STAFF BUDGET BALANCING
FY 2020-21

DEPARTMENT OF REVENUE

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
ANDREA UHL AND ALFREDO KEMM, JBC STAFF
APRIL 20, 2020
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HOW TO USE THIS DOCUMENT

The first section of this document includes a summary table showing:
Committee action on Long Bill appropriations through March 16, 2020; and
Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A second section of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

A third section of the document includes additional staff recommendations and options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed
additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

### SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

<table>
<thead>
<tr>
<th>Department of Revenue</th>
<th>Total Funds</th>
<th>General Fund</th>
<th>Cash Funds</th>
<th>Reappropriated Funds</th>
<th>Federal Funds</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019-20 Appropriation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.B. 19-207 (Long Bill)</td>
<td>$393,996,502</td>
<td>$121,117,814</td>
<td>$265,692,538</td>
<td>$6,149,821</td>
<td>$1,036,329</td>
<td>1,503.6</td>
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<tr>
<td>Other legislation</td>
<td>10,625,387</td>
<td>3,570,770</td>
<td>7,054,617</td>
<td>0</td>
<td>0</td>
<td>60.8</td>
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<tr>
<td>HB 20-1257 (Supplemental)</td>
<td>(498,745)</td>
<td>0</td>
<td>(498,745)</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$404,123,144</td>
<td>$124,688,584</td>
<td>$272,248,410</td>
<td>$6,149,821</td>
<td>$1,036,329</td>
<td>1,564.4</td>
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<tr>
<td>FY 2020-21 Recommended Appropriation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>FY 2019-20 Appropriation</td>
<td>$404,123,144</td>
<td>$124,688,584</td>
<td>$272,248,410</td>
<td>$6,149,821</td>
<td>$1,036,329</td>
<td>1,564.4</td>
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<tr>
<td>R1 Auto Industry Division fingerprinting services</td>
<td>200,000</td>
<td>0</td>
<td>200,000</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>R2 Utilization reduction - product materials</td>
<td>(28,646)</td>
<td>0</td>
<td>(28,646)</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>R3 Budget efficiency - Taxation and Compliance Division</td>
<td>(310,466)</td>
<td>0</td>
<td>(310,466)</td>
<td>0</td>
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<td>(5.0)</td>
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<td>R4 Budget efficiencies - Taxpayer Services Division</td>
<td>(70,500)</td>
<td>0</td>
<td>(70,500)</td>
<td>0</td>
<td>0</td>
<td>(1.0)</td>
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<tr>
<td>R5 Budget efficiencies - Gaming Division</td>
<td>(450,000)</td>
<td>0</td>
<td>(450,000)</td>
<td>0</td>
<td>0</td>
<td>(3.0)</td>
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<tr>
<td>R6 Resource efficiencies - License Plate Services</td>
<td>(2,000,000)</td>
<td>0</td>
<td>(2,000,000)</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>R7 Budget efficiencies - Tax Conference Office</td>
<td>(200,000)</td>
<td>(200,000)</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>R8 Budget efficiencies - Executive Directors Office</td>
<td>(50,000)</td>
<td>0</td>
<td>(50,000)</td>
<td>0</td>
<td>0</td>
<td>(1.0)</td>
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<tr>
<td>R9 Shift spending to cash funds - DMV</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>R10 Back office cashier re-alignment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>R11 DMV training team re-alignment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>R12 Lottery appropriation re-alignment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>R13 Departmental staffing re-alignment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>BA1 Leased space appropriation for 2019 special bills</td>
<td>498,960</td>
<td>100,320</td>
<td>398,640</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>BA2 DMV leased space funding extension</td>
<td>639,514</td>
<td>0</td>
<td>639,514</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>NP4 MyColorado App</td>
<td>408,575</td>
<td>0</td>
<td>408,575</td>
<td>0</td>
<td>0</td>
<td>5.0</td>
</tr>
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<td>Staff initiated HB 19-1090 funding extension</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>Staff initiated division title change</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>Centrally appropriated line items</td>
<td>15,783,565</td>
<td>4,364,002</td>
<td>7,489,980</td>
<td>3,906,449</td>
<td>23,134</td>
<td>0.0</td>
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<tr>
<td>Technical adjustments</td>
<td>1,854,090</td>
<td>285,722</td>
<td>250,438</td>
<td>1,308,930</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Annualize prior year budget actions</td>
<td>(927,374)</td>
<td>1,173,533</td>
<td>(2,099,388)</td>
<td>(1,519)</td>
<td>0</td>
<td>3.0</td>
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<tr>
<td>Annualize prior year legislation</td>
<td>(393,743)</td>
<td>(1,418,664)</td>
<td>1,020,122</td>
<td>541</td>
<td>4,258</td>
<td>28.6</td>
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<tr>
<td>Indirect cost adjustments</td>
<td>(1)</td>
<td>517,321</td>
<td>602</td>
<td>(517,924)</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td><strong>SUBTOTAL - JBC Action as of 3/16/20</strong></td>
<td>$419,077,118</td>
<td>$129,510,818</td>
<td>$277,656,281</td>
<td>$10,846,298</td>
<td>$1,063,721</td>
<td>1,591.0</td>
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<tr>
<td>Postpone FY19-20 R1 GenTax Support Enhancements</td>
<td>(1,397,326)</td>
<td>(1,397,326)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(7.0)</td>
</tr>
<tr>
<td>Remove BA2 DMV lease space funding extension</td>
<td>(639,514)</td>
<td>0</td>
<td>(639,514)</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Reverse BA1</td>
<td>(498,960)</td>
<td>(100,320)</td>
<td>(398,640)</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Remove NP4 MyColorado app</td>
<td>(408,575)</td>
<td>0</td>
<td>(408,575)</td>
<td>0</td>
<td>0</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Partially execute R9 Shift spending to cash funds - DMV</td>
<td>0</td>
<td>(750,000)</td>
<td>750,000</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$416,132,743</td>
<td>$127,263,172</td>
<td>$276,959,552</td>
<td>$10,846,298</td>
<td>$1,063,721</td>
<td>1,579.0</td>
</tr>
</tbody>
</table>

