

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**SUPPLEMENTAL REQUESTS FOR FY 2014-15**

**DEPARTMENT OF REVENUE**

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

**Prepared By:  
Scott Philip Thompson, JBC Staff  
January 21, 2015**

For Further Information Contact:

Joint Budget Committee Staff  
200 E. 14th Avenue, 3rd Floor  
Denver, Colorado 80203  
Telephone: (303) 866-2061  
TDD: (303) 866-3472

**TABLE OF CONTENTS**

	<b>Narrative Page</b>	<b>Numbers Page</b>
<b>Department Overview</b>	1	N.A.
<b>Summary: FY 2014-15 Appropriation and Recommendation</b>	1	N.A.
<b>Prioritized Supplementals in Department-assigned Order</b>		
S1 – Tax Document Processing Costs	3	19
S2 – Marijuana Enforcement Division FTE and Legal Services	5	20
S3 – Senate Bill 13-251 Funding	8	21
S4 – Division of Motor Vehicles Legal Services	11	22
S5 – Division of Motor Vehicles Long Bill Technical Adjustments	13	23
<b>Non-prioritized Supplementals</b>		
Replacement of Marijuana Tax Cash Fund Appropriation with Marijuana Cash Fund	16	25
JBC Staff-initiated Technical Supplemental	17	N.A.
Statewide Common Policy Supplemental Requests	18	N.A.
<b>Totals for All Supplementals</b>	N.A.	25
<b>Appendices</b>		
Numbers Pages	19	N.A.
Special Bills Affecting the Marijuana Enforcement Division	26	N.A.

## DEPARTMENT OF REVENUE

### Department Overview

The Department of Revenue is organized into three functional groups: Taxation, Motor Vehicles, and Enforcement. The Taxation Business Group collects revenues for state government and for local governments. The Division of Motor Vehicles regulates motor vehicle safety, issues personal identification documents, issues titles and registration documents for motor vehicles, enforces vehicle emission standards, operates the Motorist Insurance Identification Database Program, and regulates commercial vehicles in a separate division. The Enforcement Group regulates limited stakes gambling, alcohol, tobacco, racing events, and motor vehicle dealers, operates the hearings division, and regulates medical and retail marijuana dispensaries, cultivation facilities, and infused products manufacturing facilities. The three functional areas are supported by the Executive Director's Office and Information Technology Division.

The Department is statutorily authorized to contract with cities and counties to collect any tax which it also collects for state government. The Department currently receives and distributes sales and use taxes on behalf of approximately 250 local governments and special districts.

The Department also operates the State Lottery, which accounts for approximately one-third of the Department's annual budget. Lottery proceeds (sales less prizes and expenses) are distributed to the Conservation Trust Fund, Great Outdoors Colorado, Parks and Outdoors Recreation, and the Public School Capital Construction Fund.

### Summary: FY 2014-15 Appropriation and Recommendation

<b>Department of Revenue: Recommended Changes for FY 2014-15</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2014-15 Appropriation</b>						
HB 14-1336 (Long Bill)	\$323,518,116	\$98,459,137	\$218,700,134	\$5,534,457	\$824,388	1,316.7
Other legislation	<u>3,561,951</u>	<u>3,209,053</u>	<u>352,898</u>	<u>0</u>	<u>0</u>	<u>5.3</u>
<b>Current FY 2014-15 Appropriation</b>	<b>\$327,080,067</b>	<b>\$101,668,190</b>	<b>\$219,053,032</b>	<b>\$5,534,457</b>	<b>\$824,388</b>	<b>1,322.0</b>
<b>Recommended Changes</b>						
Current FY 2014-15 Appropriation	\$327,080,067	101,668,190	\$219,053,032	\$5,534,457	\$824,388	1,322.0
S1 Tax Document Processing Costs	1,715,601	1,715,601	0	0	0	5.2
S2 Marijuana enforcement division FTE and legal services	464,882	0	464,882	0	0	3.3
S3 Senate Bill 13-251 Funding	166,265	0	166,265	0	0	4.5
S4 DMV Legal Services	89,109	89,109	0	0	0	0.0

