

Joint Budget Committee



Supplemental Budget Requests FY 2024-25

Department of Revenue

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

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Overview of Revenue

The Department of Revenue regulates, enforces, and administers the state's tax laws. The Department also issues and maintains records related to drivers' licenses, vehicle emission testing stations, registration and titling of motor vehicles, limited stakes gaming, liquor and tobacco retailers, horse racing and pari-mutuel betting, the automobile sales industry, and medical and recreational marijuana retailers, growing facilities, and manufacturing facilities. In addition, the Department operates the State Lottery, including state and multi-state games. The Department is divided into five divisions or business groups, four of which provide direct services to the citizens of the State, and one that provides support for the four direct-service providers.

The Executive Director's office

- Provides overall leadership and administration for the Department, including the central budget office, accounting and financial services, information technology, internal audit, human resources administration, and includes the Office of Research and Analysis, a citizens' advocate, and the Hearings Division.

The Taxation Business Group

- Is responsible for the collection, administration, and enforcement of individual and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, and severance taxes, as well as all other taxes collected by the State;
- Provides assistance and information to taxpayers about compliance with Colorado's tax laws;
- Attempts to resolve taxpayer disputes before they reach the court system;
- Administers the cigarette tax rebate and the Amendment 35 distribution of cigarette taxes to the cities and counties; and
- Administers the Old Age Heat and Fuel and Property Tax Rebate Program.

The Division of Motor Vehicles (DMV)

- Is responsible for enforcement and administration of the laws governing driver licensing and vehicle registration;
- Licenses drivers, maintains records of licensed drivers, and applies administrative sanctions against drivers who violate traffic laws, including for drunk driving and for excessive points;
- Oversees the vehicle emissions testing stations (including mobile testing stations);
- Registers and titles motor vehicles; and
- Administers the motor vehicle insurance identification database to prevent the registration of vehicles that are not insured.

The Specialized Business Group

- Regulates and enforces laws related to the limited stakes gaming industry in three historic mining towns;
- Regulates and enforces laws related to the sports betting industry;

- Enforces laws regarding liquor and tobacco retailers, including laws against selling those products to minors, and licenses retailers and special events where alcohol is served;
- Regulates horse racing (dog racing is currently inactive) and pari-mutuel betting (including off-track betting);
- Regulates retailers and sales agents in the motor vehicle sales industry; and
- Regulates medical and recreational marijuana dispensaries, cultivation, and manufacturing facilities.

The State Lottery Division

Operates the State Lottery, which sells scratch ticket games and tickets for jackpot games (e.g. Powerball, Lotto, Cash 5, Pick 3, and Mega Millions). The net proceeds of the Lottery benefit the following funds and programs:

- The Conservation Trust Fund;
- Colorado Parks and Wildlife;
- The Outdoor Equity Grant Fund;
- Great Outdoors Colorado; and
- The Public School Capital Construction Assistance Fund.

Summary of Staff Recommendations

Department of Revenue: Recommended Changes for FY 2024-25						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
HB24-1430 (Long Bill)	\$525,369,300	\$156,468,782	\$358,439,946	\$9,608,440	\$852,132	1,739.4
Other Legislation	2,750,495	1,796,571	953,924	0	0	9.5
Current FY 2024-25 Appropriation	\$528,119,795	\$158,265,353	\$359,393,870	\$9,608,440	\$852,132	1,748.9
Recommended Changes						
Current FY 2024-25 Appropriation	\$528,119,795	\$158,265,353	\$359,393,870	\$9,608,440	\$852,132	1,748.9
Staff – initiated technical adjustment HB 23-1017	0	0	0	0	0	0
Statewide common policy supplemental request	-600,352	4,292	-604,644	0	0	0.0
Recommended FY 2024-25 Appropriation	\$527,519,443	\$158,269,645	\$358,789,226	\$9,608,440	\$852,132	1,748.9
Recommended Increase/-Decrease from 2024-25	-\$600,352	\$4,292	-\$604,644	\$0	\$0	0.0
Percentage Change	-0.1%	0.0%	-0.2%	n/a	n/a	n/a
FY 2024-25 Executive Request						
Staff Rec. Above/-Below Request	\$0	\$0	\$0	\$0	\$0	0.0

FY 2024-25 Description of Incremental Changes

Staff – initiated technical adjustment H.B. 23-1017: The recommendation includes a technical adjustment to correct a drafting omission related to the Joint Budget Committee (JBC) action during figure setting for FY 2024-25. Specifically, it seeks to reflect \$1.6 million in General Fund

roll-forward authority to the Department of Revenue for H.B. 23-1017 (Electronic Sales & Use Tax Simplification System) previously approved by the JBC.

