

Joint Budget Committee



Staff Budget Briefing FY 2025-26 Department of Revenue

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared by:

Jon Catlett, JBC Staff

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Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor • Denver • Colorado • 80203
Telephone: (303) 866-2061 • TDD: (303) 866-3472
<https://leg.colorado.gov/agencies/joint-budget-committee>

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ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2024 legislative session that had a fiscal impact on this department are available in Appendix A of the annual Appropriations Report:

<https://leg.colorado.gov/sites/default/files/fy24-25apprept.pdf>

The online version of the briefing document may be found by searching the budget documents on the General Assembly's website by visiting leg.colorado.gov/content/budget/budget-documents. Once on the budget documents page, select the name of this department's *Department/Topic*, "Briefing" under *Type*, and ensure that *Start date* and *End date* encompass the date a document was presented to the JBC.

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 driver 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 Division of Parks and Wildlife;
- Great Outdoors Colorado;
- The Public School Capital Construction Assistance Fund; and
- The Outdoor Equity Grant Program.

Department Budget Recent Appropriations

Revenue: Recent Appropriations				
Funding Source	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26*
General Fund	\$143,404,525	\$153,435,269	\$158,265,353	\$164,216,862 ¹
Cash Funds	317,263,756	337,099,525	359,393,870	379,242,971
Reappropriated Funds	8,752,841	8,277,317	9,608,440	9,446,033
Federal Funds	1,159,722	1,447,718	852,132	852,132
Total Funds	\$470,580,844	\$500,259,829	\$528,119,795	\$553,757,998
Full Time Equivalent Staff	1,691.6	1,715.6	1,748.9	1,824.5

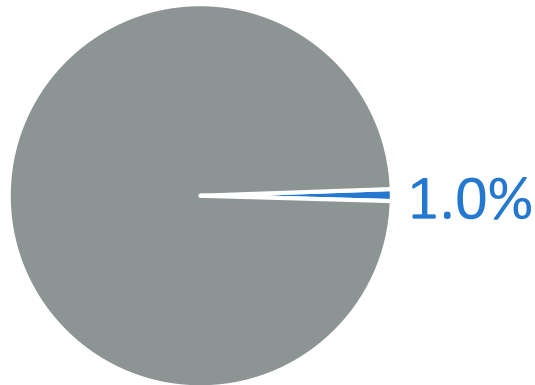
*Requested appropriation

¹ \$42,306,809 of this amount is General Fund Exempt

Funding for the Department of Revenue in FY 2024-25 consists of 29.7 percent General Fund, 68.5 percent cash funds, 1.7 percent reappropriated funds, and 0.2 percent federal funds. The Department's primary budget drivers are the State's tax structure and business activity in regulated industries.

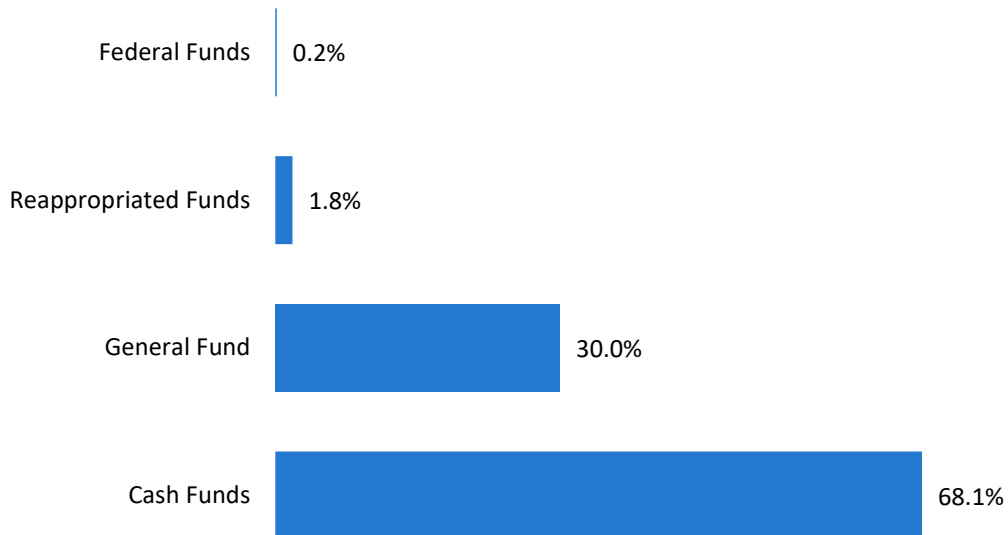
Graphic Overview

Department's Share of Statewide General Fund



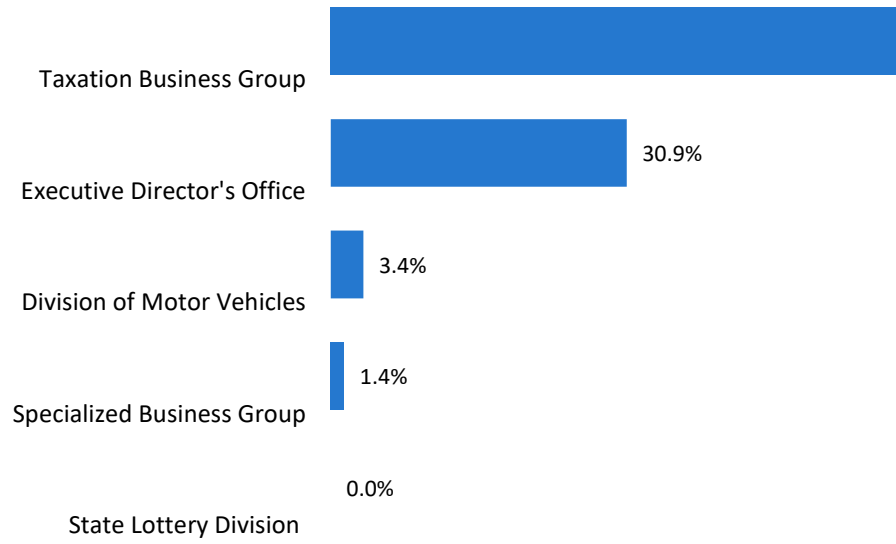
Based on the FY 2024-25 appropriation.

Department Funding Sources



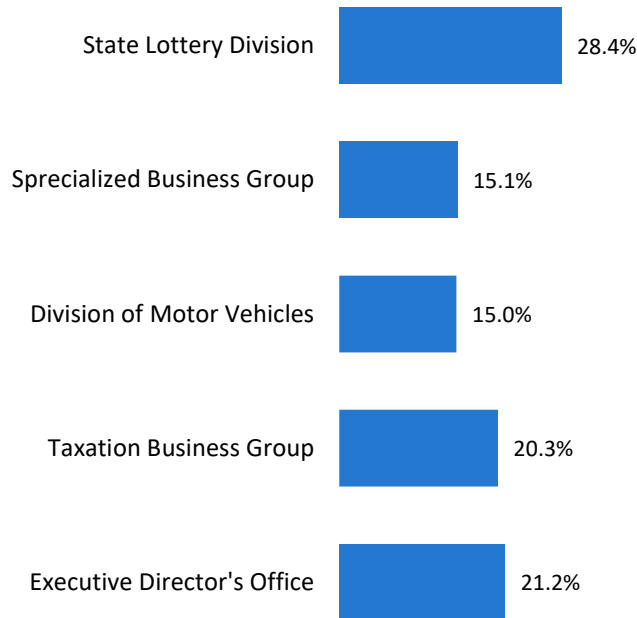
Based on the FY 2024-25 appropriation.

Distribution of General Fund by Division



Based on the FY 2024-25 appropriation.

Distribution of Total Funds by Division



Based on the FY 2024-25 Appropriation

Cash Funds Detail

Department of Revenue				
Cash Funds Appropriation Detail				
Fund Name	FY 2024-25 Approp.		Primary Sources of Fund Revenue	Primary Uses in this Department
Lottery Fund	\$150,024,177	¹	Lottery ticket sales	Lottery prizes, and lottery division operating expenses
Limited Gaming Fund	40,359,439	²	Licensing and application fees, background investigation deposit fees; as well as Gaming Adjusted Gross Proceeds (AGP) Tax, fines and interest	Fund all operating expenses including direct and indirect costs of both the Colorado Limited Gaming Control Commission and the Limited Gaming Division.
Colorado DRIVES Vehicle Services Account	29,343,553		Driver's license fees, vehicle title fees, personal license plate fees, specific ownership taxes, motor vehicle reg fees, MIDB fees, and mobile machinery fees	Pay the direct and indirect expenses of the Division of Motor Vehicles.
Marijuana Cash Fund	15,103,943		Marijuana licensing fees	Regulating the cultivation, manufacture, distribution and sale, of medical and retail marijuana.
License Plate Cash Fund	13,482,782		Fees for direct costs of license plates, decals or tabs	Purchasing license plates, decals and validating tabs
Liquor Enforcement Division and State Licensing Authority	5,775,939		Licensing, application, and permit fees	Pay direct and indirect expenses of the Liquor Enforcement Division, which regulates the sale and distribution of alcoholic beverages in Colorado.
Auto Dealers License Fund	3,518,433		Licensing fees	Pay direct and indirect expenses of the Auto Industry Division within the Specialized Business Group
Responsible Gaming Grant Program	3,200,000	¹	Annual transfer from the Limited Gaming Fund	Grant program to promote responsible gaming and address problem gaming in the state.
Racing Cash Fund	2,042,042			Fund the Hearings Division in the EDO as well as some centrally appropriated costs in the EDO.
Sports Betting Fund	1,755,188	¹	Sports betting taxes, license fees and fines related to sports betting and fantasy contests.	All expenses of the Division of Gaming related to sports betting and fantasy contest regulation.
Various	80,923,563			
Total	\$345,528,563			

¹ Exempt from TABOR

² At least partially TABOR exempt. Some revenue deposited in these funds are statutorily exempt from TABOR pursuant to Section 24-77-102 (17)(b), C.R.S.

General Factors Driving the Budget

Taxation Business Group

Tax Collections

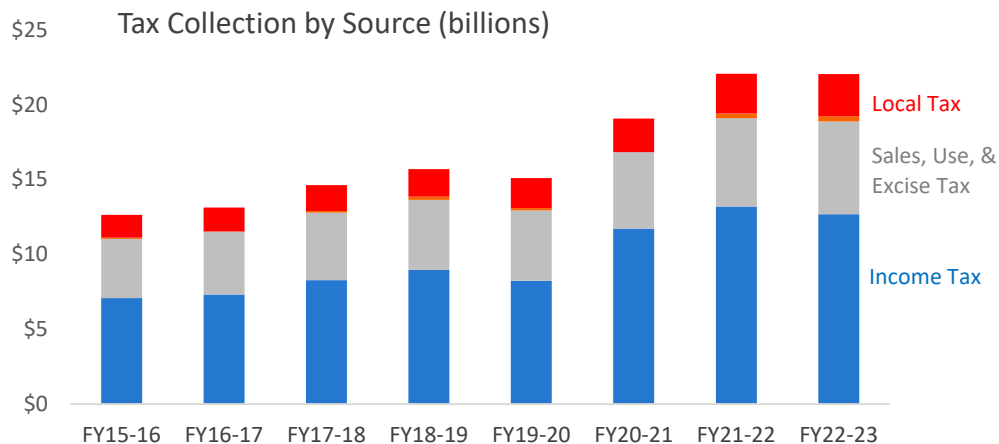
The complexity of Colorado's tax structure affects the resources required by the Taxation Business Group, the Department's tax division. In addition to collecting State taxes, the Department collects local taxes for most counties, cities, and special districts in Colorado, and tracks and distributes the collections monthly to the local governments. Local sales taxes collected include city sales tax, county lodging tax, county transit sales tax, special district taxes, and transportation authority tax.

In FY 2022-23, the most recent year with audited data, \$12.7 billion dollars in corporate and individual incomes taxes and \$6.2 billion in sales, use, and excise taxes were collected. An additional \$346.0 million in severance taxes and \$2.8 billion in local taxes were also collected by the Department.

The following table outlines net collections by the Department of Revenue of both state and local taxes in recent fiscal years.

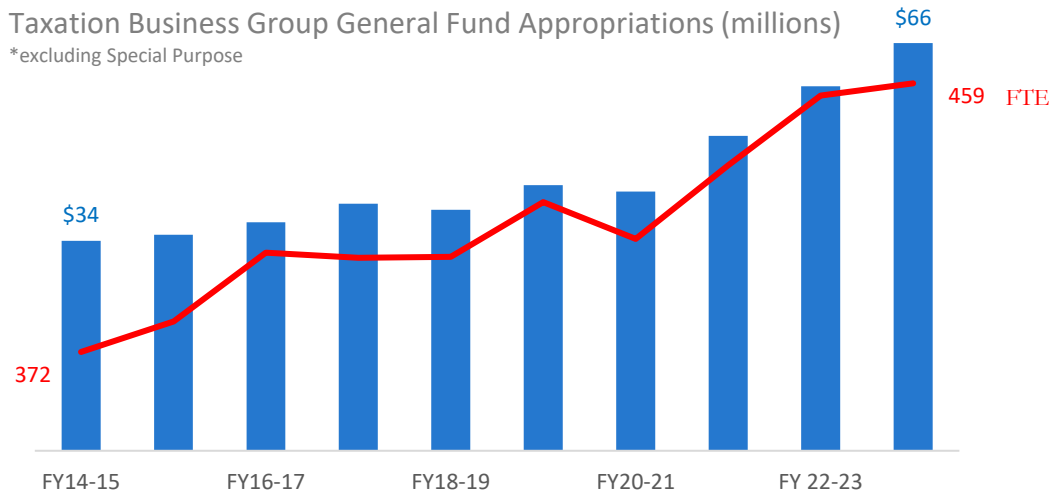
State and Local Taxes - Net Collections by Source (millions)								
	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
Income tax	\$7,077.0	\$7,320.5	\$8,293.0	\$8,966.2	\$8,241.4	\$11,731.3	\$13,194.5	\$12,689.8
Sales, use, and excise taxes	\$3,971.6	\$4,205.5	\$4,504.4	\$4,678.3	\$4,710.7	\$5,102.8	\$5,919.5	\$6,201.4
Severance tax	\$84.1	(\$7.2)	\$102.7	\$217.9	\$147.9	(\$15.3)	\$306.8	\$345.9
Total state tax collections	\$11,132.7	\$11,518.7	\$12,900.2	\$13,862.4	\$13,100.0	\$16,818.9	\$19,420.8	\$19,237.1
Local taxes	\$1,508.0	\$1,612.4	\$1,726.7	\$1,849.9	\$2,006.0	\$2,240.0	\$2,655.0	\$2,821.0
Total tax collections	\$12,640.6	\$13,131.2	\$14,626.9	\$15,712.4	\$15,106.0	\$19,058.9	\$22,075.8	\$22,058.1

The graph below illustrates the trend in tax revenue in recent years. Note, although sales tax receipts grew 4.8 percent in FY 22-23, income tax receipts declined 5.6 percent



Taxation Business Group

The following table outlines Taxation Business Group appropriations, excluding the Special Purpose subdivision which is comprised of pass-through revenue distributions. Taxation Business Group appropriations represents the administrative cost of the state tax administration system.



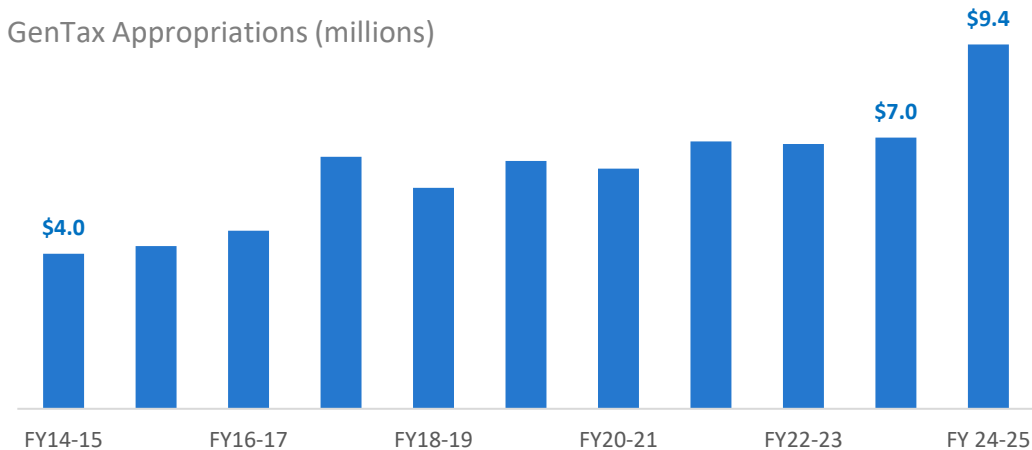
The following table represents the relative cost of the state tax administration system using Taxation Business Group (TBG) actual expenditure data (excluding Special Purpose subdivision) from FY 2014-15 through FY 2022-23, the most recent year with finalized and audited data.

Relative Cost of the State Tax Administration System									
	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY 20-21	FY 21-22	FY 22-23
Total tax collections (millions)	\$12,606	\$12,641	\$13,131	\$14,627	\$15,712	\$15,106	\$19,059	\$22,076	\$22,058
CAGR									7.2%
TBG: GF expenditures (millions)	\$33.9	\$35.2	\$37.2	\$39.9	\$39.0	\$42.8	\$42.1	\$43.1	\$53.9
CAGR									6.0%
TBG percent of total tax collections	0.27%	0.28%	0.28%	0.27%	0.25%	0.28%	0.22%	0.20%	0.24%

GenTax

GenTax received capital construction fund appropriations totaling \$54.0 million from FY 2006-07 through FY 2012-13 to replace the Department's legacy tax administration systems.