*JBC Staff Supplemental Recommendations: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Department of Revenue: Recommended Changes for FY 2014-15</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
S5 Division of Motor Vehicles Long Bill technical adjustments	0	0	0	0	0	0.0
Statewide common policy supplemental request	74,534	298,813	(224,279)	0	0	0.0
<b>Recommended FY 2014-15 Appropriation</b>	<b>\$329,590,458</b>	<b>\$103,771,713</b>	<b>\$219,459,900</b>	<b>\$5,534,457</b>	<b>\$824,388</b>	<b>1,335.0</b>
<b>Recommended Increase/(Decrease)</b>	<b>\$2,510,391</b>	<b>\$2,103,523</b>	<b>\$406,868</b>	<b>\$0</b>	<b>\$0</b>	<b>13.0</b>
Percentage Change	0.8%	2.1%	0.2%	0.0%	0.0%	1.0%
<b>FY 2014-15 Executive Request</b>	<b>\$329,679,567</b>	<b>\$103,860,822</b>	<b>\$219,459,900</b>	<b>\$5,534,457</b>	<b>\$824,388</b>	<b>1,335.0</b>
Request Above/(Below) Recommendation	\$89,109	\$89,109	\$0	\$0	\$0	(0.0)

### Request/Recommendation Descriptions

**S1 Tax Document Processing Costs:** The request includes \$1,715,601 General Fund to provide 5.2 FTE in FY 2014-15 to complete tax document processing. The recommendation includes the requested increase.

**S2 Marijuana enforcement division FTE and legal services:** The request includes \$464,882 cash fund to fund an increase of 3.3 FTE and legal service hours for administration of enforcement and regulatory activities related to medical and retail marijuana. The recommendation includes the requested increase.

**S3 Senate Bill 13-251 Funding:** The request includes \$166,265 cash fund to fund an increase of 4.5 FTE to increase availability of services made available to Colorado residents who cannot prove permanent or lawful residence. The recommendation includes the requested increase.

**S4 DMV Legal Services:** The request includes \$178,218 General Fund to pay for an increase in legal service hours for driver license revocation appeals, rule review, contract review, Real ID recertification. The recommendation includes approving part and denying part for a total of 900 legal service hours or \$89,109 at the current rate.

**S5 Division of Motor Vehicles Long Bill technical adjustments:** The request includes some minor technical adjustments related to the Long Bill reorganization in the Division of Motor Vehicles.

**Statewide common policy supplemental request:** The request includes adjustments to several statewide common policy line items including: administrative law judge; capitol complex leased space; vehicle lease payments; and COFRS modernization.

## Prioritized Supplemental Requests

### SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #1 TAX DOCUMENT PROCESSING COSTS

	Request	Recommendation
<b>Total</b>	<b><u>\$1,715,601</u></b>	<b><u>\$1,715,601</u></b>
FTE	5.2	5.2
General Fund	1,715,601	1,715,601
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made and unforeseen contingencies.	

**Department Request:** The Department requests \$1,715,601 General Fund and 5.2 FTE in FY 2014-15 annualizing to \$1,819,684 General Fund and 14.9 FTE in FY 2015-16 for tax document processing costs.

**Staff Recommendation:** Staff recommends that the Committee approve the supplemental request.

**Staff Analysis:** The Department is statutorily responsible for tax administration activities for the State. The Department’s tax processing system is called the “tax pipeline,” which includes receiving, extracting, scanning, capturing, processing, editing, and archiving different types of documents. The pipeline consists of many activities and processes performed by staff in both the Department of Revenue and the Department of Personnel. In September 2011, the Office of the State Auditor conducted a tax pipeline performance audit of the Department. The audit described a bifurcated document management system that relies on outdated manual processes, outdated infrastructure, lack of coordination between the departments, and a failure to capitalize on either department’s expertise.

To address the findings made in the State Auditor’s report, both Departments undertook a Lean process review of all pipeline activities and identified numerous opportunities to automate or streamline business processes by leveraging new equipment and technology. The Departments determined updating the pipeline would be best accomplished in four phases:

- Phase 1: Evaluate current processes, identify inefficiencies, and recommend solutions.
- Phase 2: Restructure the current work flow to reduce document handling.

*JBC Staff Supplemental Recommendations: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

- Phase 3: Apply recommended process improvements that focus on automation and implementation of a scanning system to reduce data entry.
- Phase 4: Migrate outgoing mail and document printing processes from the Department of Revenue to the Department of Personnel’s Central Services’ mail operations center.

