

DEPARTMENT OF REVENUE
FY 2025-26 JOINT BUDGET COMMITTEE HEARING AGENDA

Thursday, December 12, 2024

3:00 pm – 4:00 pm

3:00-3:05 Introductions and Opening Comments

Presenter: Heidi Humphreys, Executive Director

3:05-3:10 Common Questions

Main Presenter:

- Heidi Humphreys, Executive Director

Topics:

- Question 1: Page 1, Question 1 in the packet, Slide 8
- Question 2: Page 1-2, Question 2 in the packet, Slide 9

3:10-3:15 R2 Division of Taxation Auditors

Main Presenter:

- Heidi Humphreys, Executive Director

Topics:

- Question 1: Page 2, Questions 3-4 in the packet, Slides 13-14

3:15-3:30 Lottery Optimization

Main Presenters:

- Tom Seaver, Senior Director, Colorado Lottery

Topics:

- Question 1: Page 2-4, Questions 5-6 in the packet, Slide 16
- Question 2: Page 4-5, Question 7 in the packet, Slide 17

- Question 3: Page 6-7, Questions 8-9 in the packet, Slide 18

3:30-3:35 DMV Efficiency Consolidation

Main Presenters:

- Lorri Dugan, Chief Financial Officer

Topics:

- Question 1: Page 7, Question 10 in the packet, Slide 20

3:35-3:45 R6 Restructure license plate payment:

Main Presenters:

- Lorri Dugan, Chief Financial Officer

Topics:

- Question 1: Pages 7-10, Questions 11-13 in the packet, Slides 22-23

3:45-4:00 Budget Reduction Options:

Main Presenters:

- Lorri Dugan, Chief Financial Officer

Topics:

- Question 1: Page 10, Question 14 in the packet, Slide 27
- Question 2: Page 10-11, Question 15 in the packet, Slide 28
- Question 3: Page 11, Question 16 in the packet, Slide 29
- Question 4: Page 12, Question 17 in the packet, Slide 30
- Question 5: Page 12, Question 18 in the packet, Slide 31

DEPARTMENT OF REVENUE
 FY 2025-26 JOINT BUDGET COMMITTEE HEARING

Thursday, December 12, 2024
3:00 PM – 4:00 PM

COMMON QUESTIONS FOR DISCUSSION AT DEPARTMENT HEARINGS

DISCUSSION QUESTIONS

- 1 Please describe any budget requests that replace one-time General Fund or ARPA funded programs with ongoing appropriations, including the following information:
 - a. Original fund source (General Fund, ARPA, other), amount, and FTE;
 - b. Original program time frame;
 - c. Original authorization (budget decision, legislation, other);
 - d. Requested ongoing fund source, amount, and FTE; and
 - e. Requested time frame (one-time extension or ongoing).

The Department does not have any budget requests to replace one-time General Fund or ARPA funded programs.

- 2 Describe General Fund appropriation reductions made in the Department for budget balancing purposes in 2020, and whether the appropriation has been restored with General Fund or another fund source through budget actions or legislation.

DOR Budget Reductions Enacted in 2020

	Item	Description	GF (in millions)
1.	FY 2020-21 DOR R-07	Tax Conferee Reductions	(\$0.2)
2.	FY 2020-21 DOR R-09	DMV GF to CF	(\$0.75)
3.	FY 2020-21 DOR R-10	DMV Cashier	(\$0.1)
4.	JBC	One-time transfer MCF to GF	(\$1.6)
5.	JBC	CDPHE lab paid annually by MCF instead of GF	(\$1.4)
6.	Delayed Annualization	FY 2019-20 R-01 GenTax Support	(\$1.4)
		Total DOR GF Impact	(\$5.5)

Referencing the table above:

- Item number 4 was partially restored by transferring \$1.2 million back to the Marijuana Cash Fund in 2022.
- Item number 5, the annual transfer to CDPHE, was discontinued in 2023.
- Item number 6 was funded in the following year, after a one-year delay.

R2 Division of Taxation Auditors

3. Sen. Amabile: Will the auditors bring in more tax revenue to Colorado? Does it make sense in our current budget situation? What is the return on this investment?

On average, a corporate audit results in approximately \$38,000 in tax due. However, there are audits that result in no adjustment, or even in money refunded to the taxpayer. An Auditor III completes approximately 18 audits a year, equating on average to \$690,000 in revenue.

4. Rep. Bird: Does it make sense to add auditors just to refund the money that is collected?

Increased audit coverage ensures more level enforcement of the tax policies enacted by the legislature. The Department does not build in audit resources to its fiscal notes, as each bill does not result in additional audits. However, with the increase in tax credits over the last several years, additional audit resources would ensure more uniform audit coverage and allow the Department to maintain its historic compliance levels.

Increasing General Fund revenue would have a TABOR refund impact while the State is in a TABOR surplus situation, but adding auditors would likely result in collecting more GF revenue to support the policies of the General Assembly, especially in the case that the State falls back below the TABOR cap.

R3 Lottery Optimization

5. ~ 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 substantial rise of lottery-related criminal activity in Colorado?

Our focus on supporting our retailers and local law enforcement is both remedial and preventative.

