

DEPARTMENT OF REVENUE
FY 2025-26 JOINT BUDGET COMMITTEE HEARING AGENDA

Thursday, December 12, 2024

3:00 pm – 4:00 pm

3:00-3:05 Introductions and Opening Comments

Presenter: Heidi Humphreys, Executive Director

3:05-3:10 Common Questions

Main Presenter:

- Heidi Humphreys, Executive Director

Topics:

- Question 1: Page 1, Question 1 in the packet, Slide 8
- Question 2: Page 1-2, Question 2 in the packet, Slide 9

3:10-3:15 R2 Division of Taxation Auditors

Main Presenter:

- Heidi Humphreys, Executive Director

Topics:

- Question 1: Page 2, Questions 3-4 in the packet, Slides 13-14

3:15-3:30 Lottery Optimization

Main Presenters:

- Tom Seaver, Senior Director, Colorado Lottery

Topics:

- Question 1: Page 2-4, Questions 5-6 in the packet, Slide 16
- Question 2: Page 4-5, Question 7 in the packet, Slide 17

- Question 3: Page 6-7, Questions 8-9 in the packet, Slide 18

3:30-3:35 DMV Efficiency Consolidation

Main Presenters:

- Lorri Dugan, Chief Financial Officer

Topics:

- Question 1: Page 7, Question 10 in the packet, Slide 20

3:35-3:45 R6 Restructure license plate payment:

Main Presenters:

- Lorri Dugan, Chief Financial Officer

Topics:

- Question 1: Pages 7-10, Questions 11-13 in the packet, Slides 22-23

3:45-4:00 Budget Reduction Options:

Main Presenters:

- Lorri Dugan, Chief Financial Officer

Topics:

- Question 1: Page 10, Question 14 in the packet, Slide 27
- Question 2: Page 10-11, Question 15 in the packet, Slide 28
- Question 3: Page 11, Question 16 in the packet, Slide 29
- Question 4: Page 12, Question 17 in the packet, Slide 30
- Question 5: Page 12, Question 18 in the packet, Slide 31

DEPARTMENT OF REVENUE
FY 2025-26 JOINT BUDGET COMMITTEE HEARING

Thursday, December 12, 2024

3:00 PM – 4:00 PM

COMMON QUESTIONS FOR DISCUSSION AT DEPARTMENT HEARINGS

DISCUSSION QUESTIONS

- 1 Please describe any budget requests that replace one-time General Fund or ARPA funded programs with ongoing appropriations, including the following information:
 - a. Original fund source (General Fund, ARPA, other), amount, and FTE;
 - b. Original program time frame;
 - c. Original authorization (budget decision, legislation, other);
 - d. Requested ongoing fund source, amount, and FTE; and
 - e. Requested time frame (one-time extension or ongoing).

The Department does not have any budget requests to replace one-time General Fund or ARPA funded programs.

- 2 Describe General Fund appropriation reductions made in the Department for budget balancing purposes in 2020, and whether the appropriation has been restored with General Fund or another fund source through budget actions or legislation.

DOR Budget Reductions Enacted in 2020

	Item	Description	GF (in millions)
1.	FY 2020-21 DOR R-07	Tax Conferee Reductions	(\$0.2)
2.	FY 2020-21 DOR R-09	DMV GF to CF	(\$0.75)
3.	FY 2020-21 DOR R-10	DMV Cashier	(\$0.1)
4.	JBC	One-time transfer MCF to GF	(\$1.6)
5.	JBC	CDPHE lab paid annually by MCF instead of GF	(\$1.4)
6.	Delayed Annualization	FY 2019-20 R-01 GenTax Support	(\$1.4)
		Total DOR GF Impact	(\$5.5)

Referencing the table above:

- Item number 4 was partially restored by transferring \$1.2 million back to the Marijuana Cash Fund in 2022.
- Item number 5, the annual transfer to CDPHE, was discontinued in 2023.
- Item number 6 was funded in the following year, after a one-year delay.

R2 Division of Taxation Auditors

3. Sen. Amabile: Will the auditors bring in more tax revenue to Colorado? Does it make sense in our current budget situation? What is the return on this investment?

On average, a corporate audit results in approximately \$38,000 in tax due. However, there are audits that result in no adjustment, or even in money refunded to the taxpayer. An Auditor III completes approximately 18 audits a year, equating on average to \$690,000 in revenue.

4. Rep. Bird: Does it make sense to add auditors just to refund the money that is collected?

Increased audit coverage ensures more level enforcement of the tax policies enacted by the legislature. The Department does not build in audit resources to its fiscal notes, as each bill does not result in additional audits. However, with the increase in tax credits over the last several years, additional audit resources would ensure more uniform audit coverage and allow the Department to maintain its historic compliance levels.

Increasing General Fund revenue would have a TABOR refund impact while the State is in a TABOR surplus situation, but adding auditors would likely result in collecting more GF revenue to support the policies of the General Assembly, especially in the case that the State falls back below the TABOR cap.

R3 Lottery Optimization

5. ~ In light of the substantial increase in crimes associated with the Colorado lottery and the detrimental effects these activities can impose on law enforcement and the judicial system, is the addition of only one full-time employee focused on security and investigations adequate to effectively address the substantial rise of lottery-related criminal activity in Colorado?

Our focus on supporting our retailers and local law enforcement is both remedial and preventative.

The Lottery's criminal investigations team has not been fully staffed until recently. It took about 1 year to fill the last criminal investigator position, due to the high wages and signing bonuses that are now offered by many local law enforcement agencies in the Denver metro area and the inability for the Lottery to compete in the job market.

However, we finally filled that position in June of this year by moving the position to the Western Slope which also means the investigator can handle cases that arise on the Western Slope which adds efficiency by decreasing drive time.

Since June, we have been fully staffed which has made a big difference in our ability to manage the criminal workload. Additionally, during the time that we were short staffed, we shifted almost all of the non-peace officer duties to our compliance team and reorganized the compliance team to make it more efficient.

In addition to handling criminal investigations, our new investigator will support underage and integrity stings at retail stores.

From a preventative standpoint, we have purchased new inventory management technology for retail stores which significantly reduces the threat of theft.

We have taken and will continue to take a conservative approach as we add more staff across all of our sections to prevent over-staffing. For these reasons, we are only requesting 1 additional criminal investigator position at this time, but could request more in the future, as the workload for these positions depend on many variables.

6. Rep. Amabile: It looks like the crime is happening at retail locations. Why would you add retailers in that scenario? Does the lottery pay for the DA costs?

As Colorado grows, we are obligated to make Lottery games available to all players consistent with best practices in our industry. The Lottery's retail penetration rate (population per retailer) is currently only better than 4 out of 45 U.S. lotteries. That means it's harder for people to find a Lottery product in Colorado than in other states. This has potential serious consequences as increasing revenue is part of the Lottery's responsibility to support its proceeds partners, and we are currently way under the national average for retail penetration.

Additionally, adding more retailers helps small businesses with small margins that are possibly facing other revenue challenges, as they receive bonuses and commissions on lottery sales which help their bottom line. Lottery retailers earn an average of \$22,000 a year selling Lottery products. Retail commissions paid to retailers support jobs and cash flow for retailers across Colorado. Adding retailers to increase sales is necessary to fulfill our increasing statutory obligation to support our proceeds partners. These partners fund the projects that make Colorado a popular place to visit, helping drive significant tourism revenue in the state and make Colorado a great place to live.

[We have linked to a list of our 3,000 retailers here.](#)

Almost all of the theft that our criminal investigations team investigates happens at retailer locations. As such, it is imperative that we work closely with our retailers and have a dedicated criminal investigations team to prevent and investigate crime., We are able to alleviate any burden to local law enforcement related to the theft of Lottery products at retail; moreover, we do work with local law enforcement and sometimes state law enforcement when Lottery crimes are connected to more serious crimes across Colorado. In that way, we are able to assist local and state law enforcement with more serious criminal investigations. While the Lottery's primary goal for investigators is to address product theft, we remain committed to supporting overall law enforcement activity.

The cases are already in the Law Enforcement system, there is no additional cost to the DA's office, our involvement adds to the investigations quality and allows better decision making by offices on which cases to successfully prosecute. Generally, most Lottery theft cases settle out of court, so there is very little burden on the District Attorney's Office. The exception to this is when there are other more serious crimes involved, like an organized crime ring, in which case it is more likely a case that is handled by the Attorney General's Office, as it usually includes multiple jurisdictions.

7. Rep. Sirota: Why does Lottery need 3.0 additional marketing people for something with exploding growth?

Media costs have risen by 30% from 2014 to 2024.

The role of marketing has evolved significantly since the organizational structure for this discipline was created in the 1980s. The Lottery's Marketing team is responsible for product research, product development, promotions, events, sponsorships, website, mobile app and advertising. Beyond the traditional TV, radio, and print, the Lottery's marketing has expanded into a new, robust and comprehensive approach. Marketing today includes significant digital and online strategies including Responsible Gaming, proceeds awareness, and paid media avenues including our website, extensive online and in-store promotions and contests, and more sponsorships and events to connect with our players at the grass roots level. The spending authority for the new positions requested will be used primarily for the management of marketing resources in the areas of:

- Social media management and content creation
- Promotional events and partnerships (like our newly formed partnership with the Denver Nuggets).
- Product management for potential new products available through the new gaming system contract.

The Lottery has evolved how it connects with players using social media and other marketing strategies, creating more digital content than ever. The Lottery website plays another vital and expanded role in growing the connection to players.

The needs for the Lottery's product development and product management have increased significantly, as the Lottery now offers upwards of 50 Scratch games, as compared to just 24 5 years ago. The Lottery Marketing team also manages six Jackpot games, three of which draw daily. Scratch games are now launched on a six-week schedule. Just two people manage the Lottery's expanded product suite. These changes are what the market has demanded. Lottery players want more, and this continued anticipated product growth will require more staff.