Because the Department initially expected Phase 3 to be complete by January 1, 2014, the Department submitted and the Committee approved a budget request in the FY 2014-15 budget that reduced the Department’s annualized budget by \$1,685,137 General Fund and 24.3 FTE. The Department of Personnel also submitted a similar budget request and ultimately, the reduction between both Departments amounted to \$2,075,106 and 38.8 FTE. The table below shows the detail of the reductions.

<b>Budgetary Reductions by Department in FY 2014-15</b>						
<b>Budget Line Item</b>	<b>Department of Revenue</b>		<b>Department of Personnel</b>		<b>Total</b>	
	<b>Appropriation Change</b>	<b>FTE</b>	<b>Appropriation Change</b>	<b>FTE</b>	<b>Appropriation Change</b>	<b>FTE</b>
Personal Services	(1,085,544)	(24.3)	(525,486)	(14.5)	(1,611,030)	(38.8)
Seasonal Tax Processing	(101,154)	0	0	0	(101,154)	0
Operating Costs	(86,279)	0	135,517	0	49,238	0
Document Management	(392,160)	0	0	0	(392,160)	0
Leased Space	<u>(20,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,000)</u>	<u>0</u>
<b>Total</b>	<b>(1,685,137)</b>	<b>(24.3)</b>	<b>(389,969)</b>	<b>(14.5)</b>	<b>(2,075,106)</b>	<b>(38.8)</b>

To date, taxpayers and the State are realizing efficiencies from the pipeline project. For example, tax documents run through this system have data and images available for production staff in both Departments almost instantaneously, and available to view in the tax system the next day. This process used to take one to two weeks and now allows the Department to respond more quickly to taxpayer issues and resolve taxpayer problems more efficiently. Unfortunately, while the Department is realizing some efficiencies as a result of implementing the system, it has also encountered some unexpected challenges.

***Unexpected Challenges***

During implementation of the system the Department identified three areas of unexpected difficulties. Some of these are a result of technological limitations in the system selected that were unknown at the time of contract award and discovery of which has caused the Department to postpone implementation of Phase 3 by one year, to January 2015. Additionally, ongoing operating efficiencies that were expected to generate savings will not fully be realized because the new system requires unanticipated tasks to be performed by Department staff. For example, the Department estimates the new system’s document scanning will not properly recognize 560,000 mail pieces or 20.0 percent of the total mail volume. This mail is comprised of correspondence, tax returns that do not have bar codes or have bar codes that cannot be read, and letters and other attachments sent with tax returns. To process these documents, the Department will have to continue to utilize some staff to manually identify these documents.

The Department did not anticipate that it would require 5.2 FTE and 32 temporary staff totaling \$569,195 in FY 2014-15 and 14.9 FTE and \$765,831 each year after project implementation to continue certain tasks given the expected benefits of system automation. These new tasks include correcting processing errors, creating new forms associated with annual and legislative changes, and performing system testing that is associated with new form design.

Finally, the Department did not anticipate the Department of Personnel’s need to increase imaging and data entry rates to cover the cost of the new technology for the pipeline project. In the current fiscal year, imaging rates for income tax forms were 58.2 percent higher and data entry rates were 64.8 percent higher than the respective rates charged when the budgetary reductions were made for FY 2014-15.

***Alternate Option***

The Department evaluated a reversion back to manual tax processing and determined it would be more cost effective to fund the Department request. The process of reverting back to manual processing would require the Department to continue opening all tax-related mail, prepare documents for data entry and imaging, assign batch and document locator numbers to tax documents to allow tax examiners to located documents, and image and deposit checks. The Department of Personnel would be required to continue its data entry and back-end imaging. The Department estimates it would cost approximately \$2,042,924 annually to revert back to manual tax processing, not including the costs for equipment repair and replacement. The Long-term cost of reverting to manual processing would exceed the economies of scale that are resulting from the coordination of pipeline functions now being performed by both Departments. Lastly, reverting to manual processing would cause a delay in taxpayer information being available electronically which would result in degradation in the quality and timeliness of customer service.

The state tax system is one of the state services that interacts with the public the most and ensuring the Department has the financial support to provide efficient customer service is critical to government appearance. Funding this request will allow the Department to continue to provide enhanced customer services made possible by the new system while ensuring efficiencies it allows are realized when Phase 3 is complete in 2015.