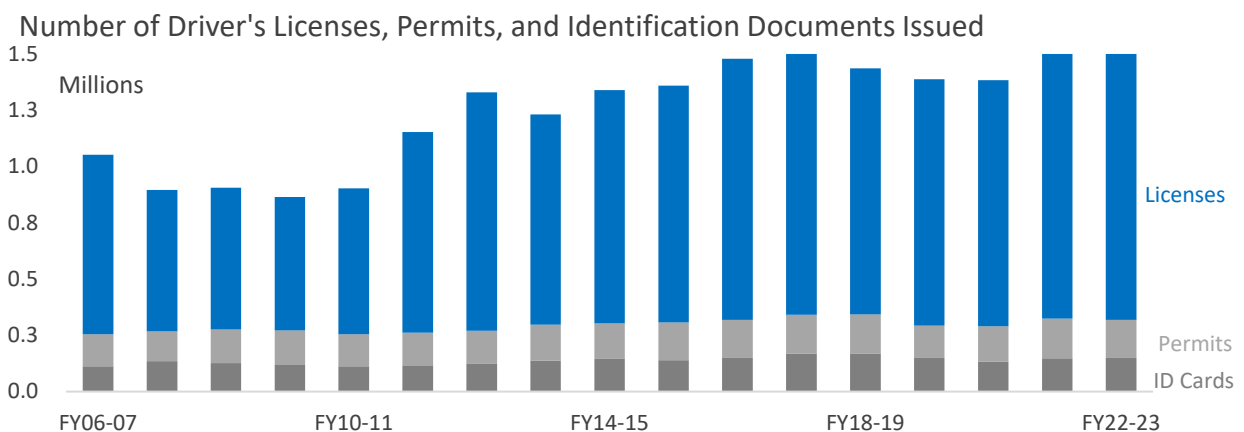
The following table outlines the annual operating appropriations since FY 2013-14 for the GenTax system, which are included in the previously outlined Taxation Business Group budget data. Additional staff resources for managing the GenTax system are also located in the Executive Director's Office and are not included in the graph below. Nevertheless, the operating, maintenance, and vendor contract costs of the IT system are included in this appropriation and illustrate the relative cost over time for GenTax.



Division of Motor Vehicles

There are 57 driver's license offices (37 operated by the State and 20 operated by the counties) that issue driver's licenses and state identification (ID) cards. Legislation on both the state and federal levels is a significant budget driver for this division. In 2001, the term of a driver's license was increased from five to ten years.

The number of driver's licenses issued dropped in FY 2006-07 as the first drivers who were issued ten-year licenses did not have to renew their licenses. As a result of subsequent legislation passed in order to comply with federal law, the State returned to five-year renewals beginning in 2005. Starting in January 2011, the first five-year driver's licenses that were issued starting in 2005, along with the ten-year licenses that were issued in 2001, were due for renewal at the same time, resulting in an increase in the number of documents issued. Recent changes in state and federal law have also increased transaction times for driver's licenses and ID cards.



Specialized Business Group

The Specialized Business Group regulates the liquor, tobacco, medical and retail marijuana, limited gaming, sports betting, horseracing, and the automobile sales industry. The programs in

the Specialized Business Group are almost entirely cash funded, with General Fund appropriations accounting for less than one percent of the division’s budget.

Recent legislation has been a substantial driver of FTE growth in the Specialized Business Group in recent years primarily due to bills pertaining to alcohol, marijuana, sports betting, and firearms. Since FY 2017-18, FTE in the Specialized Business Group has grown by 49 percent from 276 FTE in FY 2017-18 to 406 FTE in FY 2024-25. Significant drivers of this growth have been the following legislation:

- H.B. 19-1090 (Publicly Licensed Marijuana Companies);
- H.B. 19-1090 (Marijuana Hospitality Establishments);
- H.B. 19-1234 (Regulated Marijuana Delivery);
- H.B. 19-1327 (Authorize and Tax Sports Betting);
- H.B. 20-1001(Nicotine Product Regulation);
- S.B. 22-178 (Licensees Ability to Change Marijuana Designation);
- S.B. 23-290 (Natural Medicine Regulation & Legalization);
- S.B. 23-271 (Intoxicating Cannabinoid Hemp and Marijuana);
- H.B. 23-1061(Alcohol Beverage Retail Establishment Permit); and
- H.B. 24-1353 (Firearms Dealer Requirements and Permit).

The table below illustrates FTE trends by each Division within the Department of Revenue.

Department of Revenue FTE Appropriations by Division									
	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	CAGR
Lottery	117	117	102	102	102	102	102	102	-1.9%
Taxation Business Group	403	403	421	409	433	455	459	451	1.7%
DMV	491	521	557	559	546	545	541	545	1.5%
Executive Director’s Office	154	156	164	172	178	210	224	245	6.9%
Specialized Business Group	273	276	320	350	368	377	390	406	5.8%
Total Department of Revenue	1,437	1,472	1,564	1,592	1,626	1,689	1,716	1,749	3.0%

Summary of Request

Department of Revenue

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
Total	\$528,119,795	\$158,265,353	\$359,393,870	\$9,608,440	\$852,132	1,748.9
FY 2025-26 Requested Appropriation						
FY 2024-25 Appropriation	\$528,119,795	\$158,265,353	\$359,393,870	\$9,608,440	\$852,132	1,748.9
R1 IRS direct file implementation	617,840	617,840	0	0	0	1.8
R2 Division of taxation auditors	650,777	650,777	0	0	0	5.5
R3 Lottery optimization	14,591,731	0	14,591,731	0	0	13.8
R4 DMV Efficiency consolidation	0	0	0	0	0	0.0
R5 DMV General Fund reductions	0	-586,292	586,292	0	0	0.0
R6 Restructure license plate payment	-13,482,782	0	-13,482,782	0	0	0.0
Centrally appropriated line items	8,454,789	3,175,160	5,326,842	-47,213	0	0.0
Division of Gaming true up	5,964,460	0	5,964,460	0	0	32.0
Lottery vendor fees	4,587,044	0	4,587,044	0	0	0.0
Technical adjustments	2,073,496	1,536,363	537,133	0	0	0.0
Responsible Gaming Grant Program	1,020,000	0	1,020,000	0	0	0.0
Annualize prior year budget action	811,619	468,616	343,003	0	0	1.0
Non priority decision items	471,287	369,724	293,498	-191,935	0	0.0
Indirect cost assessment	76,741	-117,271	117,271	76,741	0	0.0
Annualize prior year legislation	-198,799	-163,408	-35,391	0	0	21.5
Total	\$553,757,998	\$164,216,862	\$379,242,971	\$9,446,033	\$852,132	1,824.5
Increase/-Decrease	\$25,638,203	\$5,951,509	\$19,849,101	-\$162,407	\$0	75.6
Percentage Change	4.9%	3.8%	5.5%	-1.7%	0.0%	0.0

R1 IRS direct file implementation resources: The request includes \$617,840 General Fund and 1.8 FTE in FY 2025-26 annualizing to \$626,606 General Fund and 2.0 FTE in FY 2026-27 and ongoing for resources needed to implement IRS Direct File (IDF), a service that allows taxpayers to file federal income taxes for free directly with the IRS. To facilitate the implementation of IDF, the Department of Revenue would need to program and update the state's current tax filing systems to integrate with the IDF platform. This funding would enable the Department of Revenue to establish this integration, making it possible for Colorado taxpayers to use this service for filing taxes beginning in 2026.

R2 Division of taxation auditors: The request includes \$650,777 and 5.5 FTE in FY 2025-26, and annualizes to \$1,113,283 and 10.0 FTE in FY 2026-27 and ongoing for auditors in the Taxation Business Group. This request is for additional auditors to support the Taxation Services Division and is driven by the increasing complexity of returns due to federal and state legislation.

R3 Lottery optimization: The request includes \$14.6 million Lottery Cash Fund and 13.8 FTE in cash fund spending authority in FY 2025-26 which annualizes to 17.0 FTE and \$14.8 million in FY

2026-27 and ongoing for marketing, responsible gaming grant program funding, and vendor fees. This request is driven by significant revenue growth in recent years and the associated workload increase.

R4 DMV efficiency consolidation: The request includes a net-zero funding consolidation aimed at aligning the Long Bill with the current operational structure of the Division of Motor Vehicles (DMV). According to the Department, this shift will streamline administration, enhance budgetary planning, and finalize ongoing efforts to align with the existing DMV IT system and cash fund.

R5 DMV General Fund reductions: The request includes a budget neutral General Fund reduction of \$586,292 and an equivalent increase of \$586,292 cash fund spending authority to various line items in the Division of Motor Vehicles.

R6 Restructure license plate payment: [Legislation Requested] The request includes proposed JBC sponsored legislation that would reduce TABOR revenue by changing Colorado statute to credit the material fee revenue for producing and distributing license plates, decals, and validating tabs to an existing TABOR-exempted Enterprise Fund belonging to Colorado Correctional Industries instead of the License Plate Cash Fund managed by the Department of Revenue. This proposed change would reduce TABOR revenue to the state by approximately \$12 million beginning in FY 2025-26.

Centrally appropriated line items: The request includes a net increase of \$8.5 million total funds, including \$3.1 million General Fund for centrally appropriated line items, summarized in the table below.

Centrally appropriated line items						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Salary survey	\$3,538,396	\$1,614,887	\$1,909,039	\$14,470	\$0	0.0
Health, life, and dental	2,406,360	707,326	1,736,644	-37,610	0	0.0
Payments to OIT	1,501,197	532,524	968,673	0	0	0.0
Step Plan	863,127	328,160	532,804	2,163	0	0.0
AED and SAED adjustment	625,213	99,588	538,317	-12,692	0	0.0
Legal services	416,450	233,149	183,301	0	0	0.0
Vehicle lease payments	56,880	56,880	0	0	0	0.0
Shift differential	55,204	0	55,204	0	0	0.0
Risk management & property	39,132	14,879	24,253	0	0	0.0
Paid Family & Medical Leave Insurance	28,134	4,482	24,224	-572	0	0.0
ALJ services	9,524	0	9,524	0	0	0.0
Short-term disability	9,378	1,494	8,075	-191	0	0.0
Capitol Complex leased space	-886,711	-370,837	-515,874	0	0	0.0
Workers' compensation	-124,748	-47,577	-77,171	0	0	0.0
PERA direct distribution	-44,779	205	-32,203	-12,781	0	0.0
Prior year salary survey	-25,344	0	-25,344	0	0	0.0
FY 2024-25 Step Plan	-12,624	0	-12,624	0	0	0.0
Total	\$8,454,789	\$3,175,160	\$5,326,842	-\$47,213	\$0	0.0

Division of Gaming true up: The request includes an increase of \$5.9 million in cash funds for an informational technical adjustment to more closely align the Long Bill with the Gaming

Commission approved budgets for the division. The Division of Gaming is continuously appropriated and is included in the Long Bill for informational purposes only.

Lottery vendor fees: The request includes an increase of \$4.6 million in Lottery Cash Funds for a technical adjustment related to payments for lottery vendors. This increase is necessary to ensure the Lottery Division has adequate cash fund spending authority to fulfill its contractual obligations to vendors, who are paid based on a percentage of Lottery ticket sales.

Technical adjustments: The request includes a \$2.1 million increase in total funds for various technical adjustments outlined in the table below.

Technical adjustments						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Document management	\$701,528	\$709,118	-\$7,590	\$0	\$0	0.0
Contract escalator fast enterprises	667,858	237,110	430,748	0	0	0.0
Joint audit program fee	221,015	221,015	0	0	0	0.0
IDS print production	164,838	164,838	0	0	0	0.0
Postage	153,694	124,492	29,202	0	0	0.0
Variable vehicle	97,333	24,654	72,679	0	0	0.0
Leased space escalator	29,262	29,262	0	0	0	0.0
Total	\$2,073,496	\$1,536,363	\$537,133	\$0	\$0	0.0

Responsible Gaming Grant Program: The request includes a technical adjustment to increase funding for the grant program by approximately \$1.0 million Lottery Cash Fund spending authority in order to meet the program's statutory funding requirements. This grant program is financed with proceeds from gaming and sports betting tax revenue.

Annualize prior year budget actions: The request includes a net increase of \$811,619 total funds, including \$468,616 General Fund, for the out-year impact of prior year budget actions.

Annualize prior year budget action						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	FTE	
FY24 DOR space planning	\$581,238	\$370,496	\$210,742	\$0	0.0	
FY24 GenTax & DRIVES support funding	158,291	98,120	60,171	0	0.7	
FY24 DMV Fraud investigation resources	72,090	0	72,090	0	0.3	
Total	\$811,619	\$468,616	\$343,003	\$0	1.0	

Non-prioritized decision items: The request includes a net increase of \$471,287 total funds, including \$369,724 General Fund, for requests impacting the Department of Revenue that originate in other Departments.

Non priority decision items						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	FTE	
CORE Operating Resources	\$443,169	\$169,068	\$274,101	\$0	0.0	
DPA annual fleet vehicle	22,221	3,117	19,104	0	0.0	
DPS Digital trunk radio	5,604	5,604	0	0	0.0	
DOR OAC staffing	293	0	293	0	0.0	
Equity office funding realignment	0	191,935	0	-191,935	0.0	

Non priority decision items					
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	FTE
Total	\$471,287	\$369,724	\$293,498	-\$191,935	0.0

Indirect cost assessment: The request includes net adjustments to indirect costs across all divisions.

Annualize prior year legislation: The request includes a net decrease of \$198,799 total funds, including a net decrease of \$163,408 General Fund and an increase of 21.5 FTE to reflect the FY 2025-26 impact of bills passed in previous sessions, summarized in the following table.

Annualize prior year legislation						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
HB 24-1353 Firearms Dealer Requirements	\$1,667,500	\$1,459,500	\$208,000	\$0	\$0	18.4
HB 24-1312 State income tax credit care	408,139	408,139	\$0	\$0	\$0	4.7
HB 24-1021 Motor vehicle minor education	306,120	14,656	291,464	0	0	0.0
HB 24-1340 Incentives for post-secondary ed.	293,896	293,896	0	0	0	3.6
HB 23-251 Revoke driver's license appeal	158,610	158,610	0	0	0	0.0
HB24-1268 Financial assistance for certain	158,403	158,403	0	0	0	1.6
SB 23-290 Natural medicine regulation	124,037	-1,460,596	1,584,633	0	0	3.5
HB 23-1091 Cont. child care contribution credit	85,685	85,685	0	0	0	1.5
SB 24-230 Oil & gas production fees	68,291	68,291	0	0	0	0.0
HB 24-1439 Financial incentives ex apprentic	51,617	51,617	0	0	0	0.0
HB 24-1157 Employee owned business & income	47,756	47,756	0	0	0	0.0
HB 24-1316 Middle income housing tax credit	30,842	30,842	0	0	0	0.0
HB 24-1142Reduce income tax social security	17,229	17,229	0	0	0	0.0
HB 24-1311 Family affordability tax credit	8,740	8,740	0	0	0	0.3
SB 24-182 Immigrant Identification document Issuance	3,760	0	3,760	0	0	0.0
HB 24-1369 CO Agriculture license plate	2,647	0	2,647	0	0	0.0
HB 24-1105 Chicano license plate	978	0	978	0	0	0.0
SB 24-100 Commercial vehicle hwy safety	672	0	672	0	0	0.0
SB 24-192 Motor vehicle lemon law	420	0	420	0	0	0.0
HB 24-1269 Modification of recording fees	320	0	320	0	0	0.0
SB 24-210 Modification to laws regulating election	320	0	320	0	0	0.0
SB 24-065 Mobile electronic devices	140	0	140	0	0	0.0
HB 24-1319 Fire fighters plate expire upon transfer	84	0	84	0	0	0.0
SB 24-019 Remuneration ex identifying placard	61	0	61	0	0	0.0
HB 24-1135 Offenses related to op a vehicle	28	0	28	0	0	0.0
HB 23-1272 Tax policy that advance decarbonization	0	0	0	0	0	-6.4
SB 24-222 Funding to relocate two state entities	0	0	0	0	0	0.0
SB 24-214 Implement state climate goals	-1,404,795	0	-1,404,795	0	0	0.0
HB 24-1089 Vehicle electronic notifications	-637,312	0	-637,312	0	0	0.7
HB 24-1439 Firearms & ammunition excise tax	-202,872	-202,872	0	0	0	-0.4
HB 23-1008 Food accessibility	-156,590	-156,590	0	0	0	-0.3
HB 23-1189 Employer assistance for home purch	-147,352	-147,352	0	0	0	-0.9
SB 23-016 Greenhouse gas reduction measures	-120,358	-120,358	0	0	0	-0.7
HB24-1052 Senior Housing Income Tax Credit	-113,407	-113,407	0	0	0	0.0
HB 23-1309 Film industry tax credit	-108,071	-108,071	0	0	0	-0.6
HB 24-1288 Earned Income Tax Credit Data Sharing	-90,257	-90,257	0	0	0	0.0

Annualize prior year legislation

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
HB 22-1414 Healthy meals for all public school	-78,019	-78,019	0	0	0	-1.4
HB 24-1277 Reporting adjustments taxable income	-76,080	-76,080	0	0	0	-0.6
HB23-112 Earned income and child care tax credit	-68,840	-68,840	0	0	0	0.0
HB 23-1281 Advance use of clean hydrogen	-67,287	-67,287	0	0	0	0.0
HB 23-1240 Sales use tax exempt wildfire disaster	-56,990	-56,990	0	0	0	-0.9
SB 24-228 TABOR Refund Mechanisms	-52,115	-52,115	0	0	0	0.0
SB 24-016 Tax Credits for cont via Intermediaries	-41,641	-41,641	0	0	0	-0.4
SB 24-048 Substance use disorders recovery	-37,980	0	-37,980	0	0	-0.4
HB 24-1235 Reduce aviation impacts	-37,217	-37,217	0	0	0	0.0
SB 24-184 Support Transportation Infrastructure	-35,071	-35,071	0	0	0	0.0
HB 23-1265 Born to be wild license plate	-24,917	0	-24,917	0	0	0.0
SB 23-016 Greenhouse gas reduction meas	-19,699	-19,699	0	0	0	0.0
HB 24-1041 Streamline Filing Sales & Use Tax Returns	-17,200	-17,200	0	0	0	0.0
HB 23-1260 Advanced industry & semiconductor	-14,656	-14,656	0	0	0	0.0
SB 23-145 Stegosaurus fossil license plate	-10,242	0	-10,242	0	0	0.0
SB 23-025 In God we trust license plate	-8,132	0	-8,132	0	0	0.0
SB 24-231 LAG bill	-5,000	0	-5,000	0	0	0.0
SB 22-051 Policies to reduce emissions	-2,040	-2,040	0	0	0	0.0
SB 23-212 Navy Seabees license plate	-540	0	-540	0	0	0.0
HB 24-1050 Simplify processes regarding cert	-414	-414	0	0	0	0.2
Total	-\$198,799	-\$163,408	-\$35,391	\$0	\$0	21.5

Budget Reduction Options

The Executive Budget Request for the Department of Revenue includes proposals that it assumes would make an additional \$13.5 million General Fund available for other uses in FY 2025-26. The proposals include a total of approximately \$0.6 million in General Fund appropriation/expenditure reductions, representing 0.5 percent of the Department's FY 2024-25 General Fund appropriation. However, the request also proposes \$12.9 million in revenue enhancements that would make General Fund available through other mechanisms. This issue brief reviews these proposals and additional options identified by staff.