The Lottery's criminal investigations team has not been fully staffed until recently. It took about 1 year to fill the last criminal investigator position, due to the high wages and signing bonuses that are now offered by many local law enforcement agencies in the Denver metro area and the inability for the Lottery to compete in the job market.

However, we finally filled that position in June of this year by moving the position to the Western Slope which also means the investigator can handle cases that arise on the Western Slope which adds efficiency by decreasing drive time.

Since June, we have been fully staffed which has made a big difference in our ability to manage the criminal workload. Additionally, during the time that we were short staffed, we shifted almost all of the non-peace officer duties to our compliance team and reorganized the compliance team to make it more efficient.

In addition to handling criminal investigations, our new investigator will support underage and integrity stings at retail stores.

From a preventative standpoint, we have purchased new inventory management technology for retail stores which significantly reduces the threat of theft.

We have taken and will continue to take a conservative approach as we add more staff across all of our sections to prevent over-staffing. For these reasons, we are only requesting 1 additional criminal investigator position at this time, but could request more in the future, as the workload for these positions depend on many variables.

6. Rep. Amabile: It looks like the crime is happening at retail locations. Why would you add retailers in that scenario? Does the lottery pay for the DA costs?

As Colorado grows, we are obligated to make Lottery games available to all players consistent with best practices in our industry. The Lottery's retail penetration rate (population per retailer) is currently only better than 4 out of 45 U.S. lotteries. That means it's harder for people to find a Lottery product in Colorado than in other states. This has potential serious consequences as increasing revenue is part of the Lottery's responsibility to support its proceeds partners, and we are currently way under the national average for retail penetration.

Additionally, adding more retailers helps small businesses with small margins that are possibly facing other revenue challenges, as they receive bonuses and commissions on lottery sales which help their bottom line. Lottery retailers earn an average of \$22,000 a year selling Lottery products. Retail commissions paid to retailers support jobs and cash flow for retailers across Colorado. Adding retailers to increase sales is necessary to fulfill our increasing statutory obligation to support our proceeds partners. These partners fund the projects that make Colorado a popular place to visit, helping drive significant tourism revenue in the state and make Colorado a great place to live.

[We have linked to a list of our 3,000 retailers here.](#)

Almost all of the theft that our criminal investigations team investigates happens at retailer locations. As such, it is imperative that we work closely with our retailers and have a dedicated criminal investigations team to prevent and investigate crime., We are able to alleviate any burden to local law enforcement related to the theft of Lottery products at retail; moreover, we do work with local law enforcement and sometimes state law enforcement when Lottery crimes are connected to more serious crimes across Colorado. In that way, we are able to assist local and state law enforcement with more serious criminal investigations. While the Lottery's primary goal for investigators is to address product theft, we remain committed to supporting overall law enforcement activity.

The cases are already in the Law Enforcement system, there is no additional cost to the DA's office, our involvement adds to the investigations quality and allows better decision making by offices on which cases to successfully prosecute. Generally, most Lottery theft cases settle out of court, so there is very little burden on the District Attorney's Office. The exception to this is when there are other more serious crimes involved, like an organized crime ring, in which case it is more likely a case that is handled by the Attorney General's Office, as it usually includes multiple jurisdictions.

7. Rep. Sirota: Why does Lottery need 3.0 additional marketing people for something with exploding growth?

Media costs have risen by 30% from 2014 to 2024.

The role of marketing has evolved significantly since the organizational structure for this discipline was created in the 1980s. The Lottery's Marketing team is responsible for product research, product development, promotions, events, sponsorships, website, mobile app and advertising. Beyond the traditional TV, radio, and print, the Lottery's marketing has expanded into a new, robust and comprehensive approach. Marketing today includes significant digital and online strategies including Responsible Gaming, proceeds awareness, and paid media avenues including our website, extensive online and in-store promotions and contests, and more sponsorships and events to connect with our players at the grass roots level. The spending authority for the new positions requested will be used primarily for the management of marketing resources in the areas of:

- Social media management and content creation
- Promotional events and partnerships (like our newly formed partnership with the Denver Nuggets).
- Product management for potential new products available through the new gaming system contract.

The Lottery has evolved how it connects with players using social media and other marketing strategies, creating more digital content than ever. The Lottery website plays another vital and expanded role in growing the connection to players.

The needs for the Lottery's product development and product management have increased significantly, as the Lottery now offers upwards of 50 Scratch games, as compared to just 24 5 years ago. The Lottery Marketing team also manages six Jackpot games, three of which draw daily. Scratch games are now launched on a six-week schedule. Just two people manage the Lottery's expanded product suite. These changes are what the market has demanded. Lottery players want more, and this continued anticipated product growth will require more staff.

As the Lottery and the media market expands, we must do things differently, in non-traditional ways. If we are going to grow, we must increase our marketing budget. One example of new ways we are doing things is our new relationship with the Denver Nuggets. We have created an innovative partnership, with multi-faceted promotions and rich player experiences, to introduce new players to the Lottery in creative ways.

The Lottery's new gaming system, launching in June 2025, allows for more unique marketing opportunities to get to know and engage with players better than ever before. These changes will require additional resources. The new system and ways we interact with players will also help us connect with them to meet them where they are from a Player Health perspective. We will be able to communicate with and educate them about the importance of healthy play and what that looks like.

