

# JOINT BUDGET COMMITTEE



## SUPPLEMENTAL BUDGET REQUESTS FY 2018-19

### DEPARTMENT OF REVENUE

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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# DEPARTMENT OF REVENUE

## DEPARTMENT OVERVIEW

The Department of Revenue is organized into three functional groups: Taxation, Motor Vehicles, and Enforcement. The Taxation Business Group collects revenues for State government and for local governments. The Division of Motor Vehicles regulates motor vehicle safety, issues personal identification documents, issues titles and registration documents for motor vehicles, enforces vehicle emission standards, operates the Motorist Insurance Identification Database Program, and regulates commercial drivers. The Enforcement Group regulates limited stakes gambling, alcohol, tobacco, racing events, and motor vehicle dealers. It also regulates medical and retail marijuana businesses. The three functional areas are supported by the Executive Director's Office (EDO), the Hearings Division located within the EDO, and the Information Technology Division. The Department also operates the State Lottery, which accounts for almost one-third of the Department's annual budget. Lottery proceeds (sales less prizes and expenses) are distributed to the Conservation Trust Fund, Great Outdoors Colorado, Parks and Outdoors Recreation, and the Public School Capital Construction Fund. The Department contracts with cities and counties to collect any tax type that it also collects for State government. The Department currently receives and distributes sales and use taxes on behalf of approximately 250 local governments and special districts.

## SUMMARY: FY 2018-19 APPROPRIATION AND RECOMMENDATION

DEPARTMENT OF REVENUE: RECOMMENDED CHANGES FOR FY 2018-19						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2018-19 APPROPRIATION</b>						
HB 18-1322 (Long Bill)	\$369,581,396	\$113,169,403	\$249,268,695	\$6,318,910	\$824,388	1,469.8
Other legislation	426,206	102,447	260,759	63,000	0	2.2
<b>CURRENT FY 2018-19 APPROPRIATION</b>	<b>\$370,007,602</b>	<b>\$113,271,850</b>	<b>\$249,529,454</b>	<b>\$6,381,910</b>	<b>\$824,388</b>	<b>1,472.0</b>
<b>RECOMMENDED CHANGES</b>						
Current FY 2018-19 Appropriation	\$370,007,602	113,271,850	\$249,529,454	\$6,381,910	\$824,388	1,472.0
S1 Drivers License Documents	910,286	0	910,286	0	0	0.0
Staff-initiated - Wayfair Decision GenTax Programming	125,000	125,000	0	0	0	0.0
SNP1 Annual Fleet Supplemental True-up	(73,592)	(18,510)	(55,082)	0	0	0.0
<b>RECOMMENDED FY 2018-19 APPROPRIATION</b>	<b>\$370,969,296</b>	<b>\$113,378,340</b>	<b>\$250,384,658</b>	<b>\$6,381,910</b>	<b>\$824,388</b>	<b>1,472.0</b>
<b>RECOMMENDED INCREASE/(DECREASE)</b>	<b>\$961,694</b>	<b>\$106,490</b>	<b>\$855,204</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
Percentage Change	0.3%	0.1%	0.3%	0.0%	0.0%	0.0%
<b>FY 2018-19 EXECUTIVE REQUEST</b>	<b>\$370,844,296</b>	<b>\$113,253,340</b>	<b>\$250,384,658</b>	<b>\$6,381,910</b>	<b>\$824,388</b>	<b>1,472.0</b>
Request Above/(Below) Recommendation	(\$125,000)	(\$125,000)	\$0	\$0	\$0	0.0

REQUEST/RECOMMENDATION DESCRIPTIONS

**S1 DRIVERS LICENSE DOCUMENTS:** The request includes an additional \$910,286 cash funds spending authority from the Licensing Services Cash Funds to pay for postage and document materials and processing costs for drivers' license documents. The recommendation is \$910,286 cash funds.

**STAFF-INITIATED – WAYFAIR DECISION GEN TAX PROGRAMMING:** The recommendation is \$125,000 General Fund to pay for GenTax programming changes made by the Department as a result of the *Wayfair*, Supreme Court decision.

