

Joint Budget Committee Staff FY 2025-26 Budget Briefing Summary

Revenue

The Department has three functional groups: the Taxation Business Group collects revenue for the state and for many local governments and assists taxpayers in tax-related matters; the Division of Motor Vehicles regulates motor vehicle safety, issues personal identification documents, and regulates commercial vehicles; and the Specialized Business Group regulates alcohol, tobacco, marijuana, horse racing and off-track betting, sports betting, limited gaming, and automobile dealers and sales persons. The three functional groups are supported by the Executive Director's Office. The Department also operates the Colorado Lottery. The Department's FY 2024-25 appropriation represents approximately 1.2 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

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

Department of Revenue

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
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 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
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

Annualize prior year legislation

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
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
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

Issues Presented

This is a summary of the briefing issues presented to the Joint Budget Committee by their dedicated non-partisan staff.

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.

R1 IRS Direct file implementation resources: This issue brief outlines the Department's request for resources needed to implement IRS Direct File. This service allows taxpayers to file their federal income taxes for free directly with the IRS. To facilitate the implementation of IRS Direct File, the Department of Revenue would need to program and update the state's current tax filing systems to integrate with the IRS Direct File platform. Securing this funding would enable the Department of Revenue to establish this integration, allowing Colorado taxpayers to utilize this service for filing their taxes starting in 2026.

R3 Lottery optimization: This issue brief outlines the Department's request for additional Lottery resources, including funding to hire more staff in several areas such as sales, operations, security, warehouse management, compliance, licensing, responsible gaming, and marketing. The Colorado Lottery has experienced significant growth in recent years, but the operational support required to manage this growth has not kept pace. This request aims to address those deficiencies and provide the necessary support for sustained future growth.

For More Information

JBC Staff Analyst:

Jon Catlett

303-866-4386

jon.catlett@@coleg.gov

To read the entire briefing: Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2024.