

DEPARTMENT OF REVENUE
FY 2022-23 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, December 7, 2021
10:30 am - 12:00 pm

10:30-10:45 INTRODUCTIONS AND OPENING COMMENTS

Presenter: Mark Ferrandino, Executive Director

10:45-11:00 COMMON QUESTIONS

Main Presenters:

- Mark Ferrandino, Executive Director
- Heidi Humphreys, Deputy Executive Director/Chief Operating Officer

Supporting Presenters:

- Lorri Dugan, Chief Financial Officer

Topics:

- COVID remote work and planning: Page 1, Question 1 in the packet, Slide 6
- One-time federal stimulus funds: Page 1, Question 2 in the packet, Slides 16-18

11:00-11:45 DIVISION OF MOTOR VEHICLES

Main Presenters:

- Mark Ferrandino, Executive Director
- Mike Dixon, Senior Director, Division of Motor Vehicles

Supporting Presenters:

- Heidi Humphreys, Deputy Executive Director/Chief Operating Officer
- Lorri Dugan, Chief Financial Officer

Topics:

- DMV Operating Model and Demographic Shifts: Page 2, Questions 3-3c in the packet, Slides 19 - 28, 38 - 50
- The Covid Pandemic and the DMV Digital Transformation: Page 5, Question 4 in the packet, Slides 29-38

11:45-12:00 Specialized Business Group: Sports Betting / Lottery

Main Presenters:

- Mark Ferrandino, Executive Director
- Heidi Humphreys, Deputy Executive Director/Chief Operating Officer

Supporting Presenters:

- Lorri Dugan, Chief Financial Officer

Topics:

- Sports Betting: Page 5, Questions 5 - 7 in the packet, Slides 53-54
- Marijuana: Page 6, Questions 8 - 8c in the packet, Slide 55

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Tuesday, December 7, 2021
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COMMON QUESTIONS FOR DISCUSSION AT DEPARTMENT HEARINGS

- 1 Please provide an update on how remote work policies implemented in response to the COVID-19 pandemic have changed the Department's long-term planning for vehicle and leased space needs. Please describe any challenges or efficiencies the Department has realized, as well as to what extent the Department expects remote work to continue.

Remote work policies and strategies include:

- 160,000 sq ft of office space reduction
 - Moved out of Annex building (80,000 sq ft)
 - Colocated Denver operations to two offices
 - Leased savings have been offered as reductions or offsets
 - 72% of staff are working remotely indefinitely
 - Implemented hoteling reservation system for employees to reserve office/meeting space
 - Fleet Vehicles
 - All 230 vehicles will have telematics devices installed (FY 2021-22) to track utilization for data to potentially reduce fleet count
 - 10 FY 2021-22 vehicle orders are for plug-in hybrid electric vehicles
- 2 Please describe the most significant one-time federal funds from stimulus bills (e.g., CARES Act and ARPA) and other major new federal legislation (e.g., Federal Infrastructure Investment and Jobs Act) that the Department has received or expects to receive. For amounts in new federal legislation that have not yet been distributed, please discuss how much flexibility the State is expected to have in use of the funds.

Approved FY 2021-22 stimulus funding for DOR:

- Taxation - \$1 million in one-time funding for 8.0 term-limited FTE to address significant increase in workload tied to the COVID-19 related policy changes.
- DMV - \$2.5 million in one-time funding for 10.0 term-limited FTE plus OIT support to make significant progress on the backlog of DRIVES system modifications tied to the COVID-19 pandemic response. (This one-time funding complements the R-01 request for permanent system resources.)

- Specialized Business Group - Liquor Enforcement Division (LED) - \$0.4 million to fund a study of the Colorado liquor code and for a workgroup to make recommendations on proposed changes to the liquor code and regulations. Recent legislative changes, building off of executive orders issued during the COVID pandemic, have complicated the Colorado liquor code and the alcohol industry landscape. This has created new policy priorities for industry stakeholders. Creation of a working group led by a neutral facilitator will provide a productive forum to discuss potential improvements to liquor statutes in order to provide a reference point for legislators in future sessions. The primary focus remains on public safety, consumer protection, and a fair marketplace.

Proposed FY 2022-23 stimulus funding:

- DMV License Service Cash Fund (LSCF) - Placeholder in the Governor's budget of \$3.9 million directed to the LSCF to avoid future fee increases for the upcoming fiscal year, FY 2022-23, while the economic effects of COVID-19 continue to impact Coloradans.

DIVISION OF MOTOR VEHICLES

DMV OPERATING MODEL AND DEMOGRAPHIC SHIFTS

3. [Senator Hansen] Question: We are in the midst of demographic shifts in Colorado as well as undertaking operational shifts at the DMV. The current operating model does not appear to be sustainable. How will the DMV continue to evolve to maintain solvency and:

- 3a. What further changes are needed at DMV to maintain its viability?

The DMV has seen a decline in revenue during the pandemic. At the same time, the annual inflationary fee increases for a driver's license have been suspended to provide relief to Coloradans during this difficult time. There is a multi-faceted short-term plan to sustain the DMV that consists of some potential one-time stimulus funds currently included in the Governor's FY 2022-23 Proposed Budget as a placeholder for consideration by the legislature (\$3.9 million), coupled with potential legislation to direct other existing revenue to the DMV cash fund.

The longer-term option for sustainability may be a fairly straightforward two or three-pronged solution. The first part is a current item in front of the JBC in the R-01 decision item. This component is to consolidate the two DMV operating cash funds. The consolidation would align with business operations and support the DRIVES system, which is the single technology system in which all DMV transactions occur for both state and county services. Consolidation makes all DMV funding available for full operational use and moves the DMV towards self-sustainability. The two separate cash funds are a legacy structure carried over from a former operating model with many disparate systems that has been wholly replaced with the single DRIVES system. Both cash funds are entirely state receipts that are statutorily directed to DMV.

A second option of a longer-term solution may be to set the fee for a Colorado driver's license to an amount closer to the national average. Colorado charges the 13th lowest fee in the country to get a driver's license. Colorado currently charges \$30.87. The national average is \$42 with all states ranging from \$15 to \$113. While fee increases are not considered tenable during the pandemic (hence the legislative placeholder requesting stimulus funding to prevent fee increases in FY 23), in the long run just a slight increase, to an amount closer to the national average, would generate nearly enough revenue to fully support the DMV spending authority and sustain operations.

A third potential option could be to supplement DMV fee revenue with alternate funding sources. This could be an amount from existing state resources to avoid any new TABOR impact.

- 3b. What is the Department's long-term strategic plan?

The long-term strategic plan regarding DMV operations is to continue our work to meet Coloradans where they are while meeting the needs of those who prefer or need to come into an office. We have a solid foundation from which to build upon to leverage new technologies and improve existing systems to offer remote services. Online services via MyDMV (DRIVES) and the myColorado App have a lot of potential to meet the service needs of residents without further investment. Increasing services and improving the interoperability of some technology solutions such as the myColorado App's digital driver's license across State lines will require investments. The MVExpress self-service kiosks also have unused capacity to meet the demands of residents. Increasing the number of DMV service offerings on the kiosks are anticipated to encourage more utilization.

Customer preferences have changed over time and should be expected to continue in the future. Another element of the plan is to conduct 'pilot' programs of DMV cafes to evaluate customer preferences and costs. This type of program would create more teleworking opportunities for DMV employees. Teleworking is proving to be a desired method of working among employees.

An operational element of the long-term strategic plan is to evaluate staffing needs at offices and make adjustments. We anticipate a decrease in staffing at some offices as residents increase their use of remote services. As part of lease renewals, an evaluation will be completed to assess the need to maintain the office prior to any renewal negotiations.