Summary

- With a FY 2024-25 General Fund appropriation of \$158,265,353, the Department of Revenue represents 1.0 percent of total state General Fund appropriations in the current year. The Executive budget request includes proposed reductions of \$586,292 in General Fund appropriations for balancing purposes, representing 0.5 percent of the Department's current appropriation (excluding the Special Purpose subdivision). These reductions are offset by proposed increases, so that the Department's total General Fund appropriation is requested to increase by \$5,951,509 (5.2 percent) for FY 2025-26.
- In addition to the appropriations reductions, the Department is proposing a number of revenue enhancements including a proposal to reduce TABOR revenue by amending C.R.S. to credit the material fee revenue for producing and distributing license plates and decals to an existing TABOR-exempted Enterprise Fund belonging to CO Correctional Industries rather than the License Plate Cash Fund managed by the Department of Revenue.

Recommendation

- Staff recommends that the Department discuss their budget balancing proposals and staff options in its budget hearing, with a focus on the cash fund solvency of the Department's major cash funds and the implications of cash fund transfers to General Fund.
- Staff recommends the Department discuss with the Committee the statutory criteria for diverting revenue from an existing cash fund into a TABOR-exempt enterprise fund and how the R6 request (Restructure License Plate Payment) meets all of the statutory criteria.
- Finally, staff recommends the Department discuss the implications of a 3 percent reduction to the Taxation Services Personal Services in light of the division's current vacancy rate. Additionally, staff recommend the Department discuss the impact of the proposed reduction on Departmental operations and customer service levels.

Discussion

Funding History FY 2018-19 to FY 2024-25

The Department of Revenue represents 1.0 percent of total state General Fund appropriations in FY 2024-25. As reflected in the table below, General Fund in this section of the budget has increase 14.6 percent since FY 2018-19 after adjustments for inflation¹. This is more than the statewide increase in General Fund appropriations of 11.3 percent over the same period after adjustments. Over the same period total funding in this section of the budget, after adjustments for inflation, has changed by 12.4 percent.

FY 2018-19 to FY 2024-25 Appropriations Comparison - Adjusted for Inflation					
Fund	FY 2018-19		FY 2024-25	Increase/ -Decrease after inflation adjustment	
	Nominal Dollars	FY 24-25 Dollars		Amount	Percent
General Fund*	\$79,159,194	\$100,294,699	\$114,956,638	\$14,670,939	14.6%
Total Funds	\$370,972,654	\$470,022,353	\$528,119,795	\$58,097,442	12.4%

* Excludes the Special Purpose subdivision within the Taxation Business Group, which is composed entirely of informational pass-through General Fund exempt revenue

Budget Requests for General Fund Relief

The Department of Revenue budget request includes proposals for General Fund relief totaling \$13.5 million. That total includes \$586,292 in appropriations reductions (0.5 percent of the Department’s FY 2024-25 General Fund appropriation) and \$12.9 million in revenue enhancements. Other increases offset the appropriations reductions, so the Department’s total FY 2025-26 request proposes an increase of \$6.0 million General Fund (5.2 percent) above the FY 2024-25 appropriation (excluding the Special Purpose subdivision). Including the revenue enhancements, the requests equate to 11.7 percent of the Department’s current General Fund appropriation. The proposals for General Fund relief are summarized in the table below. Some of the proposals require statutory change.

Budget Requests for General Fund Relief				
Option	General Fund	Other Funds	Bill? Y/N	Description
Revenue Enhancements				
R6 Restructure License Plate payment	\$12,000,000	-\$12,000,000	Y	Colorado could reduce TABOR revenue by amending C.R.S to credit the material fee revenue for producing and distributing license plates, decals, and validating tabs to an existing TABOR-exempted Enterprise Fund belonging to CO Correctional Industries instead of the License Plate Cash Fund managed by the Department of Revenue.

¹ Fiscal year 2018-19 appropriations are adjusted for inflation, calculated based on the Legislative Council Staff September forecast, which reflects an increase in the Denver-Aurora-Lakewood consumer price index of 26.7 percent between FY 2018-19 and FY 2024-25.

Budget Requests for General Fund Relief				
Option	General Fund	Other Funds	Bill? Y/N	Description
Statewide Request Interest sweep from DRIVES Cash Fund	900,000	-900,000	Y	This cash fund is supported with Driver's License Fees, Vehicle Title Fees, Personal License Plate Fees, Specific Ownership Taxes, Motor Vehicle Registration Fees, and retained interest earnings.
Subtotal - Revenue	\$12,900,000	-\$12,900,000		
Expenditure Reductions				
R5 License Plate Ordering refinance	-\$247,800	\$247,800	N	General Fund reduction of \$247,800 from the Division of Motor Vehicles, License Plate Ordering, and an accompanying increase of \$247,800 to the DMV, License Plate Ordering cash fund spending authority.
R5 Vehicle Services Personal Services refinance	-200,000	200,000	N	General Fund reduction of \$200,000 from the DMV - Vehicle Services Personal Services, and an accompanying increase of \$200,000 to the DMV - Vehicle Services Personal Services cash fund spending authority.
R5 Digital Trunk Radio refinance	-138,492	138,492	N	General Fund reduction of \$138,492 from the Executive Director's Office (EDO) - Digital Trunk Radios, and an accompanying increase of \$138,492 to the EDO - Digital Trunk Radios cash fund spending authority.
Subtotal - Expenditures	-\$586,292	\$586,292		
Net General Fund Relief	\$13,486,292	-\$13,486,292		

R6 Restructure License Plate payment

Description: The request includes JBC sponsored legislation to reduce TABOR revenue by changing Colorado statute to credit the material fee revenue for license plates, decals, and tabs to an existing TABOR-exempted Enterprise Fund belonging to CCI instead of the LPCF managed by DOR. DOR would still collect the required material fee using the DRIVES system, but the collections would be distributed to CCI directly instead of being distributed to the LPCF.

Key Considerations: The transfer does not appear to negatively affect any existing program. This would be an ongoing General Fund revenue enhancement of approximately \$12.0 million.

Additional background: Statutory changes would be needed in many areas not only to redirect the revenue, but also to clarify roles and responsibilities across both DOR and DOC for inventory management of license plates as well as to authorize DOR to retain the cost to administer the license program from the revenue. There would also have to be statutory language to close the LPCF. DOR and CCI are collaborating to understand the inventory and cash balance that will be transferred to CCI for a fund balance with the remainder transferred to DRIVES. While the proposal to decouple revenue from the management of the program is possible, there are many details that will need to be worked out.

Additional Options for JBC Consideration

The table below summarizes options identified by the JBC staff that the Committee could consider in addition to or instead of the options presented in the budget request. Staff

proposals for General Fund relief total \$15.7 million. That total includes \$1.8 million in appropriations reductions (1.6 percent of the Department’s FY 2024-25 General Fund appropriation) and \$13.9 million in revenue enhancements. Including the revenue enhancements, these proposals equate to 12.1 percent of the Department’s current General Fund appropriation. The proposals for General Fund relief are summarized in the table below. Some of the proposals would require statutory change.

Additional Options for General Fund Relief				
Option	General Fund	Other Funds	Bill? Y/N	Description
Revenue Enhancements				
License Plate Cash Fund Transfer to GF	\$10,000,000	-\$10,000,000	Y	This fund was created to cover the direct costs incurred by the DMV in purchasing license plates, decals and validating tabs from CO Correctional Ind. It is currently projected to end FY 2023-24 with a balance of \$14.1 MM, which is anticipated to grow to \$16.5 MM in FY 2024-25. Note that approx. \$5 million of this balance is not liquid but is in resale inventory. <i>This option is an alternative to the Department’s R6 request, both are not feasible.</i>
Electronic Transactions Cash Fund Transfer to GF	\$400,000	-\$400,000	Y	This cash fund was created to maintain and administer a system that allows the electronic transmission of registration, lien, titling info, etc for motor vehicles, off-highway vehicles, etc. It is currently projected to end FY 2024-25 with a balance of \$411,027, which is anticipated to grow to \$1.1 MM in FY 2025-26 and \$2.1 MM in FY 2026-27. A one-time transfer of \$400,000 should not affect program operations.
Colorado DRIVES Cash Fund Transfer to GF	3,500,000	-3,500,000	Y	This cash fund is supported with Driver’s License Fees, Vehicle Title Fees, Personal License Plate Fees, Specific Ownership Taxes, Motor Vehicle Registration Fees, etc. It received a cash fund waiver from the JBC for FY 23-24 through FY 25-26. This transfer would likely have out year implications for fee setting as it is currently operating at a loss to draw down the balance and come into compliance.
Subtotal - Revenue	\$13,900,000	-\$13,900,000		
Expenditure Reductions				
Delay annualization of FY24 R1 GenTax & DRIVES support funding	-158,291	0	N	The JBC approved the Department’s FY24 R1 request for additional ongoing support of the DRIVES and GenTax system. The request included \$866,221 total funds comprised of \$547,734 GF and \$318,487 cash funds. This budget balancing measure reduces (or eliminates) the FY 25-26 annualization of the request and provides \$158,291 GF relief.
Restructure financing of FY24 R2 Space Planning	-210,742	\$210,742	N	The JBC approved the Department’s FY24 request to co-locate with CDOT on a lease at the Auraria Higher Education Campus in FY 2024-25. The FY24 request included a net cash fund reduction of \$210,742. This budget neutral balancing measure would refinance \$210,742 General Fund and replace it with the cash funds that were previously reduced.
Taxation Business Group, Taxation Services, Personal Services line: 3% General Fund reduction	-1,052,041		N	The Taxation Services, Personal Services has grown significantly in recent years. Increasing from approximately \$31.5 million in FY 2023-24 to \$35.1 million in FY 2024-25, an increase of over 11.8 percent. Up until FY 23-24 the Department had reverted a significant amount of this appropriation.
Restructure H.B. 24-1353 (Firearms Dealer Requirements & Permit)	-390,000	0	N	This option would delay (or eliminate) the onboarding of 3 FTE in FY 2025-26, and firearm dealer inspectors would be reduced by 25% from 12 inspectors to 9 inspectors in FY 2025-26.
Subtotal - Expenditures	-1,811,074	210,742		

Additional Options for General Fund Relief

Option	General Fund	Other Funds	Bill? Y/N	Description
Net General Fund Relief	\$15,711,074	-\$14,110,742		

Revenue Enhancements

License Plate Cash Fund Transfer to GF

Description: Bill to transfer \$10.0 million from the License Plate Cash Fund to the General Fund.

Key Considerations: The transfer does not negatively affect any existing program. This is a one-time option, and **is an alternative to the R6 request, both are not feasible.**

Additional background: This fund was created to cover the direct costs incurred by the DMV in purchasing license plates, decals and validating tabs from CO Correctional Ind. It is currently projected to end FY 2023-24 with a balance of \$14.1 million, which is anticipated to grow to \$16.5 million in FY 2024-25. Note that approximately \$5 million of this balance is not liquid but is in resale inventory.

License Plate Cash Fund				
	FY 2023-24 Actual	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
Beginning FY Balance	\$10,678,224	\$14,108,028	\$6,483,028	\$6,583,028
Revenues	10,540,210	12,375,000	13,700,000	13,900,000
Expenditures	-7,110,406	-10,000,000	-13,600,000	-13,800,000
Ending FY Balance without transfer	\$14,108,028	\$16,483,028	\$6,583,028	\$6,683,028
Transfer Option		-10,000,000		
Ending FY Balance after transfer		\$6,483,028		

Electronic Transactions Cash Fund Transfer to GF

Description: Bill to transfer \$400,000 from the Electronic Transactions Cash Fund to the General Fund.

Key Considerations: The transfer does not appear to negatively affect any existing program. This is a one-time option.

Additional background: The Electronic Transactions Cash Fund was recently created via H.B. 24-1089 (Vehicle Electronic Notifications) to maintain and administer a system that allows the electronic transmission of registration, lien, and titling information for motor vehicles, off-highway vehicles, or special mobile machinery information to vehicle owners.

Electronic Transactions Cash Fund				
	FY 2023-24 Actual	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
Beginning FY Balance	\$0	\$161,027	\$11,027	\$765,027
Revenues	161,027	451,000	1,400,000	1,700,000
Expenditures	-0	-201,000	-646,000	-752,000
Ending FY Balance without transfer	\$161,027	\$411,027	\$765,027	\$1,713,027

Electronic Transactions Cash Fund				
	FY 2023-24 Actual	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
Transfer Option			-400,00	
Ending FY Balance after transfer		\$11,027		

Fee impact: Revenue is from fees that are statutorily set per C.R.S. 42-1-234, C.R.S. Given the current cash flow projection, adjusting statutory fees to more closely match expenditures would also provide some small measure of ongoing General Fund relief.

Colorado DRIVES Cash Fund Transfer to GF

Description: Bill to transfer \$3,500,000 from the Colorado DRIVES Cash Fund to the General Fund.

Key Considerations: The transfer does not appear to negatively affect any existing program. This is a one-time option and would impact fees in out years.

Additional background: The Colorado DRIVES Cash Fund pays the direct and indirect expenses of the Division of Motor Vehicles, and provides funds for the development and operation of Colorado DRIVES system. Revenue is from Driver’s License Fees, Vehicle Title Fees, Personal License Plate Fees, Specific Ownership Taxes, Motor Vehicle Registration Fees, Motor Vehicle Search Fees, MIDB Fees, Special Mobile Machinery Fees and the funds retained interest.

Colorado DRIVES Cash Fund				
	FY 2023-24 Actual	FY 2024-25 Estimate	FY 2025-26 Estimate	FY 2026-27 Estimate
Beginning FY Balance	\$38,156,629	\$32,066,199	\$20,666,199	\$9,166,199
Revenues	62,379,417	62,800,000	62,900,000	64,000,000
Expenditures	-68,469,847	-70,700,000	-74,400,000	-71,700,000
Ending FY Balance without transfer	\$32,066,199	\$24,166,199	\$9,166,199	\$1,466,199
Transfer Option		-3,500,000		
Ending FY Balance after transfer		\$20,666,199		

Expenditure Reductions

Refinance annualization for FY24 R2 Space Planning

Description: This budget balancing option would refinance the FY 2025-26 annualization of the Department’s FY24 R2 Space Planning Request by reducing the General Fund component of this annualization by \$210,742 and backfilling it with a congruent amount of cash funds.

Key Considerations: Proposed cash fund to General Fund transfers in this document, if approved, could impact the viability of this budget balancing measure.

Additional background: The Department’s FY 2024-25 request included an ongoing General Fund increase of \$365,000 in FY 2024-25 in Leased Space to be utilized for co-locating with Colorado Department of Transportation(CDOT) office space. In addition to the ongoing \$365,000 in General Fund Leased Space. Out year impacts of this request included:

- \$370,496 General Fund realigned from Capitol Complex Leased Space to Lease Space in FY 2025-26 and ongoing.
- A cash fund reduction of \$421,484 in Capitol Complex Leased Space and an increase of \$210,742 cash fund increase in Leased Space resulting in a net reduction of \$210,742 cash funds in FY 2025-26 and ongoing.

Delay Annualization of FY24 R1: GenTax & DRIVES support funding

Description: This budget balancing option would delay (or eliminate) the FY2025-26 annualization of this FY24 request. The JBC approved the Department’s FY24 R1 request for additional ongoing support of the DRIVES and GenTax system. The request included \$866,221 total funds comprised of \$547,734 GF and \$318,487 cash funds. This budget balancing measure reduces (or eliminates) the FY 25-26 annualization of the request and provides \$158,291 GF relief in FY 2025-26.

Key Considerations: Historically the vacancy rate of the Innovation Service and Delivery team in the EDO has been high, and a vacancy rate of 9.4 percent was reported during figure setting in March of 2024. The Department stated at that time that, the ISD Division continues to navigate hiring challenges in Colorado’s competitive tech job market.

Additional background: This request was a continuation of a two-year phased build-out of an internal IT team in the Executive Director’s office that consolidated two Fast Enterprises IT systems, DRIVES and GenTax, that were formerly located in the Division of Motor Vehicles and the Taxation Business Group, respectively.

3 Percent General Fund Reduction to Taxation Services – Personal Services

Description: This budget balancing option would reduce the General Fund appropriation to the Taxation Services, Personal Services line by 3 percent in FY 2025-26, providing approximately \$1.1 million in General Fund relief.

Key Considerations: This budget-balancing measure could potentially negatively impact the ability of DOR to carry out certain functions; however, given the significant increases in funding in recent years, as well as the division's vacancy rate, staff feel the division could absorb this reduction with minimal adverse impacts.

Additional background: The Taxation Services, Personal Services has grown significantly in recent years. Increasing from approximately \$31.5 million in FY 2023-24 to \$35.1 million in FY 2024-25, an increase of over 11.8 percent. Legislation has been one of the primary drivers of this increase.

The Taxpayer Service Division (TPS) administers the State’s tax programs and provides assistance and information to Colorado taxpayers. The Division maintains five service centers in Colorado Springs, Denver, Fort Collins, Grand Junction, and Pueblo, as well as a tax information call center. The Division produces public information campaigns, administers tax classes to promote voluntary compliance, and distributes information to the public to explain the State’s tax laws and policies.

The Personal Services line within TPS pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions. This line item also includes seasonal tax processing appropriations that fund the seasonal processing expenses that occur during the individual income tax filing season.

Personal Services Line - Taxation Services				
	FY 2024-25	FY 2023-24	F 2022-23	FY 2021-22
Enacted	\$35,068,024	\$31,471,456	\$30,546,125	\$28,769,498
Actual Expenditure		31,471,456	28,881,583	25,574,685
Reversion		0	1,664,542	3,194,813
% Utilization	n/a	100%	95%	89%

Reduce Inspectors H.B. 24-1353 (Firearms Dealer Requirements & Permit)

Description: This option would delay (or eliminate) the onboarding of firearm dealer inspectors by 25% from 12 inspectors to 9 inspectors in FY 2025-26, which would reduce General Fund expenditures by approximately \$390,000.