As the Lottery and the media market expands, we must do things differently, in non-traditional ways. If we are going to grow, we must increase our marketing budget. One example of new ways we are doing things is our new relationship with the Denver Nuggets. We have created an innovative partnership, with multi-faceted promotions and rich player experiences, to introduce new players to the Lottery in creative ways.

The Lottery's new gaming system, launching in June 2025, allows for more unique marketing opportunities to get to know and engage with players better than ever before. These changes will require additional resources. The new system and ways we interact with players will also help us connect with them to meet them where they are from a Player Health perspective. We will be able to communicate with and educate them about the importance of healthy play and what that looks like.

As mentioned above, all of this Lottery growth has occurred in an environment of unprecedented inflation. Marketing fees and costs have increased. The Lottery is a variable-cost business, and as sales increase, all operational areas are impacted, including marketing and vendor fees. Marketing support must increase with revenue growth, and the Lottery has not asked for marketing increases in 12 years.

Meanwhile, the pressure on our natural resources has also increased dramatically. The GOCO cap (maximum contribution to GOCO before waterfall funds are addressed) has grown significantly, since it is tied to the CPI in Denver. Specifically, the cap has gone up by \$12.9 million in the last 3 years. That requires a significant increase in sales just to fund this and the other beneficiaries.

As you know, we are not asking for new budget. As an enterprise fund, we are only asking for this spending authority to operate as a responsible organization and continue to manage increased marketing costs, not only for games, but also for Responsible Gaming and Proceeds efforts.

8. ~ This request includes an additional \$300,000 per year to grow the Colorado Lottery's responsible gaming program, bringing the overall spend to \$500,000 for responsible gaming. How did the Department arrive at the decision to increase funding to the responsible gaming program? Is 0.06% of gross Lottery revenues adequate to address responsible gaming and gambling addiction?

Starting in FY 2022-23, HB 22-1402 required the Lottery to spend \$200,000 annually from Marketing for responsible gaming. Therefore, the request for an additional \$300,000 seemed like a reasonable request, given that it is 150% more than what the legislature put in statute in 2022. It is also 10% of the increased amount we are requesting to our Marketing budget.

This money is not the only money that the Lottery spends on responsible gaming, as responsible gaming is integrated into every job that the Lottery has. Therefore, there are unquantifiable personnel resources that also support responsible gaming. The Lottery also hired a player health manager and is requesting another FTE in this decision item which would bring the total dedicated personnel to 2 FTE and \$225,000. Therefore, if both the new FTE and the increased amount for marketing are approved, the total spend will be closer to \$725K. As the Lottery continues to grow its revenue, it is imperative that we continue to have a player base that tracks the Lottery's overall demographics. Here is a [link](#) to the Lottery's current demographics.

9. Sen. Bridges: How is that tiny amount of spend on gambling addiction and responsible gaming commensurate with a revenue stream rapidly approaching \$1 billion?

Please see the answer above. The Lottery's Responsible Gambling / Player Health program is in its formative years. Last year, we hired a full-time Player Health Manager to help us define and develop it.

Research indicates that 1% to 2% of gamblers will develop serious problems with gambling. Our approach is not to provide treatment for those players but to provide education on developing healthy play habits (upfront) and connect them with resources. To that end, healthy play messaging is included in all Lottery advertising, and while we did not attempt to pro-rate the value of these messages, it is significant.

In addition to focusing our attention on player health at times of the year when the message is essential and a strong time to make a connection, the Lottery now operates in an "always on" capacity regarding player health. We are communicating with players about responsible gambling regularly.

Beyond timeframes like the holiday campaign to remind players not to give Lottery tickets to children, Problem Gambling Awareness Month in March, and other national campaigns the Lottery participates in, we have also undertaken an extensive effort to gain Level 4 Certification in Responsible Gaming from the World Lottery Association (WLA) and are moving toward additional certifications right now. Only nine out of 47 U.S. lotteries have achieved this highest WLA certification, which covers 13 disciplines, and it is only awarded to those lotteries that implement best practices in Responsible Gaming practices.

The Lottery implements player health practices also beyond paid campaigns and marketing by training retailers and employees, through underage sting efforts and age verification measures.

We are committed to doing more to promote player health and expect the emphasis on healthy play in our messaging to continue to grow.

R4 DMV Efficiency Consolidation

10. Rep. Taggart: How does this request increase efficiency and streamline operations but result in a net-zero budget impact?

This consolidation is the last phase of the DMV restructuring. This has been done thoughtfully over several fiscal years. At the start of this process, the DRIVES system was implemented, which replaced many separate operating systems with a single solution. Next, the two DMV cash funds were combined. Now, the last step is to combine the two personal services lines and the two operating lines on the Long Bill into a single operational subunit.

This is an administrative efficiency, not an operational efficiency, which is realized in the reduction of manual workload currently occurring as staff manually track and split expenditures between multiple appropriations. For example, the DMV training team works as a single unit to support the Division, but its costs are manually split and charged to the various subunits for driver services and vehicle services. This is the manual workload to track and distribute expenditures.

R-04 is a critical request so that DOR can complete this multi-year restructuring of DMV.

R6 Restructure license plate payment:

11. Sen. Bridges: Appreciates the \$12M reduction here but understands the total TABOR impact of specialty license plates to be North of \$30M. Should the state consider reducing or eliminating the specialty plates to reduce the TABOR revenue further?

Answer below under question #13.

12. Rep. Bird: Would it save us any money if JBC were to run a bill which froze the ability to receive a specialty license plate?

Answer below under question #13.

13. Rep. Amabile: Following up on the license plates again. Are there options beyond the \$12 million? Why only \$12 million?

To clarify, DOR's R-06 request is completely separate from the specialty license plate discussion. The License Plate Cash Fund referred to in R-06 is used to pay Colorado Correctional Industries (CCI) for the material costs of manufacturing all license plates, including green and whites and specialty plates. The \$13 million in savings related to R-06 in the LPCF would be from moving the fee revenue for license plate MATERIAL FEES ONLY from DOR to the CCI's Enterprise Fund.

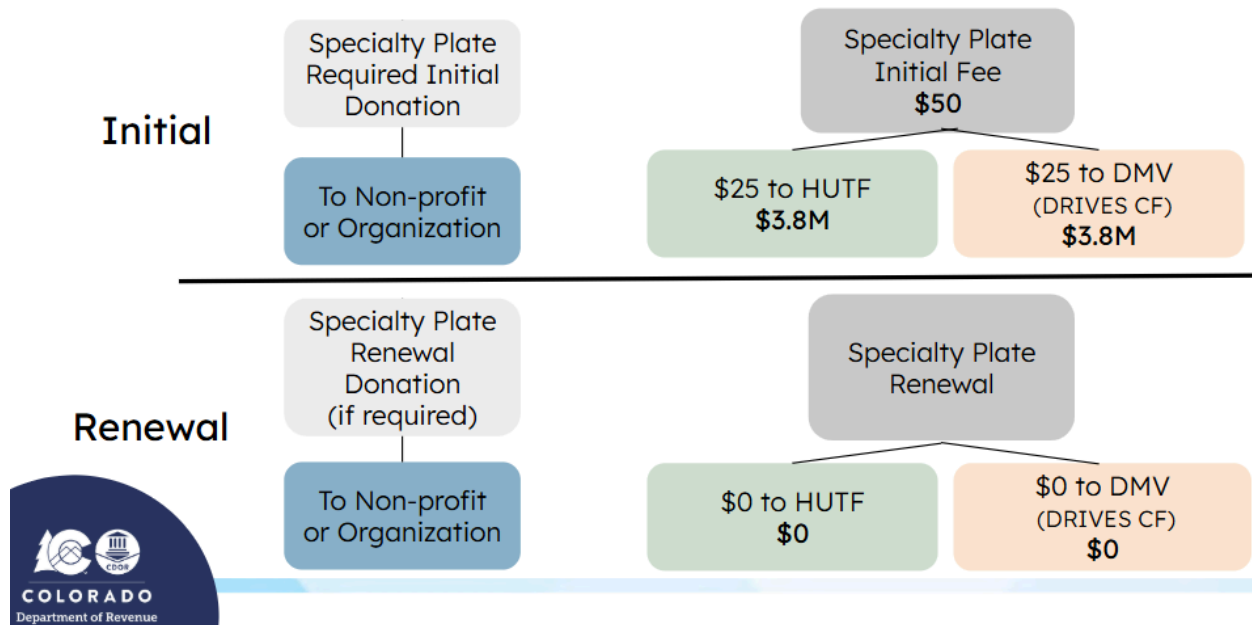
The fund balance in the LPCF is split between cash and license plate inventory. There is not \$10 million of cash in the fund, which was mentioned in the Briefing.

Therefore, the questions asked in the Briefing, i.e. what it would save if JBC ran a bill to freeze specialty plates and why only \$12 million could be saved, relate to different cash funds.

The graphic below shows the split of revenue and the different cash funds associated with specialty plates.

- On the top left in the blue, you will see that the initial donation that is required to be eligible for a specialty plate is paid directly to the non-profit or organization that the plate is associated with.
- On the top right in green and orange, you will see that the \$50 fee for issuing a specialty plate is split. \$25 goes to HUTF and the other \$25 goes to DMV's DRIVES cash fund (not the LPCF of the R-06 request). This equated to \$3.8 million for FY 2023-24 in each fund.
- On the bottom left in blue, the renewal donation, if it is required for a particular plate, is also paid directly to the non-profit or organization.
- There is no renewal fee revenue in these two cash funds (HUTF and DRIVES) for specialty plates.

Specialty Plate Revenue FY 2023-24



During the Briefing, a question was asked about pausing the issuance of specialty plates with the goal of creating savings and freeing up General Fund money for other purposes. This action would translate to a \$3.8 million per year reduction in the fee revenue for the DRIVES cash fund and for HUTF, and would result in both Departments losing significant operational revenue. If the reduction of cash fund revenue in DMV and HUTF was backfilled with General Fund appropriation or other fee increases that created TABOR revenue, there would be no savings.