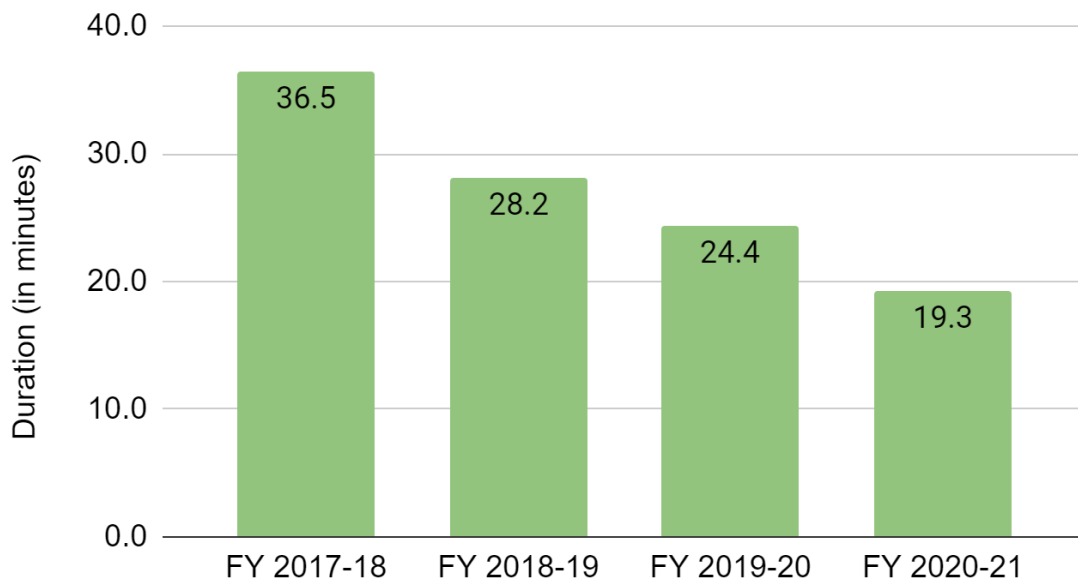
(Starts on slide 33 of the presentation)

- 3c. Is a productivity measure, such as documents per FTE, a relevant metric, or are there other measures that are more appropriate for the current and planned service delivery model?

Documents per FTE may not be as relevant of a performance metric as it might have been in the past for the strictly brick-and-mortar DMV. DMV is undergoing a complete digital transformation and shifting its delivery model to more self-service and online options. Therefore, workload is shifting for some DMV staff. While self-service and online options for customers may, in the future,

reduce in-office volume, DMV staff continue to serve customers in the office. In addition to that transactional workload, there is a new investment of time and effort needed to support the digital transformation delivery platforms such as kiosks and DMV2GO mobile services which will have a focus on reaching underserved areas and populations across Colorado.

The primary productivity measure in place at the DMV for evaluating its service delivery model has been measuring service times in offices and call wait times on the phone. The DMV is one of the primary points of contact between Coloradans and state government. The priority for DOR is not just to process documents with the lowest possible personnel cost, but to ensure that Coloradans have a positive and efficient experience at the DMV. This includes service times, wait times, and ability to transition to services online. Despite the increasing demands to support the new digital transformation platforms along with the continued in-office workload, the customer service times for in-office transactions continues to improve. This is a good metric to convey the impact on customers as they interact with the DMV. The graph below illustrates the improvement that customers are experiencing in the duration of time they are having to spend in-office. One thing to keep in mind is that the services available online and through the other self-service options are the simpler types of transactions. The more complicated types of transactions will continue to need to be done in the office. That change in the type of transactions being performed will have an impact on this metric. This is something that the DMV is closely monitoring.



Another challenge also highlighted in the presentation is the customer adoption rate for the new self-service options. The current adoption gap for FY 2020-21 was 43% which means that 43% of transactions that could have been completed online or via self-service kiosks are still being done in the office. This adoption gap needs to be addressed to really see the impact of shifting customers to the new delivery model through the digital transformation efforts. Also of note is the fact that 86% of this gap, or over 3.7 million transactions, are vehicle transactions that are done by the County authorized agents in the county offices. Only 14% of the gap or approximately 600,000 transactions

are state transactions that are done in state-run driver license offices (DLO). Therefore, even as the adoption rate improves, the result will be far more evident at the county level than the state level.

THE COVID PANDEMIC AND THE DMV DIGITAL TRANSFORMATION

4. [Rep. McCluskie] Please provide data concerning the Executive Orders issued by the Governor under COVID related to services provided by the DMV. I think those were well received by the public. What other innovative approaches is the Department planning to take to change and improve DMV service delivery?

As stated above, there are many initiatives underway related to DMV's digital transformation. Online services options are increasing to include more types of transactions. Self-service kiosks are currently located in grocery stores and other retail locations and provide convenience for the customer. Three DMV DLOs have also placed laptops in the office that are available for customers to use on-site to access the online self-services. As wireless capability is installed in additional offices, the DMV is planning to expand that offering to lessen the counter transactions and further promote the online services to improve the adoption rate. The DMV is evaluating the previously developed DMV2GO App as another service delivery option for county services.

Early in 2022, the DMV is launching a marketing campaign to encourage Coloradans to take advantage of online services with the primary concept that you can DMV Anywhere. This multi-faceted approach will include earned, paid, shared, and owned channels with targeted digital ads, outdoor billboards, tv, radio, social media influencers and traditional media that touches the entire state. The ultimate goal is to increase engagement and awareness on the convenience of DMV's online services, save time and go online.

THE SPECIALIZED BUSINESS GROUP

SPORTS BETTING

5. [Senator Hansen] Given the current growth in sports betting, is the current level of funding for gambling addiction services adequate, or should the General Assembly consider changes to adjust this allocation over time?

According to a 2016 Survey of Problem Gambling Services in the United States, Colorado ranked 37th out of the 50 U.S. states in terms of per capita public funds dedicated to problem gambling services. 2016 is the most current report available. View the report on Colorado and a table listing each state here:

<https://drive.google.com/file/d/16SrxazE-3qRby9HqAmLfKgkYeqdceEAd/view?usp=sharing>.

In 2020-21, the Division of Gaming distributed \$130,000 from sports betting tax revenues to responsible gaming as directed in statute. \$30,000 of this total went to Rocky Mountain Crisis Partners gambling hotline, and \$100,000 to Behavioral services. DOR would defer to the problem gaming agencies and programs to provide feedback on adequacy.

6. [Senator Hansen] How does Colorado compare to other states in terms of sports betting tax rates and revenue? Are Colorado's current tax rates appropriate?

A report by Vixio Compliance shows where Colorado ranks with taxes and revenues compared to other states who have a legal, regulated sports betting program, and the report can be viewed at <https://drive.google.com/file/d/1egE9BbeG99YGZzIPSwdlgt7HcjIVAyN3/view?usp=sharing>. It should be noted that the Colorado Limited Gaming Control Commission approved an annual operating fee chargeable to all online and retail sports betting operators. This operating fee allows the Division of Gaming to cover the approximate administrative costs to regulate the sports betting program with fees, so the maximum amount of tax revenues are distributed to beneficiaries.

Additional detail can be found in the following reports as well:

- Tax Foundation, <https://taxfoundation.org/sports-betting-tax-treatment/> with data sources from the U.S. Census Bureau; state departments of revenue
- Legal Sports Report "US Sports Betting Revenue and Handle," [https://www.legalsportsreport.com/sports-betting/revenue/.](https://www.legalsportsreport.com/sports-betting/revenue/))

7. [Representative McCluskie] Provide a breakout of the administrative costs for sports

betting? Sports Betting total expenditures for FY 2020-21 was \$1.9 million which includes:

- Personal Services of \$1.4 million
- Payments to Other State Agencies, Indirect Costs, and Operating Expenses of \$0.5 million combined

MARIJUANA

8. [Representative Benavidez] Please clarify the application of the excise and special sales taxes to marijuana transactions. What transactions generate excise taxes? What transactions generate special sales taxes? Are there any transactions, wholesale, retail or medical, to which both excise and sales taxes apply, resulting in double taxation on the transaction?

8a. What transactions generate excise taxes?

Marijuana excise tax is imposed on the first sale or transfer of marijuana by a marijuana cultivation facility to a marijuana product manufacturing facility or to a retail marijuana store.¹ The sale or transfer of marijuana by a marijuana cultivation facility is, by its nature, a wholesale transaction that is not subject to sales tax. Marijuana cultivation facilities may not sell or transfer marijuana directly to a consumer.²

Marijuana excise tax is not imposed on the sale or transfer of medical marijuana by a marijuana cultivation facility to a medical marijuana center.³

8b. What transactions generate special sales taxes?

The special retail marijuana sales tax is imposed on all sales of retail marijuana and retail marijuana products by a retailer.⁴

The tax is not imposed on the sale of medical marijuana or marijuana products by a medical marijuana center.⁵

8c. Are there any transactions, wholesale, retail or medical, to which both excise and sales taxes apply, resulting in double taxation on the transaction?