Key Considerations: This budget-balancing measure could negatively impact the Department of Revenue's ability to carry out its annual on-site inspections of a random selection of permittees, as well as periodic unannounced inspections during business hours. However, staff is skeptical that the Department will be able to successfully onboard 12 qualified inspectors in FY 2025-26. The Department has cited challenges in hiring and retaining similarly qualified personnel in recent years.

Additional background: The bill requires that certain firearms dealers in the state obtain a permit from the Department of Revenue (DOR) starting July 1, 2025. Operating without a permit is an unclassified felony punishable by a fine of up to \$250,000. The bill establishes a permitting process, other requirements for dealers, and other duties for the DOR.

Subject to available appropriations, H.B. 24-1353 authorizes the DOR to conduct annual on-site inspections of a random selection of permittees and periodic unannounced inspections during business hours. Reducing the number of inspectors would diminish the Department's capacity to carry out inspections and subsequently increase reliance on education, outreach initiatives, and voluntary compliance mechanisms.

Informational Issue: R1 IRS Direct File Implementation Resources

This issue brief provides an overview of the Department's request for Internal Revenue Service (IRS) Direct File implementation resources.

Summary

- In 2024 the IRS implemented a pilot program that allowed a narrow scope of taxpayers across twelve pilot states to file their federal income taxes directly with the IRS. Pilot states integrated their state filing systems with the platform allowing for, according to survey data from users, a relatively seamless filing process for eligible taxpayers free of charge.
- IRS Direct File is slated to expand across an additional twelve states in 2025, and additional capabilities will be added to Direct File, allowing for a broader swath of taxpayers to utilize the service beginning in 2026.
- The Department of Revenue has requested \$617,840 General Fund and 1.8 FTE for FY 2025-26 for the necessary resources to integrate the State's current proprietary tax filing platform with IRS Direct File, allowing for Colorado taxpayers to utilize this free tax filing service. On September 10, 2024, the Governor's office issued a [press release](#) announcing Colorado's rollout of IRS Direct File. The full announcement is attached as Appendix B of this document.
- On average, taxpayers spend 13 hours and \$270 preparing taxes annually.² The Department cites the time and cost of filing state and federal income taxes as the impetus for the request. The Department cites figures from the Economic Security Project, a progressive non-profit focused on economic empowerment, which estimates that using DirectFile will save Coloradans \$140.2 million in filing fees, 3.5 million hours in time filing, and connect Colorado taxpayers with an additional \$81 million to \$207 million in tax credits each year.³

Background

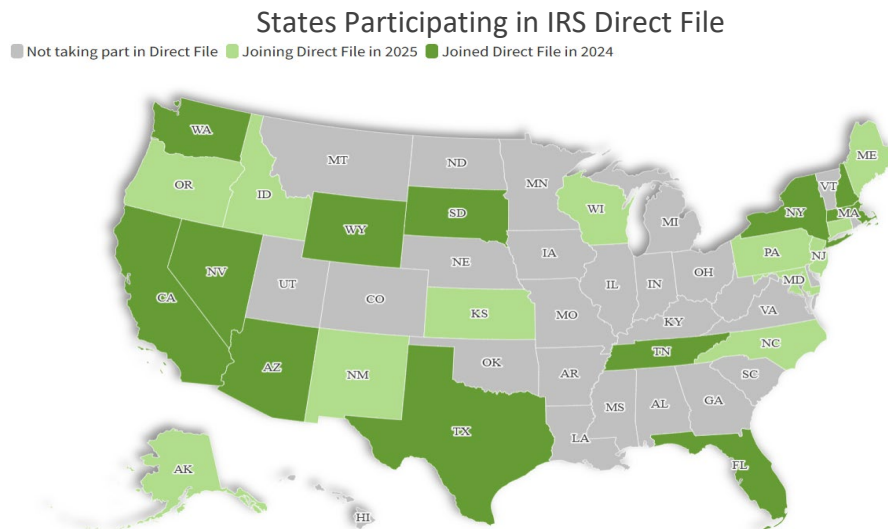
The IRS Direct File is a pilot program that began in March 2024, enabling taxpayers to submit their basic tax returns directly to the federal government at no cost. Initially launched in 12 states, the program is set to expand to an additional 12 states in 2025.

During the pilot program, there were approximately 140,000 taxpayers that utilized the service. The pilot states including Arizona, California, Florida, Massachusetts, Nevada, New Hampshire,

² <https://home.treasury.gov/policy-issues/inflation-reduction-act/irs-direct-file-service>

³ chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://economicsecurityproject.org/wp-content/uploads/Full-Report_-The-Impact-of-Direct-File-by-the-Numbers.pdf

New York, South Dakota, Tennessee, Texas, Washington State and Wyoming. The scope of the rollout was very limited by design, and the pilot program accepted W2 wage earners, social security income, and unemployment compensation. The 2025 program is anticipated to expand to support 1099's for interest income and certain retirement income.



Source www.newsweek.com/irs-update-direct-file-expanded-check-eligibility-1963669

Participants in the General Services Administration's Touchpoints survey provided feedback regarding government systems. The survey specifically evaluated the IRS Direct File Pilot, aiming to gather comprehensive insights from users. The Department cited the following statistics in the request, taken from the survey feedback.

- 90 percent of respondents ranked their overall experience as Excellent or Above Average;
- 90 percent of survey respondents who used customer support rated that experience as Excellent or Above Average;
- When asked what they particularly liked, respondents most commonly cited Direct File's ease of use, trustworthiness, and that it was free; and
- 86 percent of respondents said that their experience with Direct File increased their trust in the IRS.

The findings from the survey have prompted some scrutiny, particularly from the conservative Taxpayer's Protection Alliance. Through a freedom of information request, they gathered 13,000 user comments regarding the Direct File system. Their analysis indicates that user feedback is more nuanced than previously reported; specifically, approximately 70 percent of responses were positive, 10 percent neutral, and about 20 percent included negative feedback or constructive suggestions for improvement.

An approval rating of 70 percent for a federal government technology platform would mark a significant advancement, especially in contrast to the experiences associated with healthcare.gov. However, staff cite this contrast to emphasize the opposition to the IRS Direct File portal. Conversations about this system are extensive and include concerns about even the

evaluation of the survey data used to determine its success, which could have implications for the program's future.

Request

The request includes \$617,840 General Fund and 1.8 FTE for FY 2025-26, annualizing to \$626,606 and 2.0 FTE for fiscal year 2026-27 and ongoing for the Taxation Business Group. This funding is intended to implement the IRS Direct Filing system.

The request includes one dedicated developer resource from the vendor, FAST Enterprises, estimated to cost \$418,000 per year. According to the Department, this resource will enable Revenue Online to adapt to changes as the Direct Filing system evolves in the future. Additionally, according to the request, the Tax division would require 2.0 FTE for support, which includes testing the interface, enhancing the customer experience, and managing background system rules.

In the request, the Department states that *providing taxpayers an option to file their taxes online directly with the IRS advances the goal of making the IRS a world-class customer service agency* and gives taxpayers the ability to interact with the IRS in ways that work best for them. The integration of state systems with Direct File provides taxpayers with an efficient means of fulfilling their state income tax filing obligations, eliminating the need for repeated data entry. This approach will utilize quiz questions and guided wizards to enhance the user's experience. The interface will closely resemble that of established third-party software vendors within the modernized e-filing industry. Additionally, all traditional methods for income tax filing will continue to be accessible to the public. The Department's aim is to ensure a diverse range of filing options is available, enabling taxpayers to select the solution that best meets their individual needs.

The IRS has expressed intentions to broaden the scope of the Direct File program, aiming to include a wider range of eligible populations and credits. As part of this initiative, states will be required to implement annual updates to the program to reflect these enhancements. In November, the IRS is expected to announce the qualifying criteria for 2024, potentially encompassing 1099 filers in addition to traditional wage earners.

IRS Direct File - Uncertain Future

The IRS Direct File program has sparked controversy at both the state and federal levels. A coalition of thirteen state attorney's general has come together to challenge what they believe is an unlawful initiative by the current administration to establish a government-operated tax preparation service. In a letter addressed to Treasury Secretary Janet Yellen, the attorneys general stated, "Congress has never granted the Department of the Treasury the authority to

create a Direct File program. We urge the Department to terminate the IRS-run Direct File pilot program.”⁴

Points to Consider

- The change in federal administration calls into question the longevity of the IRS Direct File program, and discussions have already taken place about the potential reduction or elimination of this program. Given these reports, is there a consideration that the future of IRS Direct File is highly uncertain, and that this program may provide fewer benefits to Colorado taxpayers than what has been stated in the request?
- In light of the recent press release, how will the Department proceed if the Committee declines to fund this request?

⁴ <https://www.forbes.com/sites/patrickgleason/2024/02/08/thirteen-state-attorneys-general-urge-irs-to-halt-unauthorized-program/>

Informational Issue: R3 Lottery Optimization

This issue brief provides an overview of the Department’s request for additional FTE and Lottery Cash Fund spending authority to support the Colorado Lottery’s growth.

Summary

- The Colorado Lottery is a TABOR enterprise under Article X, Section 20 of the Colorado Constitution. The Lottery Division is fully funded with appropriations from the Lottery Cash Fund. Net proceeds of the Colorado Lottery are distributed to the Conservation Trust Fund, Great Outdoors Colorado, Colorado Parks & Wildlife, and the Colorado Outdoor Equity grant program, and the Public School Capital Construction Fund.
- Colorado Lottery has experienced significant growth in recent years with combined jackpot and scratch sales growing from \$594.4 million in FY 2015-16 to \$900.7 million in FY 2023-24, equating to an annual growth rate of 5.4 percent
- The General Assembly has supported several growth initiatives of the Lottery in recent years including \$10 million in funding for Lottery modernization over FY 2022-23 and FY 2023-24. These investments have accelerated the growth of the Colorado Lottery and increased revenue to the programs beneficiaries.
- This request includes \$14.6 million in additional spending authority from the Lottery Cash Fund and the addition of 17.0 FTE for the fiscal year 2025-26, which will increase to \$14.8 million in FY 2026-27 and beyond.

Colorado Lottery Background

Colorado Lottery has experienced significant growth in recent years with combined jackpot and scratch sales growing from \$594.4 million in FY 2015-16 to \$900.7 million in FY 2023-24, equating to a compound annual growth rate (CAGR) of 5.4 percent. During this same period scratch games grew at a CAGR of 5.1 percent, from \$395.2 million to \$588.6 million, and jackpot games grew from \$199.2 million to \$312.1 million, a CAGR of 5.8 percent.

Colorado Lottery Gross Sales			
	JACKPOT	SCRATCH	TOTAL
FY 2015-16	\$199,249,458	\$395,162,447	\$594,411,905
FY 2016-17	175,083,998	380,249,492	555,333,490
FY 2017-18	204,503,998	407,489,335	611,993,333
FY 2018-19	236,369,644	443,409,967	679,779,611
FY 2019-20	168,144,063	490,695,434	658,839,497

Colorado Lottery Gross Sales			
	JACKPOT	SCRATCH	TOTAL
FY 2020-21	221,914,884	573,017,390	794,932,274
FY 2021-22	236,590,471	590,288,982	826,879,453
FY 2022-23	293,057,878	596,720,571	889,778,449
FY 2022-24	312,111,716	588,644,647	900,756,363

Colorado Lottery Beneficiaries

Lottery proceeds are distributed pursuant to Article XXVII, Section 3 of the Colorado Constitution, with 40 percent of proceeds going to the Conservation Trust Fund (CTF), 10 percent of proceeds going to Colorado Parks and Wildlife, and 50 percent going to Get Outdoor Colorado (GoCo). The 50 percent distribution to GOCO is capped and calculated yearly according to a standard formula that utilizes 1992 as the base year and adjusts annually for inflation, equating to \$81.8 million in FY 2023-24.

Net Lottery proceeds above the GOCO cap are distributed according to a revised allocation established in HB 21-1318, which established the Colorado Outdoor Equity Grant Program (COEGP) within the Department of Natural Resources. The Grant Program focuses its funding on low-income youth, youth with disabilities, LGBTQ+ populations, and racially and ethnically diverse Coloradans, and is intended to help enhance outdoor opportunities for these communities and create greater access to Colorado wilderness and foster meaningful engagement with the great outdoors.

Colorado Lottery Beneficiaries FY 2023-24		
	Allocation	Cap
Great Outdoors Colorado (GoCo)	50% to cap	\$81,771,604
Conservation Trust Fund (CTF)	40%	
Colorado Parks and Wildlife (CPW)	10%	
Outdoor Equity Fund (OEF)	Over GoCo cap	3,000,000
Public School Capital Construction Assistance Fund (BEST) - base		3,000,000
Wildlife Cash Fund		25%
Parks / Outdoor Recreation Cash Fund		25%
Public School Capital Construction Assistance Fund (BEST) - overflow		50%

Since its inception in 1983, the Colorado Lottery has distributed over \$4.2 billion to Lottery beneficiaries. In FY 2023-24 the Colorado Lottery paid approximately \$195 million to the following program beneficiaries:

- Great Outdoors Colorado: \$81.8 million. GOCO's independent board awards competitive grants to local governments and land trusts in addition to making investments through Colorado Parks and Wildlife.
- Conservation Trust Fund: \$78.2 million. In FY 2022-23, allocations include wildlife conservation, river recovery, and fish recovery funding.
- Colorado Parks and Wildlife: \$19.5 million. CPW's mission is to perpetuate the state's wildlife resources, provide a quality state parks system, and provide enjoyable and sustainable outdoor recreation opportunities that educate and inspire current and future generations to serve as active stewards of Colorado's natural resources.

- Building Excellent Schools Today: \$8.0 million. BEST is a competitive grant program available to all school districts, charter schools, and institute charter schools whose purpose is to repair or replace Colorado's most needy school facilities.
- Outdoor Equity Fund: \$3.0 million. Colorado Parks and Wildlife manages this grant program established via HB 21-1318 (Create the Outdoor Equity Grant Program). This grant invests in organizations that enhance outdoor access for youth and families from traditionally underrepresented communities in recreation and conservation.

Responsible Gaming

The Department states that although the division is required by law to allocate a minimum of \$200,000 each year for Responsible Gaming initiatives, the Lottery believes this amount is insufficient for adequate support. Included in this request is an additional \$300,000 annually for this purpose. The Department states that Lottery's primary goal is to increase proceeds for its beneficiaries—thereby maximizing funding for outdoor recreation, conservation, and schools—but it also continues to prioritize responsible gaming. Over the past five years, the Lottery reports having:

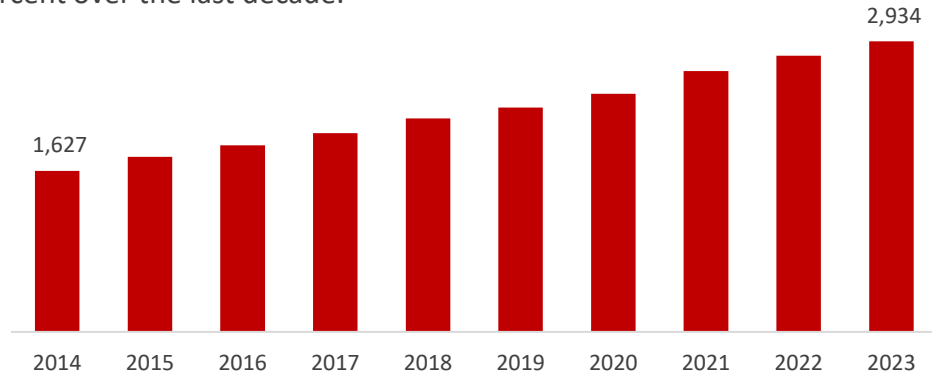
- Achieved the highest level of responsible gaming accreditation with the World Lottery Association (only 10 other US lotteries hold this accreditation);
- Increased its spending on responsible gaming by 75 percent;
- Hired a full-time player health manager (dedicated to managing its responsible gaming program);
- Turned on age verification for all of its self-service kiosks (the first Lottery in the country to do so); and
- Increased its training across staff and retailers on how to promote responsible gaming among players.

Lottery Retail Network

The Colorado Lottery has approximately 3,000 retailers, and is undergoing a retail expansion in alignment with the retailer recruitment program established in its vendor contract. Lottery retailers consist primarily of convenience stores, gas stations, grocery stores, supermarkets, fuel centers, and liquor stores. The Department states that recruitment efforts are now focusing on non-traditional retail locations, which include bowling alleys, bars, restaurants, drug stores, gift shops, hardware stores, and other high-traffic independent retail establishments. For these smaller retail environments, the potential benefits of retailer commissions and bonuses can make a significant positive impact on their financial performance. Currently, approximately 45% of all liquor stores in the state participate as Lottery retailers, presenting additional opportunities for recruitment in this sector.

In Colorado, the current ratio of lottery retailers to the population is one retailer for every 2,000 residents. The Department reports that it aims to improve this ratio to one retailer for every 1,563 people through its recruitment program. To achieve this goal, approximately 800 additional retailers would need to be added based on the current population. For comparison, the top 20 lotteries in the country have an average ratio of one retailer for every 1,442 people.

The number of Colorado Lottery Retailers has increased by over 80 percent over the last decade.

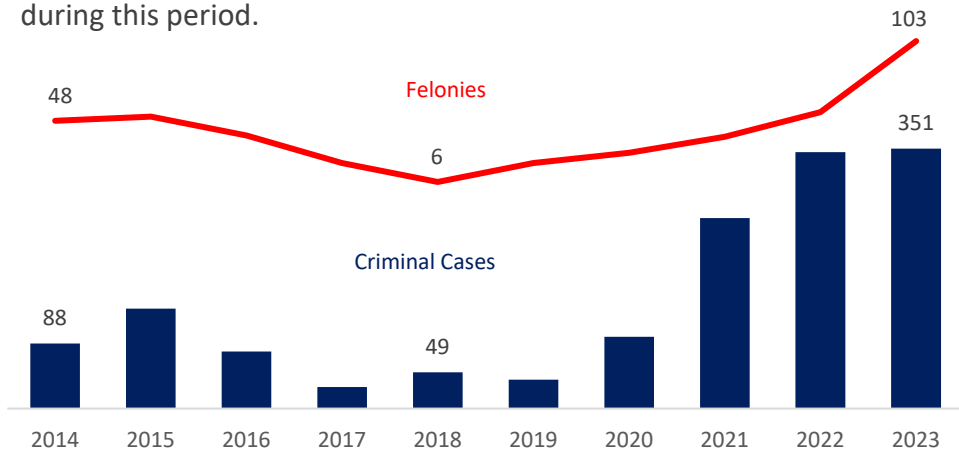


Lottery Crimes

The Department has observed a profound increase in Lottery-related crimes, which is reflective of a broader trend experienced throughout Colorado. The Department reports that lottery products and retailers have become targets for organized retail theft, often carried out by repeat offenders or small groups who exploit security vulnerabilities in convenience stores. This escalation in crime poses significant challenges, as it diminishes the capacity of district attorneys, local law enforcement, and the judicial system to respond effectively. Accordingly, the Department seeks funding for one additional full-time employee (FTE) to help ensure the security and integrity of the Lottery are maintained.