**INCREASE/(DECREASE)**

| Increase/(Decrease) | $12,009,599 | $2,574,588 | $4,711,142 | $4,696,477 | $27,392 | 14.6 |

Percentage Change

| 3.0% | 2.1% | 1.7% | 76.4% | 2.6% | 0.9% |
Note: Changes to staff recommendations for common policy items, including salary survey and provider rates, will be addressed in statewide policy packets.

**POSTPONE ANNUALIZATION OF FY 2019-20 R1 GenTax SUPPORT ENHANCEMENTS**

*JBC Action as of 3/16/20:* In the 2019 Long Bill, the Committee approved the Department's FY 2019-20 R1 request for GenTax Support Enhancements. That budget action included a FY 2020-21 annualization of an additional $1,397,326 General Fund and 7.0 FTE.

**Recommendation:** Staff recommends that the Committee approve postponement of the FY 2020-21 annualization to FY 2021-22. This action saves $1.4 million General Fund.

**Analysis:**
The Department states:

> …many ongoing conversations with OIT, LCS, JBC, OSPB, and others continues to identify that Colorado does not have the resources dedicated to GenTax compared to other states that have been more successful implementing the system. That said, GenTax is in a better place today by getting the additional resources for the current fiscal year. Not completing the annualization of the appropriation in FY 2020-21 will reduce the Department’s ability to accomplish the goals outlined in the Decision Item and pause future plans to further the progress. It is difficult to monetize that impact of not fully funding the request. These would be future gains in areas like data management and customer service tools, but would not impact current operations.

Despite the delay in achieving the goals of this budget item, staff recommends that the Committee place the additional resources on hold for FY 2020-21.

**REMOVE BA2 DIVISION OF MOTOR VEHICLES LEASED SPACE FUNDING EXTENSION**

*JBC Action as of 3/16/20:* Consistent with staff recommendation, the Committee approved the Department's supplemental request and corresponding budget amendment to delay the Parker Driver’s License Office (DLO) expansion project from FY 2019-20 to FY 2020-21. The request included $639,514 from the Licensing Services Cash Fund, comprised of $589,266 in the Leased Space line item in the EDO and $50,248 in the DMV, Driver Services, Operating Expenses line item.

**Recommendation:** Staff recommends the Committee not fund the Department’s BA2 request for an expansion of the Parker DLO in FY 2020-21 that was originally approved for FY 2019-20.