No. The taxes are paid by different taxpayers. The transactions that are subject to marijuana excise tax are, by their nature, wholesale transactions that are not subject to sales tax. The retail sales that are subject to sales tax cannot be made by the marijuana cultivation facilities that are subject to the marijuana excise tax.

Colorado's taxing structure for retail marijuana is similar to the state's taxing structure for liquor, cigarettes, tobacco products, and nicotine products. For each, an excise tax is imposed on the cultivator, manufacturer, or distributor and sales tax is imposed on the retail sale of the finished product to the end consumer. However, unlike retail marijuana, liquor, cigarettes, tobacco products, and nicotine products are all subject to the regular state sales tax, rather than a special product-specific sales tax.

Revenue from the marijuana retail sales tax and excise tax are distributed differently and serve different purposes. Legislative Council provides an explanation of the distribution for the two taxes here: <https://leg.colorado.gov/agencies/legislative-council-staff/marijuana-taxes%C2%A0#1>.

¹ Section 39-28.8-302(1)(a)(I), C.R.S.; and Colo. Const. Art. XVIII, Section 16(5)(d).

² 1 CCR 212-3, 6-210.B.; and section 39-28.8-101(8), C.R.S.

³ Section 39-28.8-302(2)(a), C.R.S.

⁴ Section 39-28.8-202(1)(a)(I), C.R.S.

⁵ Section 39-28.8-202(2), C.R.S.



COLORADO
Department of Revenue

FY 2022-23 JBC Budget Hearing

Presented to
Joint Budget Committee
December 7, 2021

Mission, Vision, Values and WIGs





Vision

To empower businesses and individuals through quality customer service, innovation, and collaboration.



Mission

To become a trusted partner to every Coloradan to help them navigate the complexities of government so they can thrive.

72% of DOR's workforce is remote or hybrid.

Values

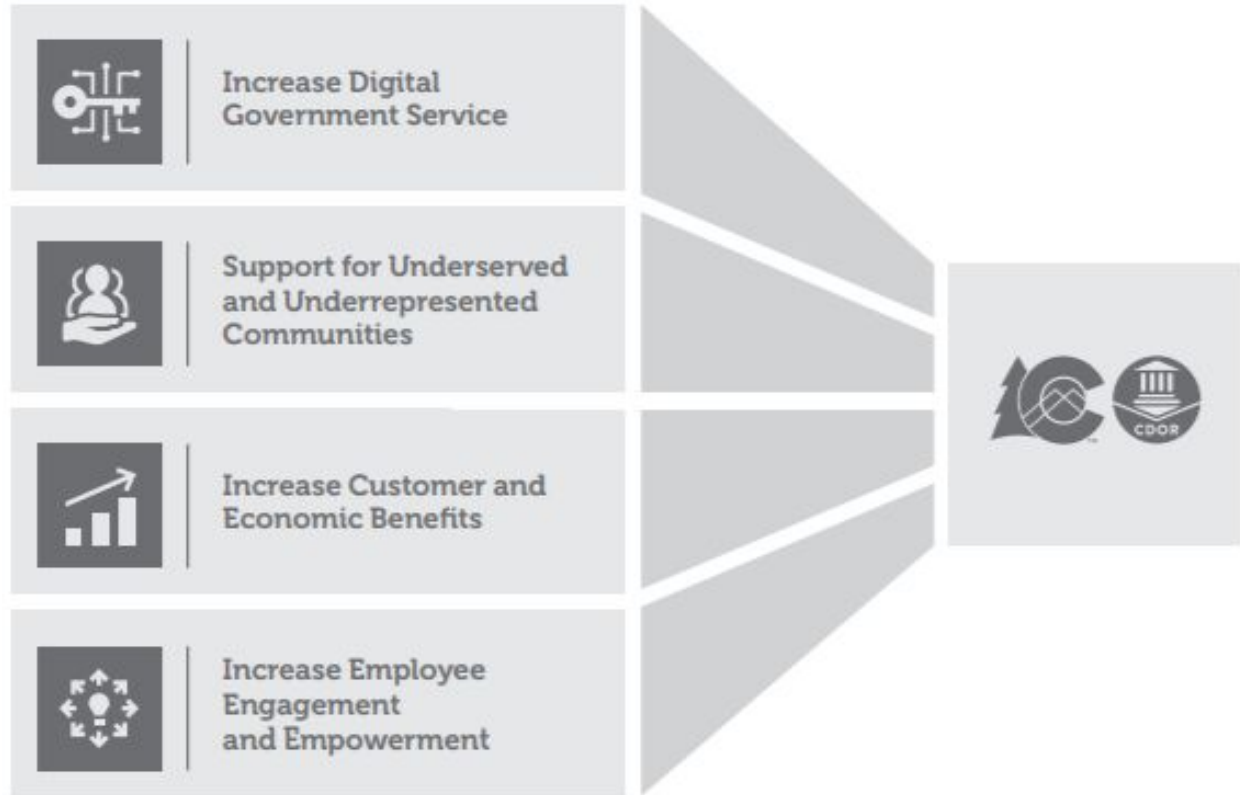


Values Video



Department Priorities - Wildly Important Goals (WIGs)

Please visit the [Governor's Dashboard](#) for details on DOR's WIGs.



Remote Work Policies and Strategies

- 160,000 sq ft of office space reduction
 - Moved out of Annex building (80,000 sq ft)
 - Collocated Denver operations to two offices
 - Leased savings have been offered as reductions or offsets
- 72% of staff are working remotely indefinitely
 - Implemented hoteling reservation system for employees to reserve office/meeting space
- Fleet Vehicles
 - All 230 vehicles will have telematics devices installed (FY 2021-22) to track utilization for data to potentially reduce fleet count
 - 10 FY 2021-22 vehicle orders are for plug-in hybrid electric vehicles

Organizational Structure and Overview



Structure



*DMV FTE does not include county office staff of more than 1,000 FTE

More details can be found in DOR's Annual Report,
<https://cdor.colorado.gov/data-and-reports/cdor-annual-reports>



Priorities

- Implementation of legislative tax policy changes
- Supporting outreach to increase EITC/CTC claims
- Severance Tax Workgroup recommendations
- Department bill to assess penalty/interest on buyer's claims
- Translating the Property Tax Heat form into Spanish

Challenges

- Resource shortages and time for policy implementation
- Resource shortages to maintain current service levels
- Resource challenges for system support
- Increased complexity of work based on federal/state changes
- SUTS easing compliance, not simplifying tax structure



Division of Motor Vehicles

Senior Director
Mike Dixon

Priorities

- Informing residents about available self-service options (e.g. kiosks, myDMV, myColorado App, Gov2GO) to increase adoption and determine customer needs
- Completing legislation implementation items
- Employee recruiting

Challenges

- Unprecedented 11,000 hours of programming required to implement FY 2020-21 legislation
- Cash fund sustainability and fee revenue
- Forecasting change in customer behavior, both in-person and online, in a post-COVID environment.



Specialized Business Group

Senior Director
Cory Amend

Priorities

- Online self-service
- Nicotine implementation
- Tribal relationships
- WIG - translation services

Challenges

- Legislative implementation
- Emergency Order response and management
- Cash fund sustainability and fee revenue
- Racing industry financial viability



Priorities

- Proactive Compliance Support (Town halls/technical assistance/compliance [resources/Social Equity Program](#))
- Enhanced Services (online applications, Spanish translation)
- Diverse stakeholder engagement
- Keeping pace with industry innovation
- Sophisticated Data Collection/Analysis
 - [Demographic Data](#) / [MED Data Updates](#) / [Market Reports](#)

Challenges

- Significant legislative implementation every year. Requires frequent updates to regulations/processes and initiatives to support the new requirements. [2021 Legislation](#) implementation.
- Issues of federal policy (Schedule I / limited federal oversight / preparedness for future federal legalization initiatives)



Lottery

Senior Director
Tom Seaver

Priorities

Increase Lottery sales to provide greater funding to Lottery beneficiaries in support of Colorado outdoor spaces, the newly created outdoor social equity program, and schools.

Challenges

Keeping pace with the consumer demands to innovate a wider variety of ways to access, play, and purchase Lottery games that will excite and entertain a new, broad and diverse group of Coloradans.