There are some other impacts to note:

1. These amounts exclude the Historical and Retired Plates (black, red, and blue plates). HUTF and DRIVES do not receive any of this fee revenue. That revenue goes to the Disability Support Fund as directed in statute.
2. Some of the military and veteran plates are issued at no cost. Some also come with waived fees for State Park entrance. Pausing new issuance of those plates would result in veterans having to pay for a standard green and white plate and paying park entrance fees.
3. Pausing the introduction of new specialty plates types and first-time issuance of existing specialty plates would keep the current program in place but prevent expansion.
4. There are statutes for a few of the older plate types that allow for the decommission of plates that are issued at a very low quantity per year. The Committee could consider

setting more consistent decommissioning standards to reduce the number of active specialty plates.

BUDGET REDUCTION OPTIONS

14. Rep. Taggart: Why are the technical adjustments hitting the General Fund so hard? Do these changes indicate that the Department is charging the General Fund for the administration of cash funded programs?

As Mr. Catlett shared during the Briefing, cash fund technical adjustments make up 80% of the total technical adjustments, with GF accounting for only 20%. DOR's funding split is 68% CF and 30% GF. The technical adjustments are at a higher percentage for CF than the total CF/GF appropriation split.

Of the \$1.5 million GF technical adjustments, 75% are related to common policies and contractual rates with vendors:

1. \$875,000 is due to DPA common policy expenses (Document Management & IDS Print), which is calculated by DPA on an annual basis.
2. \$240,000 is due to contractual annual inflationary increase for the GenTax system.

DOR is diligent about ensuring that costs are distributed appropriately between GF and CF.

15. Sen. Bridges: How can the DRIVES Cash Fund be on a path toward insolvency and yet also be on a cash fund waiver on a deliberate draw down?

Mr. Catlett shared that reduction options for DMV would be devastating. DMV has been operating at a deficit for several years. Fee revenue is not adequate to cover operations.

DMV's restructuring had a cash fund impact. We saw earlier that phase one was consolidating all of its disparate systems into a single system: DRIVES. Then, phase 2 was combining the two separate cash funds into a single cash fund. That cash fund consolidation transferred the \$13 million fund balance from the LSCF into the DRIVES cash fund. That pushed the DRIVES cash fund into excess.

However, the DRIVES cash fund has an estimated \$8 million deficit for FY 2024-25. This amount is growing every year due to cost increases for salary survey, common policy, etc. with no new revenue to support it.

So essentially, the \$13 million transfer into the DRIVES CF covered 1 to 2 more years of the operating deficit. The DRIVES cash fund will fully spend the total fund balance of all available funds in FY 2026-27.

DOR has been very cognizant of not raising fees for Coloradans during the recent years of high inflation. The driver license fee is set and limited in statute. H.B. 16-1415 was a JBC sponsored bill that set the fee in statute and capped future increases to 5%.

For perspective, the driver license fee for other states ranges from \$15 to \$85, with the average being \$42. Colorado's driver license fee is \$30.87 for a five-year license, which equates to \$6 per year. Colorado's fee is the 36th lowest out of 50 states, and \$12 below the national average. Every \$1 increase in the DL fee generates \$1 million in revenue. DMV has an \$8 million annual shortfall, and growing.

Increased fee revenue would be TABOR revenue, and could result in more General Fund TABOR refunds as long as the State is in a TABOR surplus situation. DOR understands the larger statewide budget picture. There is still the potential for a statewide impact in FY 2026-27 if the DMV is out of money and needs a larger amount of assistance to keep the lights on.

16. Rep. Bird: Should we look at delaying the implementation of H.B 24-1353 (Firearms Dealer Requirements & Permit)? How far is the Department along with implementation?

DOR's new division has been very productive over the last few months:

- They are developing the Dealer and Employee Training Program & Testing, which was a large piece of the legislation
- They have conducted four working groups with an average of 80 attendees per session; they proposed 8 rules; and they've conducted 20 site visits to learn about the industry
- They have hired 5 FTE of 23.7 total FTE to date.

Additionally, DOR is sharing experienced staff from other divisions, which saves money and time as they're able to add value immediately.

Milestones Achieved:

- Dealer and Employee Training Program & Test Development
- Rulemaking
 - 4 Working Group Sessions (16 hours of industry engagement)
 - The Division has proposed 8 rules to date. Emergency Rules to be filed February 1, 2025.
 - The Division has conducted 20 site visits to current FFL's to better understand the various business models.
- POST Certification Status
- Coordination with Federal and State Partners
- Licensing System (MYLO & ML1) and Payport System Development
- Website

- Fleet Vehicle and IT Resource in Purchase
- Online Complaint Form
- Forms Development
 - FFL Application
 - Report of Change
 - New Employee/ Responsible Person Notification Form
 - Surrender

17. Rep. Taggart: Regarding H.B. 24-1353 (Firearms Dealer Requirements & Permit) Isn't there a fee that the vendors would pay? Could those fees cover a bit more of the anticipated GF cost?

DOR has heard from some FFL holders that some will surrender their license due to the cost of the program, so they are projecting a 10% reduction in the original estimates for fee revenue. Originally, it was projected that there would be 1560 permits, now it is estimated at 1404 permits, times \$400 for each permit, totaling \$561,600 (down from \$624,000), and this is for a **3-year permit**, which means very little revenue to the cash fund for three years.

The table below is from the fiscal note and shows the projected expenditures for the first three years of the program.

	FY 2024-25	FY 2025-26	FY 2026-27
GF	\$618,973	\$2,135,353	\$1,957,753
CF	\$0	\$208,000	\$208,000

The current fee set by the bill is \$400 for a 3-year license. The CF revenue is not adequate to cover the operational expenses outlined by the bill and will not fully support the required level of regulatory workload. The fees will generate approximately \$500K every 3 years, to fund a program that costs \$2 million annually.

18. Sen. Kirkmeyer: Which of the Department of Revenue cash funds could be used to free up ongoing General Funded FTE.

DOR reviews the CF/GF split of expenses each year to ensure that central functions are accurately distributed between CF and GF. There is some discretion to distribute costs, but DOR strives to structure appropriately in relation to where services are provided.



COLORADO
Department of Revenue

Joint Budget Committee FY 2025-26 Hearing

December 12, 2024

Agenda

Department Overview

Common Questions (Discussion)

Decision Items & Questions from the Briefing

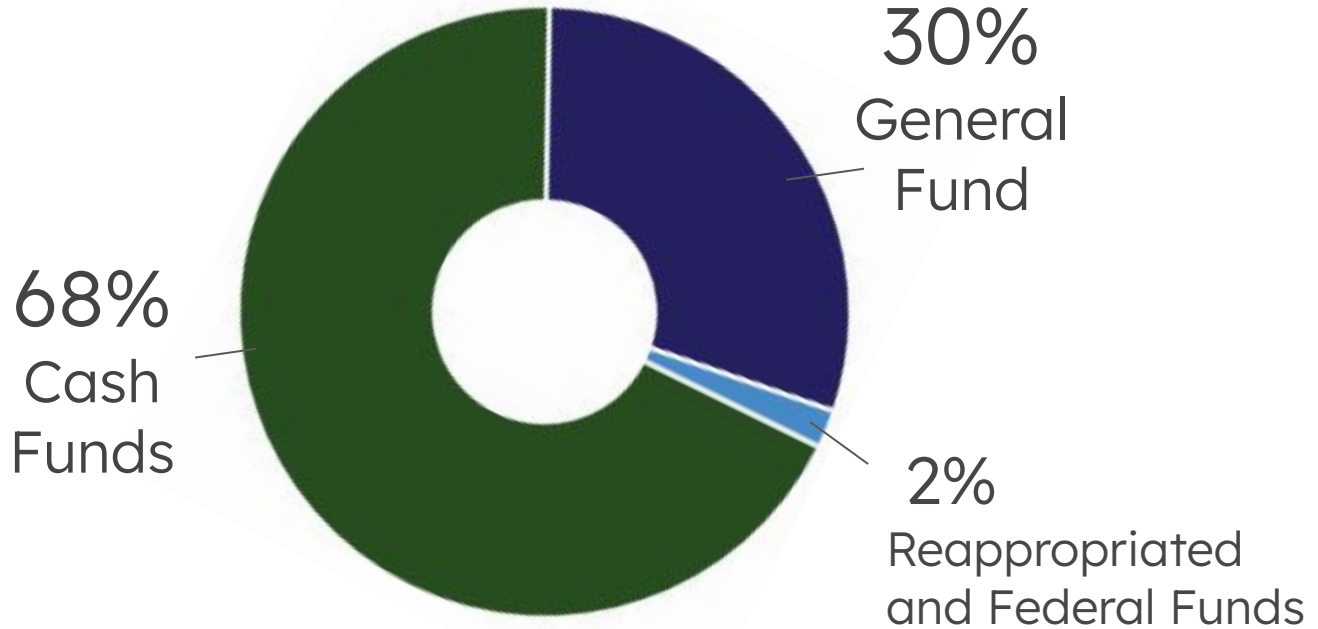
GF Reduction Proposals



Org Chart



Funding Summary



Summary of Legislative Impact

(Legislative Sessions 2019 - 2024)

DOR Division	# Bills w/ Fiscal Impact	Ongoing FTE	Ongoing GF (in millions)	Ongoing CF (in millions)
EDO	9	6.6	\$0.9	\$2.9
Tax	44	44.6	\$4.0	\$0.3
DMV	26	41.8	\$0.2	\$4.2
SBG	7	79.9	\$1.9	\$4.9
MED/NMED	9	67.4	\$-	\$6.1
Lottery	1	0.0	\$-	\$0.2
DOR Total	96	240.3	\$7.0	\$18.6



Summary of Decision Items

R-01	Tax - IRS Direct File	\$627k GF with 2.0 FTE
R-02	Tax – Auditor FTE	\$1.1M with 10.0 FTE
R-03	Lottery Optimization	\$14.8M CF with 17.0 FTE
R-04	DMV Consolidation	\$0
R-05	GF Reductions	(\$586k) GF
R-06	DMV – Restructure License Plate Cash Fund	(\$13.5M) (Shifts it to CCI in DOC)





Common Questions

Discussion Question 1

Please describe any budget requests that replace one-time General Fund or ARPA funded programs with ongoing appropriations

The Department does not have any budget requests to replace one-time General Fund or ARPA funded programs.