**Analysis:**

*Key Considerations:* New project; the Department has not yet entered into negotiations with a property owner to expand or relocate the Parker DLO. Given that the frequency of in-person visits to DLOs has been drastically altered by the COVID-19 crisis and may remain at lower levels throughout an economic downturn, staff recommends eliminating funding for this project with the understanding that the Department may bring back the request if DLO visits rebound in the future.
Approved funding for this project is from the Licensing Services Cash Fund. It is staff’s opinion that cutting back on non-essential expenditures will help the LSCF remain solvent and create opportunities to refinance General Fund appropriations with LSCF.

**Additional Background:** During FY 2019-20 figure setting, the Department received approval for additional Leased Space appropriations from the Licensing Services Cash Fund of $3.2 million and 8.0 FTE annualizing to $954,000 and 8.0 FTE in FY 2020-21, with the anticipated outcome of increasing customer service capacity at Driver’s Licenses Offices (DLOs) in Parker, Longmont, Boulder, and Littleton.

Immediately following legislative approval of the build-out plan in the spring of 2019, the Department entered into negotiations with the current landlord to explore expansion options. The Parker lease was set to expire in June 2019 and the Department sought to negotiate an extension through January 2020. The landlord at the current location was not amendable to a half-year extension, but instead required a minimum of two years for the DLO to remain in the current location. The two-year lease extension until June 2021 has therefore delayed the build-out process of that office into FY 2020-21. Under the new recommendation, this project would be delayed indefinitely.

> **REVERSE BA1**

**JBC ACTION AS OF 3/16/20:** The Committee approved the Department's request for an increase of $498,960 total funds, including $100,320 General Fund and $398,640 cash funds from various sources for leased space for FTEs added through bills during the 2019 legislative session for FY 2020-21 and ongoing.

**RECOMMENDATION:** Staff recommends that the Committee deny the request at this time for budget balancing purposes.

**ANALYSIS:**

The following table outlines the bills and one request item affected by the General Funded and cash funded appropriations included in the Department's request for FY 2020-21.

<table>
<thead>
<tr>
<th>Bills/Requests</th>
<th>FTE</th>
<th>Request</th>
<th>Appropriated</th>
<th>Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.B. 19-1005</td>
<td>1.2</td>
<td>$7,920</td>
<td>$0</td>
<td>$7,920</td>
</tr>
<tr>
<td>H.B. 19-1245</td>
<td>2.4</td>
<td>6,600</td>
<td>0</td>
<td>6,600</td>
</tr>
<tr>
<td>FY 2019-20 R1</td>
<td>13.0</td>
<td>171,600</td>
<td>85,800</td>
<td>85,800</td>
</tr>
<tr>
<td><strong>Subtotal - General Funded Leased Space</strong></td>
<td><strong>16.6</strong></td>
<td><strong>$186,120</strong></td>
<td><strong>$85,800</strong></td>
<td><strong>$100,320</strong></td>
</tr>
<tr>
<td>H.B. 19-1090</td>
<td>15.5</td>
<td>$102,300</td>
<td>$0</td>
<td>$102,300</td>
</tr>
<tr>
<td>H.B. 19-1230</td>
<td>8.5</td>
<td>56,100</td>
<td>0</td>
<td>56,100</td>
</tr>
<tr>
<td>H.B. 19-1234</td>
<td>12.9</td>
<td>85,140</td>
<td>0</td>
<td>85,140</td>
</tr>
<tr>
<td>H.B. 19-1327</td>
<td>23.5</td>
<td>155,100</td>
<td>0</td>
<td>155,100</td>
</tr>
<tr>
<td><strong>Subtotal - Cash Funded Leased Space</strong></td>
<td><strong>60.4</strong></td>
<td><strong>$398,640</strong></td>
<td><strong>0</strong></td>
<td><strong>$398,640</strong></td>
</tr>
<tr>
<td><strong>Total Request</strong></td>
<td><strong>77.0</strong></td>
<td><strong>$584,760</strong></td>
<td><strong>$85,800</strong></td>
<td><strong>$498,960</strong></td>
</tr>
</tbody>
</table>
While the Department will likely require additional leased space appropriations in order to accommodate the increases in staff included in bills passed in 2019, staff recommends that the Committee delay consideration of funding for this item and deny the request for FY 2020-21.

