



June 7, 2016

Representative Max Tyler, Chairman
Transportation and Energy Committee
Colorado House of Representatives

Senator Randy Baumgardner, Chairman
Senator Transportation Committee
Colorado Senate


Dear Chairmen,

Section 42-3-301, C.R.S., requires that the "correctional industries advisory committee, established pursuant to section 17-24-104, C.R.S., shall annually review and recommend to the director of the division (of Colorado Correctional Industries) the amounts of the fees to be imposed...(for plates decals or tabs)." Furthermore, statute requires that "the director of the division, in cooperation and consultation with the department of revenue and the office of state planning and budgeting, shall annually establish the fees that will be imposed...to recover the division's costs..."

In addition, pursuant to section 42-3-301, C.R.S., the division is required to "On or before March 1st, 2010, and on or before March 1 every five years thereafter,... file a written report with the transportation and energy committee of the house of representatives, or any successor committee, and the transportation committee of the senate or any successor committee, concerning any change within the preceding five years in the amount of the fee imposed... and the reason for the change in the fee."

The following report is intended to respond to this requirement. Thank you for your time and consideration of these matters.

Sincerely,


Dennis Dunsmoor, Associate Director
Colorado Correctional Industries
Colorado Department of Corrections



Report Pursuant to 42-3-301, C.R.S.

Pursuant to section 42-3-301, C.R.S., the Department of Corrections is required to “On or before March 1st, 2010, and on or before March 1 every five years thereafter,... file a written report with the transportation and energy committee of the house of representatives, or any successor committee, and the transportation committee of the senate or any successor committee, concerning any change within the preceding five years in the amount of the fee imposed... and the reason for the change in the fee.” The last report concerning this statutory requirement was filed on January 21, 2011.

Pursuant to statute, the production costs of license plates, decals and validating tabs have increased/decreased as follows:

- **License Plates:**
2011 average cost \$1.69
2016 average cost \$1.54

- **Decals:**
2011 average cost \$.46
2016 average cost \$.55

- **Tabs:**
2011 average cost \$.09
2016 average cost \$.10

Due to the nominal cost increases and decreases within the preceding five years as it relates to the production costs of license plates, decals and validating tabs, there have been no changes within in the amount of the fee imposed.

However, pursuant to SB15-090, the overall cost of temporary tags has increased from \$0.22 to \$1.08 per tag. Pursuant to the legislation, CCI manufactures temporary plates at a cost of \$1.08 for both passenger vehicles and motorcycles—representing an \$0.86 increase from the previous temporary tag. CCI is the material vendor for the temporary plates. The temporary plate is designed to affix an 8.5 inch by 11 inch certificate to a mounting board that attaches directly to a vehicle's rear license plate holder. The temporary certificate is printed on current registration receipt paper stock at no additional cost. Motor vehicle dealers and county clerk and recorder offices issue the temporary plates and certificates. Temporary plate revenue under the bill is credited to the License Plate Cash Fund (LPCF) in the DOR, and the Correctional Industries Account in the DOC, which is TABOR-exempt.

Background and Rationale:

The original enactment of the “License Plate Cash Fund,” established a statutory unit price for license plates, decals and validation tabs. Lacking a statutory remedy to recover the increasing cost of raw materials, distribution and other services, C.R.S., 42-3-301, through HB09-1133, was introduced to impose fees necessary to recover the costs of production and distribution of license plates, decals and validating tabs.

Table A; shows license plates costs to DMV from 2011 to 2016.

