



# JOINT BUDGET COMMITTEE STAFF FY 2024-25 BUDGET BRIEFING SUMMARY

Colorado General Assembly  
Joint Budget Committee

## *Department of Revenue*

The Department has three functional groups: the Taxation Business Group collects revenue for the state and for many local governments and assists taxpayers in tax-related matters; the Division of Motor Vehicles regulates motor vehicle safety, issues personal identification documents, and regulates commercial vehicles; and the Specialized Business Group regulates alcohol, tobacco, marijuana, horse racing and off-track betting, sports betting, limited gaming, and automobile dealers and sales persons. The three functional groups are supported by the Executive Director's Office. The Department also operates the Colorado Lottery. The Department's FY 2023-24 appropriation represents approximately 1.2 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

## FY 2023-24 APPROPRIATION AND FY 2024-25 REQUEST

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION:						
Other legislation	8,417,507	7,273,116	749,367	395,024	0	13.9
SB 23-214 (Long Bill)	494,194,408	148,514,239	336,350,158	7,882,293	1,447,718	1,701.7
<b>TOTAL</b>	<b>\$502,611,915</b>	<b>\$155,787,355</b>	<b>\$337,099,525</b>	<b>\$8,277,317</b>	<b>\$1,447,718</b>	<b>1,715.6</b>
FY 2024-25 REQUESTED APPROPRIATION:						
FY 2023-24 Appropriation	\$502,611,915	155,787,355	\$337,099,525	\$8,277,317	\$1,447,718	1,715.6
R1 GenTax & DRIVES support funding	866,221	547,734	318,487	0	0	8.3
R2 Department space planning	365,000	365,000	0	0	0	0.0
R3 DMV fraud investigation resources	343,923	0	343,923	0	0	3.7
R4 AID criminal investigation resources	200,742	0	200,742	0	0	0.0
R5 MED support funding	0	0	0	0	0	0.0
R6 Lottery modernization	5,000,000	0	5,000,000	0	0	0.0
R7 Alignment of existing appropriations	0	0	0	0	0	0.0
Centrally appropriated line items	15,306,215	8,611,779	7,103,939	90,292	(499,795)	0.0
Technical adjustments	5,011,708	(2,382,127)	7,489,626	0	(95,791)	0.0
Non-prioritized requests	1,960,917	804,274	1,156,643	0	0	0.0
Indirect cost assessment	1,537,623	(1,537,624)	1,537,623	1,537,624	0	0.0
Annualize prior year legislation	(3,059,834)	(4,133,368)	1,368,558	(295,024)	0	11.8
Annualize prior year budget actions	(2,675,192)	30,082	(2,705,274)	0	0	0.0
<b>TOTAL</b>	<b>\$527,469,238</b>	<b>\$158,093,105</b>	<b>\$358,913,792</b>	<b>\$9,610,209</b>	<b>\$852,132</b>	<b>1,739.4</b>
<b>INCREASE/(DECREASE)</b>	<b>\$24,857,323</b>	<b>\$2,305,750</b>	<b>\$21,814,267</b>	<b>\$1,332,892</b>	<b>(\$595,586)</b>	<b>23.8</b>
Percentage Change	4.9%	1.5%	6.5%	16.1%	(41.1%)	1.4%

**R1 GENTAX & DRIVES SUPPORT FUNDING:** The request includes an increase of \$866,221 total funds comprised of \$547,734 General Fund, \$318,487 cash funds from the CO DRIVES Vehicle Services Account and 8.3 FTE in FY 2024-25. This request annualizes to \$866,979 total funds including \$548,187 General Fund, \$318,792 cash funds and

9.0 FTE in FY 2025-26. The request aims to address the backlog of upgrades and system enhancements to the DRIVES and GenTax systems stemming from legislative, user experience, and system operational demands.

**R2 DEPARTMENT OF REVENUE SPACE PLANNING:** The request includes \$365,000 General Fund in FY 2024-25, annualizing to \$365,000 General Fund and a reduction of \$210,742 cash funds in FY 2025-26. The shift to a hybrid work environment has changed the needs of the Department's workspace, and the Department states that reconfiguring existing space is financially and logistically challenging due to the age of the building. This request aims to reduce office space and enhance the work environment for departmental in-office employees. This operational request was submitted in tandem with a capital request being reviewed by the Capital Development Committee and is contingent upon its approval.