**REMOVE NP4 myCOLORADO™ APP FUNDING INCREASE**

*JBC Action as of 3/16/20:* The Governor’s Office of Information Technology (OIT) requested $1,949,096 total funds and 8.0 total FTE. This includes $1,540,521 reappropriated funds and 3.0 FTE for OIT and $408,575 cash funds and 5.0 FTE for the Department of Revenue in FY 2020-21. This annualizes to $1,911,472 total funds and 8.0 FTE, including $1,526,412 reappropriated funds and 3.0 FTE for OIT and $385,060 cash funds and 5.0 FTE for DOR in FY 2021-22 and ongoing. This request provides the necessary resources to support and maintain the myColorado™ application. During Comebacks for OIT, the Committee took staff’s recommendation to approve only the cash funded portion of the request, resulting in $408,575 cash funds and 5.0 FTE in FY 2020-21 and $343,460 cash funds and 4.0 FTE in FY 2021-22 for the Division of Motor Vehicles.

**Recommendation:** Staff recommends the Committee reverse its previous decision and deny funding for further development of the myColorado™ application in FY 2020-21.

**Analysis:**

*Key Considerations:* Given the significant financial challenges facing the state, staff believes funds should be conserved for critical services of the Division of Motor Vehicles. Approved funding for this project is from the Licensing Services Cash Fund. It is staff’s opinion that cutting back on non-essential expenditures will help the LSCF remain solvent and create additional opportunities to refinance General Fund appropriations for the Division.

*Additional Background:* Since FY 2016-17, OIT has been developing the idea of a statewide mobile app for interacting with governmental services and regulatory agencies. The myColorado™ app is the official mobile application for the state of Colorado, it provides a secure and simple way for Coloradans to access state services while improving their experience with government by meeting them where they are in the digital space. Each new service available through myColorado reduces the need for a Coloradan to wait in line or repeatedly fill out paper forms. myColorado™ opens state services to a 24/7 model of getting business done at anytime from anywhere as well as offering accessibility for blind and visually-impaired users.

Launched with limited features in January 2019, the myColorado™ app contains state-of-the-art security, and identity verification and authentication. It allows Coloradans to access government services on a platform with a strong foundation for security and identity verification so they can feel confident that their personal data will be protected.

Current services offered through myColorado™ are:

- driver’s license renewal;
- “Smart Search”, a tailored search engine that returns results of official state services only;
• digital wallet with the ability to hold payment information for in-application purchases and to load a copy of an insurance card into the wallet; and
• vehicle registration renewal, which is not yet publicly available in the application but has been developed. The myColorado™ team is currently working with county clerk offices to gain their support and buy-in for offering vehicle registration renewal through myColorado™ in their county.

The myColorado™ app currently operates using a combination of one-time funding awarded out of the Technology Advancement and Emergency Fund (Tech Emergency Fund) and funding from remaining resources that OIT initially received in FY 2016-17. Since FY 2016-17, OIT has spent approximately $2.02 million to support contracting and operating costs for myColorado™ and has been awarded $400,000 in FY 2019-20 for additional immediate needs for DOR and OIT support of the Colorado Digital ID.

**Partially Execute R9 Shift Spending to Cash Funds – DMV**

*JBC Action as of 3/16/20:* Consistent with staff recommendation, the Committee rejected the Department’s request to refinance $1,000,000 of the DMV’s General Fund appropriation with $1,000,000 from the Licensing Services Cash Fund.

**Recommendation:** Staff recommends partially executing this refinancing to reduce General Fund appropriations by $750,000 in FY 2020-21.

**Analysis:**
*Key Considerations:* A refinance eliminates a spending authority impact. However, this could result in cash fund solvency issues or larger fee increases than would occur otherwise, especially if expenditure reductions are not adopted in conjunction with refinancing.

*Additional Background:* The Department’s original FY 2020-21 budget request proposed a $1,000,000 refinancing of General Fund with Licensing Services Cash Fund within the Division of Motor Vehicles. After submitting the initial request, the Department expressed concerns that the refinancing might not be viable and began an in-depth investigation into the health of the Licensing Services Cash Fund with help from the Office of State Planning and Budgeting and the State Demography Office. The Department has historically seen the balance in this fund grow year-over-year; this trend reversed in FY 2018-19 when the fund balance decreased by nearly $5.0 million. Projections prior to the COVID-19 pandemic showed that if fees are not adjusted, the fund will reach a negative balance by FY 2021-22 due to multiple underlying economic, demographic, and budgetary issues driving this trend.