As mentioned above, all of this Lottery growth has occurred in an environment of unprecedented inflation. Marketing fees and costs have increased. The Lottery is a variable-cost business, and as sales increase, all operational areas are impacted, including marketing and vendor fees. Marketing support must increase with revenue growth, and the Lottery has not asked for marketing increases in 12 years.

Meanwhile, the pressure on our natural resources has also increased dramatically. The GOCO cap (maximum contribution to GOCO before waterfall funds are addressed) has grown significantly, since it is tied to the CPI in Denver. Specifically, the cap has gone up by \$12.9 million in the last 3 years. That requires a significant increase in sales just to fund this and the other beneficiaries.

As you know, we are not asking for new budget. As an enterprise fund, we are only asking for this spending authority to operate as a responsible organization and continue to manage increased marketing costs, not only for games, but also for Responsible Gaming and Proceeds efforts.

8. ~ This request includes an additional \$300,000 per year to grow the Colorado 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% of gross Lottery revenues adequate to address responsible gaming and gambling addiction?

Starting in FY 2022-23, HB 22-1402 required the Lottery to spend \$200,000 annually from Marketing for responsible gaming. Therefore, the request for an additional \$300,000 seemed like a reasonable request, given that it is 150% more than what the legislature put in statute in 2022. It is also 10% of the increased amount we are requesting to our Marketing budget.

This money is not the only money that the Lottery spends on responsible gaming, as responsible gaming is integrated into every job that the Lottery has. Therefore, there are unquantifiable personnel resources that also support responsible gaming. The Lottery also hired a player health manager and is requesting another FTE in this decision item which would bring the total dedicated personnel to 2 FTE and \$225,000. Therefore, if both the new FTE and the increased amount for marketing are approved, the total spend will be closer to \$725K. As the Lottery continues to grow its revenue, it is imperative that we continue to have a player base that tracks the Lottery's overall demographics. Here is a [link](#) to the Lottery's current demographics.

- 9. Sen. Bridges:** How is that tiny amount of spend on gambling addiction and responsible gaming commensurate with a revenue stream rapidly approaching \$1 billion?

Please see the answer above. The Lottery's Responsible Gambling / Player Health program is in its formative years. Last year, we hired a full-time Player Health Manager to help us define and develop it.

Research indicates that 1% to 2% of gamblers will develop serious problems with gambling. Our approach is not to provide treatment for those players but to provide education on developing healthy play habits (upfront) and connect them with resources. To that end, healthy play messaging is included in all Lottery advertising, and while we did not attempt to pro-rate the value of these messages, it is significant.

In addition to focusing our attention on player health at times of the year when the message is essential and a strong time to make a connection, the Lottery now operates in an "always on" capacity regarding player health. We are communicating with players about responsible gambling regularly.

Beyond timeframes like the holiday campaign to remind players not to give Lottery tickets to children, Problem Gambling Awareness Month in March, and other national campaigns the Lottery participates in, we have also undertaken an extensive effort to gain Level 4 Certification in Responsible Gaming from the World Lottery Association (WLA) and are moving toward additional certifications right now. Only nine out of 47 U.S. lotteries have achieved this highest WLA certification, which covers 13 disciplines, and it is only awarded to those lotteries that implement best practices in Responsible Gaming practices.

The Lottery implements player health practices also beyond paid campaigns and marketing by training retailers and employees, through underage sting efforts and age verification measures.

We are committed to doing more to promote player health and expect the emphasis on healthy play in our messaging to continue to grow.

R4 DMV Efficiency Consolidation

10. Rep. Taggart: How does this request increase efficiency and streamline operations but result in a net-zero budget impact?

This consolidation is the last phase of the DMV restructuring. This has been done thoughtfully over several fiscal years. At the start of this process, the DRIVES system was implemented, which replaced many separate operating systems with a single solution. Next, the two DMV cash funds were combined. Now, the last step is to combine the two personal services lines and the two operating lines on the Long Bill into a single operational subunit.

This is an administrative efficiency, not an operational efficiency, which is realized in the reduction of manual workload currently occurring as staff manually track and split expenditures between multiple appropriations. For example, the DMV training team works as a single unit to support the Division, but its costs are manually split and charged to the various subunits for driver services and vehicle services. This is the manual workload to track and distribute expenditures.

R-04 is a critical request so that DOR can complete this multi-year restructuring of DMV.

R6 Restructure license plate payment:

11. Sen. Bridges: Appreciates the \$12M reduction here but understands the total TABOR impact of specialty license plates to be North of \$30M. Should the state consider reducing or eliminating the specialty plates to reduce the TABOR revenue further?

Answer below under question #13.

12. Rep. Bird: Would it save us any money if JBC were to run a bill which froze the ability to receive a specialty license plate?

Answer below under question #13.

13. Rep. Amabile: Following up on the license plates again. Are there options beyond the \$12 million? Why only \$12 million?

To clarify, DOR's R-06 request is completely separate from the specialty license plate discussion. The License Plate Cash Fund referred to in R-06 is used to pay Colorado Correctional Industries (CCi) for the material costs of manufacturing all license plates, including green and whites and specialty plates. The \$13 million in savings related to R-06 in the LPCF would be from moving the fee revenue for license plate MATERIAL FEES ONLY from DOR to the CCI's Enterprise Fund.