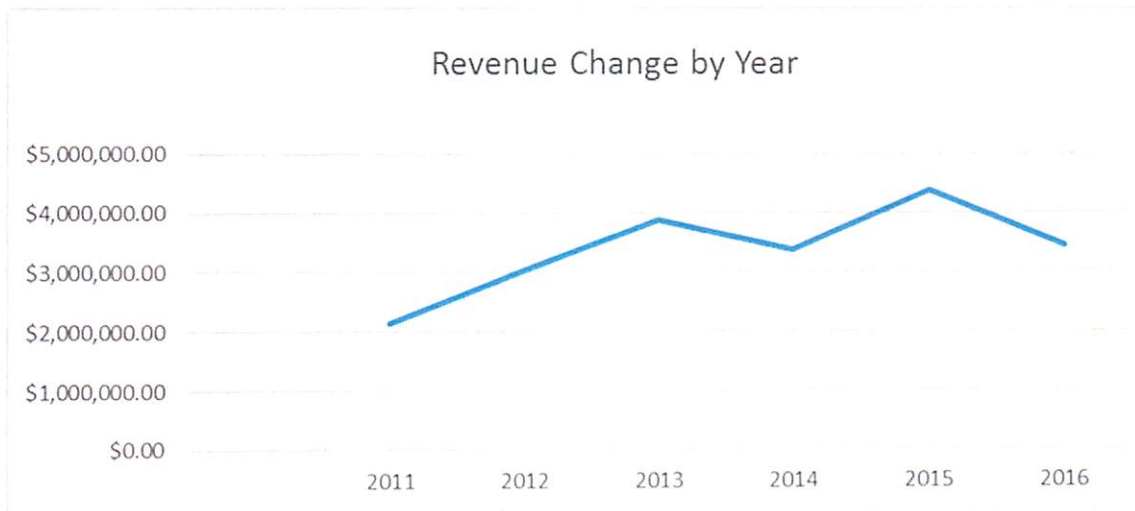


Table A

Table B; shows Raw Material costs for producing a license plate from 2011 to 2016. The year of 2005 started the undulating pricing on aluminum. The License Factory changed their purchasing tactics to spot buying to help control pricing. Most of the other products have remained flat.

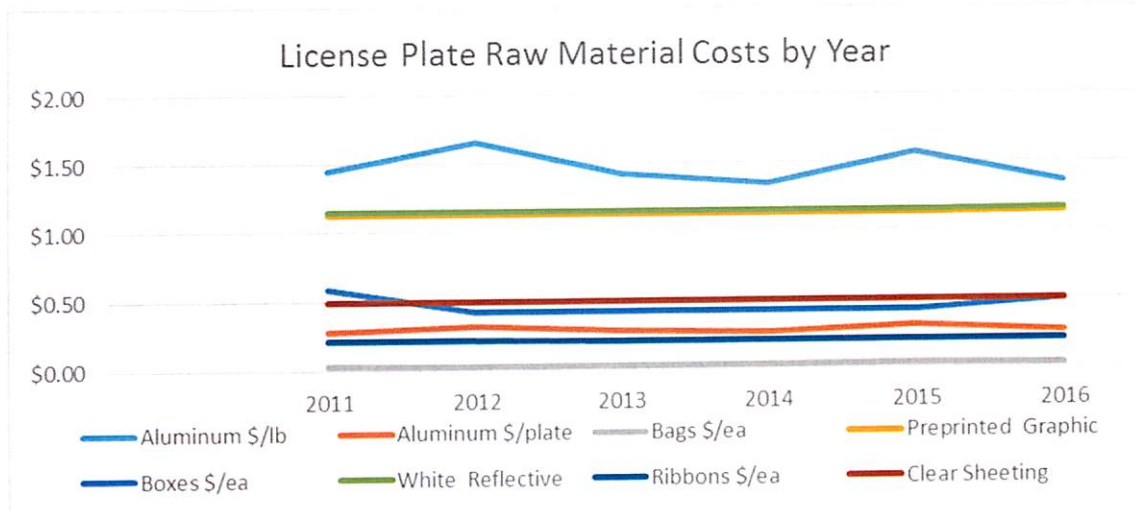


Table B

Table C; shows the largest increase in the License Plate market. With the full engagement of the (POD) Print on Demand program in 2015 the shipping costs increased from 1.1 percent to 9 percent of revenues or approximately \$300,000.00 per year. POD is a program designed to reduce the inventory of all specialty plates in Colorado’s counties. The License Plate Factory receives the customer’s information requesting, for example, a Disabled Veterans plate. The factory assigns a plate number to the customer and delivers within three days. The program is increasing in number gradually and will require an increase cost of license plates in the future.