---

**SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #2**  
**MARIJUANA ENFORCEMENT DIVISION FTE AND LEGAL SERVICES**

	Request	Recommendation
<b>Total</b>	<b><u>\$464,882</u></b>	<b><u>\$464,882</u></b>
FTE	3.3	3.3
General Fund	0	0
Cash Funds	464,882	464,882
Reappropriated Funds	0	0

*JBC Staff Supplemental Recommendations: FY 2014-15  
Staff Working Document – Does Not Represent Committee Decision*

	Request	Recommendation
Federal Funds	0	0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.	

**Department Request:** The Department requests \$464,882 in FY 2014-15 annualizing to \$1,117,472 from the Marijuana Cash Fund to fund 3.3 FTE annualizing to 13.0 FTE including an increase in legal services in the Marijuana Enforcement Division.

**Staff Recommendation:** Staff recommends that the Committee approve the supplemental request.

**Staff Analysis:** Adult-use marijuana became legal to sell at licensed retail marijuana shops on January 1, 2014. The Marijuana Enforcement Division (Division) is tasked with licensing and regulation medical and retail marijuana businesses in Colorado by issuing licenses, conducting background investigations, imposing disciplinary actions, enforcing compliance mandates, implementing legislation, and promulgating rules.

House Bill 10-1284 (Medical Marijuana Regulation) appropriated 110.0 FTE to the Department, however, the Fiscal Note for the bill assumed the Division only required 23.2 FTE to meet the requirements imposed by the bill. The FTE and funding appropriated to the Division was reduced to 55.2 FTE in S.B. 11-209 (Long Bill) and has not been increased since, even though a number of bills that increase workload of the Division were passed since this time. The table below lists bills that have impacted the workload of the Division without increasing its appropriation and FTE:

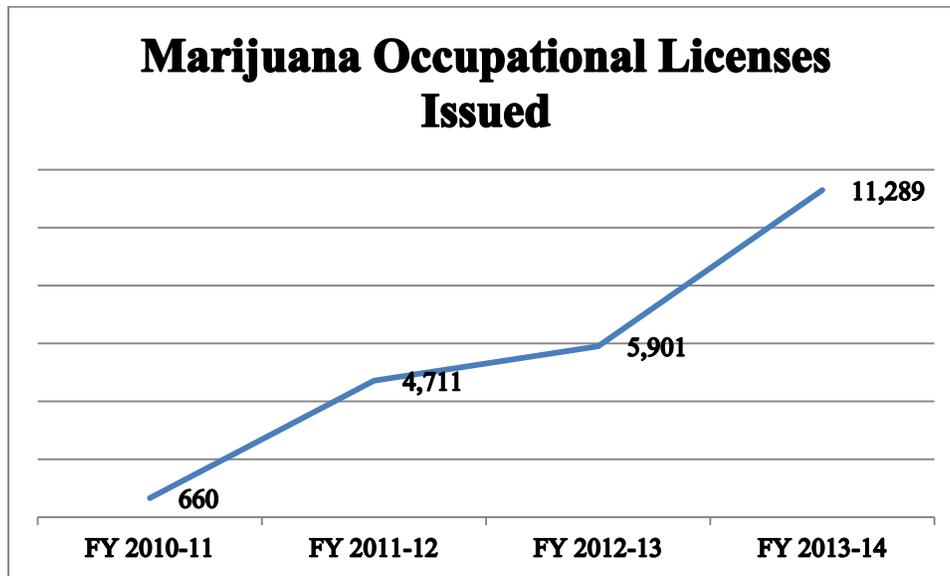
<b>Special Bills Affecting the Marijuana Enforcement Division</b>	
Bill Number	Bill Title
H.B. 10-1284	Medical Marijuana Regulation
S.B. 13-283	Implementation of Amendment 64 Consensus Recommendations
H.B. 13-1061	Responsible Medical marijuana Vendor Standards
H.B. 13-1238	Transfer Funds for Medical Marijuana Enforcement
H.B. 13-1317	Implementation of Amendment 64 Majority Recommendation
H.B. 13-1318	Retail Marijuana Taxes
H.B. 14-1122	Keep Legal Marijuana From Those Under 21
H.B. 14-1361	Regulation of Marijuana Concentrates