Summary of Department Challenges

- Meeting customer needs in the right way, at the right time, and with the right tools
- Cash Fund management and solvency
- The Department relies on two main systems for its work. DRIVES, which supports the DMV's work, and GenTax, which supports Taxation's work. Maintenance, upgrades and addressing legislative changes create challenges to these systems.
- Legislative implementation timeline and workload demands for system changes
 - 112 bills impacting DOR were signed into law following the 2021 session
 - 32 bills required some measure of system programming
 - 17 bills required departmental rulemaking
 - 14 bills appropriated additional FTE



Recruitment and Retention

	FY 2019-20	FY 2020-21
Hiring		
Vacancies	1,394	782
Applicants	15,429	13,187
Eligible Applicants	3,723	2,457
Turnover	16%	15%

Stimulus Funds



Approved FY 2021-22 Stimulus Funding

- Taxation - \$1 million in one-time funding for 8.0 term-limited FTE to address significant increase in workload tied to the COVID-19-related policy changes.
- DMV - \$2.5 million in one-time funding for 10.0 term-limited FTE plus OIT support to make significant progress on the backlog of DRIVES system modifications tied to the COVID-19 pandemic response.
(This one-time funding complements the R-01 request for permanent system resources.)
- Specialized Business Group - Liquor Enforcement Division (LED) - \$0.4 million to fund a study of the Colorado liquor code and for a workgroup to make recommendations on proposed changes to the liquor code and regulations.



Proposed FY 2022-23 Stimulus Funding

- DMV License Service Cash Fund (LSCF) - Placeholder in the Governor's budget of \$3.9 million directed to the LSCF to avoid future fee increases for the upcoming fiscal year, FY 2022-23.

Division of Motor Vehicles Deep Dive

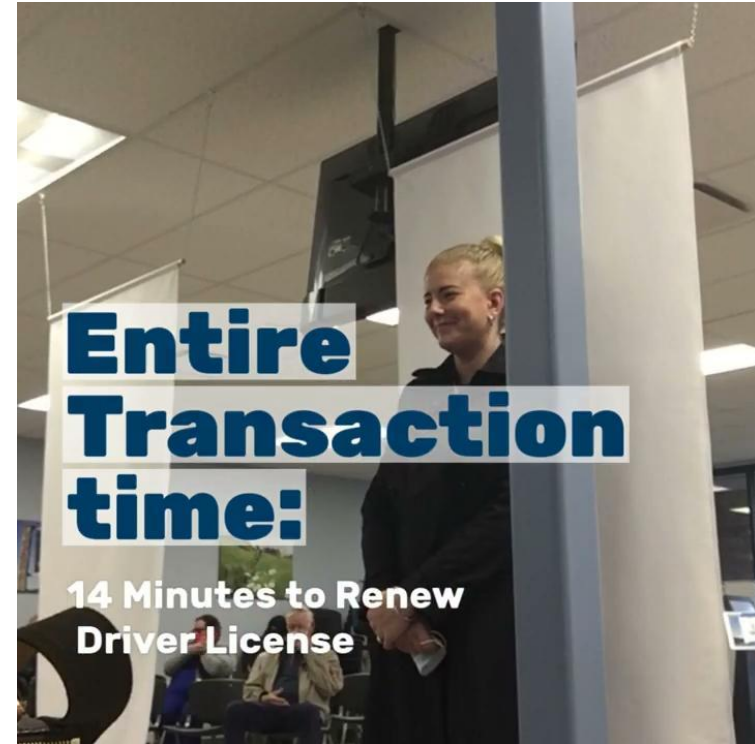


Agenda

- **Current State**
- COVID Pandemic Response
- Where are we going?
 - Future State
 - Digital Transformation
- Decision Item R-01

Current State

- In-Person Services
 - 35 State Driver License Offices
 - 2 Offices at Department of Corrections Facilities
 - 107 Titles and Registration County Offices (17 offer DL services)
- Appointment-only system in August 2021
- Self-service options (45 of 101)



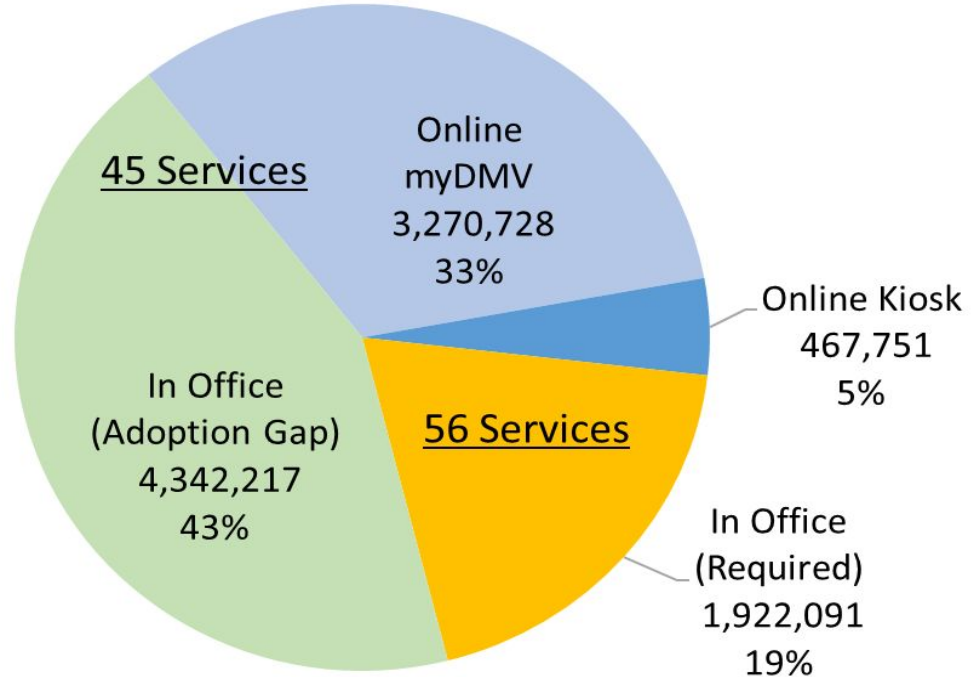
Current State

- Expanded services on the 52 DMV Motor Vehicle Express Kiosks
- Expanded in-office services in some of our rural offices (La Junta, Lamar, Alamosa and Fort Morgan)
- 32% of workforce Teleworking
- Implemented third-party driving tests



FY 2020-21 Online vs. In-Office

Total DMV Transactions 10,002,787



43% of transactions that could be done online occurred in office

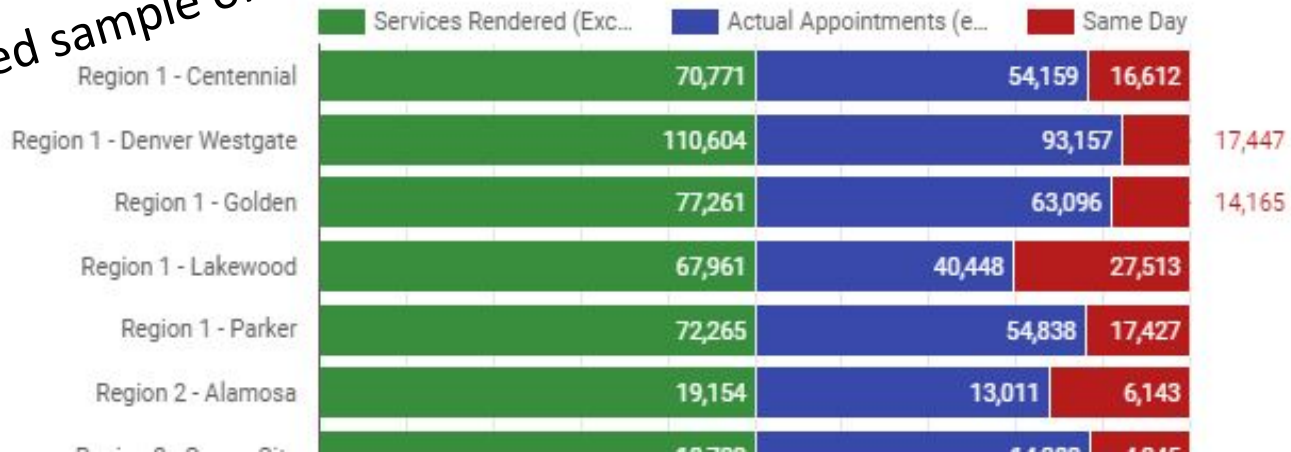
In Office (Adoption Gap)
Vehicle Services (County)
3,727,239 (86% of the 43%)

Driver Services (State)
614,913 (14% of the 43%)

Data-Driven DMV

DMV team actively monitors data to maximize operations in support of customer needs.