Discussion Question 2

Please describe appropriation reductions made in 2020 and whether reductions have been restored.

	Item	Description	GF (in millions)
1.	FY 2020-21 DOR R-07	Tax Conferee Reductions	(\$0.2)
2.	FY 2020-21 DOR R-09	DMV GF to CF	(\$0.75)
3.	FY 2020-21 DOR R-10	DMV Cashier	(\$0.1)
4.	JBC	One-time transfer MCF to GF	(\$1.6)
5.	JBC	CDPHE lab paid annually by MCF instead of GF	(\$1.4)
6.	Delayed Annualization	FY 2019-20 R-01 GenTax Support	(\$1.4)
		Total DOR GF Impact	(\$5.5)





Decision Items and Questions from the Briefing

R-01: IRS Direct File Implementation Resources

Program and maintain tax filing systems to integrate with IRS Direct File.

FY 2025-26	FY 2026-27
\$617,840 GF	\$626,606 GF
1.8 FTE	2.0 FTE



R-02: Division of Taxation Auditors

Funding for additional auditors due to increased tax-related legislation.

FY 2025-26	FY 2026-27
\$650,777 GF	\$1,113,283 GF
5.5 FTE	10.0 FTE



R-02 Division of Taxation Auditors

Briefing Question - Representative Amabile

Will the auditors bring in more tax revenue to Colorado? Does it make sense in our current budget situation? What is the return on this investment?

- On average, a corporate audit results in approximately \$38,000 in tax due. (There are audits that result in no adjustment or even a refund.)
- An Auditor III completes approximately 18 audits a year equating on average to \$690,000 in revenue.



R-02 Division of Taxation Auditors

Briefing Question - Representative Bird

Does it make sense to add auditors just to refund the money that is collected?

Adding auditors would likely result in collecting more GF revenue to support the policies of the General Assembly.



R-03: Lottery Optimization

Funding related to increased lottery sales, which have led to substantial increases in workload.

FY 2025-26	FY 2026-27
\$14,591,731 CF	\$14,773,811 CF
13.8 FTE	17.0 FTE



R-03 Lottery Optimization

Briefing Questions

In light of the substantial increase in crimes, is the addition of only one full-time employee focused on security and investigations adequate to effectively address the substantial rise of lottery-related criminal activity in Colorado?

Rep. Amabile: It looks like the crime is happening at retail locations. Why would you add retailers in that scenario? Does the lottery pay for the DA costs?



R-03 Lottery Optimization

Briefing Questions

Rep. Sirota: Why does Lottery need 3.0 additional marketing people for something with exploding growth?

- Marketing includes product research, product development, promotions, events, sponsorships, website, mobile app and advertising.
- Media costs have risen by 30% from 2014 to 2024.
- The spending authority for 3 new Marketing FTE is for:
 - Social media management and content creation
 - Promotional events and partnerships
 - Product management for potential new products available through the new gaming system contract.



R-03 Lottery Optimization

Briefing Question

This request includes an additional \$300,000 per year to grow the Colorado Lottery's responsible gaming program, bringing the overall spend to \$500,000. How did the Department arrive at the decision to increase funding to the responsible gaming program? Is 0.06 percent of gross Lottery revenues adequate to address responsible gaming and gambling addiction?

Sen. Bridges: How is that tiny amount of spend on gambling addiction and responsible gaming commensurate with a revenue stream rapidly approaching \$1 billion?



R-04: DMV Efficiency Consolidation

Restructure and consolidation of DMV's Long Bill funding to align with operations.

Net-Zero

FY 2025-26	FY 2026-27
\$0	\$0 CF
0 FTE	0 FTE



R-04 DMV Efficiency Consolidation

Briefing Question - Representative Taggart

How does this request increase efficiency and streamline operations but result in a net-zero budget impact?

Restructuring DMV Phases:

1. DRIVES, the replacement, consolidated, computer system was implemented - **COMPLETE**
2. Two cash funds were merged - **COMPLETE**
3. Consolidate Long Bill to align with operations - **PENDING R-04**



R-06: Restructure License Plate Payments

Shift cash fund spending authority and the supporting revenue to the Department of Corrections, which produces license plates.

FY 2025-26

(\$13,482,782) CF

0.0 FTE



R-06 Restructure License Plate Payments

Briefing Questions

Sen. Bridges: Appreciates the \$12M reduction here but understands the total TABOR impact of specialty license plates to be North of \$30M. Should the state consider reducing or eliminating the specialty plates to reduce the TABOR revenue further?

Rep. Bird: Would it save us any money if JBC were to run a bill which froze the ability to receive a specialty license plate?

Rep. Amabile: Are there options beyond the \$12 million? Why only \$12 million?



Specialty Plate Revenue FY 2023-24

Initial

Specialty Plate
Required Initial
Donation

To Non-profit
or Organization

Specialty Plate
Initial Fee
\$50

\$25 to HUTF
\$3.8M

\$25 to DMV
(DRIVES CF)
\$3.8M

Renewal

Specialty Plate
Renewal
Donation
(if required)

To Non-profit
or Organization

Specialty Plate
Renewal

\$0 to HUTF
\$0

\$0 to DMV
(DRIVES CF)
\$0

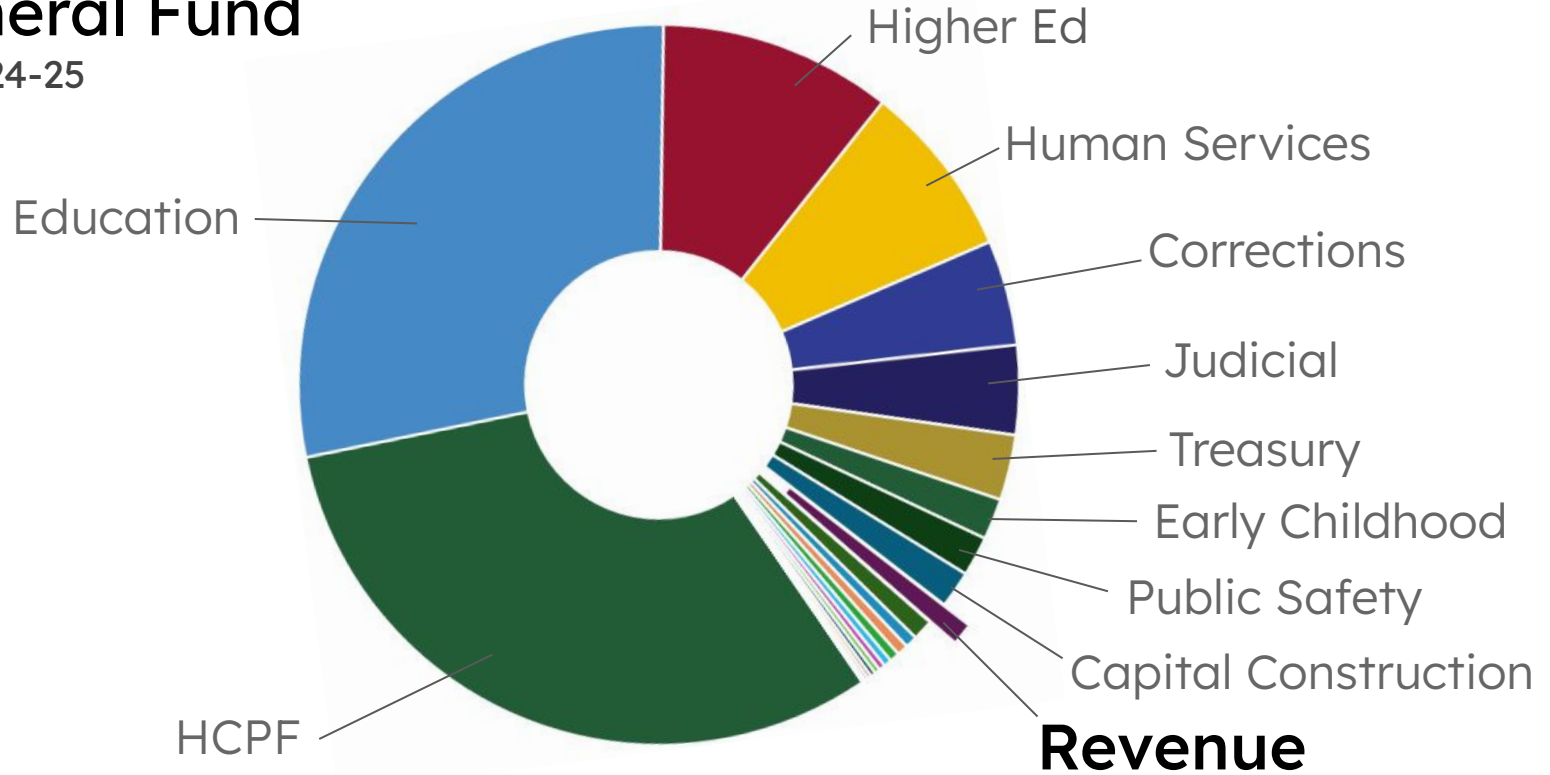




General Fund Reduction Proposals

General Fund

FY 2024-25



R-05: General Fund Reductions

General Fund
reductions
refinanced to cash
fund spending
authority

Amount	Source
(\$247,800)	DMV - License Plate Ordering
(\$200,000)	DMV Personal Services
(\$138,492)	EDO - Digital Trunk Radios
(\$586,292)	Total GF Reductions



Reduction Proposal - Question on Technical Adjustments

Rep. Taggart: Why are the technical adjustments hitting the General Fund so hard?

Do these changes indicate that the department is charging the General Fund for the administration of cash funded programs?

CF - \$6.1 million - 80%

GF - \$1.5 million - 20%



Reduction Proposal - Question on DRIVES CF

Sen. Bridges: How can the DRIVES Cash Fund be on a path toward insolvency and yet also be on a cash fund waiver on a deliberate draw down?