**R3 DMV FRAUD INVESTIGATION:** The request includes an increase of \$343,923 cash funds from the Colorado DRIVES Vehicle Services Account and 3.7 FTE in FY 2024-25. This request would annualize to \$343,393 cash funds and 4.0 FTE in FY 2025-26. The State of Colorado has seen a significant increase in vehicle theft in recent years, and currently has the country's highest rate of auto thefts per capita. This request aims to reduce fraudulent activity related to motor vehicle systems, vehicle titles, license plates, and identification documents.

**R4 AID CRIMINAL INVESTIGATION RESOURCES:** The request includes an increase of \$200,742 cash fund spending authority from the Auto Dealers License Cash Fund in FY 2024-25 and ongoing. The Auto Industry Division (AID) regulates motor and powersports vehicle salespersons, dealers, wholesalers, wholesale auction dealers, manufacturers, distributors, and manufacturer representatives. The request aims to address the 42.0 percent increase in consumer complaints submitted to the division over the last three years.

**R5 MED SUPPORT FUNDING:** The request includes a net zero funding realignment in the Marijuana Enforcement Division (MED). This restructuring consists of a \$3 million increase in spending authority from the Marijuana Tax Cash Fund (MTCF) and a simultaneous decrease of \$3.0 million in spending authority from the Marijuana Cash Fund (MCF).

**R6 LOTTERY MODERNIZATION:** The request includes an increase of \$5.0 million in Lottery Cash Fund Spending authority in FY 2024-25 and FY 2025-26 to continue purchasing modern Lottery vending and merchandising equipment. This is a continuation of a request approved in FY 2023-24. The original FY 2024-25 request included three years of spending authority. However, the JBC tabled additional funding for future years to allow the Committee to consider the findings of the Lottery Performance Audit by the Colorado State Auditor's Office, scheduled to be released in December 2024.

**R7 ALIGNMENT OF EXISTING APPROPRIATIONS:** The request includes a net zero funding realignment that shifts \$1.2 million General Fund appropriation from the Payments to OIT Long Bill line item to the Tax Administration IT System (GenTax) Support Long Bill line item. This request is in response to OIT informing DOR that they will no longer provide support to the GenTax system server hosting for DOR's Taxation Division. Therefore, the Taxation Division will be required to pay the GenTax system server hosting charges directly to the third-party vendor rather than having the billing go to OIT and then be passed through to the Taxation Division.

**CENTRALLY APPROPRIATED LINE ITEMS:** The request includes an increase of \$15.3 million in total funds, which includes an \$8.6 million General Fund increase related to employee benefits and other centrally appropriated items. This total includes the following changes:

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey	\$7,788,765	\$3,760,339	\$3,987,839	\$40,587	\$0	0.0
Health, life, and dental	2,657,504	1,906,598	1,028,952	36,643	(314,689)	0.0
Payments to OIT	2,221,989	1,215,312	1,006,677	0	0	0.0
PERA Direct Distribution	2,056,426	982,075	1,068,865	10,801	(5,315)	0.0
AED	583,256	495,874	171,240	1,031	(84,889)	0.0
SAED	583,256	495,874	171,240	1,031	(84,889)	0.0
Capitol Complex leased space	354,791	146,891	207,900	0	0	0.0
Paid Family and Medical Leave Insurance	64,587	48,942	22,984	155	(7,494)	0.0
Workers' compensation	59,449	27,941	31,508	0	0	0.0
Shift differential	24,083	0	24,083	0	0	0.0
Leased space	23,766	23,766	0	0	0	0.0
Short-term disability	19,950	15,717	6,708	44	(2,519)	0.0
ALJ services	471	0	471	0	0	0.0
Prior year salary survey	0	0	0	0	0	0.0
Legal services	(519,640)	(274,122)	(245,518)	0	0	0.0
CORE adjustment	(443,552)	(169,214)	(274,338)	0	0	0.0
Risk management & property adjustment	(168,886)	(64,214)	(104,672)	0	0	0.0
<b>TOTAL</b>	<b>\$15,306,215</b>	<b>\$8,611,779</b>	<b>\$7,103,939</b>	<b>\$90,292</b>	<b>(\$499,795)</b>	<b>0.0</b>

**TECHNICAL ADJUSTMENTS:** The request includes technical adjustments with a net increase of \$5.0 million total funds, and includes a decrease of \$2.3 million General Fund.