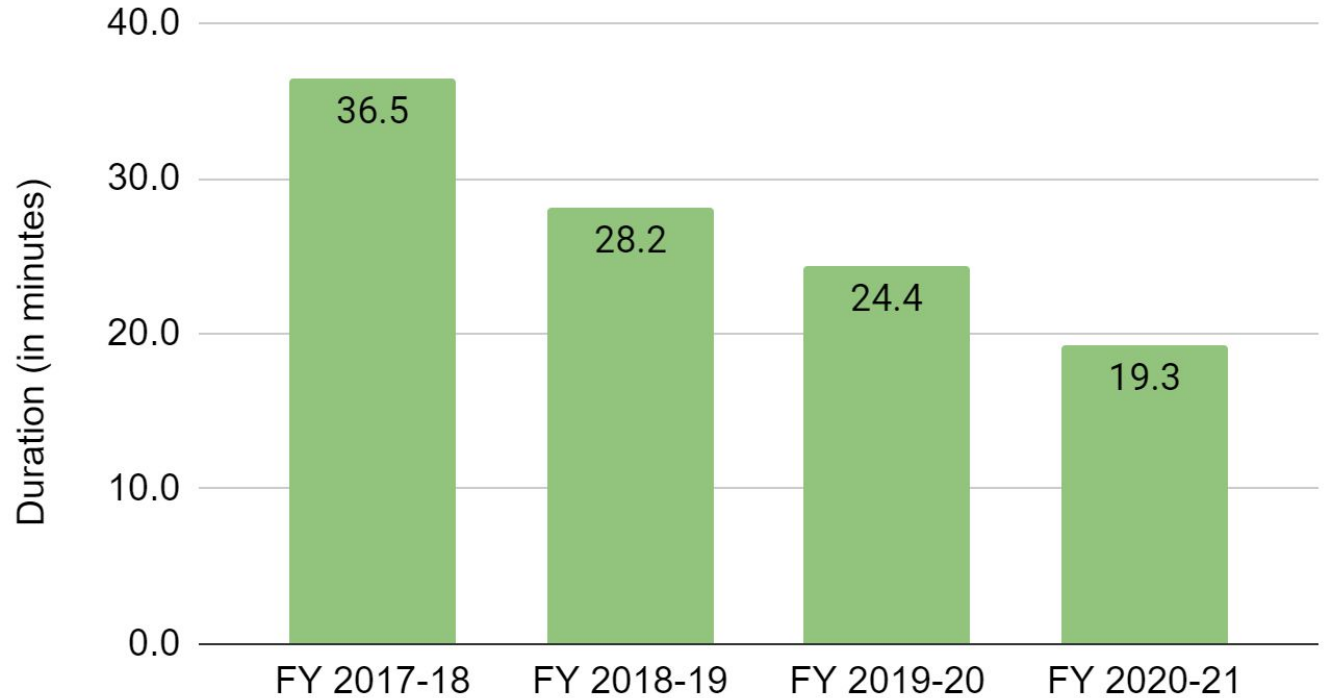
Limited sample of dashboard data.



Division of Motor Vehicles

Service time is a product of number of transactions related to the number of staff.

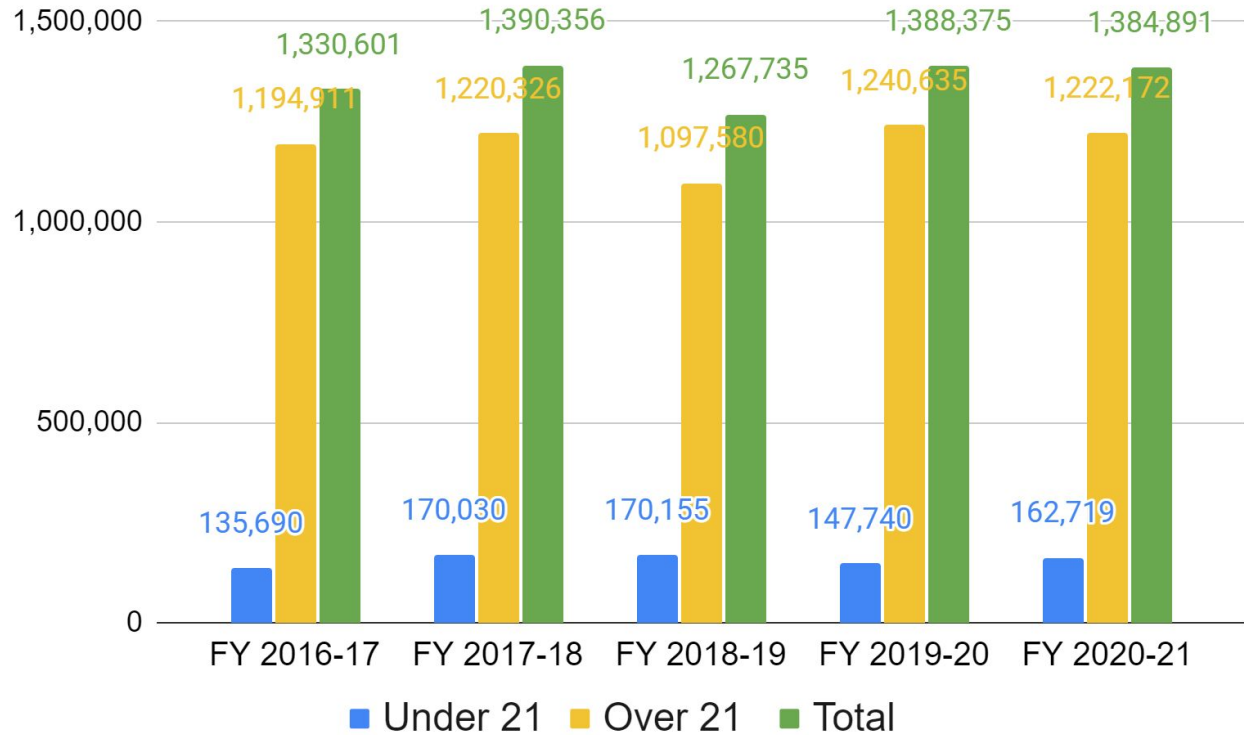
In-Office Customer Service Times



Division of Motor Vehicles

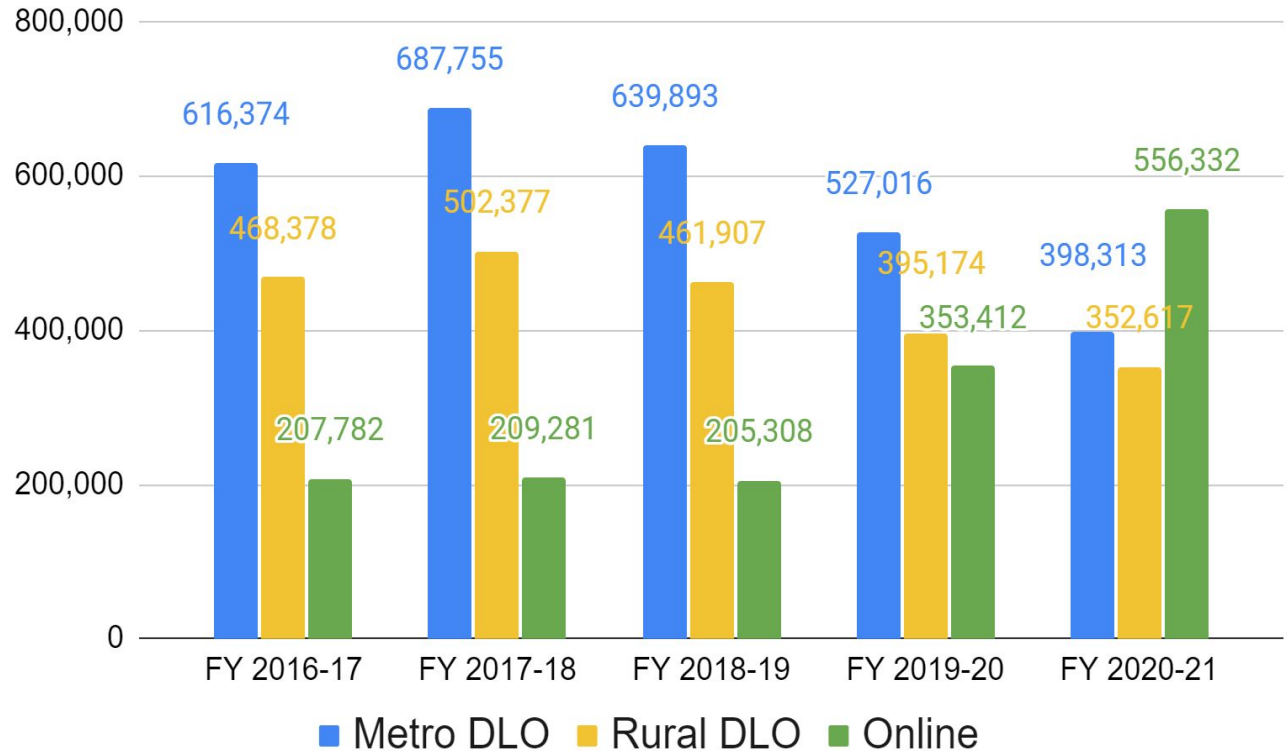
Transaction Trends by Age Group

Includes all Driver License transactions for State and County



Transaction Trends Denver Metro vs. Rural

State transactions
at Driver License
Offices (DLO).
Does not include
County
transactions.