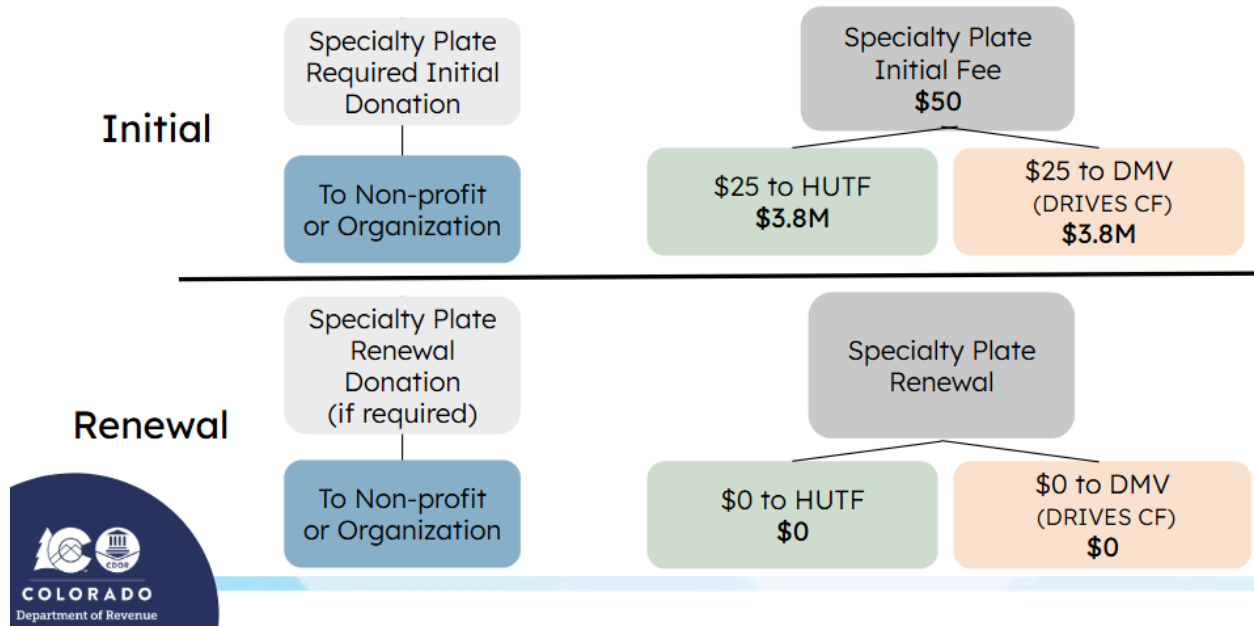
The fund balance in the LPCF is split between cash and license plate inventory. There is not \$10 million of cash in the fund, which was mentioned in the Briefing.

Therefore, the questions asked in the Briefing, i.e. what it would save if JBC ran a bill to freeze specialty plates and why only \$12 million could be saved, relate to different cash funds.

The graphic below shows the split of revenue and the different cash funds associated with specialty plates.

- On the top left in the blue, you will see that the initial donation that is required to be eligible for a specialty plate is paid directly to the non-profit or organization that the plate is associated with.
- On the top right in green and orange, you will see that the \$50 fee for issuing a specialty plate is split. \$25 goes to HUTF and the other \$25 goes to DMV's DRIVES cash fund (not the LPCF of the R-06 request). This equated to \$3.8 million for FY 2023-24 in each fund.
- On the bottom left in blue, the renewal donation, if it is required for a particular plate, is also paid directly to the non-profit or organization.
- There is no renewal fee revenue in these two cash funds (HUTF and DRIVES) for specialty plates.

Specialty Plate Revenue FY 2023-24



During the Briefing, a question was asked about pausing the issuance of specialty plates with the goal of creating savings and freeing up General Fund money for other purposes. This action would translate to a \$3.8 million per year reduction in the fee revenue for the DRIVES cash fund and for HUTF, and would result in both Departments losing significant operational revenue. If the reduction of cash fund revenue in DMV and HUTF was backfilled with General Fund appropriation or other fee increases that created TABOR revenue, there would be no savings.

There are some other impacts to note:

1. These amounts exclude the Historical and Retired Plates (black, red, and blue plates). HUTF and DRIVES do not receive any of this fee revenue. That revenue goes to the Disability Support Fund as directed in statute.
2. Some of the military and veteran plates are issued at no cost. Some also come with waived fees for State Park entrance. Pausing new issuance of those plates would result in veterans having to pay for a standard green and white plate and paying park entrance fees.
3. Pausing the introduction of new specialty plates types and first-time issuance of existing specialty plates would keep the current program in place but prevent expansion.
4. There are statutes for a few of the older plate types that allow for the decommission of plates that are issued at a very low quantity per year. The Committee could consider

setting more consistent decommissioning standards to reduce the number of active specialty plates.

BUDGET REDUCTION OPTIONS

14. Rep. Taggart: Why are the technical adjustments hitting the General Fund so hard? Do these changes indicate that the Department is charging the General Fund for the administration of cash funded programs?