- DMV fees do not generate adequate revenue to fund operations.
- LSCF consolidated with DRIVES CF and pushed the combined fund into excess.
- Fund balance will be depleted in FY 2026-27.



Reduction Proposal - Question on Firearms Dealer Division

Rep. Bird: Should we look at delaying the implementation of H.B. 24-1353 (Firearms Dealer Requirements & Permit)?

How far is the Department along with implementation?

- Dealer and Employee Training Program & Test Development
- Conducted four working groups with an average of 80 attendees; proposed 8 rules; 20 site visits
- 5 FTE of 23.7 Total FTE hired to date
 - Sharing experienced staff from other divisions



Reduction Proposal - Question on Firearms Dealer Division

Rep. Taggart: Regarding H.B. 24-1353 (Firearms Dealer Requirements & Permit) Isn't there a fee that the vendors would pay?

Could those fees cover a bit more of the anticipated GF cost?

- Projected CF revenue for DOR \$561,600 FY25
- Projected expenditures from Fiscal Note:

	FY 2024-25	FY 2025-26	FY 2026-27
GF	\$618,973	\$2,135,353	\$1,957,753
CF	\$0	\$208,000	\$208,000



Reduction Proposal

Sen. Kirkmeyer: Which of the Department of Revenue cash funds could be used to free up ongoing General Funded FTE?

DOR reviews the CF/GF split of expenses each year to ensure that central support functions are accurately distributed between CF and GF.





MEMORANDUM



To: Office of State Planning and Budget

From: Andrew McLeer, JBC Staff (303) 866-4959

Date: November 22, 2024

Subject: Finalized Joint Budget Committee Common Questions

The following are the common questions adopted by the Joint Budget Committee for the FY 2025-26 budget cycle.

DISCUSSION QUESTIONS

1. Please describe any budget requests that replace one-time General Fund or ARPA funded programs with ongoing appropriations, including the following information:
 - a. Original fund source (General Fund, ARPA, other), amount, and FTE;
 - b. Original program time frame;
 - c. Original authorization (budget decision, legislation, other);
 - d. Requested ongoing fund source, amount, and FTE; and
 - e. Requested time frame (one-time extension or ongoing).

The Department does not have any budget requests to replace one-time General Fund or ARPA funded programs.

WRITTEN-ONLY QUESTIONS

2. Provide a list of any legislation with a fiscal impact that the Department has: (a) not implemented, (b) partially implemented, or (c) missed statutory deadlines. Please specifically describe the implementation of ongoing funding established through legislation in the last two legislative sessions. Explain why the Department has not implemented, has only partially implemented, or has missed deadlines for the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

Bill & Title	Status
S.B. 23-290 Natural Medicine Regulation And Legalization	PARTIALLY IMPLEMENTED - Implementation January 2025
H.B. 23-1277 Reporting Adjustments to Taxable Income	PARTIALLY IMPLEMENTED - Taxation is reviewing draft rules and federal adjustment reporting forms with stakeholders for release early in 2025. Tax year 2024 partnership return forms are complete, and programming is complete to implement the corporate income tax due date change.
H.B. 23-1017 SUTS Simplification	PARTIALLY IMPLEMENTED - The bulk address testing system has been implemented. Taxation is working with the software vendor to cure missed milestone deadlines in order to release Phase I (including the simplified user interface) by January 1. Staff will then work on implementing Phase II, which requires integration with GenTax, by February 14.
H.B. 24-1050 Simplify Processes Regarding Certain Local Government Taxes	PARTIALLY IMPLEMENTED - Staff have been hired and are working on the publications for the 7/1/2025 deadline.
S.B. 24-210 Modifications to Laws Regarding Elections	PARTIALLY IMPLEMENTED - Effective January 2025
H.B. 24-1105 Creating the Chicano Special License Plate	PARTIALLY IMPLEMENTED - Effective January 2025
H.B. 24-1288 Earned Income Tax Credit Data Sharing	PARTIALLY IMPLEMENTED - Taxation is working with the Governor's office and external stakeholders to identify available third-party resources and scope the EITC pilot, which is scheduled to begin August 2025. Data sharing will commence upon request by an eligible agency in July 2025.
S.B. 24-222 State Funding to Relocate Two State Entities	PARTIALLY IMPLEMENTED - Effective July 2025
S.B. 24-182 Immigrant Identification Document Issuance	PARTIALLY IMPLEMENTED - Effective March 2025/January 2027
H.B. 24-1353 Firearms Dealer Requirements & Permit	PARTIALLY IMPLEMENTED - Effective July 2025
H.B. 24-1349 Firearms & Ammunition Excise Tax	PARTIALLY IMPLEMENTED - Taxation has draft letters to taxpayers and website information that will be published by the end of the year. Staff is drafting user stories for system programming related to registration, return filing, and compliance. The tax takes effect in April 2025.

3. Describe General Fund appropriation reductions made in the Department for budget balancing purposes in 2020, and whether the appropriation has been restored with General Fund or another fund source through budget actions or legislation.

<u>Item</u>	<u>Title</u>	<u>General Fund</u>
FY 2020-21 DOR R-07	Budget Efficiencies - Tax Conferee Office	-\$200,000
FY 2020-21 DOR R-09	Shift General Fund Spending to Cash Funds (DMV)	-\$750,000
FY 2020-21 DOR R-10	DMV Back Office Cashier	-\$103,000
JBC Budget Balancing	MED one-time fund balance transfer from MCF to General Fund	-\$1,600,000
JBC Budget Balancing	CDPHE Lab funded via MCF instead of General Fund	-\$1,400,000
Delayed Annualization	FY 2019-20 R-01 GenTax Support Enhancements	-\$1,400,000
Total DOR General Fund Impact		-\$5,453,000

R-07: A permanent ongoing General Fund reduction of \$200,000 from the Tax Conferee budget. The reductions were achieved in part by eliminating temporary staff hired to support high-volume tax filing periods. This funding has not been restored from any other sources.

R-09: A permanent ongoing General Fund reduction of \$750,000 from the Division of Motor Vehicles (DMV), and an accompanying increase of \$341,425 to the DMV's cash fund spending authority. This shift reduces General Fund resources and shifts costs to the cash fund, which has placed more burden on the revenue generated by customer fees.

R-10: A permanent ongoing reduction of 2.0 FTE and \$103,000 General Fund from EDO with an accompanying increase in DMV with cash fund spending authority, which has placed more burden on the revenue generated by customer fees.

JBC Budget Balancing: One-time fund balance transfer of \$1.6 million from the Marijuana Cash Fund (MCF) to the General Fund during FY 2020-21. This funding was partially restored with S.B. 21-283 concerning cash fund solvency, which transferred \$1.2 million from the General Fund back to the MCF in FY 2021-22.

JBC Budget Balancing: Transfer \$1.4 million from DOR's Marijuana Cash Fund (MCF) to the Department of Public Health and Environment (CDPHE) for Marijuana Laboratory Testing as directed in H.B. 20-1360 Long Bill, rather than funding the CDPHE Laboratory from the General Fund during FY 2020-21. DOR additionally paid \$200,000 to CDHPE in FY 2021-22. This transfer was eliminated in FY 2022-23 and the lab is no longer funded by the MCF.

Delayed Annualization: A delay in the annualization for the approved FY 2019-20 Budget Request: R-01 GenTax Support Enhancements. This delayed the approved 7.0 FTE and \$1.4 million in General Fund from FY 2020-21 to FY 2021-22. This funding has been restored after the one-year delay through the annualization process.

4. Please provide the most current information possible. For all line items with FTE, please show:
 - a. the number of allocated FTE each job classification in that line item
 - b. the number of active FTE for each of those job classifications
 - c. the number of vacant FTE for each of those job classifications
 - d. the vacancy rate for each of those job classifications

Use the attached Template C to populate these data. Please return the data in editable Excel format.

[REV Template C FTE Vacancies by Job Class.xlsx](#)

FTE are not appropriated on the Long Bill by classification so the comparison is at an aggregated level.

5. Please provide the same information as Question #4 for FY 2022-23 and FY 2023-24. Use the attached Template C to populate these data. Please return the data in editable Excel.

[REV Template C FTE Vacancies by Job Class.xlsx](#)

FTE are not appropriated on the Long Bill by classification so the comparison is at an aggregated level.

6. For FYs 2022-23 and 2023-24, please provide, in editable Excel format, department-wide spending totals for each of the following object codes, by fund source.
 - a. Object Code 1130: Statutory Personnel & Payroll System Overtime Wages
 - b. Object Code 1131: Statutory Personnel & Payroll System Shift Diff. Wages
 - c. Object Code 1140: Statutory Personnel & Payroll System Annual Leave Payments
 - d. Object Code 1141: Statutory Personnel & Payroll System Sick Leave Payments
 - e. Object Code 1340: Employee Cash Incentive Awards
 - f. Object Code 1350: Employee Non-Cash Incentive Award
 - g. Object Code 1370: Employee Commission Incentive Pay
 - h. Object Codes 1510, 1511, 1512: Health, Life, and Dental Insurance
 - i. Object Code 1524: PERA - AED
 - j. Object Code 1525: PERA - SAED
 - k. Object Code 1531: Higher Education Tuition reimbursement

[Common Question Answers \(#6 & #8\)](#)

7. For the latest month for which the data are available, please provide, in editable Excel format, department-wide FY 2024-25 year-to-date spending totals for each of the following object codes, by fund source.
- a. Object Code 1130: Statutory Personnel & Payroll System Overtime Wages
 - b. Object Code 1131: Statutory Personnel & Payroll System Shift Diff. Wages
 - c. Object Code 1140: Statutory Personnel & Payroll System Annual Leave Payments
 - d. Object Code 1141: Statutory Personnel & Payroll System Sick Leave Payments
 - e. Object Code 1340: Employee Cash Incentive Awards
 - f. Object Code 1350: Employee Non-Cash Incentive Award
 - g. Object Code 1370: Employee Commission Incentive Pay
 - h. Object Codes 1510, 1511, 1512: Health, Life, and Dental Insurance
 - i. Object Code 1524: PERA - AED
 - j. Object Code 1525: PERA-SAED
 - k. Object Code 1531: Higher Education Tuition reimbursement

The Executive Branch believes that the most recent month's expense by object code is not useful data as departments adjust the information through the end of the fiscal year via JVs for revised allocations, POTS adjustments, correcting entries, etc. Therefore, no data will be provided.