Awards for Current State of Operations

2021

- **AAMVA Service Award for Customer Convenience for Improving the Customer Experience at the Colorado DMV**
- **AAMVA Service Award for Contactless Colorado Digital ID™ Law Enforcement Acceptance**

2020

- **StateScoop 50 Awards State IT Innovation of the Year for the Colorado Digital ID**



Agenda

- Current State
- **COVID Pandemic Response**
- Where are we going?
 - Future State
 - Digital Transformation
- Decision Item R-01

Response to COVID-19 Pandemic

- **Appointment-only** while continuing to serve those who walk-up space available
- State Drivers License Offices have remained open for in-person services since the six week closure in 2020
- Offices upgraded with glass barriers and markings for customer flow
- 32% of DMV is teleworking
 - all call centers
- Implemented third party driving skills testing
- Executive Orders to assist residents



Agenda

- Current State
- COVID Pandemic Response
- **Where are we going?**
 - **Future State**
 - **Digital Transformation**
- Decision Item R-01

Future State

Meet Customers where they are



The Challenge and the Opportunity

Online Adoption Gap

81% of all DMV transactions for FY 2020-21 *could have* been done via self-service options (online and kiosks)

- Only 38% were completed via self-service options
- 43% were NOT completed via self-service options (Adoption Gap)

Efforts to close the Adoption Gap

- More Self-Service Kiosks
- DMV2GO
- Increase call center support for customers
- Marketing and outreach efforts to promote self-service options
- Pursue legislation like third-party vehicle titling



Self Service Kiosks - MV Express

- 51 kiosks in 13 counties
- 50% increase in transactions FY 21
- 3 Additional Services added September 2021
 - Check a title status
 - Replace tabs
 - Request a duplicate registration card
- 10 more services identified for programming by June 30, 2022
- Increase number of kiosks state-wide
- Provides service in Spanish
- <https://youtu.be/d0C7Y7cLsUY>



Call Center Upgrade

- Transitioned to teleworking in March 2020
- Legacy technology not optimal for remote use and greater number of outages than in the office
- In progress: Transition from legacy system to Amazon Connect
- Future Enhancements: Add features to improve customer experience and management of operations
 - Call-back
 - Omni-Channel Chat Bot (24/7/365 Access)
 - Real Time Performance Management
 - Call Recording

DMV2GO

- Pilot of mobile units
- DMV2GO
- Greater access for underserved and underrepresented communities



How do we increase self-service adoption?



**DMV anywhere.
Yes, anywhere.**

Go online and save time



COLORADO
Department of Revenue
Division of Motor Vehicles

DMV.COLORADO.GOV/SAVE-TIME

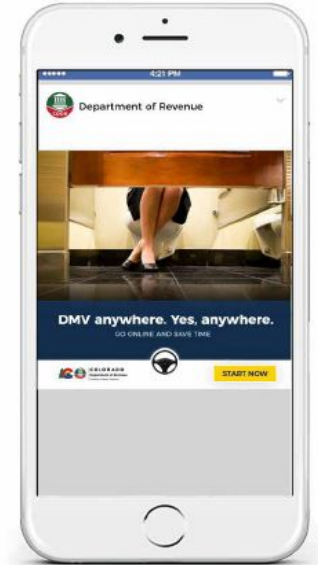


**DMV anywhere.
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Go online and save time



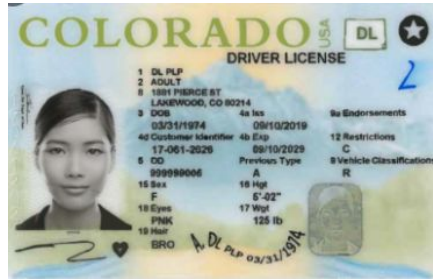
COLORADO
Department of Revenue
Division of Motor Vehicles



Iconic Colorado - New Card Design

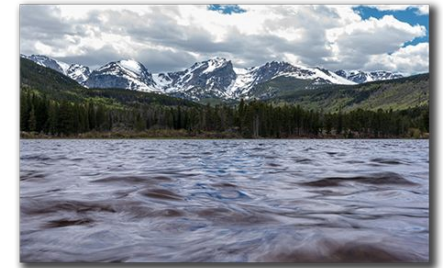
March 2022 Design

Current Design



Winning Front Entry

Winning Back Entry



Agenda

- Current State
- COVID Pandemic Response
- Where are we going?
 - Future State
 - Digital Transformation
- **Decision Item R-01**

R-01 DMV DRIVES System Support

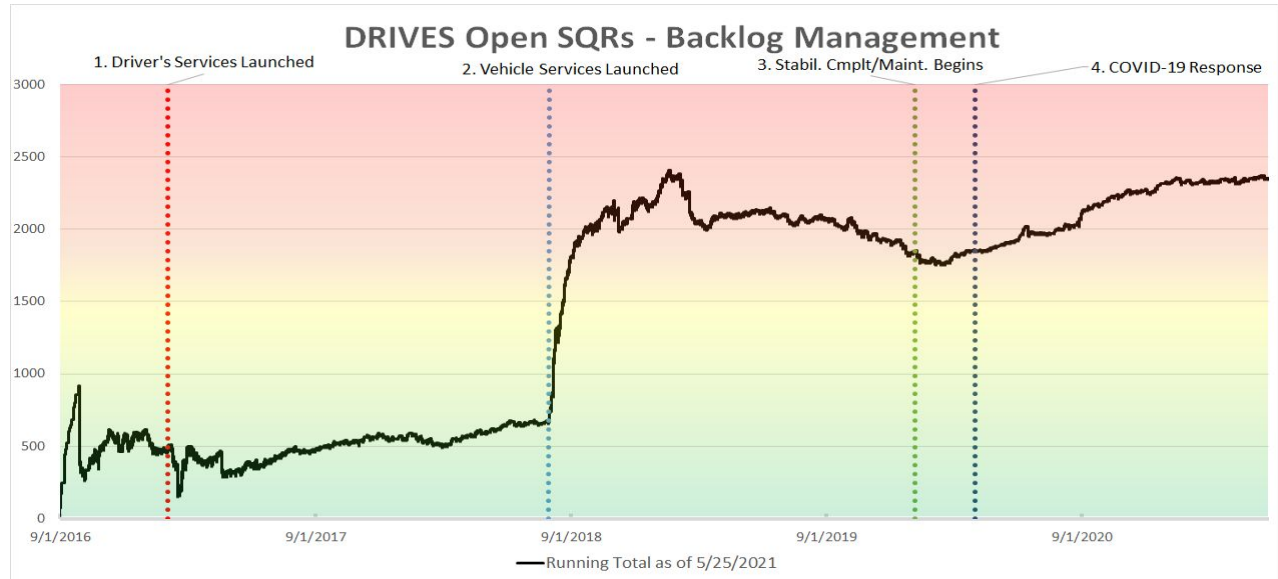
- \$3 million annually for 11.0 DOR FTE plus OIT and vendor resources for DRIVES system support
- Consolidate the DRIVES and License Service cash funds to align with business operations and assist with sustainability

DRIVES System Resources

The DRIVES contract started conservatively - did not presume the future needs of the system.

The user community, including the counties, had requests for new functionality when DRIVES launched

The system support teams have not been able to catch up.