During the figure setting process, the Department of Revenue submitted a request for roll-forward authority of \$1.6 million for operating expenses associated with the implementation of H.B. 23-1016. The Committee approved this request, however, the approval was not included in the FY 2024-25 Long Bill. This request seeks to amend that omission.

Statewide common policy supplemental requests: The request includes a net decrease of \$600,352 total funds, including an increase of \$4,292 General Fund, for non-prioritized requests associated with statewide common policy requests. The net decrease is associated with adjustments to the Department’s payments for vehicle leases, state property risk management, and to the Office of Information technology (OIT), which are determined through common policies. The prioritized versions of these requests will be presented during the supplemental presentations for the Department of Personnel (vehicle and state property) and Office of the Governor (OIT). The recommendation is pending Committee action on common policy supplementals.

Staff-Initiated Technical Adjustment to H.B. 23-1017

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$0	\$0	\$0	\$0	\$0	0.0
Recommendation	0	0	0	0	0	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES
 [A technical drafting omission]

Explanation: JBC staff identified an omission of roll-forward authority for funding related to H.B. 23-1017 that was approved during Figure Setting for FY 2024-25. This request is to correct the omission and accurately reflect JBC action.

Department Request

The Department did not request this technical correction. However, the Department is aware of staff’s recommendation.

Recommendation

Staff recommends that the Committee approve a technical correction amending the appropriation clause to H.B. 23-107 (Sales and Use Tax System Simplification) to accurately reflect JBC action during figure setting for FY 2024-25 providing \$1.6 million General Fund roll-forward authority. During figure setting the JBC approved a Department of Revenue request (BA1: Sales and Use Tax System Simplification), which sought one year of roll-forward authority

of all unspent operating funding for the Taxation Services and the Executive Director’s office related to H.B. 23-1017 (Sales and Use Tax System Simplification). The roll-forward allows for the completion of all modifications to the electronic Sales and Use Tax System (SUTS) and implementation of a promotional campaign for the system as outlined in the legislation.

Analysis

Background from Figure Setting: H.B. 23-1017 Sales & Use Tax Roll-Forward

H.B. 23-1017 (Sales and Use Tax System Simplification) specifies functionality that the Department must add to the SUTS system. This functionality includes one-time SUTS programming costs of approximately \$5.1 million in FY 2023-24, with ongoing maintenance and support costs of roughly \$1.3 million. Required modifications include a bulk testing option for addresses wherein taxpayers can more efficiently find tax information for many sales locations.

This legislation also requires the Department to initiate a promotional campaign to promote the SUTS system to raise awareness, participation, and compliance. Previously, the Department spent about \$90,000 to promote the SUTS system through a mailing. This legislation includes a broader campaign, with the fiscal note estimating a cost of \$200,000.

The roll forward authority is for all unspent operating funding, estimated to be \$1.6 million General Fund, of the FY 2023-24 funding related to H.B. 23-1017 (Sales and Use Tax System Simplification) to be rolled forward to FY 2024-25. The one-year roll forward authority allows the Department to complete and implement SUTS modifications and initiate a promotional campaign to raise awareness, participation, and compliance as prescribed in the legislation.

Statewide Common Policy Supplementals

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

Department's Portion of Statewide Supplemental Requests						
Supplemental	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Fleet	-\$41,389	-\$5,806	-\$35,583	\$0	\$0	0.0
Risk management	26,560	10,098	16,462	0	0	0.0
OIT Real-time billing	-585,523	0	-585,523	0	0	0.0
Total	-\$600,352	\$4,292	-\$604,644	\$0	\$0	0.0

The staff recommendation for these requests is pending Committee action on common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee acts on common policy supplementals. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee at a later date to present the relevant analysis.