As Mr. Catlett shared during the Briefing, cash fund technical adjustments make up 80% of the total technical adjustments, with GF accounting for only 20%. DOR's funding split is 68% CF and 30% GF. The technical adjustments are at a higher percentage for CF than the total CF/GF appropriation split.

Of the \$1.5 million GF technical adjustments, 75% are related to common policies and contractual rates with vendors:

1. \$875,000 is due to DPA common policy expenses (Document Management & IDS Print), which is calculated by DPA on an annual basis.
2. \$240,000 is due to contractual annual inflationary increase for the GenTax system.

DOR is diligent about ensuring that costs are distributed appropriately between GF and CF.

15. Sen. Bridges: How can the DRIVES Cash Fund be on a path toward insolvency and yet also be on a cash fund waiver on a deliberate draw down?

Mr. Catlett shared that reduction options for DMV would be devastating. DMV has been operating at a deficit for several years. Fee revenue is not adequate to cover operations.

DMV's restructuring had a cash fund impact. We saw earlier that phase one was consolidating all of its disparate systems into a single system: DRIVES. Then, phase 2 was combining the two separate cash funds into a single cash fund. That cash fund consolidation transferred the \$13 million fund balance from the LSCF into the DRIVES cash fund. That pushed the DRIVES cash fund into excess.

However, the DRIVES cash fund has an estimated \$8 million deficit for FY 2024-25. This amount is growing every year due to cost increases for salary survey, common policy, etc. with no new revenue to support it.

So essentially, the \$13 million transfer into the DRIVES CF covered 1 to 2 more years of the operating deficit. The DRIVES cash fund will fully spend the total fund balance of all available funds in FY 2026-27.

DOR has been very cognizant of not raising fees for Coloradans during the recent years of high inflation. The driver license fee is set and limited in statute. H.B. 16-1415 was a JBC sponsored bill that set the fee in statute and capped future increases to 5%.

For perspective, the driver license fee for other states ranges from \$15 to \$85, with the average being \$42. Colorado's driver license fee is \$30.87 for a five-year license, which equates to \$6 per year. Colorado's fee is the 36th lowest out of 50 states, and \$12 below the national average. Every \$1 increase in the DL fee generates \$1 million in revenue. DMV has an \$8 million annual shortfall, and growing.

Increased fee revenue would be TABOR revenue, and could result in more General Fund TABOR refunds as long as the State is in a TABOR surplus situation. DOR understands the larger statewide budget picture. There is still the potential for a statewide impact in FY 2026-27 if the DMV is out of money and needs a larger amount of assistance to keep the lights on.

16. Rep. Bird: Should we look at delaying the implementation of H.B 24-1353 (Firearms Dealer Requirements & Permit)? How far is the Department along with implementation?

DOR's new division has been very productive over the last few months:

- They are developing the Dealer and Employee Training Program & Testing, which was a large piece of the legislation
- They have conducted four working groups with an average of 80 attendees per session; they proposed 8 rules; and they've conducted 20 site visits to learn about the industry
- They have hired 5 FTE of 23.7 total FTE to date.

Additionally, DOR is sharing experienced staff from other divisions, which saves money and time as they're able to add value immediately.

Milestones Achieved:

- Dealer and Employee Training Program & Test Development
- Rulemaking
 - 4 Working Group Sessions (16 hours of industry engagement)
 - The Division has proposed 8 rules to date. Emergency Rules to be filed February 1, 2025.
 - The Division has conducted 20 site visits to current FFL's to better understand the various business models.
- POST Certification Status
- Coordination with Federal and State Partners
- Licensing System (MYLO & ML1) and Payport System Development
- Website

- Fleet Vehicle and IT Resource in Purchase
- Online Complaint Form
- Forms Development
 - FFL Application
 - Report of Change
 - New Employee/ Responsible Person Notification Form
 - Surrender

17. Rep. Taggart: Regarding H.B. 24-1353 (Firearms Dealer Requirements & Permit) Isn't there a fee that the vendors would pay? Could those fees cover a bit more of the anticipated GF cost?

DOR has heard from some FFL holders that some will surrender their license due to the cost of the program, so they are projecting a 10% reduction in the original estimates for fee revenue. Originally, it was projected that there would be 1560 permits, now it is estimated at 1404 permits, times \$400 for each permit, totaling \$561,600 (down from \$624,000), and this is for a **3-year permit**, which means very little revenue to the cash fund for three years.

The table below is from the fiscal note and shows the projected expenditures for the first three years of the program.

	FY 2024-25	FY 2025-26	FY 2026-27
GF	\$618,973	\$2,135,353	\$1,957,753
CF	\$0	\$208,000	\$208,000

The current fee set by the bill is \$400 for a 3-year license. The CF revenue is not adequate to cover the operational expenses outlined by the bill and will not fully support the required level of regulatory workload. The fees will generate approximately \$500K every 3 years, to fund a program that costs \$2 million annually.

18. Sen. Kirkmeyer: Which of the Department of Revenue cash funds could be used to free up ongoing General Funded FTE.

DOR reviews the CF/GF split of expenses each year to ensure that central functions are accurately distributed between CF and GF. There is some discretion to distribute costs, but DOR strives to structure appropriately in relation to where services are provided.