TECHNICAL ADJUSTMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
License plate ordering technical adj	\$5,004,286	\$11,800	\$4,992,486	\$0	\$0	0.0
Contract escalator fast enterprises	1,308,969	182,631	1,126,338	0	0	0.0
Responsible gaming grant escalator	700,000	0	700,000	0	0	0.0
Document solutions technical adjustment	695,578	695,578	0	0	0	0.0
Driver's license documents	387,631	0	387,631	0	0	0.0
HISA contract escalator	259,622	0	259,622	0	0	0.0
Technical adjustment for postage	83,228	59,679	23,549	0	0	0.0
Hearings technical adjustment	0	0	0	0	0	0.0
IDS print production technical adj	(3,331,815)	(3,331,815)	0	0	0	0.0
EDO federal funds technical adj	(95,791)	0	0	0	(95,791)	0.0
<b>TOTAL</b>	<b>\$5,011,708</b>	<b>(\$2,382,127)</b>	<b>\$7,489,626</b>	<b>\$0</b>	<b>(\$95,791)</b>	<b>0.0</b>

**NON-PRIORITIZED REQUESTS:** The request includes a net increase of \$2.0 million total funds for decision items driven by other agencies that impact the Department of Revenue, summarized in the following table.

NON-PRIORITIZED REQUESTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Central Services Omnibus Request	\$2,016,771	\$855,402	\$1,161,369	\$0	\$0	0.0
Non-prioritized decision items	44,540	44,540	0	0	0	0.0
DPS Digital trunk radio	(95,668)	(95,668)	0	0	0	0.0
Annual fleet vehicle request	(4,726)	0	(4,726)	0	0	0.0
<b>TOTAL</b>	<b>\$1,960,917</b>	<b>\$804,274</b>	<b>\$1,156,643</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>

**ANNUALIZE PRIOR-YEAR BUDGET ACTIONS:** The request includes a net decrease of \$2.7 million total funds and is summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY22 R1 Lottery reimagined for beneficiaries	\$2,294,726	\$0	\$2,294,726	\$0	\$0	0.0
FY24 R1 taxation call center	30,082	30,082	0	0	0	0.0
FY24 R2 Lottery modernization	(5,000,000)	0	(5,000,000)	0	0	0.0
<b>TOTAL</b>	<b>(\$2,675,192)</b>	<b>\$30,082</b>	<b>(\$2,705,274)</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>

**INDIRECT COST ASSESSMENT:** The request includes a net increase of \$1.5 million total funds and a \$1.5 million decrease in cash funds to reflect net adjustments to indirect costs across the Department.

