

STATE OF COLORADO

DEPARTMENT OF REVENUE
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Governor

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Executive Director

March 1, 2014

Members of the General Assembly:

In accordance with the statutory reporting requirements 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 Plate Fees

1. The fees collected pursuant to sections 42-3-213 and 42-3-217, C.R.S., for the issuance of a license plate pursuant to sections 42-3-213(9) and 42-3-217, C.R.S., shall be transmitted to the State Treasurer, who shall credit the same to the License Plate Cash Fund created in section 42-3-301, C.R.S.
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.

Specialty License Plate Report:

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

The Department continued to utilize established inventory management methodologies and submitted orders to the Department of Corrections, Correctional Industries, throughout Fiscal Year (FY) 2012-13 to provide license plates and registration products to County Motor Vehicle offices. This ordering methodology is based on a minimum three-month statewide level of inventory for license plates and registration products. In addition, the Department continued efforts of statewide redistribution of inventory, which enabled the Department to remove 238,645 plates and 409,439 registration products from county offices with low demand and relocate 640,273 plates and 583,218 registration products to county offices with insufficient inventory and greater demand. These actions resulted in a cost avoidance measure that allowed the Department to utilize excess plate and product inventories rather than produce new inventories. Registration products include year tabs, month tabs, Special Mobil Machinery (SMM) rental tabs, SMM ownership tabs, temporary permits, dealer stubs, trailer vehicle identification tags, permanent handicap placards, temporary handicap placards, emergency vehicle stickers, low power scooter stickers, and collector ownership tabs.

In FY 2012-13, the Department continued processes to support the three-month methodology with situational ordering (situations that may arise requiring a one-time or seasonal increase/decrease of plates), to streamline the order approval process, and to develop shipping and manufacturer agreements with the Department of Corrections, Correctional Industries, that better support the needs of the citizens. The Department also attained its goal of performing physical inventory audits of license plates and registration products maintained in the County Motor Vehicle offices. In FY 2011-12 the Department performed physical inventory audits in 30 counties (45 offices) that resulted in a 98.96% average favorable audit rating. The Department will continue with physical inventory audits and anticipates similar audit results going forward. System audits of license plate and registration product inventories are

typically performed quarterly by all County Clerk offices to verify inventory levels of plates and products. This audit information is used to confirm the accuracy of on-hand license plate and product inventories and to adjust quarterly orders.

In FY 2012-13, the following plate types were added:

- o Fallen Heroes – HB 11-1023 (Passenger and Motorcycle)
- o Child Loss Awareness – HB 12-1131 (Passenger and Motorcycle)
- o Distinguished Flying Cross – HB 12-1153 (Passenger and Motorcycle)
- o Operation Desert Shield/Storm – HB 12-1162 (Passenger and Motorcycle)
- o Wildlife Sporting – HB 12-1275 (Passenger and Motorcycle)
- o Colorado Rockies – HB 12-1295 (Passenger and Motorcycle)
- o Flight for Life Colorado – HB 12-1302 (Passenger and Motorcycle)
- o Tow Truck – HB 12-1327 (Passenger)

In FY 2012-13, the following legislation was implemented that impacted license plates and registration products, qualifications, ordering, and inventory levels.