The graph below illustrates the significant increase in Lottery-related criminal cases in recent years, rising from 49 cases in 2018 to over 350 in 2023. During this same period, felony cases involving the Colorado Lottery also surged, increasing from 6 to more than 100 felony cases.

Since 2018, criminal cases related to the Colorado Lottery have risen by over 615 percent. Felony lottery crimes increased by 1,600 percent during this period.



Department Request

The Department's request aims to secure resources to address the significant growth of the Colorado Lottery. Over the past 15 years, the Lottery has experienced nearly 80 percent growth in sales revenue, increasing from \$501.2 million in fiscal year 2009-10 to \$900.8 million in fiscal year 2023-24. During this period, the Lottery's number of FTE has decreased from 126.0 to 102.1. Currently, the vacancies in the organization stand at 1.8%, with no increase in the spending authority for marketing and communications.

The Department states that due to the significant growth the Lottery has experienced over the past fifteen years, the division is struggling to manage the increased workload associated with this revenue growth. As a result, it is requesting approval to hire additional staff in several areas, including sales, operations, security, warehouse management, compliance, licensing, responsible gaming, and marketing. Furthermore, with the rising costs of advertising and the added expenses required for digital marketing, the division has noticed a considerable decline in its marketing reach.

To fulfill vendor fee obligations, as well as to enhance marketing, sales, responsible gaming efforts, and criminal investigations, the Department is requesting additional resources. This request includes \$14.6 million in additional spending authority from the Lottery Cash Fund and the addition of 13.8 FTE for the fiscal year 2025-26, which would increase to \$14.8 million in FY 2026-27 and beyond. The request includes:

- \$10 million for Lottery vendor fees in FY 2025-26 and ongoing to support a range of vendor activities. These activities include the production of scratch tickets, inventory management, new retailer recruitment program, administration of jackpot games, provision of retailer equipment, back-office accounting, and sales reporting. Approximately 85 percent of the Lottery's vendor contracts are structured based on a percentage of sales. Given the significant sales growth that the Lottery has achieved and anticipates, securing additional spending authority will ensure that the Colorado Lottery can fulfill its contractual obligations without the need for emergency supplemental requests during periods of significant sales growth.
- \$3.3 million for marketing and communications in FY 2025-26 and ongoing. The Department states that the marketing and communications budget has remained stagnant for 15 years, despite revenue growth of nearly 80 percent during that timeframe. The costs associated with advertising, sponsorships, promotions, and other marketing initiatives have escalated significantly and the budget for marketing and communications has not kept pace.
- An additional \$300,000 per year is also being requested to continue to grow the Lottery's responsible gaming program, bringing the overall spend to \$500,000 for responsible gaming.
- The Department request includes funding for the following additional FTE within the Lottery Division:

- *Sales Team Expansion (5.0 FTE)*: The number of retailers has increased by approximately 500 retailers over the past 15 years, necessitating additional sales representatives. The Lottery has established a robust retailer recruitment program, which will further expand the retailer base. These sales representatives will be responsible for training, monitoring inventory, and providing support to over 3,000 retailers selling lottery products.
- *Marketing (3.0 FTE)*: These positions will support the upgraded advertising and marketing efforts that would result from a more comprehensive Marketing budget, including social media outreach and promotional events.
- *Operations (3.0 FTE)*: In response to the increased demands for testing associated with advancements in technology, system upgrades, and the introduction of a wider variety of scratch and jackpot games. These team members would be tasked with conducting thorough testing of all new equipment, games, and processes to ensure a seamless rollout for both the Lottery's retailers and players.
- *Warehouse (2.0 FTE)*: Due to the rising volume of games and tickets being shipped to retailers. Lottery now offers 48 scratch games in the market, double the number available just a few years ago. Additionally, the implementation of predictive ordering requires new inventory to be shipped more frequently to retailers based on current sales trends.
- *Licensing (1.0 FTE)*: Additional retailers lead to an increase in licensing applications and renewals that the Department must process. Furthermore, new regulations for retailers selling to couriers requires additional efforts from Licensing.
- *Compliance (1.0 FTE)*: The 2023 performance audit report emphasized the need for an additional compliance investigator in the field. For many years, the Lottery has had only two compliance investigators, while the number of retailers has now grown to approximately 3,000 across the state of Colorado. The Department states that adding an additional compliance investigator will enable more thorough, effective, and frequent on-site compliance checks of lottery retailers.
- *Responsible Gaming (1.0 FTE)*: This position would support the enhanced responsible gaming efforts that will result with the increase in the responsible gaming budget to support continuous improvement and growth for the Lottery's player health program.
- *Security & Investigations (1.0 FTE)*: There has been a significant surge of criminal activities at lottery retailers, coupled with an increase in the sophistication of these crimes. In response the Lottery is implementing new regulations affecting retailers that sell to lottery couriers. These changes will require enhanced investigative measures and undercover operations to ensure compliance with legal standards.

Points to Consider

- 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 rise of lottery-related criminal activity in Colorado?

- Over the previous four years, gross Colorado Lottery revenue has increased by over \$241.9 million, growing from 658.8 million in FY 2019-20 to \$900.8 million in FY 2023-24, an increase of 37 percent. This request includes an additional \$300,000 per year to grow the Colorado's 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 percent of gross Lottery revenues adequate to address responsible gaming and gambling addiction?

Footnotes and Requests for Information

Update on Long Bill Footnotes

The General Assembly includes footnotes in the annual Long Bill to: (a) set forth purposes, conditions, or limitations on an item of appropriation; (b) explain assumptions used in determining a specific amount of an appropriation; or (c) express legislative intent relating to any appropriation. Footnotes to the 2024 Long Bill (H.B. 24-1430) can be found at the end of each departmental section of the bill at <https://leg.colorado.gov/bills/HB24-1430> The Long Bill footnotes relevant to this document are listed below.

The Department had no footnotes in the FY 2023-24 Long Bill.

Update on Requests for Information

The Joint Budget Committee annually submits requests for information (RFIs) to executive departments and the judicial branch via letters to the Governor, other elected officials, and the Chief Justice. Each request is associated with one or more specific Long Bill line item(s), and the requests have been prioritized by the Joint Budget Committee as required by Section 2-3-203 (3), C.R.S. Copies of these letters are included as an Appendix in the annual Appropriations Report (Appendix H in the FY 2024-25 Report):

<https://leg.colorado.gov/sites/default/files/fy24-25apprept.pdf>

The RFIs relevant to this document are listed below.

Department of Revenue Requests

- 1 Department of Revenue, Specialized Business Group, Marijuana Enforcement Division -- The Department is requested to provide to the Joint Budget Committee, by November 1, 2024, a report detailing the long-term solvency status of the Marijuana Cash Fund and the repayment schedule to the Cash Fund Solvency Fund.

Comment: In short, the MCF is not solvent at this time. DOR states that they continue to work with the OSPB to consider all options and potential actions that could be taken to remedy this situation and re-establish a stable financial outlook for the MCF. For more information, please see the Department's November 1, 2024, response attached.



To: Joint Budget Committee
From: Department of Revenue
RE: Marijuana Cash Fund Solvency
November 1, 2024

Introduction

This memo is intended to provide a status update of the Marijuana Cash Fund (MCF) long-term solvency and to highlight the key factors that contribute to the fund's financial position and its ability to meet its current and future financial obligations.

The MCF supports the operations of the Marijuana Enforcement Division (MED), which operates a robust regulatory framework that governs licensing, production, distribution, and sales, ensuring public safety and business compliance while preventing illicit activities and access to youth. The fund's revenue is generated from business, owner, and employee licensing fees. Sound fiscal management practices including efficient budgeting, expenditure control, revenue analysis, and financial planning are integral to the fund's long-term solvency.

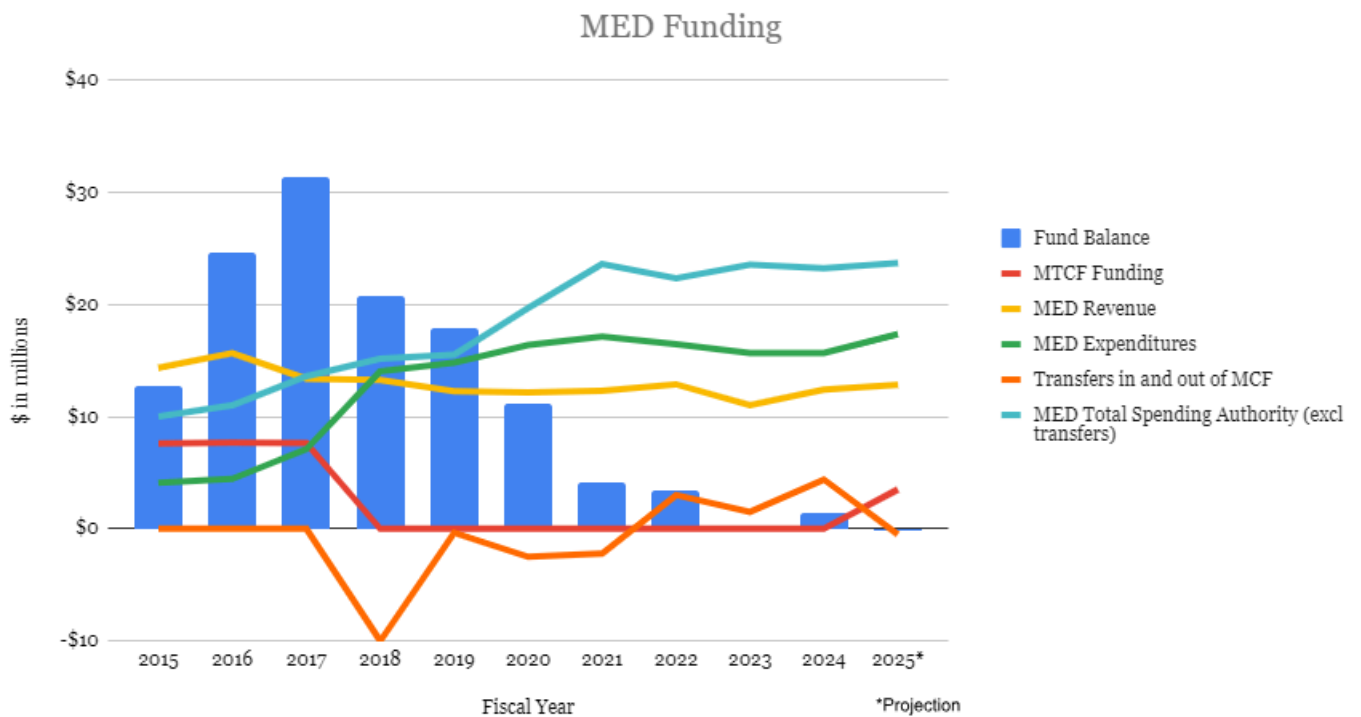
History

The MCF initially had a significant fund balance from the start of its existence through 2021, due to the level of revenue from initial licensing activity and the comparatively slower ramp-up of expenditures. For several fiscal years, the MCF balance had exceeded the statutory limit for excess uncommitted reserves. The fund balance was drawn down over the years through three initiatives: 1) the shift of all MED costs being funded exclusively from the MCF for FY 2014-15 to FY 2016-17 as a result of the elimination of the transfer from the Marijuana Tax Cash Fund (MTCF), which had previously averaged \$7.6 million per year for the same three years; 2) the transfer of \$15.3 million to other Departments in the State for marijuana-related programs as directed by the Joint Budget Committee and the legislature; and 3) intentionally holding down fees to a level lower than the level of expenditures including instituting a 22 percent fee reduction in FY 2016-17 to rectify the excess uncommitted reserve. MED has operated at a deficit since FY 2017-18 totaling more than \$36

million over the past seven fiscal years. This shortfall was covered by drawing down the excess reserves in the MCF.

The plan, developed over six years ago, was first to draw down the fund balance and then do an analysis of fees and workload to align revenue to expenditures and ensure sustainable funding. The third-party analysis recommended a one-time fee increase of between 55 percent and 108 percent, to take effect in 2021, in order to right-size revenue. However, this initiative was delayed due to the pandemic. In 2021, the Division initiated emergency rulemaking to reinstate fees to the 2016 levels (i.e., reversing the 22 percent fee reduction).

As you can see from the chart below, MED's spending authority (the amount that decision items, salary survey, and legislation estimated new and existing program implementation would cost) has grown faster than actual expenses. This demonstrates the cost containment that MED has achieved. The MED has worked hard to find efficiencies and has contained growth in actual expenses by 25 percent less than the level of the total spending authority available, most notably by holding dozens of positions vacant within the Division. Since revenue has not kept pace with expenditures, MED has used the cash fund balance to support the increase in spending authority and to cover the cost of the increased workload generated by industry compliance trends, industry innovation, and legislation implementation.



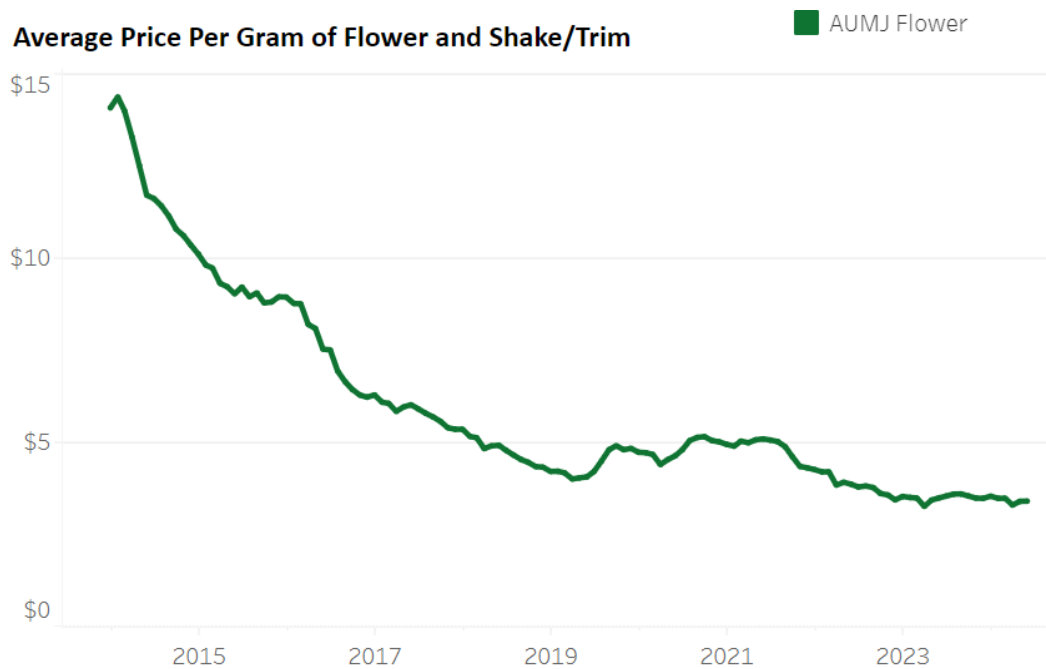
MED cash fund transfers to other programs: 1) \$10 million to the Dept. of Agriculture [SB17-254]; 2) \$360K to CDPHE and CDPS [SB19-120]; 3) \$1.6 million to the Treasury and \$914K to CBI [HB20-1406]; 4) \$1.4 million to CDPHE and \$890K to CBI [HB20-1360]; 5) \$201K to CDPHE [SB21-205]

Since 2016, there have been 60 bills passed impacting MED, 17 of which had a fiscal impact on the division. Those bills had an increase in ongoing spending authority of over \$6.5 million and an increase of 73.1 FTE. Secondly, in addition to legislation, the division saw an increase of \$1.8 million in spending authority and an increase of 17.3 FTE through various budget actions in this same time frame. A third significant impact since 2016, is the annual growth in salaries that has added expenses without new revenue to support those increases. Between 2016 to 2024, salary costs have grown by \$1.5 million through salary survey increases and the

statewide step program, both of which are outside of the Department's control. The result of these three areas combined is an increase in spending authority of nearly \$10 million with no additional revenue to support it.