**SNP1 ANNUAL FLEET SUPPLEMENTAL TRUE-UP:** The request includes adjustments related to statewide operating common policies for fleet vehicles. As of publication, the recommendation is pending.

PRIORITIZED SUPPLEMENTAL REQUESTS

S1 DRIVERS LICENSE DOCUMENTS

	REQUEST	RECOMMENDATION
<b>TOTAL</b>	<b>\$910,286</b>	<b>\$910,286</b>
FTE	0.0	0.0
General Fund	0	0
Cash Funds	910,286	910,286
Reappropriated Funds	0	0
Federal Funds	0	0

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **YES**  
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

**DEPARTMENT REQUEST:** The Department requests an additional \$910,286 cash funds spending authority from the Licensing Services Cash Fund to pay for postage and document materials and processing costs for drivers' license documents based on the current, projected need for FY 2018-19.

**STAFF RECOMMENDATION:** Staff recommends that the Committee approve the request.

**STAFF ANALYSIS:** The supplemental budget request pays for materials and processing costs paid to the vendor on a per unit or document basis of \$4.60 per card and for postage. The Department projects 1.7 million documents for FY 2018-19 at a cost of \$6.8 million for documents and \$687,000 for postage, for a total cost of \$7.5 million. The current budget provides \$6.6 million of cash funds spending authority for these items. The Department has statutory authority to collect revenue for this purpose and total revenue collection is entirely based on customer demand for license documents. Cash funds spending authority simply provides adequate spending authority for the Department to pay for operating costs to provide license documents. Staff recommends the request.

## STAFF-INITIATED SUPPLEMENTAL REQUESTS

### STAFF-INITIATED: WAYFAIR DECISION GENTAX PROGRAMMING

	REQUEST	RECOMMENDATION
<b>TOTAL</b>	<b>\$0</b>	<b>\$125,000</b>
FTE	0.0	0.0
General Fund	0	125,000
Cash Funds	0	0
Federal Funds	0	0

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff recommends this supplemental due to an unforeseen contingency based on the U.S. Supreme Court's, June 21, 2018, decision in *South Dakota v. Wayfair*. Additionally, the recommendation is based on additional, actual expenditures that represent data that was not available when the original appropriation was made.

**DEPARTMENT REQUEST:** The Department did not request this item. However, the Department is aware of staff's recommendation and supports the staff recommendation

**STAFF RECOMMENDATION:** Staff recommends that the Committee approve an additional appropriation of \$125,000 General Fund for programming changes made to the GenTax system related to the *Wayfair*, Supreme Court decision.

**STAFF ANALYSIS:** The Department submitted an interim supplemental request in September 2018, for expenses related to the Department's plan to begin collecting sales taxes from out-of-state retailers in December 2018. The interim supplemental request was not approved by the Committee.

Based on consultation from the Office of Legislative Legal Services (OLLS) regarding the Department's statutory authority and responsibility, staff recommended approval of the Department's interim supplemental request at an amount lower than requested. The OLLS opinion was that the Department's statutory charge now includes collection of sales taxes from out-of-state retailers based on the Supreme Court decision. In order to comply with their statutory responsibility, the Department undertook a reduced version of the plan included in their request by shifting available resources. The Department developed functionality in Revenue Online that allows out-of-state businesses to electronically register for a sales tax license and for any business with a sales tax account to add non-physical locations. Additionally, the department worked on improvements to its filing system, which will provide businesses with more options when filing for non-physical locations.

Staff is not including a recommendation to fund staffing related adjustments. However, the changes to the GenTax system are clearly identifiable costs specifically related to the Wayfair decision. While the Department can absorb these costs within their appropriations for GenTax related adjustments, this amount will reduce other changes that might otherwise be funded within the appropriation. Staff

recommends funding the additional cost for GenTax system improvements that the Department has already undertaken.