8. For FYs 2022-23 and 2023-24, please provide department-wide spending totals for each of the following object codes, by fund source.
- a. Object Code 1100: Total Contract Services (Purchased Personal Services)
 - b. Object Code 1210: Contractual Employee Regular Part-Time Wages
 - c. Object Code 1211: Contractual Employee Regular Full-Time Wages
 - d. Object Code 1131: Statutory Personnel & Payroll System Shift Diff. Wages
 - e. Object Code 1240: Contractual Employee Annual Leave Payments
 - f. Object Code 1622: Contractual Employee PERA
 - g. Object Code 1624: Contractual Employee Pera AED
 - h. Object Code 1625: Contractual Employee Pera - Supplemental AED
 - i. Object Code 1910: Personal Services - Temporary
 - j. Object Code 1920: Personal Services - Professional
 - k. Object Code 1940: Personal Services - Medical Services
 - l. Object Code 1950: Personal Services - Other State Departments
 - m. Object Code 1960: Personal Services - Information Technology

[Common Question Answers \(#6 & #8\)](#)

9. Please provide a table showing both allocated and actual FTE for each Division within the Department from FY 2018-19 through FY 2023-24.

This table reflects FTE at the end of each fiscal year compared to the total Long Bill appropriation:

Division		FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
EDO							
	Appropriated	155.7	166.3	172.8	178.3	210.0	224.2
	Actual	146.3	143.4	157.1	169.1	203.6	218.6
	Vacant	9.4	22.9	15.7	9.2	6.4	5.6
	Vacancy Rate	6%	14%	9%	5%	3%	2%
Taxation Business Group							
	Appropriated	402.8	420.5	411.3	422.3	455.0	448.4
	Actual	396.4	427.5	393.0	397.5	449.7	474.7
	Vacant	6.4	0.0	18.3	24.8	5.3	0.0
	Vacancy Rate	2%	0%	4%	6%	1%	0%
Division of Motor Vehicles							
	Appropriated	520.8	557.2	559.4	546.9	543.2	540.8
	Actual	557.4	587.8	571.2	579.9	562.5	558.0
	Vacant	0.0	0.0	0.0	0.0	0.0	0.0
	Vacancy Rate	0%	0%	0%	0%	0%	0%
Specialized Business Group							
	Appropriated	275.6	306.3	354.7	372.2	379.7	389.9
	Actual	263.2	257.3	279.8	298.2	289.2	307.0
	Vacant	12.4	49.0	74.9	74.0	90.5	82.9
	Vacancy Rate	4%	16%	21%	20%	24%	21%
Lottery							
	Appropriated	117.1	102.1	102.1	102.1	102.1	102.1
	Actual	110.8	99.5	95.0	98.5	100.5	103.5
	Vacant	6.3	2.6	7.1	3.6	1.6	0.0
	Vacancy Rate	5%	3%	7%	4%	2%	0%
Department of Revenue Total							
	Appropriated	1,472.0	1,552.4	1,600.3	1,621.8	1,690.0	1,705.4
	Actual	1,474.1	1,515.5	1,496.1	1,543.2	1,605.5	1,661.8
	Vacant	0.0	36.9	104.2	78.6	8.5	43.6
	Vacancy Rate	0%	2%	7%	5%	5%	3%

10. Please discuss how the Department would absorb base personal services reductions of the following amounts: 1.0 percent, 3.0 percent, and 5.0 percent. How would those reductions impact the department's operations and core mission?

The governor submitted a balanced budget on November 1, and the Department would be happy to engage with JBC staff on any additional reduction proposals they may generate. Reductions to personal services without corresponding revisions of statutory requirements for service delivery or processing times would result in longer wait times for customers, extended processing timelines, including income tax refund issuance, delayed responsiveness on inquiries, and an overall decrease in operational effectiveness. The Taxation Division is the primary General Funded division in DOR. Any reductions to General Fund appropriations and FTE would result in reduced capacity to support Coloradans with tax-related issues.

The tables below summarize a few operational metrics for the Taxation Division.

Cost of Administration - FY 2018-19 through FY 2022-23*

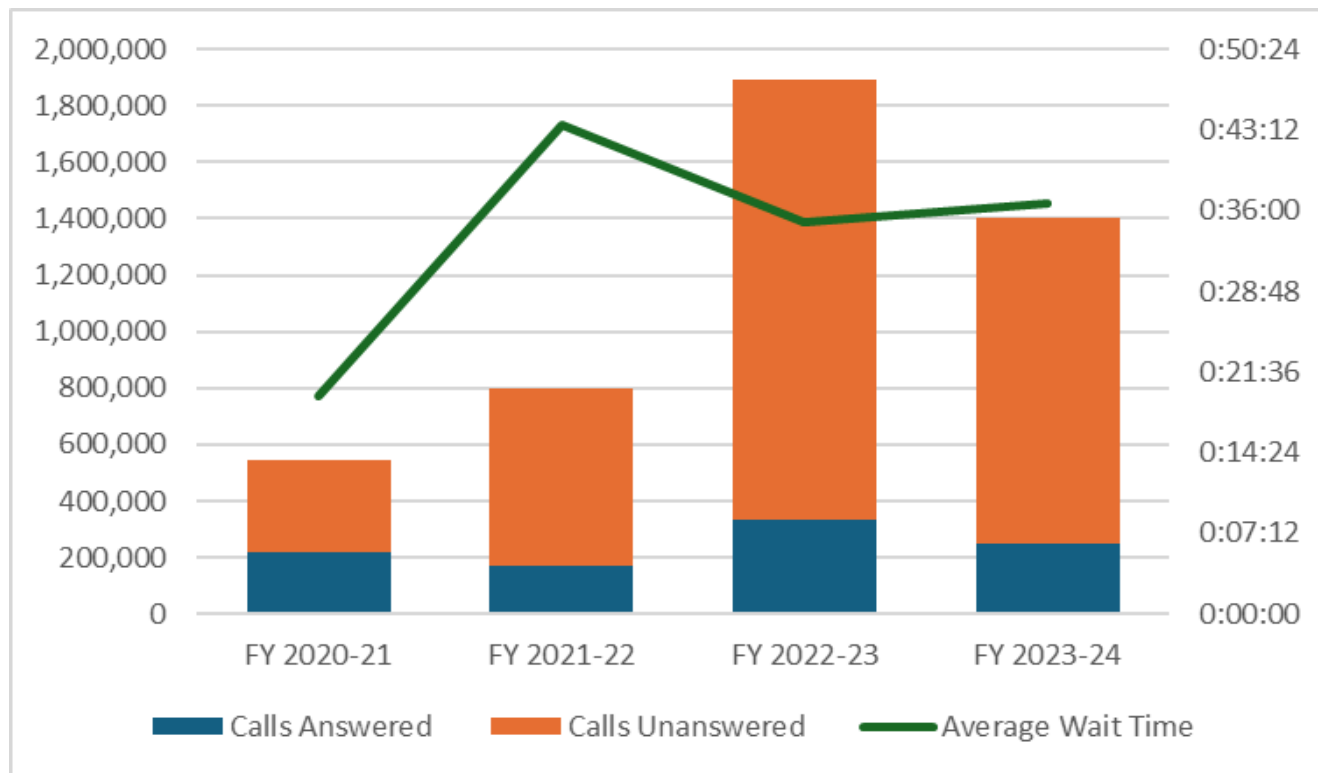
Fiscal Year	Gross Receipts Realized**	Administration***	Cost as % of Receipts
FY 2022-23	\$22,839,502,100	\$253,277,303	1.11%
FY 2021-22	\$23,107,002,674	\$218,075,814	0.94%
FY 2020-21	\$19,920,840,001	\$199,379,699	1.00%
FY 2019-20	\$15,815,657,286	\$194,645,072	1.23%
FY 2018-19	\$16,448,882,462	\$199,410,334	1.21%

* Collections reported are not limited to amounts from current year filings. Fiscal year data includes collections across multiple tax years due to amended, late, and/or corrected filings. Some prior year figures were corrected since the previous annual report.

** In FY 2020-21, severance tax refunds exceeded collections. All values are on a cash basis.

*** Other Receipts include collections not yet allocated, among other receipts. Collections not yet allocated are receipts that have been posted to the accounting system but have not yet been reconciled to the relevant revenue category; these amounts can vary significantly year-to-year.

Tax Call Center Volume and Average Wait Times - FY 2020-21 through FY 2023-24



11. Describe steps the Department is taking to reduce operating expenditures for FY 2025-26.

The Department of Revenue's plan for reducing operating expenditures is reflected in the November 1, 2024 budget request. The three General Fund reductions DOR submitted for a balanced November 1 budget submission will need an accompanying increase in cash fund spending authority. The Department will not need a fee increase in FY 2025-26 to support these increases in cash fund spending authority, but may need fee increases in the following year. This will increase the available statewide General Fund dollars for FY 2025-26 with limited operational impact.

DOR continuously monitors and evaluates divisional and departmental spending to ensure that all statutory requirements are met while being efficient and effective with expenditure budgets. The department operates efficiently while providing exceptional customer service for Coloradans.

Some specific examples are:

- The Marijuana Enforcement Division (MED) only utilized 65% of its total available spending authority for FY 2023-24 due to a lack of revenue to support the spending authority. This demonstrates how lean the operations of MED are, but continuing to operate at this level is unsustainable. The regulatory requirements have greatly expanded while the staffing levels have been reduced.