\* For detailed information on each bill see Appendix B

***Staffing and Associated Operating Request***

With adult-use recreational marijuana becoming legal during different stages in 2014, the Division experienced significant increases in the number of business and occupational licensees. With the addition of retail marijuana, growth in the number of licensees, and increases in the

number of new rules promulgated and laws passed, the Division’s workload is seeing an increase in workload. Since July 2013, the Division reports it has consistently had at least four temporary staff assigned to the Licensing Unit to process the increased license applications. As of December 2014, the Division has only five vacant positions; four of these vacancies are being filled currently with final placements expected no later than the end of January. As an example of the workload increase seen in licensing the table below shows the increase in occupational licenses per year since the medical marijuana program was established:



This funding request is the result, the Department contends, of the measured approach it has taken to properly staffing the Division on a permanent basis. This request comes after the Department ensured that any additional resources are required as a result of increased licensing activities that began in January and October 2014. The Department requests \$286,664 and 3.3 FTE in FY 2014-15 annualizing to \$947,354 and 13.0 FTE in FY 2015-16. The requested positions and costs are summarized below:

- **3.0 FTE Administrative Assistant II:** To process an increase in the number of applications for occupational and business licenses in support of the Licensing Unit;
- **1.0 FTE Criminal Investigator II, 1.0 FTE Criminal Investigator I, and 1.0 FTE Compliance Investigator I:** To process an increase in the number and complexity of business background investigations, license renewals, and change of ownerships;
- **1.0 FTE Criminal Investigator II and 2.0 FTE Criminal/Investigator I:** To meet the demands of monitoring and enforcing the large number of licensees in the Denver and Aurora metro areas;
- **1.0 FTE Compliance Investigator III and 2.0 FTE Compliance Investigator I:** To address the complex nature of monitoring and enforcing the new mandatory testing program, analyzing and organizing data in the inventory tracking system, ensuring compliance with labeling and record requirements, and conducting other monitoring activities in support of the Field Investigation Unit; and
- **1.0 FTE Legal Assistant II:** To aid in the enforcement of the Medical and Retail Marijuana Code of Regulation, by drafting administrative actions and assisting in drafting regulations.

- **\$10,343 to lease seven vehicles**, including three sedans and four four-wheel drive vehicles, and associated costs. The four-wheel drive vehicles are necessary when off-road enforcement may be needed or where mountain, farm, or weather conditions warrant it.
- **\$93,111 for operating expenses associated with the new FTE** to include one-time and ongoing investigative supplies.

***Legal Service Hours Request***

The Department also requests \$178,218 in FY 2014-15 annualizing to \$170,118 from the Marijuana Cash Fund to fund an additional 1,800 hours of legal services related to the need to prosecute more summary suspension cases than initially anticipated and increased demands of General Counsel as a result of complex rulemaking in novel subject areas.

The number of summary suspension cases is higher than anticipated. These cases involve findings of deliberate and willful violations or that the public health, safety, or welfare imperatively requires emergency action. Summary suspension cases are in addition to the typical disciplinary and denial cases that must be litigated requiring an average of 250 hours per case. In FY 2014-15, the Division imposed or is about to impose summary suspension in four sets of cases that are expected to total 1,000 hours of legal services and is expected to be ongoing.

In addition to the specific needs described about, General Counsel needs of the program are increasing substantially as a result of continuous rulemaking. The Division is anticipating emergency rulemaking following legislative changes, and regular rulemaking on several issues including edible products, production management, and laboratory testing. Additionally, the Department of Law is expected to provide increased support to the Division in the following areas: medical marijuana Sunset review, increases in the number and complexity of CORA requests and other press inquiries, continuing support for subpoenas for Division record, and increases in the number of requests for position statements and declaratory orders. Lastly, the Department of Law continues to provide support for ongoing constitutional and legal challenges. The Division anticipates all General Counsel needs to consume 800 legal service hours.

---

**SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #3**  
**SENATE BILL 13-251 FUNDING**

	Request	Recommendation
<b>Total</b>	<b><u>\$166,265</u></b>	<b><u>\$166,265</u></b>
FTE	4.5	4.5
General Fund	0	0
Cash Fund	166,265	166,265
Reappropriated Funds	0	0
Federal Funds	0	0

*JBC Staff Supplemental Recommendations: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.	

**Department Request:** The Department requests \$166,265 and 4.5 FTE in FY 2014-15 and \$1,595,813 and 28.6 FTE from the Licensing Services Cash Fund to expand the services provided by the Division of Motor Vehicles to those individuals who either cannot demonstrate lawful presence or can only demonstrate temporary lawful presence in the United States authorized by S.B. 13-251.