DRIVES System Funding Model

- DMV includes FTE requests in fiscal notes to hire incremental programmers to make legislative changes to the DRIVES system.
- Hours should be used as the “currency” for the fiscal note rather than dollars to consume the legislative allocation of time the teams have available to supporting legislative needs.
- Having “legislative change” resources year round ensures they are available and productive with minimal training



Maintenance

Service Packs, Upgrades

Enhancements

From counties, DOR staff, other agencies, etc.

Legislative changes

NEW process of defined “bucket of hours”

R-01- DMV Cash Fund Consolidation

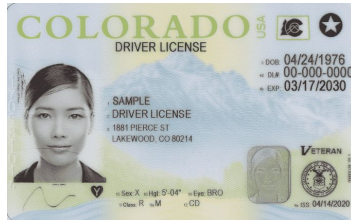
Unnecessary Duplication

- Both funds are used to pay for the maintenance and support of the DRIVES system
- Both funds are used to pay for FTE and DMV operations
- Both funds receive indirect cost allocations for DMV and DOR administration

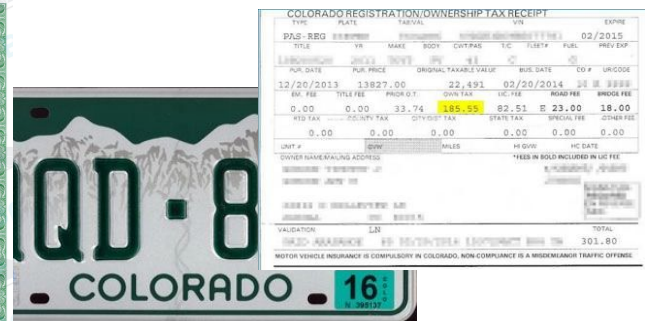
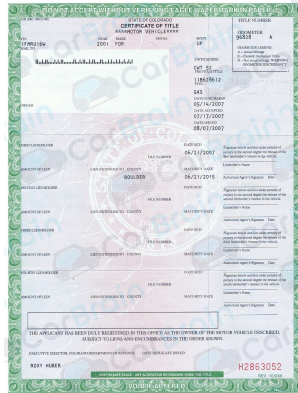


Old Split of System Work

Before DRIVES, 2 separate systems, 2 separate funds



Driver License System
Deposited revenue into the
License Services Cash Fund



CSTARS System
Deposited revenue into the
CSTARS Cash Fund

DRIVES System

1 system, but still 2 separate funds



DRIVES System deposits revenue into a single bank account.

Revenue is distributed ***after*** the deposit to the License Service Cash Fund and the DRIVES Cash Fund

DMV Funding Sustainability

Fund Consolidation:

- Is one part of a multi-faceted plan towards DMV sustainability
- Will temporarily delay the depletion of the cash fund balance, providing more time to adjust operations and find long term funding solutions
- Alone will not solve the structural deficit of the DMV

Alternate Funding Solutions

- New fee structures with associated offsets of other existing fees to mitigate any TABOR impact
- Redirection of some level of current revenue to the DMV
- Other sources of funding from stimulus funds, General Fund, or HUTF

Fee Comparison

Colorado Ranks - 13th lowest
\$30.87

National Average - \$42
Surrounding States - \$36

State Name	Price for Card	State Name	Price for Card	State Name	Price for Card
North Dakota	\$15	New Mexico	\$34	Oklahoma	\$46.50
Indiana	\$17.50	Wisconsin	\$34	Mississippi	\$47
New Jersey	\$24	Maine	\$35	Florida	\$48
Ohio	\$24.50	Minnesota	\$36	Kentucky	\$48
Arizona	\$25	Alabama	\$36.25	Maryland	\$48
North Carolina	\$25	California	\$37	Massachusetts	\$50
South Carolina	\$25	Utah	\$39	Pennsylvania	\$50.50
South Dakota	\$28	Rhode Island	\$39.50	Vermont	\$51
Tennessee	\$28	Alaska	\$40	Missouri	\$52
Nebraska	\$28.50	Arkansas	\$40	Idaho	\$55
Illinois	\$30	Delaware	\$40	New Hampshire	\$60
Wyoming	\$30	Hawaii	\$40	Oregon	\$60
Colorado	\$30.87	Montana	\$41.72	New York	\$64.50
Georgia	\$32	Virginia	\$42	Louisiana	\$82.50
Iowa	\$32	Nevada	\$42.50	Washington	\$113 (enhanced)
Texas	\$33	Michigan	\$45	Connecticut	\$84 (+\$40 to test)
		Kansas	\$20	West Virginia	varies widely

Takeaways

Adapt Operating Model

- Appointment-based schedule for customers
- Self service options for customers (kiosk, online)
- Telework for call center employees
- Impacts of operating model will have different results for County and State services

Decision Item R-01

- Additional FTE (programmers) to support DRIVES system; requests and enhancements
- Consolidate DRIVES & Licensing Service cash funds

Legislative Implementation

DMV, specifically, has had a significant workload related to implementation of legislation from the last session. Below are some of the larger initiatives currently underway:

- SB 21-249 - Keep Colorado Wild Annual Pass
- SB 21-260 - Sustainability of the Transportation System
- SB 21-076 - Electronic Third Party Vehicle Transactions
- SB 21-069 - License Plate Expiration on Change of Ownership

Other Topics

Lottery, Sports Betting, and Marijuana Tax



R-02 Lottery Retailer Payments

Requests continuous spending authority for the **Retailer Compensation** appropriation.

- Can only be used to pay Colorado Lottery Retailers.
- Retailer payments fluctuate with Lottery sales and are based on a contractually defined percentage of sales.
- Record setting sales have necessitated several budget requests and emergency supplementals.
- Continuous spending authority will enable payment to retailers without having to seek budget adjustments each year which creates unnecessary work for the Department, OSPB, and JBC.



Sports Betting

FY 2021-22 Divisional Operating Budget

- \$3.1 million

FY 2020-21 Distribution of Proceeds to Beneficiaries

- \$ 1.5 million General Fund repayment
- \$ 488,782 - Hold Harmless Fund
- \$130,000 - Office of Behavioural Health
- \$7.9 million - Water Plan Implementation Cash Fund

Comparison to Other States

(with similar structure)

State	Tax Rate	Tax Ratio	Effective Tax Rate
Colorado	10%	2.2	4.47%
Illinois	15%	0.9	15.98%
Indiana	9.50%	1.0	9.50%
Iowa	6.75%	1.0	6.80%
Michigan	8.40%	2.6	3.28%
Nevada	6.75%	1.0	6.80%
New Jersey	14.25%	1.0	14.63%
Pennsylvania	36%	1.4	25.40%
Virginia	15%	2.9	5.14%
West Virginia	10%	1.0	10.00%

Allowable state deductions have a large impact on taxable base. See link below for more information.

(Table Source: Tax Foundation, <https://taxfoundation.org/sports-betting-tax-treatment/> with data sources from the U.S. Census Bureau; state departments of revenue; and Legal Sports Report, “US Sports Betting Revenue and Handle,” <https://www.legalsportsreport.com/sports-betting/revenue/>.)



Marijuana Tax

15% Excise Tax (Adult-Use)

- ❖ Applies to the first transfer of MJ from a cultivator to a manufacturer or store
- ❖ Paid by the **retail cultivator** as part of a wholesale transaction

15% Special Sales Tax (Adult-Use)

- ❖ Applies to purchases from a retail store
- ❖ Paid by the **consumer** but collected by the retailer
- ❖ The tax is not imposed on the sale of medical MJ which is only subject to the regular 2.9% state sales tax

Revenue Distribution

Revenue from the retail sales tax and excise tax are distributed differently and serve different purposes. Legislative Council provides an explanation of the distribution:

<https://leg.colorado.gov/agencies/legislative-council-staff/marijuana-taxes%C2%A0#1>

Thank you
Questions?