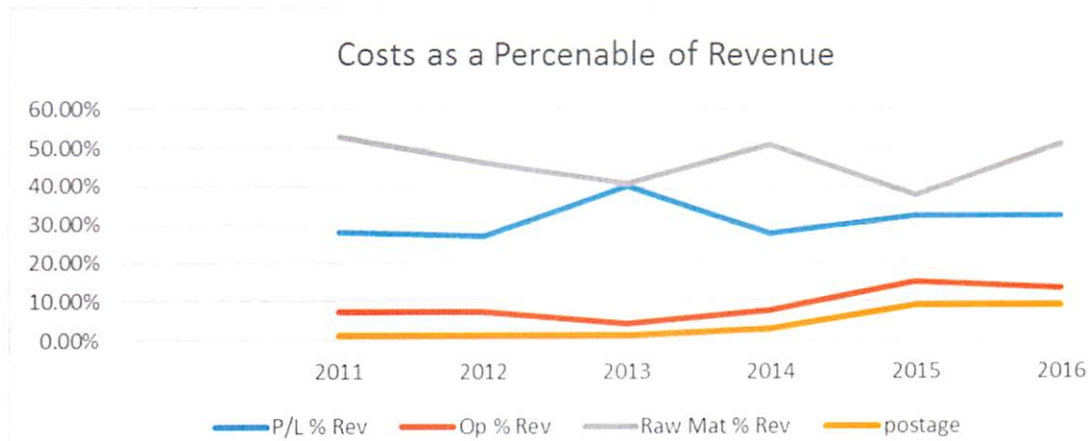


Table C

Fiscal Year	P/L % Rev	Op % Rev	Raw Mat % Rev	postage
2011	28.09%	7.13%	53.02%	1.25%
2012	27.00%	7.24%	46.28%	1.29%
2013	40.05%	4.23%	40.84%	1.08%
2014	27.67%	7.49%	50.94%	2.99%
2015	32.54%	14.96%	37.92%	8.98%
2016	32.48%	13.42%	51.21%	8.99%

Table D; shows that Colorado is currently below the national average for license plate cost. The national average in a 2012 report produced by (AAMVA) American Association of Motor Vehicle Administrators showed an average of \$2.83 per plate, while the Colorado per plate average is \$2.36.

Current Colorado Plate Pricing;

Plate Type	2001/2008	2009/Current
Embossed	\$1.63	\$2.04
Digital	\$2.54	\$3.18

Colorado Compared Average US

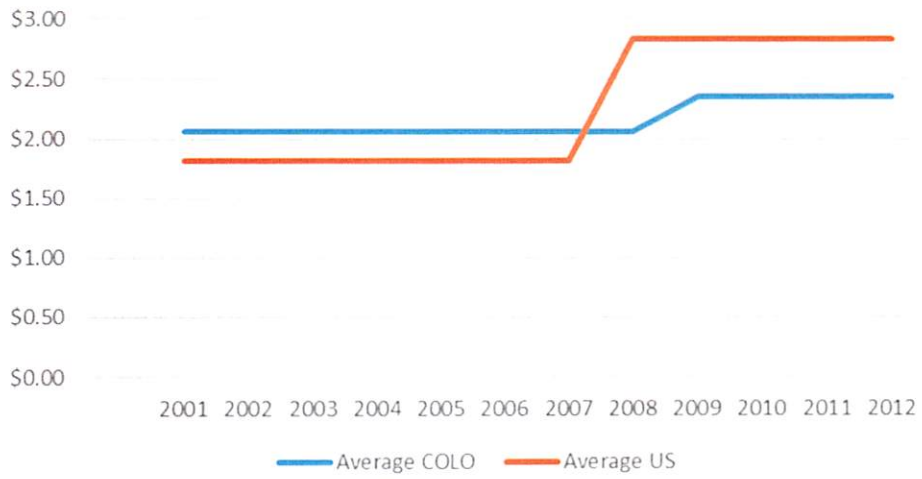


Table D