COLORADO
Department of Revenue



Joint Budget Committee FY 2025-26 Hearing

December 12, 2024

Agenda

Department Overview

Common Questions (Discussion)

Decision Items & Questions from the Briefing

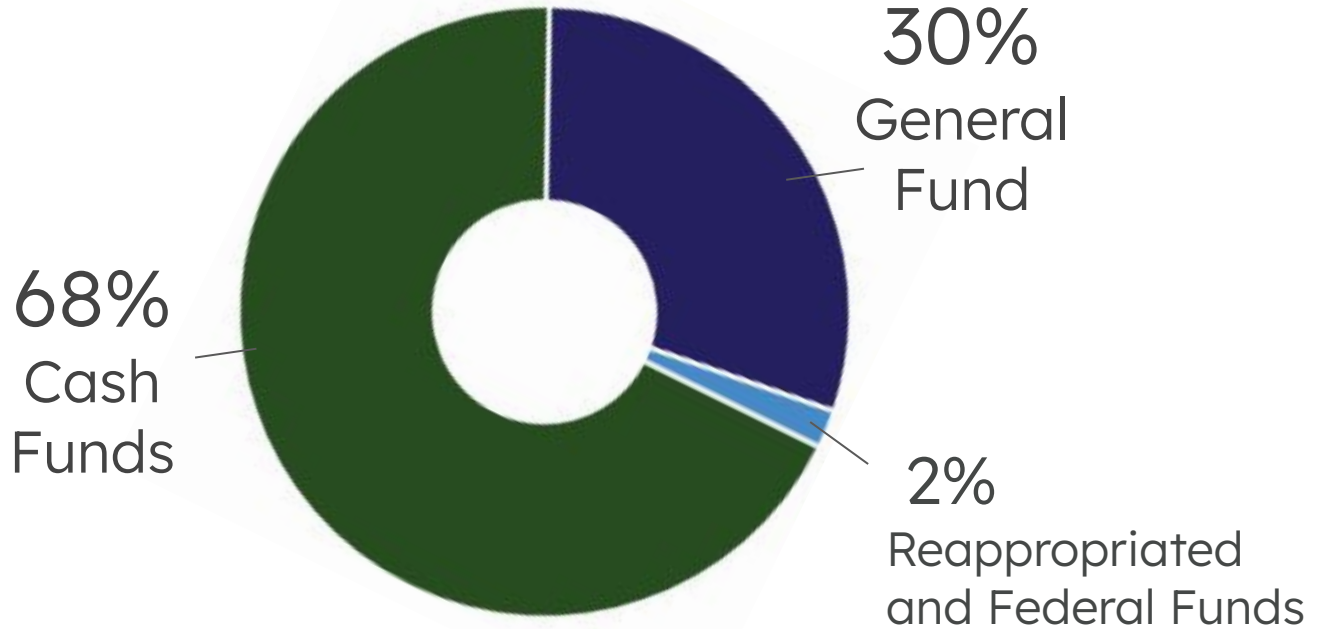
GF Reduction Proposals



Org Chart



Funding Summary



Summary of Legislative Impact

(Legislative Sessions 2019 - 2024)

DOR Division	# Bills w/ Fiscal Impact	Ongoing FTE	Ongoing GF (in millions)	Ongoing CF (in millions)
EDO	9	6.6	\$0.9	\$2.9
Tax	44	44.6	\$4.0	\$0.3
DMV	26	41.8	\$0.2	\$4.2
SBG	7	79.9	\$1.9	\$4.9
MED/NMED	9	67.4	\$-	\$6.1
Lottery	1	0.0	\$-	\$0.2
DOR Total	96	240.3	\$7.0	\$18.6



Summary of Decision Items

R-01	Tax - IRS Direct File	\$627k GF with 2.0 FTE
R-02	Tax - Auditor FTE	\$1.1M with 10.0 FTE
R-03	Lottery Optimization	\$14.8M CF with 17.0 FTE
R-04	DMV Consolidation	\$0
R-05	GF Reductions	(\$586k) GF
R-06	DMV - Restructure License Plate Cash Fund	(\$13.5M) (Shifts it to CCI in DOC)





Common Questions

Discussion Question 1

Please describe any budget requests that replace one-time General Fund or ARPA funded programs with ongoing appropriations

The Department does not have any budget requests to replace one-time General Fund or ARPA funded programs.



Discussion Question 2

Please describe appropriation reductions made in 2020 and whether reductions have been restored.

	Item	Description	GF (in millions)
1.	FY 2020-21 DOR R-07	Tax Conferee Reductions	(\$0.2)
2.	FY 2020-21 DOR R-09	DMV GF to CF	(\$0.75)
3.	FY 2020-21 DOR R-10	DMV Cashier	(\$0.1)
4.	JBC	One-time transfer MCF to GF	(\$1.6)
5.	JBC	CDPHE lab paid annually by MCF instead of GF	(\$1.4)
6.	Delayed Annualization	FY 2019-20 R-01 GenTax Support	(\$1.4)
		Total DOR GF Impact	(\$5.5)





Decision Items and Questions from the Briefing

R-01: IRS Direct File Implementation Resources

Program and maintain tax filing systems to integrate with IRS Direct File.