The trajectory of the Licensing Services Cash Fund has worsened as a result of COVID-19 related closures and deadline extensions and is experiencing a roughly 25 percent monthly revenue decline as a result of the pandemic. However, staff believes that if combined with options for savings from LSCF funded projects outlined above, the potential for a 10 percent reduction across the Division of Motor Vehicles discussed in the third section of this document, and the Department’s ability to raise fees, this level of General Fund refinancing within the Division will be viable.
$4.4 MILLION INCREASE IN CENTRALEY APPROPRIATED LINE ITEMS

Changes in centrally appropriated line items include:

- A $3.2 million General Fund increase in Payments to OIT; and
- A $1.2 million General Fund increase in salary survey.

The $3.2 million General Fund increase in the Payments to OIT line item represents the single largest General Fund increase in the Department's FY 2020-21 requested budget. This item is generally outside of the Department's control and determined by actions determined in the OIT budget. Staff's recommendation to postpone annualization of the FY 2019-20 R1 GenTax Support enhancements represents $760,131 of the additional $3.2 million General Fund, leaving an increase of $2.4 million General Fund in this line item.

STATUS OF ENFORCEMENT BUSINESS GROUP CASH FUNDS

LIQUOR ENFORCEMENT CASH FUND
The Liquor Enforcement Division (LED) cash fund has had no new business license applications or fees due to the COVID-19 pandemic. The Department’s current projections show a decline in monthly revenue of 70 percent for the last three months of this fiscal year. All non-essential spending has been halted and hiring has been frozen. The cash fund balance may end with a negative balance; further staffing reductions may be needed to get to a positive cash position by June 30, 2020.

Senate Bill 20-086 (Alcohol Beverage License and Permit Expiration) is awaiting the Governor's signature. The bill allows the LED to establish a renewal fee for liquor licenses and permits, thereby decreasing the cash fund’s reliance on new business license applications as its primary revenue source. The legislation was created in response to the volatility of new applications each year, which has resulted in frequent and wide-ranging swings to application fees in an attempt to stabilize LED cash fund revenue. While the passage of this bill will help the cash fund’s stability in future years, it will not be effective in time to change the FY 2019-20 projected closing position.

AUTO DEALERS LICENSE FUND
Auto dealerships are closed and license fees are declining. In the last recession, the Auto Industry Division’s actual decline lagged slightly behind the crash. Although there is already a drop in monthly revenue of 15 percent, the outlook is for a 75 percent decline in monthly revenue for the remaining three months of the fiscal year with a steeper decline likely still ahead. All non-essential spending has been halted and hiring is frozen. The cash fund balance will still struggle to end the year with a positive balance.

RACING CASH FUND
Due to ongoing concerns related to COVID-19, there may not be a racing season in summer 2020. If there is no season, there will be no revenue but consequently no seasonal operating expenses. However, compensation costs for off-season levels of personnel will still need to be paid. All non-essential spending has been halted and the Racing cash fund is stable for FY 2019-20.
**LIMITED GAMING FUND**
Casinos were closed by Executive Order on March 17 and will remain so for an undetermined period of time. The loss of tax revenue may result in reduced year-end distributions to various beneficiaries. The impact to Limited Gaming distributions across all departments will be discussed in a separate document.

**MARIJUANA CASH FUND**
The Department reports a decline in applications and revenue but states that Marijuana Enforcement Division (MED) operations and the Marijuana Cash Fund are stable. The Marijuana Cash Fund has been operating at an annual loss in order to bring the excess uncommitted reserve balance into compliance. The fund is projected to meet compliance in FY 2020-21; fee increases will be necessary before that time to slow the spend-down, balance the cash flow, and maintain operations. Non-essential spending in the MED has been halted.

### SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

None.

### SUMMARY OF OTHER RECOMMENDATIONS AND OPTIONS IF DEEPER CUTS ARE REQUIRED

**10.0-20.0 PERCENT REDUCTION SCENARIOS**
*Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 10.0 percent (or revenue increased by an equivalent amount) in FY 2020-21.*

<table>
<thead>
<tr>
<th>Budget Balancing Options For Deeper Cut</th>
<th>FY 2020-21 EXPENSE</th>
<th>BILL?</th>
<th>NET GF IMPACT</th>
<th>OTHER FUNDS</th>
<th>TOTAL FUNDS</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay Annualization of H.B. 19-1230</td>
<td>N</td>
<td></td>
<td>$0</td>
<td>$(317,058)</td>
<td>$(317,058)</td>
<td>5.3</td>
</tr>
<tr>
<td>10 percent reduction – DMV</td>
<td>N</td>
<td></td>
<td>($380,311)</td>
<td>$(4,912,807)</td>
<td>$(5,293,118)</td>
<td>0.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Budget Balancing Options For Deeper Cut</th>
<th>FY 2020-21 REVENUE</th>
<th>BILL?</th>
<th>NET GF IMPACT</th>
<th>OTHER FUNDS</th>
<th>TOTAL FUNDS</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marijuana Cash Fund balance transfer</td>
<td>Y</td>
<td></td>
<td>$3,000,000</td>
<td>$(3,000,000)</td>
<td>$0</td>
<td>0.0</td>
</tr>
</tbody>
</table>
Delay Annualization of H.B. 19-1230 (Marijuana Hospitality Establishments)