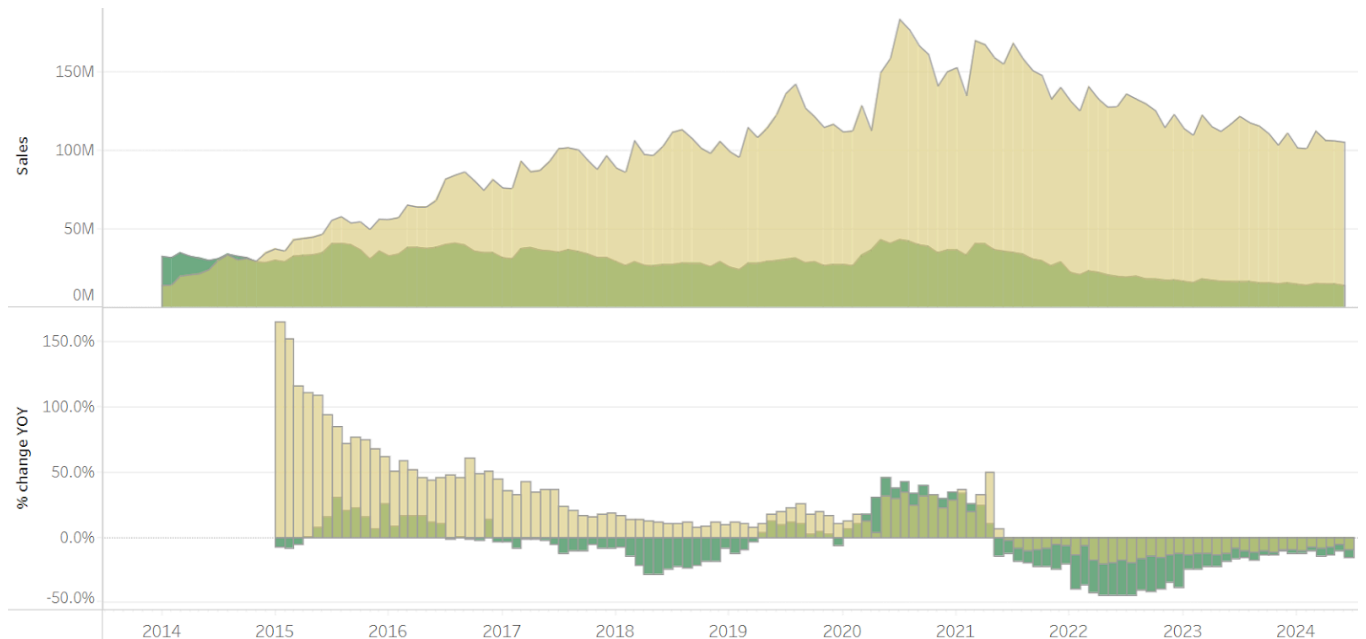
State of the Industry

Marijuana sales, license counts, tax collection, and revenue peaked during the COVID-19 pandemic, in Colorado and elsewhere. [“Sales reached a three-year peak](#) in Washington in May 2020 and in Alaska, Colorado, and Oregon in July 2020.” Wholesale prices in Colorado have been near or at their lowest point over the last 18 months:

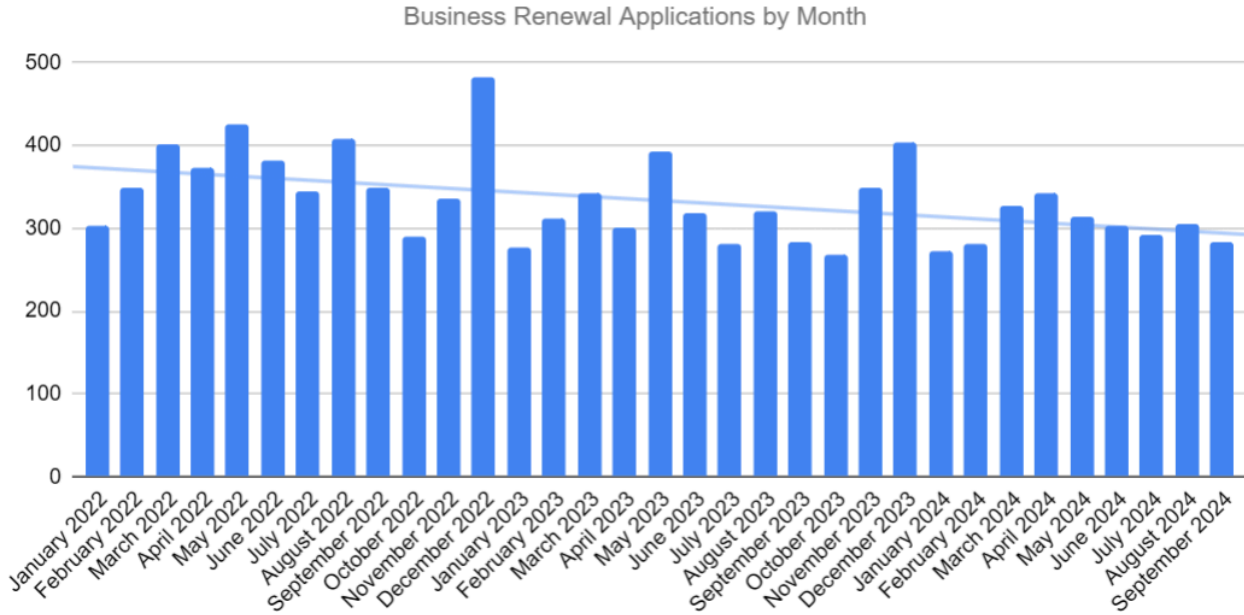


Source: MED, CU Business Research Division, and MPG Consulting: “Colorado MED Dashboard” June 2024

Marijuana sales in Colorado, which peaked during 2021, have decreased year-over-year for each month since 2021:



The impact of the above pricing and revenue trends to Colorado marijuana licensees (owners, businesses, and employees) has been a reduction in license and application counts. The decrease in applications has impacted the MED's revenue as a cash-funded agency. The largest revenue driver for the MED is fees related to business renewals. The chart below illustrates the business renewal applications trend.

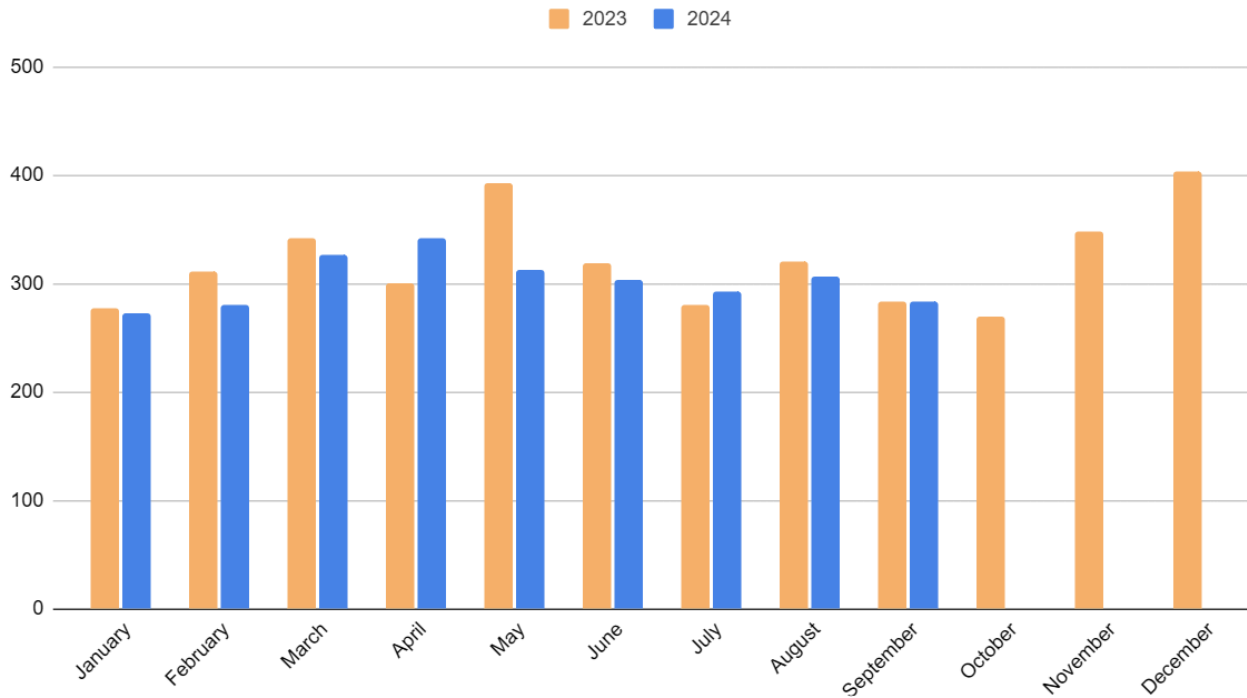


Source: MED Licensing Database (“My License Office”)

Marijuana businesses have continued to struggle to raise capital and to be cash flow positive due to the above impacts and the inability to deduct standard business expenses due to the restrictions of Section 280(e) of the IRS code. While that limitation may change if marijuana is rescheduled to a Schedule III substance (as opposed to Schedule I), that potential impact is not likely to be evident until 2025 based on the [current federal rulemaking and rescheduling timeline](#). As mentioned, the most significant revenue source for the MED is business renewal applications.



Business Renewal Applications Received - Monthly Trend (year-over-year)



Source: MED Licensing Database (“My License Office”)

- For business renewal applications received year-to-date through September:
 - 2024 YTD September is down 3.8% compared to 2023
 - 2023 YTD September was down 15.2% compared to 2022
- While business renewals are still decreasing, the pace at which businesses have non-renewed has slowed significantly. Net of reinstatements, business counts were flat over the last 3 months compared to prior year.

Impact of Synthetically and Hemp-Derived THC

Going forward, licensees and business renewal applications themselves are likely to be impacted by continued pressures from [synthetically and hemp-derived THC](#), where there is an emergence of chemically converted THC products more widely accessible across the nation and the manufacture of which are not regulated by the MED. While Colorado law recently prohibited these chemically converted THC products from being sold in the



state, many of these products are available for purchase online and are sold at retail establishments in other states (in some cases, without age verification requirements, despite such products being higher in THC concentration than what is permitted to be sold at Colorado licensed dispensaries). See the Colorado AG's Office [press release from June 2024](#): "Colorado Attorney General's Office sues Colorado cannabis business for falsely marketing marijuana products as legal industrial hemp." These chemically converted THC products are available at a much lower price point than regulated marijuana, incentivizing both consumer and regulated business activities. As a result, the emergence of these products are impacting participation in the regulated market and have increased the MED's resource deployment (based on reports of chemically converted THC entering the regulated market, creating risks to consumer safety).

Actions Taken

Summary

Similar to the industry trends identified above, the MED has reduced its staffing and resources since 2021. Current MED headcount (FTE) is down 13 percent from FY 2020-21. Due to intentionally operating at a significantly reduced staffing level, the MED will save \$1.9 million this fiscal year. For a larger comparison, in total, the MED will operate at a level \$6 million below the Long Bill appropriation.

Area	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Projected FY 2024-25
Total FTE	122.3	120.0	105.0	106.0	105.0
Operating Expenses	\$1.75 million	\$1.03 million	\$0.86 million	\$0.65 million	\$0.68 million
Square Footage	39,633 sq ft	25,292 sq ft (Downsized Lakewood Office)	21,086 sq ft (Downsized CO Springs Office)	17,791 sq ft (Closed Longmont Office)	16,812 sq ft (Downsized GJ Office)

Fiscal Year 2022-23

Due to all of these increasing demands and operational costs with no corresponding change to revenue, the MCF fell into a negative cash position in FY 2022-23. The Department of Revenue (DOR) obtained a cash fund loan through the Office of the State Controller (OSC) from the Cash Fund Solvency Fund established in SB21-283 in the amount of \$1.5 million. This loan has a repayment plan with the OSC of \$500,000 per year during FY 2024-25 through FY 2026-27. This cost is an additional burden on the cash fund beyond the normal operating expenses again with no corresponding additional revenue.

An additional action taken during the 2023 legislative session to temporarily bolster the position of the cash fund was to transfer \$4 million of existing funding that was available through DOR underspending to the MCF as directed by SB23-199. This was a one-time action.

Fiscal Year 2023-24

Fees were increased in FY 2023-24. Until this increase, fees had not been increased beyond 2016 levels. Since 2016, however, inflation has cumulatively risen by more than 30 percent, yet the inflationary fee increases implemented only considered inflation of the prior calendar year which resulted in an eight percent fee increase for the majority of fee types. This decision was made as a balance between the need for fee increases while being sensitive to the impact on businesses and the current conditions of the marijuana industry in Colorado. This eight percent increase at the start of FY 2023-24, was estimated to generate a total of \$15.5 million in license fee revenue for the division, which was \$4.9 million more in fee revenue compared to FY 2022-23. However, due to fewer renewal applications and fewer active employee licenses, the license fee revenue only produced a total of \$12.0 million during FY 2023-24 which was only \$1.4 million more than FY 2022-23 and 71 percent less than anticipated.

Beyond the inflationary cost driver, the scope and complexities of Colorado's cannabis framework have significantly increased over time, including new programs established via legislation (publicly traded company investment, hospitality, delivery, and social equity). Industry innovation has also increased the MED's workload to keep pace with innovation,

including the development of new product categories (which would otherwise be subject to FDA oversight), and decontamination and testing practices. Further, the structure, size, financing, and complexity of marijuana businesses have all increased significantly over time, requiring more investigative and time-intensive resources from the MED.

There were several parameters decided upon during the fee setting discussions that resulted in the revised fee schedule.

- A. More complex types of licensing that required more time, personnel, and resources to process should have associated fees reflective of the level of effort.
- B. Many fees were restructured into levels with higher fees being applied to larger businesses and lower fees being applied to smaller operations based on plant counts.
- C. There are additional fees that were newly established for new programs and/or processes such as product testing for example. Licensees may opt into a reduced testing program if the optional fee is paid. This leaves the decision up to each business individually.

The fee changes were informed by time estimates and areas of increased workload as identified by MED for the work performed and comparative analysis of other adult-use states. A prior independent study also engaged in an analysis of the MED's workflow, costs, and comparisons to other states.

Fiscal Year 2024-25

DOR, with the support of the Office of State Planning and Budgeting (OSPB), submitted R-05 MED Support Funding budget request which was approved by the Joint Budget Committee. This restored \$3.5 million of ongoing spending authority from the MTCF that had previously been in place for MED operations. This \$3.5 million is less than half of the original \$7.6 million of spending authority that MED had from the MTCF. In addition, the MED was approved to increase certain license fees by an inflationary rate of five percent which is estimated to generate an additional \$200,000 in license fee revenue in FY 2024-25. While these actions are



a significant step towards solvency for the MCF, it is not enough to cover the current amount of the annual operating deficit. It is important to note that the current annual deficit still exists even though MED is operating at 35 percent under their Long Bill spending authority.

Below is the forecast for the MCF. Cost increases are primarily driven by the statewide negotiated salary survey, increases in OIT costs for common policy, other state agencies providing services that set rates and bill department cash funds without supporting revenue, and the repayment of the Cash Fund Solvency Fund loan.

Marijuana Cash Fund Forecast

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Projected	FY 2025-26 Projected	FY 2026-27 Projected
Beginning Fund Balance	3,367,766	236,067	1,366,846	(133,154)	(1,783,154)
Revenue					
SB 23-199 Transfer	0	4,094,849	0	0	0
SB 23-271 Transfer	0	295,024	0	0	0
Fees, fines, interest, misc.	11,028,764	12,409,745	12,850,000	13,200,000	13,585,000
Total Revenue	11,028,764	16,799,618	12,850,000	13,200,000	13,585,000
Expense					
Operating Expense	15,660,463	15,668,839	17,350,000	17,850,000	18,350,000
FY 2024-25 R-05 MED Support Funding (MTCF Funding)	0	0	(3,500,000)	(3,500,000)	(3,500,000)
Total Expense	15,660,463	15,668,839	13,850,000	14,350,000	14,850,000
Surplus/Deficit	(4,631,699)	1,130,779	(1,000,000)	(1,150,000)	(1,265,000)
Cash Fund Insolvency Loan/ (Repayment)	1,500,000	0	(500,000)	(500,000)	(500,000)
Ending Fund Balance	236,067	1,366,846	(133,154)	(1,783,154)	(3,548,154)

As this forecast indicates, the MCF is not solvent at this time. DOR continues to work with the OSPB to consider all options and potential actions that could be taken to remedy this situation and re-establish a stable financial outlook for the MCF.

Heidi Humphreys
Executive Director
Department of Revenue

Cc: Representative Shannon Bird, Chair, Joint Budget Committee
Senator Rachel Zenzinger, Vice Chair, Joint Budget Committee
Senator Jeff Bridges, Joint Budget Committee
Senator Barbara Kirkmeyer, Joint Budget Committee
Representative Emily Sirota, Joint Budget Committee
Representative Rick Taggart, Joint Budget Committee
Jon Catlett, staff, Joint Budget Committee, Colorado General Assembly
Mark Ferrandino, Director, Governor's Office of State Planning and Budgeting
Edward Crandall, staff, Governor's Office of State Planning and Budgeting
Jimmy Reed, Legislative Liaison, Department of Revenue

Department Annual Performance Report

Pursuant to Section 2-7-205 (1)(b), C.R.S., the Department of Revenue is required to publish an **Annual Performance Report** for the *previous state fiscal year* by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's FY 2025-26 budget request, the FY 2023-24 Annual Performance Report and the FY 2024-25 Performance Plan can be found at the following link:

<https://www.colorado.gov/pacific/performance/department-performance-plans>

Appendix A: Numbers Pages

Appendix A details actual expenditures for the last two state fiscal years, the appropriation for the current fiscal year, and the requested appropriation for next fiscal year. This information is listed by line item and fund source.