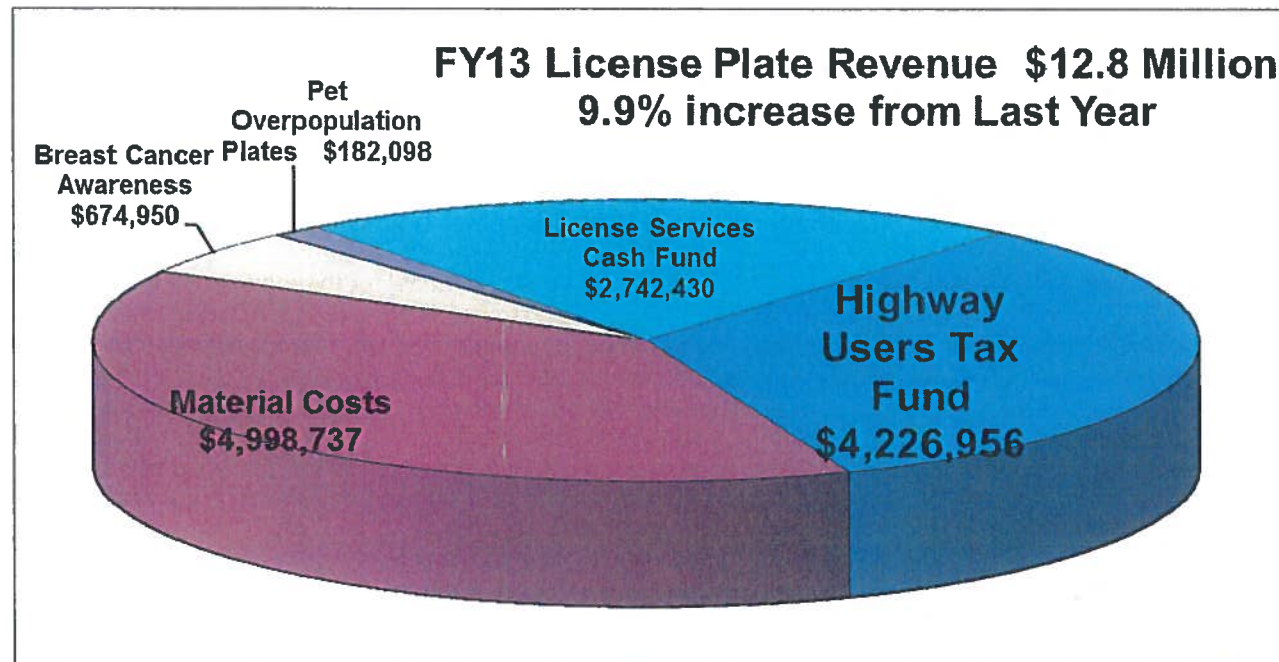
- o Multi-Year Class A Trailer Registration – HB 12-1038: provided for an owner of a Class A commercial trailer or semitrailer to elect to register with a multi-year registration if the trailer or semitrailer qualifies as Class A and the owner is based outside Colorado in accordance with the International Registration Plan; or if the trailer or semitrailer qualifies as a Class A and the owner is based in Colorado in accordance with the International Registration Plan and it is in at least its 10th year of service. The owner is not required to title the trailer or semitrailer in Colorado to obtain a multi-year registration, but is required to be issued Apportioned license plates with year and month validation;
- o Towing Carriers Disqualification from the Right to Operate – HB 12-1327: permits the Public Utilities Commission to revoke a towing carriers operating authority for violating 40-10.1-401, C.R.S., and created the Tow Truck license plate and registration type requiring a towing carrier that is licensed by the Public Utilities Commission to have the Tow Truck license plate issued and registered to tow trucks owned by the licensed towing carrier;
- o Standardization of the Procedural Requirements of the Issuance of Special License Plates – HB 12-170: standardized requirements for non-profits to follow to propose creation of special license plates, allowed inventory of retired license plates to be expended through issuance of them after retirement, removed from statute retired license plates; Denver Firefighters and Protective Order of the Elks, and removed outdated language for the Support the Troops and Colorado Ski Country license plates;
- o Auction One Position Personalized License Plates – SB 12-170: permits the License Plate Auction Group established under 42-1-401, C.R.S., to sell for auction a registration number or letter of one position – SB 12-170;
- o Special Mobile Machinery Fleets – SB 12S-001: permits special mobile machinery owners participating in the 2% rental program that regularly has more than 10 pieces of special mobile machinery in the state to operate the special mobile machinery for one quarter before registering the special mobile machinery with the county and upon registering the special mobile machinery after the quarter to pay a pending registration fee of \$7.00.

2(b) State of Plate Revenues

Overall revenue collected from the issuance of specialty and statutorily required plates increased 9.9% for FY 2012-13 to \$12,814,423. In FY 2012-13 the Department of Revenue received \$5,009,485 (amount includes previous fiscal years reversion of \$10,748 that is completed in FY 2011-12) in the License Plate Cash Fund (LPCF) from the sale of all license plates and products, and the Department of Revenue collected \$6.9 million in both the Highway Users Tax Fund (HUTF) and Licensing Services Cash Fund (LSCF) from the sale of specialty license plates. Furthermore, the Eligibility Expansion Account of the Breast and Cervical Cancer Prevention and Treatment Fund received \$674,950 from the sale, replacement, and renewal of the Breast Cancer Awareness group special license plate. The Adopt a Shelter Pet Account in the Pet Overpopulation Fund also received \$182,098 from the sale and replacement of the Adopt a Shelter Pet group special license plate. Finally, HUTF in total received just over \$4.2 million in revenues from fees collected from the sale of specialty and other license plates in FY 2011-12 as well as \$10,748 in unexpended and unencumbered revenues from the sale of all license plates and products reverted from the LPCF – see (2e).