Recommendation: Staff recommends delaying the annualization of H.B. 19-1230 (Marijuana Hospitality Establishments); this would reduce spending from the Marijuana Cash Fund by $317,058 and an assumed 5.3 FTE in FY 2020-21.

Analysis:

Key Considerations: New program; second-year demand projected in Legislative Council Staff fiscal note won’t be realized in FY 2020-21 due to the COVID-19 pandemic.

Other Items of Note: Staff recommends this as a temporary reduction and suggests the Department be allowed to restore funding as an annualization in FY 2021-22 to cover program costs.

Additional Background: House Bill 19-1234 allows for the operation of marijuana hospitality establishments and retail marijuana hospitality and sales establishments as of January 1, 2020, conditional upon local government approval. A licensed retail food establishment may apply for a marijuana hospitality or hospitality and sales license in an isolated portion of the facility, as long as it does not hold a liquor license. These establishments are licensed to allow consumption of marijuana on the premises. The fiscal note estimated that 44 new licenses would be issued in FY 2019-20 and 78 in FY 2020-21. The legislation appropriated $399,479 and an assumed 3.2 FTE to the Marijuana Enforcement Division in FY 2019-20, annualizing into $716,537 and 8.8 FTE in FY 2020-21.

Given the current restrictions on in-person consumption at any type of establishment, ongoing concerns around COVID-19, and the current economic environment, staff believes it is unlikely that MED will see anywhere near the number of applications for licenses anticipated by the fiscal note. Staff recommends the annualization of H.B. 19-1230 be delayed until FY 21-22. This action would not contribute toward General Fund savings for the purpose of balancing the budget, however, leaving new positions unfilled and reducing non-essential cash fund spending authority is in keeping with the broader budgetary climate.

Reduce Appropriations for Division of Motor Vehicles by 10 Percent

Recommendation/Option: Reduce appropriations across the Driver Services and Vehicle Services Subdivisions of the Division of Motor Vehicles by 10 percent to reflect decreased demand for services. Applying a 10 percent reduction to these subdivisions on top of recommended actions in Section 1 would result in savings of $5,293,118, including $380,311 General Fund, $4,899,709 cash funds, and $13,099 reappropriated funds.

Analysis:

Key Considerations: The recommendation spreads the reduction across all line items of the Department’s two main customer-facing divisions.
Other Items of Note: Staff recommends this as a temporary reduction with the understanding that the Department can request increases in spending authority as activity across the Division rebounds.

Additional Background: The COVID-19 pandemic has resulted in the temporary closure of DMV offices and emissions testing facilities and the extension of certain deadlines. Although DMV activities will rebound to some extent as facilities reopen and deadline extensions expire, the economy is likely entering a recession that will result in decreased demand for the DMV’s services. During the height of the Great Recession, driver’s license document issuance decreased by approximately 10 percent.

This action would predominantly generate cash fund savings. However, reducing cash fund spending is in keeping with the current budgetary climate and budget balancing actions; additionally reduces dependence on General Fund; reduces the need for fee increases; better addresses long-term sustainability for the DMV cash funds; and better aligns appropriations with anticipated long-term trends in DMV services usage identified by the Department and OSPB.

➤ TRANSFER PORTION OF MARIJUANA CASH FUND BALANCE TO GENERAL FUND

Recommendation/Option: Transfer $3,000,000 of the balance in the Marijuana Cash Fund to the General Fund in June 2020.

Analysis:

Key Considerations: One-time option. No immediate program impact.

Additional Background: The Marijuana Cash Fund currently has an available cash fund balance of $13,771,617. Through a statutory change, the Committee could transfer a portion of this amount to the General Fund.

At the time of the November 1st budget submission, Marijuana Cash Fund was projected to close FY 2019-20 with a balance $12.8 million, of which $9.5 million would be in excess of the statutory reserve limit.