

# STATE OF COLORADO

## DIVISION OF MOTOR VEHICLES

Department of Revenue

## BUSINESS LOCATION

1881 Pierce Street / Lakewood, Colorado

## MAILING ADDRESS

Denver, Colorado 80261-0016



Bill Owens  
Governor

M. Michael Cooke  
Executive Director

Joan Vecchi  
Senior Director

March 1, 2006

Honorable Joan Fitzgerald  
President of the Senate  
State Capitol  
200 East Colfax  
Denver, CO 80203

Dear President Fitzgerald:

In accordance with the statutory reporting requirement cited below, the Division of Motor Vehicles (DMV) of the Colorado Department of Revenue is providing this report for your consideration.

### **Section 42-3-302, C.R.S. Special plates fees.**

(1) The fees collected pursuant to sections 42-3-213 and 42-3-217 for the issuance of a license plate pursuant to sections 42-3-213 (9) and 42-3-217 shall be transmitted to the state treasurer, who shall credit the same to the license plate cash fund created in section 42-3-301.\*

(2) The executive director of the department shall make an annual report by March 1 of each year to the general assembly. Such report shall be open for public inspection and shall include:

- (a) A summary of the department's activities for the previous year;
- (b) A statement of plate revenues;
- (c) Information regarding special plate purchases;
- (d) Expenses of the department;
- (e) Allocation of remaining revenues; and
- (f) Any recommendations for changes in statutes that the executive director deems necessary or desirable.

\*42-3-213 (9) – refers to the Veteran of the Korean War specialty license plate

\*42-3-217 – refers to the Colorado Commission of Indian Affairs specialty license plate

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## **Specialty License Plate Report:**

### ***2(a) Summary of the Department's Activities for the Previous Year***

Using well defined and established inventory management methodologies, the DMV submitted orders to Correctional Industries throughout FY 2004-05 to provide license plates and products to County Motor Vehicle Offices based on a 3-month statewide level of inventory. In addition, the DMV continued efforts of the Redistribution Project. This allowed the Department to remove 120,961 plates (with an additional 28,566 plates estimated for FY 2005-06) with low demand from county offices, and relocate them to other county offices where demand was greater. This resulted in a cost avoidance measure that allowed the DMV to utilize excess plate inventories rather than produce new inventories of certain plate types.

Additionally, the Department performed an in-depth evaluation and restructuring of the license plate ordering process and methodology. The methodology adheres to a quarterly order process with a strict three-month inventory of all plate types statewide. The evaluation also included an on-site audit of license plate inventories at all County Clerk Offices to verify inventory levels of plates in order to ensure the accuracy of on-hand license plate inventories. Furthermore, a quarterly order adjustment was adopted for motorcycle and trailer plates based on a significant seasonal trend for these plate types. The resulting audit adjustments together with the enhanced order evaluation process, ensures the optimal utilization of license plate inventories statewide.

### ***2(b) Statement of Plate Revenues***

For FY 2004-05, the Department of Revenue received \$6,266,428 in the License Plate Cash Fund from the sale of license plates and products. In addition, the HUTF received approximately \$9.7 million in revenues from fees collected from the sale of specialty license plates in FY 2004-05.

### ***2(c) Information Regarding Special Plate Purchases***

The following are total sets of plates purchased by Colorado citizens in FY 2004-05:

- All Plates Types: 1,535,067
- All Special Interest/Military/Alumni Plate Types: 188,371 (12.3% of total)
- Personalized Plates: 15,331 (1% of total)
- Special Event Plates: 1,174 (>0.1% of total)
- Korean War Veteran plate: 138
- Commission of Indian Affairs plate: 335

Of the 17 Special Interest plate types, 33 Military plate types, and nine Alumni plate types available in FY 2004-05, five plate types (the Columbine, Honorably Discharged Veteran, Pioneer, Firefighter, and Air Force Commemorative plates) accounted for 94% of all special plate purchases.

### ***2(d) Expenses of the Department***

The DMV expended \$4,227,079 for the administration, manufacture, and distribution of license plates and products in FY 2004-05 as follows:

- All Plates Types: \$2.8 million
- Special Interest/Military/Alumni Plate Types: \$215,000
- Personalized Plates: \$39,000
- Special Event Plates : \$3,000
- All Products: \$1.4 million
- Misc.: \$28,000

Note that as imbedded inventories are used up, sufficient appropriations will be needed to again begin manufacturing these plate types. For instance, in FY 2003-04 only five plate types were actually manufactured. The balance of demand was satisfied through county-to-county redistribution. However, it is projected for FY 2006-07, twenty one plate types will need to be manufactured. This is a direct result of using up imbedded inventories, reducing more and more plate types to the statewide three-month inventory levels, and thereby requiring the manufacture of more plate types over time.

***2(e) Allocation of Remaining Revenues***

According to Section 42-3-301(1)(b), C.R.S., any unexpended and unencumbered moneys remaining in the fund shall revert to the HUTF. The remaining fund balance of the License Plate Cash Fund transferred to the HUTF in FY 2004-05 was \$1,151,029.

***2(f) Any recommendations for changes in statutes that the executive director deems necessary or desirable.***

The Department of Revenue makes the following recommended Statutory Changes:

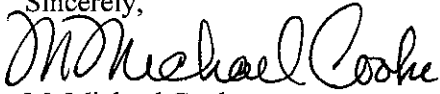
- Amend CRS 42-3-207 and 42-3-214 to require that each organization with an approved specialty plate that has a financial qualifier to provide the Department with an "Annual Sources and Uses of Funds Report," prepared by an independent CPA firm, that summarizes the amount and use of the money collected by each organization from qualifiers for special license plates. The process required to produce this report may include, but not be limited to, a review of accounting and financial procedures, a review of applicant qualification requirements, and certification by the independent accounting firm regarding the use of the fees collected. The annual report should also include verification that the entity continues to operate as a nonprofit organization.
- Ensure that all plates in the "Special Plates" category are authorized by statute. This would include the Knights of Columbus, Masonic Family, Firefighter, U.S. Naval Reserve, Greyhound Lovers, Columbine, 10th Mountain Division, and Air Force Commemorative license plate types. Include financial accountability safeguards for each plate type with a financial qualifier. The Pioneer plate does not meet the intent of C.R.S. 42-3-207 as the "Settler's Family" organization is a for-profit business entity. Therefore, the Department should assume the responsibility for verifying pioneer status
- Amend the statutes to include the 3,000 plate elimination requirement for the following plates: Raptor Educational Foundation, Denver Firefighters, Rotary Club, Protective Order of the Elks, Breast Cancer Awareness, and Colorado National Guard. This is a requirement by statute for all other special plate types, including alumni plates.
- Require alumni associations to obtain a pre-purchase commitment from at least 3,000 interested individuals. Pursuant to C.R.S. 42-3-214, alumni organizations may apply directly to the Department of Revenue for special plates when they have purchase commitments from 500 association members. Prior to introduction of a new license plate type, all other entities must provide certification that at least 3,000 plates will be issued within one year.
- Clarify the intent of the statutes that reference the 3,000 plate elimination requirement by amending the statute to read:

The special license plates authorized by this section shall not be renewed unless 3,000 such plates are registered on July 1, 2007.

This change would permit the Department to implement the required retirements over the course of a year, during the renewal process.

Please let me know if you have any questions, and/or would like additional information.

Sincerely,

A handwritten signature in black ink, reading "M. Michael Cooke". The signature is fluid and cursive, with the first name "Michael" being more prominent than the last name "Cooke".

M. Michael Cooke

Executive Director

Colorado Department of Revenue