections, and inspections must be conducted by a certified peace officer.

State Expenditures

The bill will increase state cash fund expenditures in DOR by $102,540 and 0.5 FTE in FY 2016-17 and by $103,144 and 0.4 FTE in FY 2017-18 and each year thereafter from the Colorado State Titling and Registration System (CSTARS) Cash Fund. Expenditures are outlined in Table 1 and discussed further below.

Table 1. Expenditures Under HB16-1293

Cost Components	FY 2016-17	FY 2017-18
Personal Services	$16,389	$14,303
FTE	0.5 FTE	0.4 FTE
Operating Expenses	475	380
Printed Notifications and Postage	76,982	83,980
Computer Programming	3,296	0
Centrally Appropriated Costs*	5,398	4,481
TOTAL	**$102,540**	**$103,144**

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

Assumptions and data. Based on the bill's definition of total loss, the fiscal note assumes 37,829 titles (which is the average number of vehicles issued a non-repairable or salvage title per year, and represents less than 1 percent of all titles issued statewide) will be branded insurance loss or salvage. The fiscal note also assumes each vehicle will have one owner and one lienholder, which will require the DOR to send two notifications. It is assumed that the DOR's Titles and Registration Section will perform the duties required by the bill, rather than the DOR's authorized agents at 106 county offices. Titles will be issued via the Electronic Lien Title process in DOR, which does not require DOR to print or mail a paper title. DPS may experience a small increase in VIN inspections, but these workload increases are expected to be accomplished within existing appropriations.

Personal services. The DOR requires an Administrative Assistant II to perform records searches, electronic title branding, and notification preparation; scan notification letters; and respond to increased call volume in the call center. This requires 0.5 FTE in FY 2016-17 and 0.4 FTE in FY 2017-18 and thereafter. Because call center volume is expected to decrease in the second year of the program, the FTE minimally reduces in FY 2017-18. Standard operating costs for telephone and supplies are included.

While an increase in hearings related to title issues is expected, DOR is expected to accomplish this additional workload within existing personal and legal services appropriations. To the extent workload increases related to hearings cannot be absorbed, the fiscal note assumes this will be addressed during the annual budget process.

Printed notifications and postage. For each of the estimated 37,829 titles issued, the DOR will be required to mail two letters, to the owner and the lienholder, at a cost of $1.11 per document, including paper, envelopes, and postage, for a total of $83,980 per year, prorated to $76,982 in FY 2016-17.

Computer programming. Computer programming in CSTARS is required in FY 2016-17 to add the "insurance loss" brand to the database. This programming is expected to take the Office of Information Technology 32 hours to complete at the standard rate of $103 per hour.

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 2.

Table 2. Centrally Appropriated Costs Under HB16-1293

Cost Components	**FY 2016-17**	**FY 2017-18**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$3,996	$3,199
Supplemental Employee Retirement Payments	1,402	1,282
TOTAL	**$5,398**	**$4,481**

Effective Date

The bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on April 27, 2016.

State Appropriations

In FY 2016-17, the Department of Revenue required and was appropriated $97,142 from the CSTARS Cash Fund, of which $3,296 was to be reappropriated to the Office of Information Technology.

Departmental Difference

DPS assumes it will require an increase in cash funds appropriations of $288,807 and 2.8 FTE in FY 2016-17, and $259,028 and 2.8 FTE in FY 2017-18 and each year thereafter from the VIN Cash Fund and the Highway Users Tax Fund to perform additional VIN inspections under the bill. The fiscal note assumes that nothing in the bill will prompt an additional VIN inspection not already taking place in the course of normal business and therefore assumes this to be a minimal workload increase for DPS that can be accomplished within existing appropriations.

State and Local Government Contacts

Clerk and Recorders
Public Safety
Regulatory Agencies
Revenue

Research Note Available

An LCS Research Note for HB 16-1293 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.