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
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Department of Revenue
Mark Ferrandino, Executive Director

(1) Executive Director's Office

(A) Administration and Support

Personal Services	<u>15,480,799</u>	<u>17,471,217</u>	<u>19,870,379</u>	<u>21,169,941</u> *
FTE	176.7	190.9	211.2	202.6
General Fund	6,628,542	8,436,921	8,124,577	9,305,854
Cash Funds	1,312,185	2,324,334	3,368,691	3,557,533
Reappropriated Funds	7,540,072	6,709,962	8,377,111	8,306,554
Federal Funds	0	0	0	0
Health, Life, and Dental	<u>19,145,346</u>	<u>20,475,351</u>	<u>23,127,476</u>	<u>25,969,441</u>
General Fund	8,514,392	9,035,999	10,792,094	11,651,518
Cash Funds	10,626,881	11,333,648	12,194,805	14,214,956
Reappropriated Funds	4,073	105,704	140,577	102,967
Federal Funds	0	0	0	0
Short-term Disability	<u>162,852</u>	<u>161,755</u>	<u>184,224</u>	<u>197,079</u>
General Fund	74,569	71,051	86,768	89,648
Cash Funds	88,239	89,768	96,476	106,642
Reappropriated Funds	44	936	980	789
Federal Funds	0	0	0	0

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
S.B. 04-257 Amortization Equalization Disbursement	<u>5,128,566</u>	<u>5,472,650</u>	0	0	
General Fund	2,344,687	2,396,407	0	0	
Cash Funds	2,782,485	3,044,623	0	0	
Reappropriated Funds	1,394	31,620	0	0	
Federal Funds	0	0	0	0	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>5,128,566</u>	<u>5,472,650</u>	0	0	
General Fund	2,344,687	2,396,407	0	0	
Cash Funds	2,782,485	3,044,623	0	0	
Reappropriated Funds	1,394	31,620	0	0	
Federal Funds	0	0	0	0	
AED/SAED Unfunded PERA Liability	0	0	<u>12,281,590</u>	<u>13,118,571</u>	
General Fund	0	0	5,784,562	5,971,979	
Cash Funds	0	0	6,431,726	7,093,982	
Reappropriated Funds	0	0	65,302	52,610	
Federal Funds	0	0	0	0	
PERA Direct Distribution	<u>1,193,374</u>	<u>341,946</u>	<u>2,403,687</u>	<u>2,358,908</u>	
General Fund	0	150,048	1,132,123	1,132,328	
Cash Funds	1,192,776	189,918	1,258,783	1,226,580	
Reappropriated Funds	598	1,980	12,781	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Salary Survey	<u>3,511,891</u>	<u>6,261,244</u>	<u>4,371,299</u>	<u>3,538,396</u>	
General Fund	1,571,176	2,629,467	2,057,564	1,614,887	
Cash Funds	1,939,792	3,595,929	2,290,436	1,909,039	
Reappropriated Funds	923	35,848	23,299	14,470	
Federal Funds	0	0	0	0	
Step Plan	<u>0</u>	<u>0</u>	<u>3,417,466</u>	<u>863,127</u>	
General Fund	0	0	1,702,775	328,160	
Cash Funds	0	0	1,697,403	532,804	
Reappropriated Funds	0	0	17,288	2,163	
Federal Funds	0	0	0	0	
Shift Differential	<u>123,194</u>	<u>115,151</u>	<u>139,234</u>	<u>194,438</u>	
General Fund	0	0	0	0	
Cash Funds	123,194	115,151	139,234	194,438	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Temporary Employees Related to Authorized Leave	<u>0</u>	<u>211,363</u>	<u>0</u>	<u>0</u>	
General Fund	0	211,363	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Paid Family Medical Leave Initiative	<u>0</u>	<u>0</u>	<u>552,672</u>	<u>590,308</u>	
General Fund	0	0	260,305	268,724	
Cash Funds	0	0	289,428	319,217	
Reappropriated Funds	0	0	2,939	2,367	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Workers' Compensation	<u>487,490</u>	<u>487,491</u>	<u>530,460</u>	<u>405,712</u>	
General Fund	185,922	185,922	202,310	154,733	
Cash Funds	301,568	301,569	328,150	250,979	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>2,669,062</u>	<u>2,888,863</u>	<u>3,595,152</u>	<u>3,945,448</u>	
General Fund	2,150,506	2,249,664	2,306,461	2,678,401	
Cash Funds	515,772	639,199	1,260,791	1,243,197	
Reappropriated Funds	2,784	0	27,900	23,850	
Federal Funds	0	0	0	0	
Postage	<u>149,579</u>	<u>151,863</u>	<u>304,708</u>	<u>458,402</u>	
General Fund	52,165	95,458	158,854	283,346	
Cash Funds	97,414	56,405	145,854	175,056	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Legal Services	<u>5,846,609</u>	<u>5,738,927</u>	<u>5,320,308</u>	<u>5,869,764</u>	
General Fund	2,896,468	2,937,593	2,920,028	3,286,183	
Cash Funds	2,950,141	2,744,234	2,400,280	2,583,581	
Reappropriated Funds	0	57,100	0	0	
Federal Funds	0	0	0	0	
Administrative Law Judge Services	<u>322</u>	<u>1,196</u>	<u>1,565</u>	<u>11,382</u>	*
General Fund	0	0	0	0	
Cash Funds	322	1,196	1,565	11,382	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Payment to Risk Management and Property Funds	<u>749,074</u>	<u>1,577,359</u>	<u>560,631</u>	<u>599,763</u>	
General Fund	285,671	1,125,218	213,162	228,041	
Cash Funds	463,403	452,141	347,469	371,722	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Vehicle Lease Payments	<u>624,642</u>	<u>685,098</u>	<u>939,111</u>	<u>1,057,212</u> *	
General Fund	95,379	121,336	131,717	191,714	
Cash Funds	529,263	563,762	807,394	865,498	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Leased Space	<u>4,194,639</u>	<u>4,362,760</u>	<u>7,078,845</u>	<u>7,289,345</u>	
General Fund	407,567	432,593	909,738	909,496	
Cash Funds	3,787,072	3,930,167	6,169,107	6,379,849	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Capitol Complex Leased Space	<u>866,374</u>	<u>894,833</u>	<u>961,905</u>	<u>75,194</u>	
General Fund	322,906	370,488	402,284	31,447	
Cash Funds	543,468	524,345	559,621	43,747	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Payments to OIT	<u>8,513,982</u>	<u>21,256,465</u>	<u>22,052,343</u>	<u>23,554,827</u>	
General Fund	7,977,684	12,387,950	11,476,686	12,009,210	
Cash Funds	536,298	8,868,515	10,575,657	11,545,617	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
IT Accessibility	<u>0</u>	<u>223,055</u>	<u>0</u>	<u>0</u>	
General Fund	0	223,055	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Digital Trunk Radio Payments	<u>0</u>	<u>140,874</u>	<u>138,492</u>	<u>144,096</u>	
General Fund	0	140,874	138,492	5,604	
Cash Funds	0	0	0	138,492	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
CORE Operations	<u>1,680,683</u>	<u>804,958</u>	<u>266,618</u>	<u>709,787</u>	
General Fund	640,985	307,090	101,714	270,782	
Cash Funds	1,039,698	497,868	164,904	439,005	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Utilities	<u>83,678</u>	<u>80,918</u>	<u>83,703</u>	<u>83,703</u>	
General Fund	0	0	0	0	
Cash Funds	83,678	80,918	83,703	83,703	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
DPA Administration Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Office of the State Architect	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Procurement and Contracts Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
DHR Labor Relations Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
DHR State Agency Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
DHR Training Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Financial Ops and Reporting Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Statewide training	0	0	0	0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (A) Administration and Support	75,740,722	95,277,987	108,181,868	112,204,844	3.7%
<i>FTE</i>	<u>176.7</u>	<u>190.9</u>	<u>211.2</u>	<u>202.6</u>	<u>(4.1%)</u>
General Fund	36,493,306	45,904,904	48,902,214	50,412,055	3.1%
Cash Funds	31,696,134	42,398,313	50,611,477	53,287,019	5.3%
Reappropriated Funds	7,551,282	6,974,770	8,668,177	8,505,770	(1.9%)
Federal Funds	0	0	0	0	0.0%

(B) Hearings Division

Personal Services	<u>2,683,496</u>	<u>2,768,880</u>	<u>3,501,207</u>	<u>3,641,627</u>	
FTE	33.3	33.3	33.3	33.3	
General Fund	0	0	0	0	
Cash Funds	2,683,496	2,768,880	3,501,207	3,641,627	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>90,946</u>	<u>85,432</u>	<u>110,412</u>	<u>110,412</u>	
General Fund	0	0	0	0	
Cash Funds	90,946	85,432	110,412	110,412	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Indirect Cost Assessment	<u>246,130</u>	<u>240,603</u>	<u>251,692</u>	<u>218,335</u>	
General Fund	0	0	0	0	
Cash Funds	246,130	240,603	251,692	218,335	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (B) Hearings Division	3,020,572	3,094,915	3,863,311	3,970,374	2.8%
<i>FTE</i>	<u>33.3</u>	<u>33.3</u>	<u>33.3</u>	<u>33.3</u>	(0.0%)
General Fund	0	0	0	0	0.0%
Cash Funds	3,020,572	3,094,915	3,863,311	3,970,374	2.8%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
TOTAL - (1) Executive Director's Office	78,761,294	98,372,902	112,045,179	116,175,218	3.7%
<i>FTE</i>	<u>210.0</u>	<u>224.2</u>	<u>244.5</u>	<u>235.9</u>	(3.5%)
General Fund	36,493,306	45,904,904	48,902,214	50,412,055	3.1%
Cash Funds	34,716,706	45,493,228	54,474,788	57,257,393	5.1%
Reappropriated Funds	7,551,282	6,974,770	8,668,177	8,505,770	(1.9%)
Federal Funds	0	0	0	0	0.0%

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
(3) Taxation Business Group					
(A) Administration					
Personal Services	<u>470,378</u>	<u>600,427</u>	<u>613,930</u>	<u>635,608</u>	
FTE	5.0	5.0	5.0	5.0	
General Fund	454,257	580,634	593,579	615,257	
Cash Funds	16,121	19,793	20,351	20,351	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>12,360</u>	<u>12,543</u>	<u>12,543</u>	<u>12,543</u>	
General Fund	12,360	12,543	12,543	12,543	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Tax Administration IT System (GenTax) Support	<u>6,781,476</u>	<u>6,907,198</u>	<u>9,419,445</u>	<u>8,736,539</u>	
General Fund	6,781,476	6,832,184	8,570,605	8,616,553	
Cash Funds	0	75,014	848,840	119,986	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
IDS Print Production	<u>6,997,973</u>	<u>5,185,900</u>	<u>6,033,909</u>	<u>6,270,031</u>	
General Fund	6,997,973	5,185,900	5,987,130	6,223,252	
Cash Funds	0	0	46,779	46,779	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
SUBTOTAL - (A) Administration	14,262,187	12,706,068	16,079,827	15,654,721	(2.6%)
<i>FTE</i>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>0.0%</u>
General Fund	14,246,066	12,611,261	15,163,857	15,467,605	2.0%
Cash Funds	16,121	94,807	915,970	187,116	(79.6%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

(B) Taxation Services

Personal Services	<u>29,863,523</u>	<u>32,934,331</u>	<u>35,068,024</u>	<u>37,762,393</u>	
<i>FTE</i>	424.7	429.8	422.7	438.6	
General Fund	28,881,583	31,471,456	32,830,928	35,773,090	
Cash Funds	827,855	1,262,349	1,983,011	1,735,218	
Reappropriated Funds	154,085	200,526	254,085	254,085	
Federal Funds	0	0	0	0	
Operating Expenses	<u>3,505,045</u>	<u>7,174,942</u>	<u>4,814,202</u>	<u>4,902,789</u>	
General Fund	3,496,236	7,156,009	4,758,344	4,879,642	
Cash Funds	8,809	18,933	55,858	23,147	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Joint Audit Program	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>352,259</u>	
General Fund	131,244	131,244	131,244	352,259	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Mineral Audit Program	<u>0</u>	<u>0</u>	<u>918,132</u>	<u>918,132</u>	
FTE	10.2	10.2	10.2	10.2	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	66,000	66,000	
Federal Funds	0	0	852,132	852,132	
Document Management	<u>4,714,433</u>	<u>4,262,345</u>	<u>4,993,226</u>	<u>5,679,805</u>	
General Fund	4,714,433	4,262,345	4,985,636	5,677,198	
Cash Funds	0	0	7,590	2,607	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Fuel Tracking System	<u>74,361</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	1.5	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	74,361	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>11,228</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	11,228	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
SUBTOTAL - (B) Taxation Services	38,299,834	44,502,862	45,924,828	49,615,378	8.0%
<i>FTE</i>	436.4	440.0	432.9	448.8	3.7%
General Fund	37,223,496	43,021,054	42,706,152	46,682,189	9.3%
Cash Funds	922,253	1,281,282	2,046,459	1,760,972	(14.0%)
Reappropriated Funds	154,085	200,526	320,085	320,085	0.0%
Federal Funds	0	0	852,132	852,132	0.0%
(C) Tax Conferee					
Personal Services	<u>1,385,778</u>	<u>1,539,647</u>	<u>1,680,753</u>	<u>1,760,001</u>	
<i>FTE</i>	13.6	13.6	13.6	13.6	
General Fund	1,385,778	1,539,647	1,583,470	1,662,718	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	97,283	97,283	
Federal Funds	0	0	0	0	
Operating Expenses	<u>43,149</u>	<u>60,905</u>	<u>60,905</u>	<u>60,905</u>	
General Fund	43,149	60,905	60,905	60,905	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (C) Tax Conferee	1,428,927	1,600,552	1,741,658	1,820,906	4.6%
<i>FTE</i>	<u>13.6</u>	<u>13.6</u>	<u>13.6</u>	<u>13.6</u>	0.0%
General Fund	1,428,927	1,600,552	1,644,375	1,723,623	4.8%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	0	97,283	97,283	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
(D) Special Purpose					
Cigarette Tax Rebate	<u>7,651,146</u>	<u>6,818,600</u>	<u>6,092,171</u>	<u>6,092,171</u>	
General Fund	7,651,146	6,818,600	6,092,171	6,092,171	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Amendment 35 Distribution to Local Governments	<u>965,329</u>	<u>980,876</u>	<u>873,102</u>	<u>873,102</u>	
General Fund	0	0	0	0	
Cash Funds	965,329	980,876	873,102	873,102	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Old Age Heat and Fuel and Property Tax Assistance	<u>12,004,423</u>	<u>12,131,699</u>	<u>10,493,500</u>	<u>10,493,500</u>	
General Fund	12,004,423	12,131,699	10,493,500	10,493,500	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Commercial Vehicle Enterprise Sales Tax Refund	<u>31,053</u>	<u>132,649</u>	<u>120,524</u>	<u>120,524</u>	
General Fund	0	0	0	0	
Cash Funds	31,053	132,649	120,524	120,524	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Retail Marijuana Sales Tax Distribution to Local Governments	<u>21,916,172</u>	<u>19,449,917</u>	<u>25,720,418</u>	<u>25,720,418</u>	
General Fund	21,916,172	19,449,917	25,720,418	25,720,418	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (D) Special Purpose	42,568,123	39,513,741	43,299,715	43,299,715	0.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	41,571,741	38,400,216	42,306,089	42,306,089	0.0%
Cash Funds	996,382	1,113,525	993,626	993,626	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

(E) Taxation and Compliance Division

Personal Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Indirect Cost Assessment	0	0	0	0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (F) Taxpayer Service Division	0	0	0	0	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>NaN</u>	<u>NaN</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
TOTAL - (3) Taxation Business Group	96,559,071	98,323,223	107,046,028	110,390,720	3.1%
<i>FTE</i>	<u>455.0</u>	<u>458.6</u>	<u>451.5</u>	<u>467.4</u>	<u>3.5%</u>
General Fund	94,470,230	95,633,083	101,820,473	106,179,506	4.3%
Cash Funds	1,934,756	2,489,614	3,956,055	2,941,714	(25.6%)
Reappropriated Funds	154,085	200,526	417,368	417,368	0.0%
Federal Funds	0	0	852,132	852,132	0.0%

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
(4) Division of Motor Vehicles					
(A) Administration					
Personal Services	<u>2,910,648</u>	<u>3,211,806</u>	<u>3,679,920</u>	<u>3,928,602</u>	
FTE	42.9	36.9	40.6	40.9	
General Fund	584,878	617,237	647,247	727,147	
Cash Funds	2,274,260	2,542,783	2,980,887	3,149,669	
Reappropriated Funds	51,510	51,786	51,786	51,786	
Federal Funds	0	0	0	0	
Operating Expenses	<u>390,736</u>	<u>389,101</u>	<u>558,433</u>	<u>530,668</u>	
General Fund	63,731	63,731	63,731	63,731	
Cash Funds	323,615	321,980	491,312	463,547	
Reappropriated Funds	3,390	3,390	3,390	3,390	
Federal Funds	0	0	0	0	
DRIVES Maintenance and Support	<u>7,614,051</u>	<u>6,242,661</u>	<u>10,136,685</u>	<u>10,069,326</u>	
General Fund	735,356	22,293	18,000	18,000	
Cash Funds	6,770,495	6,220,368	10,118,685	10,051,326	
Reappropriated Funds	108,200	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (A) Administration	10,915,435	9,843,568	14,375,038	14,528,596	1.1%
FTE	<u>42.9</u>	<u>36.9</u>	<u>40.6</u>	<u>40.9</u>	<u>0.7%</u>
General Fund	1,383,965	703,261	728,978	808,878	11.0%
Cash Funds	9,368,370	9,085,131	13,590,884	13,664,542	0.5%
Reappropriated Funds	163,100	55,176	55,176	55,176	0.0%
Federal Funds	0	0	0	0	0.0%

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
(B) Driver Services					
Personal Services	<u>24,450,299</u>	<u>24,228,754</u>	<u>27,260,936</u>	<u>29,051,317</u>	
FTE	426.9	426.9	426.9	426.9	
General Fund	2,900,377	3,030,850	3,228,433	3,591,321	
Cash Funds	21,427,587	21,074,922	23,909,521	25,337,014	
Reappropriated Funds	122,335	122,982	122,982	122,982	
Federal Funds	0	0	0	0	
Operating Expenses	<u>2,427,751</u>	<u>1,874,303</u>	<u>2,534,299</u>	<u>2,654,959</u>	
General Fund	414,260	414,260	414,260	414,260	
Cash Funds	2,003,321	1,449,873	2,109,869	2,230,529	
Reappropriated Funds	10,170	10,170	10,170	10,170	
Federal Funds	0	0	0	0	
Drivers License Documents	<u>6,242,357</u>	<u>5,907,525</u>	<u>8,143,739</u>	<u>8,143,739</u>	
General Fund	3,498	3,498	3,498	3,498	
Cash Funds	6,238,859	5,904,027	8,140,241	8,140,241	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Ignition Interlock Program	<u>599,144</u>	<u>582,672</u>	<u>728,379</u>	<u>742,960</u>	
FTE	6.9	6.9	6.9	6.9	
General Fund	0	0	0	0	
Cash Funds	599,144	582,672	728,379	742,960	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Indirect Cost Assessment	<u>3,127,093</u>	<u>2,695,177</u>	<u>3,617,569</u>	<u>3,585,708</u>	
General Fund	0	0	0	0	
Cash Funds	3,127,093	2,695,177	3,617,569	3,585,708	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (B) Driver Services	36,846,644	35,288,431	42,284,922	44,178,683	4.5%
<i>FTE</i>	<u>433.8</u>	<u>433.8</u>	<u>433.8</u>	<u>433.8</u>	(0.0%)
General Fund	3,318,135	3,448,608	3,646,191	4,009,079	10.0%
Cash Funds	33,396,004	31,706,671	38,505,579	40,036,452	4.0%
Reappropriated Funds	132,505	133,152	133,152	133,152	0.0%
Federal Funds	0	0	0	0	0.0%