**ANNUALIZE PRIOR-YEAR LEGISLATION:** The request includes a net decrease of \$3.1 million total funds, including a decrease of \$4.1 million General Fund, to reflect the FY 2024-25 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB 23-1272 Tax policy that advances decarbonization	\$1,620,431	\$0	\$1,620,431	\$0	\$0	11.0
SB 23-290 Natural medicine regulation and leg	924,598	924,598	0	0	0	10.8
HB 23-1008 Food accessibility	276,052	276,052	0	0	0	1.4
HB 23-1189 Employer assist for home purchase tax	154,680	154,680	0	0	0	0.9
SB 23-016 Greenhouse gas reduction measures	147,818	147,818	0	0	0	0.7
HB 23-1309 Film industry tax credit	115,399	115,399	0	0	0	0.6
SB 23-251 Revoke driver's license appeal ag	111,027	111,027	0	0	0	0.0
HB 23-1112 Earned income & child tax credit	76,168	76,168	0	0	0	0.0
HB 23-1277 Reporting adjust to taxable income	76,080	76,080	0	0	0	0.6
HB 23-1281 Advance use of clean hydrogen	61,754	61,754	0	0	0	0.0
SB 23-172 Protecting opportunities & workers' rights	22,669	22,669	0	0	0	0.0
HB 23-1061 Alcohol beverage retail establishment	12,835	0	12,835	0	0	0.3
SB 23-156 Sunset private letter ruling	10,729	0	10,729	0	0	0.2
HB 23-1017 SUTS simplification	(4,158,468)	(4,158,468)	0	0	0	0.0
SB 22-124 SAL/T parity act	(537,647)	(537,647)	0	0	0	(4.4)
SB 23-271 Intoxicating cannabinoid hemp & mj	(493,924)	(295,024)	96,124	(295,024)	0	(0.5)
HB 22-1007 Assist landowner wildfire mitigation	(381,945)	(381,945)	0	0	0	(6.7)
HB 23-1260 Advanced industry & semi	(285,452)	(285,452)	0	0	0	(1.4)
HB 23-1414 Healthy meals for all public school	(99,971)	(99,971)	0	0	0	(0.8)
SB 22-051 Policies to reduce emissions	(76,817)	(76,817)	0	0	0	0.0
HB 23-1265 Born to be wild lic plate	(72,763)	0	(72,763)	0	0	0.0
HB 23-1091 Continuation of child care tax credit	(70,926)	(70,926)	0	0	0	(0.5)
SB 23-012 Commercial motor carrier enforcement	(61,110)	0	(61,110)	0	0	0.0
HB 23-1267 Double fines speeding trucks	(54,073)	0	(54,073)	0	0	0.0
SB 23-049 Special mobile machinery	(50,059)	0	(50,059)	0	0	0.1
SB 22-006 Sales tax assistance for small bus	(44,380)	(44,380)	0	0	0	0.0
HB 23-1083 Colorado homeless contribution	(33,218)	(33,218)	0	0	0	0.0
HB 23-1391 Modifications to severance tax	(31,172)	(31,172)	0	0	0	(0.5)
SB 23-280 Hazardous material mitigation	(28,944)	(28,944)	0	0	0	0.0
SB 23-145 Stegosaurus lic plate	(28,909)	0	(28,909)	0	0	0.0
SB 23-097 Motor vehicle theft	(24,409)	0	(24,409)	0	0	0.0
SB 23-025 In God we trust lic plate	(23,080)	(4,293)	(18,787)	0	0	0.0
HB 23-1007 Assistance landowner wildfire mitigation	(18,822)	(18,822)	0	0	0	0.0
SB 22-217 Programs that benefit persons	(17,216)	0	(17,216)	0	0	0.0
SB 23-143 Retail delivery fees	(17,086)	0	(17,086)	0	0	0.0
HB 23-1361 Oil & gas reporting	(12,300)	(12,300)	0	0	0	0.0
SB 23-212 US Navy Seabees lic plate	(8,144)	0	(8,144)	0	0	0.0
HB 23-1240 Sales tax use exempt wildfire disaster	(6,734)	(6,734)	0	0	0	0.0
SB 22-107 Pikes peak international lic plate	(6,722)	0	(6,722)	0	0	0.0
HB 23-1025 Repeal of infrequent tax expenditures	(6,400)	(6,400)	0	0	0	0.0
HB 22-1406 Qualified retailer retain sales tax	(6,400)	(6,400)	0	0	0	0.0

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB 22-1241 Court appointed special advocate	(3,530)	0	(3,530)	0	0	0.0
HB 22-1103 Delta sigma theta lic plate	(2,869)	0	(2,869)	0	0	0.0
HB 23-1022 Regulation of fleet motor vehicles	(2,700)	0	(2,700)	0	0	0.0
HB 22-1014 Epilepsy awareness lic plate	(1,435)	0	(1,435)	0	0	0.0
SB 22-190 US Space Force lic plate	(1,201)	0	(1,201)	0	0	0.0
HB 22-1010 Early childhood educator tax credit	(700)	(700)	0	0	0	0.0
HB 22-1154 CO rotary lic plate	(548)	0	(548)	0	0	0.0
<b>TOTAL</b>	<b>(\$3,059,834)</b>	<b>(\$4,133,368)</b>	<b>\$1,368,558</b>	<b>(\$295,024)</b>	<b>\$0</b>	<b>11.8</b>

## SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

**R1 GENTAX & DRIVES SUPPORT FUNDING:** The Department of Revenue's DRIVES and GenTax systems have a chronic backlog of SQRs (service change requests). Despite incremental improvement, the level of demand still significantly outweighs the current capacity to implement system upgrades and enhancements. Consequently, even the highest priority requests are only sometimes completed. This backlog hinders the Department's ability to meet customer needs and ensure compliance with all federal and state laws and regulations. This issue brief summarizes the causes of the SQR backlog and explores the impact of additional resources allocated to the Department to alleviate some of the backlog.

## FOR MORE INFORMATION

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**TO READ THE ENTIRE BRIEFING:** Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2023.