Appendix

Additional Information



FY 2021-22 Performance Metrics

Goal #1 - Call Centers: All DMV Call Centers will have an average call wait time of nine minutes in FY 20 and improve to eight minutes wait time in FY22.
Current wait time 10:00

Goal # 2 - DMV Roll-up: Increase Online Adoption of e-Services
The DMV will increase usage of self-service options e.g. my DMV, my Colo App, etc.) from 40% to 45% by June 30, 2022.
Current 39%

Goal #3 - In Person Customer Service: Reduce total customer experience times for DMV services below 30 minutes more than 75% of the time.
Current 83% served <30 minutes

Goal #4 - Increase Customer Feedback response rate from 1.11 to 1.38 by June 30, 2021
Current response rate - 3.45% (3.5 out 4 average customer rating)



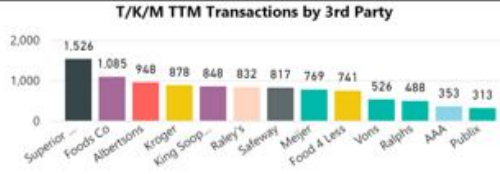
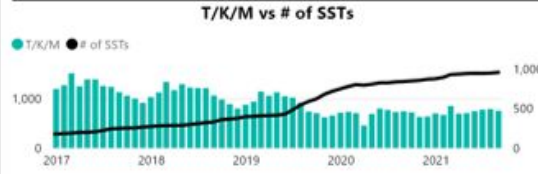
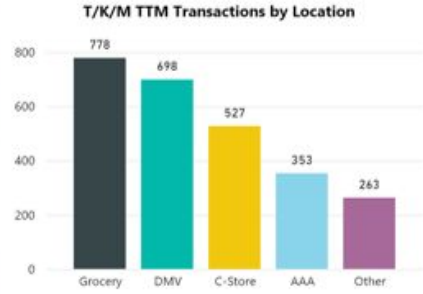
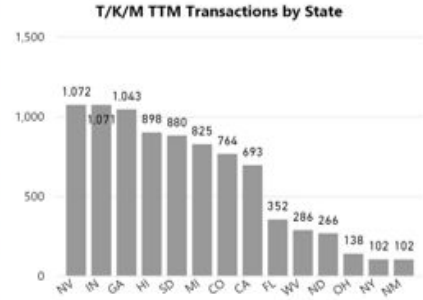
Top 10 Online Services (FY 2020-21)

1. Vehicle Renewals*	2,169,434	(21.7%)
2. Renew Driver License*	546,394	(5.4%)
3. Add / Change Vehicle Address	284,460	(2.8%)
4. Submit Test Score	252,758	(2.5%)
5. Driver License Address Change	229,365	(2.2%)
6. Issue Temporary Registration*	116,944	(1.2%)
7. Request a Driving Record*	72,374	(0.1%)
8. Submit 1st Time Vehicle Registration*	61,116	(0.1%)
9. Upload Reinstatement Documents	52,107	(0.05%)
10. Pay Reinstatement Fee*	41,317	(0.04%)

** Indicates revenue-generating service.*

Self Service Kiosks - Other States' Data

State	# of SSTs	TTM T/K/M	T/K/M T1 YoY Growth	September Transactions	YTD Transactions	TTM Transactions	Total T1 YoY Growth	Total YTD YoY Growth	Total TTM YoY Growth	Program Breakout
CA	357	693	20% ↑	255,491	2,362,846	3,012,823	17% ↑	18% ↑	16% ↑	
MI	150	825	-16% ↓	125,632	1,112,408	1,419,727	-0% ↓	29% ↑	52% ↑	
GA	71	1,043	5% ↑	73,479	593,780	774,106	24% ↑	23% ↑	34% ↑	
IN	62	1,071	34% ↑	84,331	648,987	785,359	39% ↑	45% ↑	31% ↑	
ND	53	266	-80% ↓	8,568	89,060	108,709	30% ↑	55% ↑	56% ↑	
CO	52	764	5% ↑	42,458	358,503	465,564	11% ↑	43% ↑	50% ↑	
NY	52	102	312% ↑	8,709	55,323	66,300	296% ↑	-58% ↓	-75% ↓	
NV	51	1,072	-13% ↓	60,630	506,661	658,035	-5% ↓	3% ↑	2% ↑	
FL	43	352	37% ↑	21,841	134,963	173,720	90% ↑	114% ↑	130% ↑	
HI	22	898	-18% ↓	17,884	178,824	240,764	-9% ↓	17% ↑	39% ↑	
SD	20	880	-43% ↓	15,608	126,146	149,532	14% ↑	-3% ↓	0% ↑	
WV	12	286	-26% ↓	2,863	32,095	41,405	-20% ↓	8% ↑	15% ↑	
OH	9	138		672	1,792	1,792				
NM	2	102		198	2,030	2,036				
DMV	329	698	11% ↑	262,811	2,159,984	2,758,764	14% ↑	6% ↑	-4% ↓	
Retail	627	737	-4% ↓	455,553	4,043,434	5,141,108	16% ↑	32% ↑	45% ↑	
Total	956	723	1%	718,364	6,203,418	7,899,872	15%	22%	23%	



Three Guiding Pillars

- **Revenue:**
 - o In FY 2020-21, the Lottery set an all-time record for Sales of \$795 million.
 - o Correspondingly, there were all-time record distributions to beneficiaries of \$169 million.
- **Responsibility:**
 - o The Lottery achieved World Lottery Association Level 3 certification in responsible gaming, and is on track to achieve Level 4 in 2022. Only seven other U.S. lotteries currently hold that certification level.
 - o The Lottery continues to work closely with the Problem Gambling Coalition of Colorado (PGCC), serving on its board and supporting it with financial resources.
- **Conservation:**
 - o The Lottery hosted its third annual “Runyon to the Res” Arkansas River Trail clean-up event in October in Pueblo.
 - o Lottery staff volunteered with the 12th Annual ReTree event, sponsored by the Yampa Valley Sustainability Council in Steamboat, as well as with the Volunteers of Colorado Russian Olive tree removal project at Cherry Creek State Park.
 - o In 2021, eleven projects funded by Lottery proceeds were recognized with a Starburst Award for excellence. These were selected from among the hundreds of projects funded by the \$169 million in proceeds.



Prior Years' Data & Economic Value

- Sales, Retailer Compensation, and Beneficiary Proceeds for the past five fiscal years have been:
 - FY 2016-17: Sales \$555.3 million, Retailer Compensation \$40.7 million, Beneficiary Proceeds \$133.5 million
 - FY 2017-18: Sales \$612.0 million, Retailer Compensation \$46.1 million, Beneficiary Proceeds \$140.7 million
 - FY 2018-19: Sales \$679.8 million, Retailer Compensation \$51.6 million, Beneficiary Proceeds \$166.5 million
 - FY 2019-20: Sales \$658.8 million, Retailer Compensation \$50.0 million, Beneficiary Proceeds \$142.4 million
 - FY 2020-21: Sales \$795.0 million, Retailer Compensation \$61.1 million, Beneficiary Proceeds \$169.4 million
- The appropriation for Retailer Compensation for FY 2021-22 is \$60.8 million – a projected shortfall of \$2.2 million
- The Lottery currently has over 2,900 retailers; with the average Retailer Compensation being over \$20,000 per year. Serving as a Lottery retailer can be of significant economic value to many Colorado business owners, particularly to smaller independent businesses.

Sports Betting

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">● Total Wagers: \$3.6 billion● Net Sports Betting Proceeds: \$97.5 million● Estimated Total Taxes (unaudited): \$9.7 million | <p>Current Operators</p> <ul style="list-style-type: none">● 25 Online Operators● 17 Retail Operators |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|

*Amounts above are through September
2021*

- According to a 2016 Survey of Problem Gambling Services in the United States, Colorado ranked 37th out of the 50 U.S. states in terms of per capita public funds dedicated to problem gambling services. View the report on Colorado and a table listing each state here: <https://drive.google.com/file/d/16SrxazE-3qRby9HqAmLfKgkYeqdceEAd/view?usp=sharing>.
- In 2020-21, the Division of Gaming distributed \$130,000 from sports betting tax revenues to responsible gaming. In addition, from the Gaming Impact Fund, money has been distributed to problem gaming agencies and programs.
- A report by Vixio Compliance shows where Colorado ranks with taxes and revenues compared to other states who have a legal, regulated sports betting program, and the report can be viewed at <https://drive.google.com/file/d/1egE9BbeG99YGZzIPSwldgt7HcjIVAyN3/view?usp=sharing>. It should be noted that the Colorado Limited Gaming Control Commission approved an annual operating fee chargeable to all online and retail sports betting operators. This operating fee allows the Division of Gaming to cover the approximate administrative costs to regulate the sports betting program with fees, so the maximum amount of tax revenues are distributed to beneficiaries.