- Since 2021, DOR has reduced over 200,000 sq. ft. of leased space saving over \$1.8 million per year. 60% or \$1.1 million of this savings has been for the General Fund.
- DMV strategic initiatives around operational efficiency:
 - Digital Delivery: The DMV is reviewing and identifying opportunities in each DMV business unit for the digital delivery of electronic documents, digital upload of documents and accepting digital signatures. The Vehicle Services unit is working on changing the workflow for dealer bill of sales and making it a seamless electronic filing. Today, a dealer must fill out a dealer bill of sale on a secure, multilayered carbon copy form requiring all the information manually applied to the actual secure form. That then goes to a county which scans it into our system. Changing this will ultimately lead to reduction in operational expenditures.
 - Improving the DMV Website: The DMV is conducting a comprehensive review of its website and updating it to ensure that the information is easily navigated, clear, accurate and accessible. The goals are to improve first-trip success to a driver license office, reduce calls to the contact center and drive more convenience services.
 - Automating Processes: The DMV is working with Colorado State Patrol (CSP) on a pilot project to improve the efficiency and effectiveness of document transmission, sorting, indexing, verification, and the accuracy of permanent records kept within DRIVES by improving the routing of information that is sent by CSP and received by the Department of Revenue. They will be transitioning from physical mail and manual processing to a streamlined Fax.Plus / Hyland OnBase / Mailbox Importer electronic and integrated systems platform that utilizes keywords and automation that has already been proven, and applied technology within the banking, insurance, and many other industry sectors.
 - E-Titles: The DMV is part of a nationwide effort to implement electronic titling, which is the process of holding and maintaining vehicle ownership records, and titles electronically rather than physical paper. This solution will allow the transfer of ownership of a vehicle to take place electronically, while authenticating the identity of the parties involved in the transaction and updating the jurisdiction's vehicle record without printing a paper title. This increases digital serviceability for constituents, reduces fraudulent activities with paper products, and reduces the cost to produce ownership documentation. The DMV spends roughly \$400,000 biennially on title paper plus other costs attributed to distribution such as postage. The implementation of E-Title would result in a gradual reduction of these costs. Operationally, the agents of the state who process ownership transactions would see consistent improvement in workflow and reduced demand resulting in improved operational efficiency. The DMV has two critical, foundational elements to E-Title currently in progress: a customer portal as part of the DRIVES CORE 21 upgrade, and customer identity management to include secure electronic signature capabilities. This is a multi-year effort.

12. For each operating line item, identify the total expenditure at the end of the 3rd quarter for each of the last three fiscal years, as well as the total appropriation for the fiscal year.

Appropriation Name	Fiscal Year	Appropriation	Expenditures through Q3
EDO Operating Expense	2021-22	3,253,413	1,709,425
	2022-23	3,483,680	1,550,422
	2023-24	3,455,011	1,368,252
EDO Hearings Operating Expense	2021-22	110,412	40,079
	2022-23	110,412	37,553
	2023-24	110,412	41,908
Tax Administration Operating Expense	2021-22	12,543	7,988
	2022-23	12,543	7,146
	2023-24	12,543	9,580
Taxation Services Operating Expense	2021-22	3,395,675	2,708,811
	2022-23	3,621,725	2,594,384
	2023-24	7,174,942	4,377,946
Tax Conferee Operating Expense	2021-22	60,905	19,045
	2022-23	60,905	33,701
	2023-24	60,905	34,473
DMV Admin Operating Expense	2021-22	550,591	210,084
	2022-23	559,428	277,348
	2023-24	527,728	260,454
DMV Driver Services Operating Expense	2021-22	3,465,126	1,305,950
	2022-23	2,538,299	1,286,925
	2023-24	2,534,299	1,375,593
DMV Vehicle Services Operating Expense	2021-22	1,283,470	155,098
	2022-23	431,183	179,367
	2023-24	402,237	141,039
DMV County Support Services Operating Expense	2021-22	2,356,535	1,080,456
	2022-23	2,356,535	912,253
	2023-24	2,356,535	1,765,019

Appropriation Name	Fiscal Year	Appropriation	Expenditures through Q3
SBG Admin Operating Expense	2021-22	13,934	3,576
	2022-23	13,934	6,261
	2023-24	13,934	13,934
Gaming Division Operating Expense	2021-22	1,147,644	527,049
	2022-23	1,146,930	626,740
	2023-24	1,996,196	601,408
Liquor Enforcement Operating Expense	2021-22	571,747	208,223
	2022-23	537,565	229,942
	2023-24	559,151	327,811
Division of Racing Operating Expense	2021-22	302,320	104,735
	2022-23	319,392	158,786
	2023-24	301,344	220,793
Auto Industry Operating Expense	2021-22	325,887	73,440
	2022-23	325,670	109,640
	2023-24	325,446	110,887
State Lottery Division Operating Expense	2021-22	1,540,533	547,653
	2022-23	1,540,533	490,854
	2023-24	1,540,533	529,524

13. Please provide an overview of the department's service efforts. In your response, describe the following:

a. Populations served by the Department

The services DOR provides touch almost every Colorado resident with a wide range of services that include issuing driver licenses and identification credentials, processing all tax types and providing taxpayer support, licensing many types of businesses and employees, regulating many industries to ensure public safety and compliance with laws, and supporting the Colorado outdoors, open spaces, and schools with proceeds from the state-run Colorado Lottery.

DOR also works closely with different groups of stakeholders including:

- County and local governments,
- The Colorado Society of Certified Public Accountants,
- Automotive sales licensees,
- Licensees of Gaming & Sports Betting,
- Liquor & Tobacco licensees,
- Licensees of marijuana & natural medicines,
- Horse racing,
- Law enforcement,
- Firearms dealers, and
- Beneficiaries of Lottery proceeds including Great Outdoors Colorado, The Conservation Trust Fund, Colorado Parks and Wildlife, and Building Excellent Schools Today (BEST).

b. The target populations of the Department's services

More Coloradans means more taxes are collected by the Taxation Division and more credentials are issued by the DMV. A strong automotive sales market can also drive more business for the DMV as people trade in their vehicles. Additionally, an increase in population drives an increase in business and employee licensing. A growing Colorado population also results in more people playing the Colorado Lottery.

The DMV2GO (mobile DMV) program is targeted at assisting underserved and underrepresented populations. Last fiscal year, the team issued over 7,500 documents, served over 8,000 customers and attended nearly 649 events across the state including rural counties, county jails, state prisons, universities, immigration resource centers, senior centers, and facilities for people experiencing homelessness.

c. Number of people served by the Department

Below are some data points on transactions, license issuance, and customers served from DOR's 2023 Annual Report:

- Motor Vehicle Hearings - 15,622
- Traffic Penalty Assessments - 73,884
- Motor Vehicle Titles Received - 1,762,452
- Total Driver Licenses, Permits, and Other Issuance - 1,573,026
- Active Marijuana Licenses - 2,576
- Active Auto Industry Licenses - 17,906
- Active Liquor Licenses - 18,490
- Active Tobacco Licenses - 4,505

- Active Horse Racing Licenses - 836
- Number of Coloradans who play the Lottery - 2,605,999
- Number of Income Tax Returns Filed - 3,791,523
- Number of Sales Tax Returns Processed - 44,347,157

DOR distributed over \$375 million to municipal & county governments, higher education institutions, the Colorado State Patrol, K-12 education, Responsible Gaming Grants, History Colorado, the Colorado Water Plan, and beneficiaries & programs across Colorado.

- Gaming Distribution = \$155.4 million
- Sports Betting Distribution = \$25.6 million
- Lottery Fund Distribution = \$195.3 million

d. Outcomes measured by the Department

- The customer self-service utilization rate of:
 - Kiosks for motor vehicle transactions
 - DMV online services
 - @Home testing for written learner's permit tests
- Customer satisfaction surveys of Driver License Offices, online business licensing, and Taxation services
- Customer driver license appointment wait times
- Call center wait times
- Increased access through real-time translation services
- Lottery online prize claim process, with direct deposit for winnings
- Lottery playership and favorability data tracking

e. Present and future strategies for collecting customer experience data

The DMV implemented new software, called Medallia, for collecting customer feedback. The software provides seamless data collection and includes:

- Real-time alerts
- Assigning comments for action
- Text analytics for feedback data and reports on emerging themes
- Dashboards

The Lottery uses third-party tracking (600 Coloradans per quarter) to evaluate products and customer favorability.

14. For each TABOR non-exempt cash fund, provide the following information
 Much of this information can be found in department submissions (Schedule 9). OSPB has provided staff with other tools to review cash funds to provide the committee with additional information.

a. The amount in the cash fund

<u>Fund</u>	<u>Fund Name</u>	<u>FY 2023-24 Ending Fund Balance</u>
DRIV	Colorado DRIVES Fund	\$32,066,199
15Z0	Marijuana Cash Fund	\$1,366,846
4350	License Plate Cash Fund	Cash = \$8,562,592 Inventory = \$5,490,768
2360	Liquor Law Enforcement Division & State Licensing Authority	\$1,074,175
1920	Auto Dealers License Fund	\$1,337,849
SBET	Sports Betting Cash Fund	\$0
16V0	Racing Cash Fund	\$229,583
TETF	Third-party Electronic Transactions Fund	\$161,027
NMED	Regulated Natural Medicine Division Cash Fund	\$0
FDPF	Firearms Dealer Permit Cash Fund	\$0
4010	Gaming Cash Fund	\$2,703,534

b. Total amount of revenue in the fund that would not be transferred

The table below represents the revenue collected by cash funds for FY 2023-24. DOR's cash funds do not typically transfer revenue to other funds.