FY 2025-26	FY 2026-27
\$617,840 GF	\$626,606 GF
1.8 FTE	2.0 FTE



R-02: Division of Taxation Auditors

Funding for additional auditors due to increased tax-related legislation.

FY 2025-26	FY 2026-27
\$650,777 GF	\$1,113,283 GF
5.5 FTE	10.0 FTE



R-02 Division of Taxation Auditors

Briefing Question - Representative Amabile

Will the auditors bring in more tax revenue to Colorado? Does it make sense in our current budget situation? What is the return on this investment?

- On average, a corporate audit results in approximately \$38,000 in tax due. (There are audits that result in no adjustment or even a refund.)
- An Auditor III completes approximately 18 audits a year equating on average to \$690,000 in revenue.



R-02 Division of Taxation Auditors

Briefing Question - Representative Bird

Does it make sense to add auditors just to refund the money that is collected?

Adding auditors would likely result in collecting more GF revenue to support the policies of the General Assembly.



R-03: Lottery Optimization

Funding related to increased lottery sales, which have led to substantial increases in workload.

FY 2025-26	FY 2026-27
\$14,591,731 CF	\$14,773,811 CF
13.8 FTE	17.0 FTE



R-03 Lottery Optimization

Briefing Questions

In light of the substantial increase in crimes, is the addition of only one full-time employee focused on security and investigations adequate to effectively address the substantial rise of lottery-related criminal activity in Colorado?

Rep. Amabile: It looks like the crime is happening at retail locations. Why would you add retailers in that scenario? Does the lottery pay for the DA costs?



R-03 Lottery Optimization

Briefing Questions

Rep. Sirota: Why does Lottery need 3.0 additional marketing people for something with exploding growth?

- Marketing includes product research, product development, promotions, events, sponsorships, website, mobile app and advertising.
- Media costs have risen by 30% from 2014 to 2024.
- The spending authority for 3 new Marketing FTE is for:
 - Social media management and content creation
 - Promotional events and partnerships
 - Product management for potential new products available through the new gaming system contract.



R-03 Lottery Optimization

Briefing Question

This request includes an additional \$300,000 per year to grow the Colorado Lottery's responsible gaming program, bringing the overall spend to \$500,000. 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?

Sen. Bridges: How is that tiny amount of spend on gambling addiction and responsible gaming commensurate with a revenue stream rapidly approaching \$1 billion?



R-04: DMV Efficiency Consolidation

Restructure and consolidation of DMV's Long Bill funding to align with operations.

Net-Zero

FY 2025-26	FY 2026-27
\$0	\$0 CF
0 FTE	0 FTE



R-04 DMV Efficiency Consolidation

Briefing Question - Representative Taggart

How does this request increase efficiency and streamline operations but result in a net-zero budget impact?

Restructuring DMV Phases:

1. DRIVES, the replacement, consolidated, computer system was implemented - **COMPLETE**
2. Two cash funds were merged - **COMPLETE**
3. Consolidate Long Bill to align with operations - **PENDING R-04**



R-06: Restructure License Plate Payments

Shift cash fund spending authority and the supporting revenue to the Department of Corrections, which produces license plates.

FY 2025-26

(\$13,482,782) CF

0.0 FTE



R-06 Restructure License Plate Payments

Briefing Questions

Sen. Bridges: Appreciates the \$12M reduction here but understands the total TABOR impact of specialty license plates to be North of \$30M. Should the state consider reducing or eliminating the specialty plates to reduce the TABOR revenue further?

Rep. Bird: Would it save us any money if JBC were to run a bill which froze the ability to receive a specialty license plate?

Rep. Amabile: Are there options beyond the \$12 million? Why only \$12 million?



Specialty Plate Revenue FY 2023-24

Initial

Specialty Plate
Required Initial
Donation

To Non-profit
or Organization

Specialty Plate
Initial Fee
\$50

\$25 to HUTF
\$3.8M

\$25 to DMV
(DRIVES CF)
\$3.8M

Renewal

Specialty Plate
Renewal
Donation
(if required)