(C) Vehicle Services

Personal Services	<u>2,925,140</u>	<u>2,714,806</u>	<u>3,492,123</u>	<u>3,736,892</u>	
FTE	52.1	54.1	54.2	54.9	
General Fund	656,752	662,406	711,899	558,687	
Cash Funds	2,268,388	2,052,400	2,780,224	3,178,205	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>339,834</u>	<u>211,159</u>	<u>394,712</u>	<u>408,920</u>	
General Fund	50,362	28,587	28,587	28,587	
Cash Funds	289,472	182,572	366,125	380,333	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
License Plate Ordering	<u>7,618,115</u>	<u>7,900,472</u>	<u>13,755,910</u>	<u>232,283</u>	
General Fund	216,315	236,000	247,800	0	
Cash Funds	7,401,800	7,664,472	13,508,110	232,283	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Motorist Insurance Identification Database Program	<u>244,323</u>	<u>192,415</u>	<u>354,702</u>	<u>358,928</u>	
FTE	1.0	1.0	1.0	1.0	
General Fund	0	0	0	0	
Cash Funds	244,323	192,415	354,702	358,928	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Emissions Program	<u>1,074,031</u>	<u>1,230,606</u>	<u>1,283,266</u>	<u>1,312,850</u>	
FTE	15.0	15.0	15.0	15.0	
General Fund	0	0	0	0	
Cash Funds	1,074,031	1,230,606	1,283,266	1,312,850	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>430,805</u>	<u>426,142</u>	<u>546,204</u>	<u>573,749</u>	
General Fund	0	0	0	0	
Cash Funds	430,805	426,142	546,204	573,749	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
SUBTOTAL - (C) Vehicle Services	12,632,248	12,675,600	19,826,917	6,623,622	(66.6%)
<i>FTE</i>	<u>68.1</u>	<u>70.1</u>	<u>70.2</u>	<u>70.9</u>	<u>1.0%</u>
General Fund	923,429	926,993	988,286	587,274	(40.6%)
Cash Funds	11,708,819	11,748,607	18,838,631	6,036,348	(68.0%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

(D) County Support Services

Operating Expenses	<u>2,017,757</u>	<u>2,025,160</u>	<u>2,356,535</u>	<u>2,317,295</u>
General Fund	0	0	0	0
Cash Funds	2,017,757	2,025,160	2,356,535	2,317,295
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
County Office Asset Maintenance	<u>511,430</u>	<u>505,833</u>	<u>511,430</u>	<u>511,430</u>
General Fund	0	0	0	0
Cash Funds	511,430	505,833	511,430	511,430
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
County Office Improvements	<u>26,129</u>	<u>31,069</u>	<u>36,000</u>	<u>36,000</u>
General Fund	0	0	0	0
Cash Funds	26,129	31,069	36,000	36,000
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
SUBTOTAL - (D) County Support Services	2,555,316	2,562,062	2,903,965	2,864,725	(1.4%)
<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	0	0	0	0	0.0%
Cash Funds	2,555,316	2,562,062	2,903,965	2,864,725	(1.4%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
TOTAL - (4) Division of Motor Vehicles	62,949,643	60,369,661	79,390,842	68,195,626	(14.1%)
<i>FTE</i>	<u>544.8</u>	<u>540.8</u>	<u>544.6</u>	<u>545.6</u>	<u>0.2%</u>
General Fund	5,625,529	5,078,862	5,363,455	5,405,231	0.8%
Cash Funds	57,028,509	55,102,471	73,839,059	62,602,067	(15.2%)
Reappropriated Funds	295,605	188,328	188,328	188,328	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
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(5) Specialized Business Group

(G) Firearms Dealers Division

Personal Services	<u>469,819</u>	<u>2,008,131</u>			
FTE	5.3	23.7			
General Fund	469,819	1,800,131			
Cash Funds	0	208,000			
Operating Expenses	<u>85,144</u>	<u>239,936</u>			
General Fund	85,144	239,936			

SUBTOTAL - (G) Firearms Dealers Division	554,963	2,248,067	305.1%		
<i>FTE</i>	<u>5.3</u>	<u>23.7</u>	<u>347.2%</u>		
General Fund	554,963	2,040,067	267.6%		
Cash Funds	0	208,000	0.0%		

(A) Administration

Personal Services	<u>733,685</u>	<u>1,041,964</u>	<u>1,176,030</u>	<u>1,176,030</u>
FTE	11.0	11.0	11.0	11.0
General Fund	7,871	8,121	8,427	8,427
Cash Funds	508,416	714,084	837,974	837,974
Reappropriated Funds	217,398	319,759	329,629	329,629
Federal Funds	0	0	0	0

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Operating Expenses	<u>13,253</u>	<u>13,934</u>	<u>13,934</u>	<u>13,934</u>	
General Fund	111	111	111	111	
Cash Funds	8,447	8,885	8,885	8,885	
Reappropriated Funds	4,695	4,938	4,938	4,938	
Federal Funds	0	0	0	0	
SUBTOTAL - (A) Administration	746,938	1,055,898	1,189,964	1,189,964	0.0%
<i>FTE</i>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	<u>0.0%</u>
General Fund	7,982	8,232	8,538	8,538	0.0%
Cash Funds	516,863	722,969	846,859	846,859	0.0%
Reappropriated Funds	222,093	324,697	334,567	334,567	0.0%
Federal Funds	0	0	0	0	0.0%

(B) Limited Gaming Division

Personal Services	<u>9,946,497</u>	<u>10,394,362</u>	<u>9,604,145</u>	<u>14,052,041</u>
FTE	106.0	106.0	106.0	138.0
General Fund	0	0	0	0
Cash Funds	9,946,497	10,394,362	9,604,145	14,052,041
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Operating Expenses	<u>857,237</u>	<u>925,455</u>	<u>1,129,997</u>	<u>1,996,196</u>
General Fund	0	0	0	0
Cash Funds	857,237	925,455	1,129,997	1,996,196
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Payments to Other State Agencies	<u>3,691,143</u>	<u>3,931,236</u>	<u>4,066,253</u>	<u>5,030,021</u>	
General Fund	0	0	0	0	
Cash Funds	3,691,143	3,931,236	4,066,253	5,030,021	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Distribution to Gaming Cities and Counties	<u>156,570,957</u>	<u>160,831,150</u>	<u>26,035,153</u>	<u>26,035,153</u>	
General Fund	1,250,000	0	0	0	
Cash Funds	155,320,957	160,831,150	26,035,153	26,035,153	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Responsible Gaming Grant Program	<u>2,499,816</u>	<u>2,034,529</u>	<u>3,200,000</u>	<u>4,220,000</u>	
General Fund	0	0	0	0	
Cash Funds	2,499,816	2,034,529	3,200,000	4,220,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>1,024,730</u>	<u>1,114,565</u>	<u>944,512</u>	<u>961,717</u>	
General Fund	0	0	0	0	
Cash Funds	1,024,730	1,114,565	944,512	961,717	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
SUBTOTAL - (B) Limited Gaming Division	174,590,380	179,231,297	44,980,060	52,295,128	16.3%
<i>FTE</i>	<u>106.0</u>	<u>106.0</u>	<u>106.0</u>	<u>138.0</u>	<u>30.2%</u>
General Fund	1,250,000	0	0	0	0.0%
Cash Funds	173,340,380	179,231,297	44,980,060	52,295,128	16.3%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

(C) Liquor and Tobacco Enforcement Division

Personal Services	<u>3,411,889</u>	<u>4,173,893</u>	<u>5,317,268</u>	<u>5,480,060</u>
<i>FTE</i>	63.7	65.1	65.8	65.4
General Fund	185,187	191,363	199,790	205,030
Cash Funds	3,226,702	3,982,530	5,117,478	5,275,030
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Operating Expenses	<u>458,722</u>	<u>549,182</u>	<u>552,038</u>	<u>539,856</u>
General Fund	6,965	6,965	6,965	6,965
Cash Funds	451,757	542,217	545,073	532,891
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Indirect Cost Assessment	<u>473,590</u>	<u>459,608</u>	<u>506,368</u>	<u>599,797</u>
General Fund	0	0	0	0
Cash Funds	473,590	459,608	506,368	599,797
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
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SUBTOTAL - (C) Liquor and Tobacco Enforcement					
Division	4,344,201	5,182,683	6,375,674	6,619,713	3.8%
<i>FTE</i>	<u>63.7</u>	<u>65.1</u>	<u>65.8</u>	<u>65.4</u>	<u>(0.6%)</u>
General Fund	192,152	198,328	206,755	211,995	2.5%
Cash Funds	4,152,049	4,984,355	6,168,919	6,407,718	3.9%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

(D) Division of Racing Events

Personal Services	<u>1,017,565</u>	<u>888,733</u>	<u>1,452,119</u>	<u>1,480,809</u>	
<i>FTE</i>	10.7	11.7	11.7	11.7	
General Fund	0	0	0	0	
Cash Funds	1,017,565	888,733	1,452,119	1,480,809	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>309,629</u>	<u>258,592</u>	<u>505,026</u>	<u>505,026</u>	
General Fund	0	0	0	0	
Cash Funds	309,629	258,592	505,026	505,026	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Purses and Breeders Awards	<u>1,010,470</u>	<u>730,823</u>	<u>1,400,000</u>	<u>1,400,000</u>	
General Fund	0	0	0	0	
Cash Funds	1,010,470	730,823	1,400,000	1,400,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Indirect Cost Assessment	<u>58,305</u>	<u>56,682</u>	<u>84,897</u>	<u>106,151</u>	
General Fund	0	0	0	0	
Cash Funds	58,305	56,682	84,897	106,151	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (D) Division of Racing Events	2,395,969	1,934,830	3,442,042	3,491,986	1.5%
<i>FTE</i>	<u>10.7</u>	<u>11.7</u>	<u>11.7</u>	<u>11.7</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	2,395,969	1,934,830	3,442,042	3,491,986	1.5%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

Hearings Division

Personal Services	<u>0</u>	<u>0</u>
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0
Operating Expenses	<u>0</u>	<u>0</u>
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Indirect Cost Assessment	0	0			
General Fund	0	0			
Cash Funds	0	0			
Reappropriated Funds	0	0			
Federal Funds	0	0			
SUBTOTAL - Hearings Division	0	0	0.0%		
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>		
General Fund	0	0	0.0%		
Cash Funds	0	0	0.0%		
Reappropriated Funds	0	0	0.0%		
Federal Funds	0	0	0.0%		

(F) Motor Vehicle Dealer Licensing Board

Personal Services	<u>2,370,911</u>	<u>2,242,367</u>	<u>2,905,640</u>	<u>3,201,721</u>
FTE	32.3	32.3	32.3	32.3
General Fund	0	0	0	0
Cash Funds	2,370,911	2,242,367	2,905,640	3,201,721
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Operating Expenses	<u>292,893</u>	<u>156,559</u>	<u>325,446</u>	<u>325,446</u>
General Fund	0	0	0	0
Cash Funds	292,893	156,559	325,446	325,446
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Indirect Cost Assessment	<u>244,578</u>	<u>237,772</u>	<u>287,347</u>	<u>324,581</u>	
General Fund	0	0	0	0	
Cash Funds	244,578	237,772	287,347	324,581	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (F) Motor Vehicle Dealer Licensing Board	2,908,382	2,636,698	3,518,433	3,851,748	9.5%
<i>FTE</i>	<u>32.3</u>	<u>32.3</u>	<u>32.3</u>	<u>32.3</u>	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	2,908,382	2,636,698	3,518,433	3,851,748	9.5%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

(G) Marijuana Enforcement

Marijuana Enforcement	<u>8,612,671</u>	<u>10,023,467</u>	<u>16,604,617</u>	<u>16,897,960</u>
FTE	156.0	159.1	158.6	158.6
General Fund	0	295,024	0	0
Cash Funds	8,612,671	9,599,093	16,604,617	16,897,960
Reappropriated Funds	0	129,350	0	0
Federal Funds	0	0	0	0
Indirect Cost Assessment	<u>1,290,841</u>	<u>1,086,213</u>	<u>1,538,861</u>	<u>1,467,700</u>
General Fund	0	0	0	(40,530)
Cash Funds	1,290,841	1,086,213	1,538,861	1,508,230
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

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	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Natural Medicines	<u>0</u>	<u>0</u>	<u>1,408,955</u>	<u>1,584,633</u>	
FTE	0.0	0.0	15.5	19.0	
General Fund	0	0	1,408,955	0	
Cash Funds	0	0	0	1,584,633	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Transfers to Other Departments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (G) Marijuana Enforcement	9,903,512	11,109,680	19,552,433	19,950,293	2.0%
<i>FTE</i>	<u>156.0</u>	<u>159.1</u>	<u>174.1</u>	<u>177.6</u>	<u>2.0%</u>
General Fund	0	295,024	1,408,955	(40,530)	(102.9%)
Cash Funds	9,903,512	10,685,306	18,143,478	19,990,823	10.2%
Reappropriated Funds	0	129,350	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
SUBTOTAL - (G) Natural Medicine Division	0	501,835	0.0%		
<i>FTE</i>	<u>0.0</u>	<u>4.7</u>	<u>0.0%</u>		
General Fund	0	501,835	0.0%		
Cash Funds	0	0	0.0%		
Reappropriated Funds	0	0	0.0%		
Federal Funds	0	0	0.0%		
TOTAL - (5) Specialized Business Group	194,889,382	201,652,921	79,613,569	89,646,899	12.6%
<i>FTE</i>	<u>379.7</u>	<u>389.9</u>	<u>406.2</u>	<u>459.7</u>	<u>13.2%</u>
General Fund	1,450,134	1,003,419	2,179,211	2,220,070	1.9%
Cash Funds	193,217,155	200,195,455	77,099,791	87,092,262	13.0%
Reappropriated Funds	222,093	454,047	334,567	334,567	0.0%
Federal Funds	0	0	0	0	0.0%

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
(6) State Lottery Division					
Personal Services	<u>8,588,284</u>	<u>8,842,225</u>	<u>9,726,496</u>	<u>11,033,214</u>	
FTE	102.1	102.1	102.1	115.9	
General Fund	0	0	0	0	
Cash Funds	8,588,284	8,842,225	9,726,496	11,033,214	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>1,123,203</u>	<u>1,096,736</u>	<u>1,540,533</u>	<u>1,655,676</u>	
General Fund	0	0	0	0	
Cash Funds	1,123,203	1,096,736	1,540,533	1,655,676	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Payments to Other State Agencies	<u>137,868</u>	<u>112,929</u>	<u>239,410</u>	<u>239,410</u>	
General Fund	0	0	0	0	
Cash Funds	137,868	112,929	239,410	239,410	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Marketing and Communications	<u>14,837,053</u>	<u>14,773,730</u>	<u>14,900,000</u>	<u>18,200,000</u>	
General Fund	0	0	0	0	
Cash Funds	14,837,053	14,773,730	14,900,000	18,200,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Multi-State Lottery Fees	<u>119,622</u>	<u>42,897</u>	<u>177,433</u>	<u>177,433</u>	
General Fund	0	0	0	0	
Cash Funds	119,622	42,897	177,433	177,433	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Vendor Fees	<u>27,887,826</u>	<u>34,842,330</u>	<u>37,549,578</u>	<u>52,136,622</u>	
General Fund	0	0	0	0	
Cash Funds	27,887,826	34,842,330	37,549,578	52,136,622	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Retailer Compensation	<u>65,841,424</u>	<u>67,165,373</u>	<u>85,000,000</u>	<u>85,000,000</u>	
General Fund	0	0	0	0	
Cash Funds	65,841,424	67,165,373	85,000,000	85,000,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>755,162</u>	<u>734,435</u>	<u>890,727</u>	<u>907,180</u>	
General Fund	0	0	0	0	
Cash Funds	755,162	734,435	890,727	907,180	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Ticket Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
TOTAL - (6) State Lottery Division	119,290,442	127,610,655	150,024,177	169,349,535	12.9%
<i>FTE</i>	<u>102.1</u>	<u>102.1</u>	<u>102.1</u>	<u>115.9</u>	<u>13.5%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	119,290,442	127,610,655	150,024,177	169,349,535	12.9%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
TOTAL - Department of Revenue	552,449,832	586,329,362	528,119,795	553,757,998	4.9%
<i>FTE</i>	<u>1,691.6</u>	<u>1,715.6</u>	<u>1,748.9</u>	<u>1,824.5</u>	<u>4.3%</u>
General Fund	138,039,199	147,620,268	158,265,353	164,216,862	3.8%
Cash Funds	406,187,568	430,891,423	359,393,870	379,242,971	5.5%
Reappropriated Funds	8,223,065	7,817,671	9,608,440	9,446,033	(1.7%)
Federal Funds	0	0	852,132	852,132	0.0%

Appendix B: IRS Direct File Press Release

Saving Time and Money: Direct File For Federal and State Tax Returns Available in 2026 For Tax Year 2025, Saving Coloradans \$140 Million Per Year in Filing Fees

FOR IMMEDIATE RELEASE

Tuesday, September 10, 2024

Eric Maruyama | eric.maruyama@state.co.us

Direct File will save Coloradans millions in filing fees and hours of time, help Coloradans collect additional claims and federal credits

STATEWIDE - Today, Governor Polis and the Colorado Department of Revenue announced that Direct File will be available starting for tax year 2025, which Coloradans will file for in 2026. Coloradans will be able to use Direct File, made possible by the Biden-Harris Administration's Inflation Reduction Act, to file their federal tax returns directly with the IRS and Colorado returns directly with the Colorado Department of Revenue in 2026. This will save Coloradans millions of dollars of filing fees, millions of hours of time, and help connect taxpayers with additional claims and credits. Coloradans can already use [Revenue Online \(opens in new window\)](#) to file their state income taxes online for free.

“Filing taxes is no fun. It is often confusing, time-consuming, and expensive, which is why we’re taking steps to make it easier for Coloradans to file. I am thrilled that when filing their taxes in 2026 for tax year 2025, Coloradans can ditch the filing fees and file their own returns directly with the federal government. This action, which we called for, will save Coloradans time and millions of dollars of filing fees while ensuring hardworking families and individuals receive the additional claims and credits they have earned,” said Governor Polis.

With Direct File, Coloradans will be able to complete and submit their federal and state returns at the same time beginning in 2026. The Economic Security Project, a nonprofit focused on economic empowerment for all Americans, [estimates that using Direct File will save Coloradans \(opens in new window\)](#) \$140.2 million in filing fees, 3.5 million hours of time filing, and connect Coloradans with between \$81 to \$207 million in additional credits per year.

Governor Polis continues to fight to ensure Coloradans keep more of their hard-earned tax returns, [including keeping TABOR returns untaxed \(opens in new window\)](#). This year Governor Polis signed legislation to create a nation-leading Family Affordability Tax credit which supports families and helps Coloradans keep more of their hard-earned money. Colorado has also expanded the [Earned Income Tax Credit \(opens in new window\)](#) and made the [senior homestead tax exemption portable \(opens in new window\)](#). The State of Colorado has made filing returns easier and more accessible through [free tax clinics \(opens in new window\)](#) and services like [Get Ahead Colorado \(opens in new window\)](#). With more than 100 tax credits, including specific incentives for electric vehicles, conservation, housing, and apprenticeships, Colorado is the best place to build a business, raise a family, and thrive.