<u>Fund</u>	<u>Fund Name</u>	<u>Revenue</u>
DRIV	Colorado DRIVES Fund	\$62,379,417
15Z0	Marijuana Cash Fund	\$12,409,745
4350	License Plate Cash Fund	\$10,540,210
2360	Liquor Law Enforcement Division & State Licensing Authority	\$6,829,027
1920	Auto Dealers License Fund	\$2,949,993
SBET	Sports Betting Cash Fund	\$33,565,361
16V0	Racing Cash Fund	\$1,689,902
TETF	Third-party Electronic Transactions Fund	\$161,027
NMED	Regulated Natural Medicine Division Cash Fund	\$0
FDPF	Firearms Dealer Permit Cash Fund	\$0
4010	Gaming Cash Fund	\$178,038,160

c. Detailed explanation of why the fund should not be sunset

<u>Fund</u>	<u>Fund Name</u>	<u>Explanation on reason not to sunset</u>
DRIV	Colorado DRIVES Fund	Required for DMV to operate
15Z0	Marijuana Cash Fund	Required for MED to operate
4350	License Plate Cash Fund	Required for license plate production and sales
2360	Liquor Enforcement Division & State Licensing Authority	Required for LED to operate
1920	Auto Dealers License Fund	Required for AID to operate
SBET	Sports Betting Cash Fund	Required for Sports Betting to operate
16V0	Racing Cash Fund	Required for horse racing to operate
TETF	Third-party Electronic Transactions Fund	Recently created via legislation for a program that is not yet fully implemented
NMED	Regulated Natural Medicine Division Cash Fund	Required for Natural Medicine to operate
FDPF	Firearms Dealer Permit Cash Fund	Required for Firearms Division to operate
4010	Gaming Cash Fund	Required for Gaming to operate

d. Statutory reference of the fund creation, specific uses, and legislative history of changes to the fund

<u>Fund</u>	<u>Fund Name</u>	<u>Statutory Reference</u>
DRIV	Colorado DRIVES Fund	(42-1-211(2)(b)(I)); Special Revenue Fund. This is a replacement fund for CSTARS fund. Various fees are collected for the purpose of operating the DMV and authorized county agents through motor vehicle titling and registration.
1520	Marijuana Cash Fund	(44-10-801); Special Revenue Fund. All money collected by the state licensing authority pursuant to article 10 must be transmitted to the state treasurer, who shall credit the same to the marijuana cash fund, which fund is hereby created and referred to in this section as the “fund”. The fund consists of: (I) The money collected by the state licensing authority; and (II) Any additional general fund money appropriated to the fund that is necessary for the operation of the state licensing authority. The division shall use the moneys in the Marijuana Cash fund for the direct and indirect costs associated with implementing this article. Monies and all interest earned should be deposited in the fund and should not revert to the General Fund.
4350	License Plate Cash Fund	Section 42-3-301 (1)(b), C.R.S. (2024) to support the production and issuance of vehicle license plates.
2360	Liquor Law Enforcement Division & State Licensing Authority	(44-6-101); Special Revenue Fund. The fund consists of money transferred in accordance with sections 44-3-502 (1), 44-4-105 (2), and 44-7-104.5 (6). Receives \$25 from each licensing fee from manufacturers, distributors, wholesalers, and retailers of liquor that are collected by the State's General Fund. Application fees for permits are also collected. Fees are used for enforcement actions to comply with the liquor code and to support law enforcement. Any money remaining in the fund at the end of each fiscal year remains in the fund and does not revert to the general fund or any other fund. The fund shall be maintained in accordance with section 24-75-402.
1920	Auto Dealers License Fund	(44-20-133); Special Revenue Fund. Fees for the licensing of dealers, wholesalers, buyer agents, and salespersons. Monies can be used by the Motor Vehicle Dealer Board to pay for the expenses of the administration of the board. Any money remaining in the fund at the end of the fiscal year is to remain in the fund to be used for educational and enforcement purposes.

<u>Fund</u>	<u>Fund Name</u>	<u>Statutory Reference</u>
SBET	Sports Betting Cash Fund	(44-30-1509(1)(a)); Special Revenue Fund, Colorado Gaming. All revenues of the division for sports betting activity shall be paid into the fund. All expenses for licensing and regulation of the division and the commission for sports betting shall be paid from the fund. All moneys paid into the fund shall be available immediately, without further appropriation, for the purposes of the fund. The division's resources are obtained from sports betting related activities such as license fees, application fees, and sports betting taxes.
16V0	Racing Cash Fund	(44-32-205); Special Revenue Fund. The division shall use the moneys in the racing cash fund for the direct and indirect costs of administering the promotion of racing and the recreational, entertainment, and commercial benefits to be derived therefrom; to raise revenue for the general fund; to establish high standards of sport and fair play; for the promotion of the health and safety of the animals involved in racing events; and to foster honesty and fair dealing in the racing industry.
TETF	Third-party Electronic Transactions Fund	(42-1-234(4)(a)); Special Revenue Fund. The fund consists of fees of up to three dollars per transaction paid by a third-party provider to the department for the electronic transmission of registration, lien, and titling information for motor vehicles, off-highway vehicles, or special mobile machinery.
NMED	Regulated Natural Medicine Division Cash Fund	(44-50-601(1)(a)); Environmental and Health Protection Fund. The fund consists of the money collected by the state licensing authority; and any additional general fund money appropriated to the fund that is necessary for the operation of the state licensing authority.
FDPF	Firearms Dealer Permit Cash Fund	(18-12-401.5(2)(d)); Beginning July 1, 2025, every FFL dealer must obtain a state permit in order to engage in the business of dealing in firearms, other than destructive devices, in Colorado.
4010	Gaming Cash Fund	(44-30-701); Special Revenue Fund, Colorado Gaming. The limited gaming fund; All revenues of the division shall be paid into the fund. All expenses of the division and the commission shall be paid from the fund. All moneys paid into the fund shall be available immediately, without further appropriation, for the purposes of the fund. The division's resources are obtained from specific gaming related activities such as license fees, application fees, and gaming taxes. After setting aside a reserve for two months' operating expenses at the end of each fiscal year, the remaining balance in the fund is distributed to State and local governments according to the provisions in the Colorado Constitution and the Act.

e. Every program funded by the fund

<u>Fund</u>	<u>Fund Name</u>	<u>Programs Funded</u>
DRIV	Colorado DRIVES Fund	All DMV operations including: Administration, Driver Services, Vehicle Services, County Support Services, DRIVES System Maintenance
15Z0	Marijuana Cash Fund	Marijuana industry regulation direct and indirect expenses
4350	License Plate Cash Fund	License plate ordering
2360	Liquor Law Enforcement Division & State Licensing Authority	Liquor and Tobacco regulation direct and indirect expenses
1920	Auto Dealers License Fund	Auto Industry regulation direct and indirect expenses
SBET	Sports Betting Cash Fund	Sports Betting regulation direct and indirect expenses
16V0	Racing Cash Fund	Horse Racing regulation direct and indirect expenses
TETF	Third-party Electronic Transactions Fund	DMV Administration, Driver Services, Vehicle Services, County Support Services
NMED	Regulated Natural Medicine Division Cash Fund	Natural Medicine regulation direct and indirect expenses
FDPF	Firearms Dealer Permit Cash Fund	Firearm Permit regulation direct and indirect expenses
4010	Gaming Cash Fund	Gaming Division direct and indirect expenses Distributions to: History Colorado Creative Industries Cash Fund Local Gov't Limited Gaming Impact Fund Colorado Travel and Tourism Promotion Fund Colorado Office of Film, TV, and Media Operational Cash Fund Innovative Higher Education Research Fund Advanced Industries Acceleration Cash Fund

- f. Explanation of how fees to the fund are set and a history of fee changes
- g. The number of people provided service by the programs funded through the cash fund
- h. Any additional information necessary to ensure the Joint Budget Committee can make an informed decision.

<u>Fund</u>	<u>Fund Name</u>	<u>Fee Setting Process</u>	<u>Fee Change History</u>
DRIV	Colorado DRIVES Fund	Driver License Documents - up to 5% annually	FY 2024-25 - \$30.87 FY 2023-24 - \$30.87 FY 2022-23 - \$30.87 FY 2021-22 - \$28.00 FY 2020-21 - \$28.00 FY 2019-20 - \$28.00
1520	Marijuana Cash Fund	Occupational and Business License - Annual Fee Setting	FY 2024-25 - average of 5% increase FY 2023-24 - average of 8% increase FY 2022-23 - 0% FY 2021-22 - Fee reinstatement of 2016 reduction FY 2020-21 - 0% FY 2019-20 - 0%
4350	License Plate Cash Fund	Fee set by Colorado Correctional Industries (CCi) for the material costs (i.e. aluminum) to produce all types of license plates	FY 2024-25 - 0% FY 2023-24 - 25% FY 2022-23 - 0% FY 2021-22 - 21% FY 2020-21 - 0% FY 2019-20 - 0%
2360	Liquor Law Enforcement Division & State Licensing Authority	Occupational and Business License - Annual Fee Setting	(SB20-086): FY 2024-25 - \$250 Renewal Application Fee (SB20-086): FY 2023-24 - \$125 Renewal Application Fee (SB20-086): FY 2022-23 - \$50 Renewal Application Fee - \$450 New Application Fee reduction FY 2021-22 - 0% FY 2020-21 - 0% FY 2019-20 - 0%
1920	Auto Dealers License Fund	Occupational and Business License - Annual Fee Setting	FY 2024-25 - 0% FY 2023-24 - 35% FY 2022-23 - 0% FY 2021-22 - 35% reduction

<u>Fund</u>	<u>Fund Name</u>	<u>Fee Setting Process</u>	<u>Fee Change History</u>
			FY 2020-21 - 50% FY 2019-20 - 10%
SBET	Sports Betting Cash Fund	Occupational and Business License - Fee set in Statute	No Change
16V0	Racing Cash Fund		No Change
TETF	Third-party Electronic Transactions Fund	Max Limit \$3 fee	FY 2024-25 - \$3 FY 2023-24 - \$3
NMED	Regulated Natural Medicine Division Cash Fund	Occupational and Business License - Annual Fee Setting	Division implements January 1, 2025
FDPF	Firearms Dealer Permit Cash Fund	Occupational and Business License - Fee set in Statute	\$400 - 3-year license/permit
4010	Gaming Cash Fund	Occupational and Business License - Fee set in Statute	No Change