To Non-profit
or Organization

Specialty Plate
Renewal

\$0 to HUTF
\$0

\$0 to DMV
(DRIVES CF)
\$0

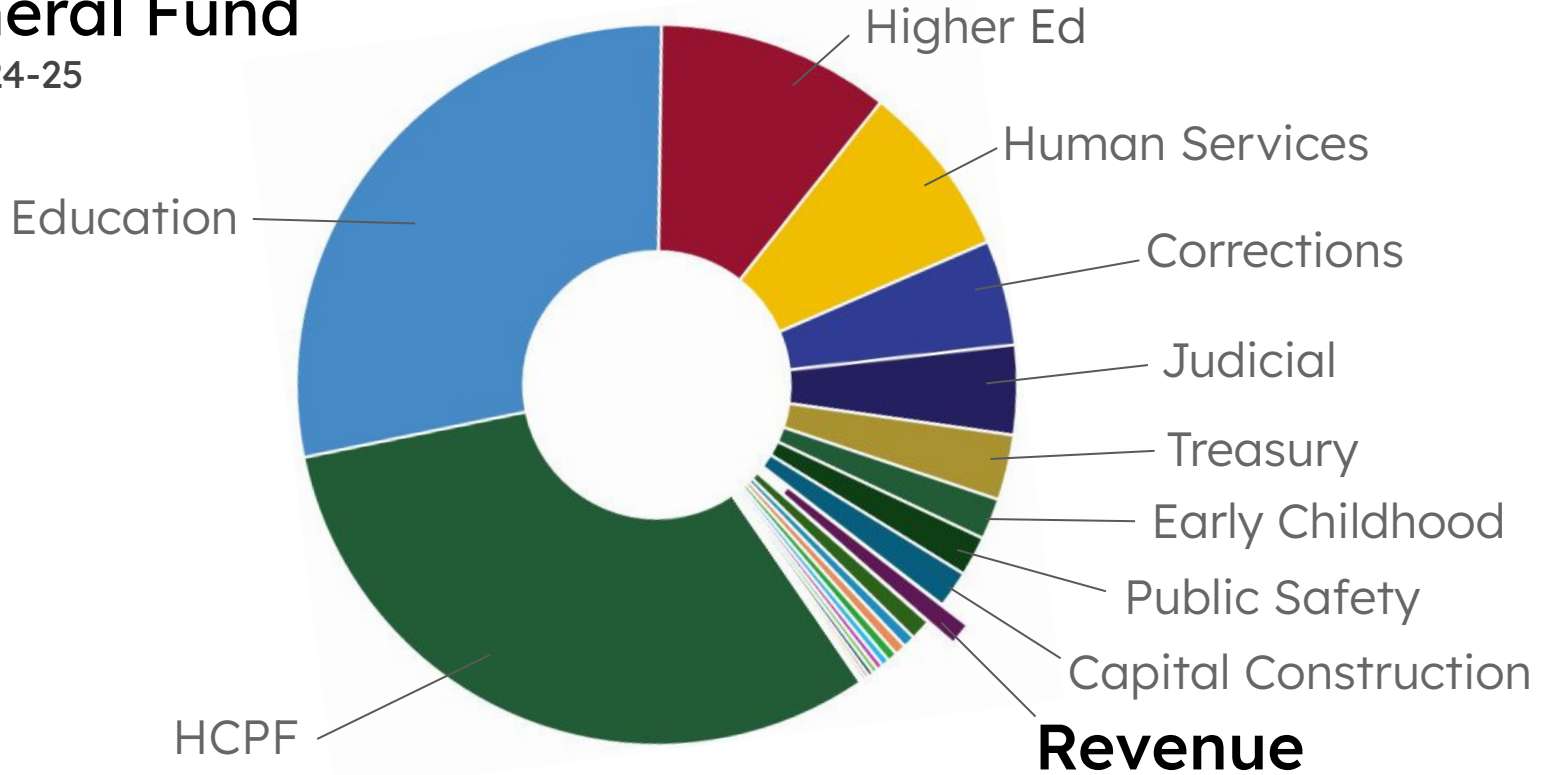




General Fund Reduction Proposals

General Fund

FY 2024-25



R-05: General Fund Reductions

General Fund reductions refinanced to cash fund spending authority

Amount	Source
(\$247,800)	DMV - License Plate Ordering
(\$200,000)	DMV Personal Services
(\$138,492)	EDO - Digital Trunk Radios
(\$586,292)	Total GF Reductions



Reduction Proposal - Question on Technical Adjustments

Rep. Taggart: Why are the technical adjustments hitting the General Fund so hard?

Do these changes indicate that the department is charging the General Fund for the administration of cash funded programs?

CF - \$6.1 million - 80%

GF - \$1.5 million - 20%



Reduction Proposal - Question on DRIVES CF

Sen. Bridges: How can the DRIVES Cash Fund be on a path toward insolvency and yet also be on a cash fund waiver on a deliberate draw down?

- DMV fees do not generate adequate revenue to fund operations.
- LSCF consolidated with DRIVES CF and pushed the combined fund into excess.
- Fund balance will be depleted in FY 2026-27.



Reduction Proposal - Question on Firearms Dealer Division

Rep. Bird: Should we look at delaying the implementation of H.B. 24-1353 (Firearms Dealer Requirements & Permit)?

How far is the Department along with implementation?

- Dealer and Employee Training Program & Test Development
- Conducted four working groups with an average of 80 attendees; proposed 8 rules; 20 site visits
- 5 FTE of 23.7 Total FTE hired to date
 - Sharing experienced staff from other divisions



Reduction Proposal - Question on Firearms Dealer Division

Rep. Taggart: Regarding H.B. 24-1353 (Firearms Dealer Requirements & Permit) Isn't there a fee that the vendors would pay?

Could those fees cover a bit more of the anticipated GF cost?

- Projected CF revenue for DOR \$561,600 FY25
- Projected expenditures from Fiscal Note:

	FY 2024-25	FY 2025-26	FY 2026-27
GF	\$618,973	\$2,135,353	\$1,957,753
CF	\$0	\$208,000	\$208,000



Reduction Proposal

Sen. Kirkmeyer: Which of the Department of Revenue cash funds could be used to free up ongoing General Funded FTE?

DOR reviews the CF/GF split of expenses each year to ensure that central support functions are accurately distributed between CF and GF.