## STATEWIDE COMMON POLICY SUPPLEMENTAL REQUESTS

These requests are not prioritized and are not analyzed in this packet. The JBC acted on these items on January 22<sup>nd</sup> when it made decisions regarding common policies. However, as of the date of publication, this item was pending.

DEPARTMENT'S PORTION OF STATEWIDE SUPPLEMENTAL REQUEST	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS	FTE
SNP1 Annual fleet vehicle true-up	(\$73,592)	(\$18,510)	(\$55,082)	\$0	\$0	0.0
<b>DEPARTMENT'S TOTAL STATEWIDE SUPPLEMENTAL REQUESTS</b>	(\$73,592)	(\$18,510)	(\$55,082)	\$0	\$0	0.0

**STAFF RECOMMENDATION:** These request items were addressed during the JBC staff supplemental presentation for the Department of Personnel on January 22, 2019. However, as of the date of publication, this item was pending. Although the request amounts are reflected in the table, staff requests permission to incorporate the Committee's action into the supplemental bill and narrative.

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*JBC Staff Supplemental Recommendations - FY 2018-19  
Staff Working Document - Does Not Represent Committee Decision*

**Appendix A: Numbers Pages**

	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2018-19 Requested Change	FY 2018-19 Rec'd Change	FY 2018-19 Total w/Rec'd Change
<b>DEPARTMENT OF REVENUE</b>					
Michael Hartman, Executive Director					
<b>S1 Drivers License Documents</b>					
<b>(1) EXECUTIVE DIRECTOR'S OFFICE</b>					
<b>(A) Administration and Support</b>					
Postage	<u>3,090,583</u>	<u>3,051,455</u>	<u>81,926</u>	<u>81,926</u>	<u>3,133,381</u>
General Fund	2,749,934	2,840,891	0	0	2,840,891
Cash Funds	340,649	210,564	81,926	81,926	292,490
<b>(4) DIVISION OF MOTOR VEHICLES</b>					
<b>(B) Driver Services</b>					
Drivers License Documents	<u>5,696,473</u>	<u>6,571,858</u>	<u>828,360</u>	<u>828,360</u>	<u>7,400,218</u>
Cash Funds	5,696,473	6,571,858	828,360	828,360	7,400,218
<b>Total for S1 Drivers License Documents</b>	8,787,056	9,623,313	910,286	910,286	10,533,599
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	2,749,934	2,840,891	0	0	2,840,891
Cash Funds	6,037,122	6,782,422	910,286	910,286	7,692,708

*JBC Staff Supplemental Recommendations - FY 2018-19*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2018-19 Requested Change	FY 2018-19 Rec'd Change	FY 2018-19 Total w/Rec'd Change
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**Staff-initiated - Wayfair Decision GenTax Programming**

**(3) TAXATION BUSINESS GROUP**

**(A) Administration**

Tax Administration IT System (GenTax) Support	<u>5,438,748</u>	<u>5,731,642</u>	<u>0</u>	<u>125,000</u>	<u>5,856,642</u>
General Fund	5,438,748	5,707,610	0	125,000	5,832,610
Cash Funds	0	24,032	0	0	24,032

<b>Total for Staff-initiated - Wayfair Decision GenTax Programming</b>	5,438,748	5,731,642	0	125,000	5,856,642
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	5,438,748	5,707,610	0	125,000	5,832,610
Cash Funds	0	24,032	0	0	24,032

<b>Totals Excluding Pending Items</b>					
<b>REVENUE</b>					
<b>TOTALS for ALL Departmental line items</b>	433,533,573	370,007,602	910,286	1,035,286	371,042,888
<i>FTE</i>	<u>1,437.2</u>	<u>1,472.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,472.0</u>
General Fund	108,513,692	113,271,850	0	125,000	113,396,850
Cash Funds	318,468,571	249,529,454	910,286	910,286	250,439,740
Reappropriated Funds	5,726,922	6,381,910	0	0	6,381,910
Federal Funds	824,388	824,388	0	0	824,388