Table 1: Fiscal Year 2012-13 License Plate Revenue Summary

Fund	Amount	%	Governing Statute(s)
License Plate Cash Fund HUTF Reversion	10,748	0%	42-3-301(1)(b) & (2)(a)
Specialty Plates to HUTF	4,216,208	33%	42-3-211(6) & (7) & 42-3-212(4)
Highway Users Tax Fund Subtotal	\$4,226,956	33%	
License Plate Cash Fund (Materials Fees)	4,998,737	39%	Material Costs 42-3-301(2)(a)
Licensing Services Cash Fund	2,742,430	21%	42-3-312 & 42-2-114.5
Breast Cancer Treatment Fund	674,950	5%	42-3-217.5(3)
Pet Overpopulation Fund	182,098	2%	42-3-234(4)
FY 2012-13 Total License Plate Revenue	\$12,825,171	100%	

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

The following are total plates issued to Colorado citizens in FY 2012-13:

Plate Types	Issued	Percentage
Group Special / Military / Alumni / Designer Plates	120,660	9.97%
Personalized Plates	13,179	1.09%
Other Plates (Standard, Govt, Fleet, etc)	1,075,824	88.94%
All Plate Types	1,209,663	100%

Of the 35 group special license plate types, 35 military plate types, 13 alumni plate types, and 1 designer plate type available in FY 2012-13, 6 plate types (the Columbine, Designer, Disabled Veteran, Honorably Discharged Veteran, Breast Cancer Awareness, and Pioneer) accounted for 53.14% of all special plate purchases. The remaining 78 plate types are ultra-low issuance quantities ranging from 0.001% to 3.46% of total plates issued.

2(d) Expenses of the Department

The Department expended \$4,971,680 for the manufacture and distribution of license plates and products in FY 2012-13 as follows:

Plate Types	Expenses	Percentage
Group Special / Military / Alumni / Designer Plates	\$321,457	6.47%
Personalized Plates	\$38,784	0.78%
Other Plates (Standard, Govt, Fleet, etc)	\$3,188,966	64.14%
One-Time Appropriation for New Legislation	\$34,489	0.69%
Miscellaneous	\$31,193	0.63%
Product	\$1,356,791	27.29%
All Plate Types & Product	\$4,971,680	100%

In the FY 2012-13 Long Bill, the General Assembly appropriated \$5,295,416 cash fund spending authority for the purchase of license plates and associated products in the Department's License Plate Ordering line item and one-time special bills appropriations it implement new legislation of \$227,544. Spending for the manufacturing and distribution of license plates and products was limited to the \$4,971,680 projected revenue received to the Department. This was \$323,736 less than the \$5,295,416 appropriated to the cash fund.

The quarterly order methodology evaluation (mentioned in 2(a) above) together with the continued dedication to redistribute imbedded inventories between counties, and limiting manufacture of plate and product types that fell below three-month inventory levels statewide allowed the Department to generate on-going efficiency savings.

In FY 2013-14 the Department is transitioning to a Print on Demand business model for the majority of special license plates. With implementing Print on Demand the Department is expecting to see fiscal savings by not preprinting license plates and only producing the plates when requested by the consumer. This will improve the cash flow of the LPCF for the Department with having fewer funds invested in inventory of license plates. When customers request a special license plate from their County motor vehicle office they will be issued a temporary permit if pertinent and will have their special license plate mailed to their residence. When the customer receives their special license plate they will activate the registration by completing a process similar to activating a credit card (utilize a specific website or call center). With implementing Print on Demand not only will it improve cash flow for the Department, but a customer will not experience situations where the special plate they request is out of inventory.

Total un-recovered material fees assessed pursuant to 42-3-301, C.R.S., which would have otherwise been credited to the License Plate Cash Fund in FY 2011-12 was \$207,139. Un-recovered material fees are incurred from statutorily required exemptions on certain first issued Military plates, Government plates, Undercover and Deep Undercover plates, Emergency Vehicle Stickers, and Persons with Disabilities Placards and Tabs.

2(e) Allocation of Remaining Revenues

Per section 42-3-301(1)(b), C.R.S., any unexpended and unencumbered moneys remaining in the LPCF reverts to the HUTF. The remaining fund balance of the LPCF transferred to the HUTF in FY 2012-13 was \$10,747.75.

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

The Department recommends the JBC to discontinue the annual sweeping of the unexpended and unencumbered moneys remaining in the License Plate Cash Fund 42-3-301(1)(b), C.R.S., at the end of each fiscal year of the to the Highway Users Tax Fund in its DMV Budget Modernization proposal presented to the Joint Budget Committee on January 3, 2014. This proposal, analysis, and supporting documents can be obtained on the Joint Budget Committee website under the Staff Documents link at www.tornado.state.co.us/gov_dir/leg_dir/jbc/jbchome.htm.

The Department has no additional recommended statutory changes.

Please let me know if you would like any additional information

Sincerely,



Barbara J. Brohl
Executive Director
Colorado Department of Revenue