**Staff Recommendation:** Staff recommends that the Committee approve the supplemental request.

**Staff Analysis:** With implementation of S.B. 13-251 (Ulibarri and Morse/Melton), the Department encountered resource constraints due to significant demand for services that were not anticipated when the fiscal note for the bill was prepared. A number of assumptions made in the fiscal note are proving to result in actuals exceeding projections in many categories; the table below compares some of the fiscal note assumptions with projections based on the first few months of actual data:

<b>S.B. 13-251 Updated Cost Comparison</b>			
	Fiscal Note	New Projection Incorporating Actual Data	
		Temporary Lawful Presence	Not Lawfully Present
Applicants in first year of services	46,523	34,188	24,966
Applicants in out years of services	15,508	not provided	27,000
Time to Verify Documentation and complete testing (minutes)	30	30	60
Document Processing (minutes)	4	4	30
Cost of Translating Documents	\$0	\$156,846	

Therefore, the Department is seeking funding to convert temporary staff to permanent staff and to expand the program to five additional locations with the goal of enhancing customer service by reducing wait times for appointments. Senate Bill 13-251 services are currently provided at five driver's license offices including Denver Central, Aurora, Colorado Springs, Fort Collins, and Grand Junction. Residents who have temporary lawful presence (TLP) and have valid documentation use the same process to apply for a driver's license or identification card as permanent Colorado residents, however, those residents not lawfully present (NLP) must use a more time consuming process.

An NLP applicant who wishes to apply for a document must make a 30-minute appointment at one of the offices offering S.B. 13-251 services using the Department's online appointment

scheduling system or by calling a dedicated help line. During the appointment, the applicant's documents are examined by a driver's license technician for accuracy and validity. Once the NLP applicant's documents are accepted, the process is the same as permanent Colorado residents. The NLP applicant can either choose to: 1) take a written examination to receive a driver's permit and then proceed to take the drive test; or 2) receive an identification card. If the NLP applicant chooses to obtain a driver's license, the NLP applicant must pass the written test and pay \$14.00 to receive a driver's permit. If the NLP applicant passes the drive test, the applicant must pay \$50.50 to be issued a temporary S.B. 13-251 document. The applicant will receive their permanent document in the mail at their primary residence within 30 days of issuance of the temporary document. It takes a driver's license technician a minimum of 30 minutes to issue a permit and another 30 minutes to conduct a drive test. The entire process to issue a S.B. 13-251 driver's license is estimated to take at least one hour. If the NLP applicant chooses to obtain an identification card, the applicant must pay \$14.00. The process to issue an identification card is estimated to take at least 30 minutes.

Each of the five offices has capacity and funding to provide 31 appointments each day to NLP applicants. The current level of funding allows the Department to staff a dedicated central call center and provide 155 appointments daily to issue documents and offer road tests. Appointments can be scheduled up to 90 days in advance and the Department is observing that every available appointment is booked within one hour of becoming available. Consequently, the Department projects that 35,495 applicants of the estimated 46,523 total applicants will be able to schedule appointments, thereby leaving 11,028 applicants of the program unserved.

Due to limitations on the number of offices offering the service, the number of appointments available, and the demographics of the applicants, many applicants are investing significant time and money and traveling long distances to complete the process. The Department reports it is aware of applicants traveling from Denver to Grand Junction to secure a S.B. 13-251 document.

To maintain current S.B. 13-251 service levels after February 28, 2015, the Department requests \$166,265 from the Licensing Services Cash Fund for the Division of Motor Vehicles, Driver Services, Personal Services line, to convert 13.0 temporary FTE to permanent and to provide FTE authorization for an additional 0.6 FTE that has been temporarily assigned to the program by the DMV. The request includes the following resources in FY 2014-15: \$158,876 and an equivalent of 4.3 FTE to convert 13.0 temporary FTE to permanent and \$7,389, and 0.2 FTE to convert 0.6 FTE for four months. For FY 2015-16, the costs for the 13.6 FTE costs annualize to \$807,564. This amount includes ongoing costs of \$156,846 to translate and print materials into four languages such as fact sheets, driver's manuals, and forms. Currently, all materials are available in English and Spanish. The translation and printing costs are ongoing as changes to the manuals and other materials occur most years due to changes in federal and state regulations.

---

**SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #4**  
**DIVISION OF MOTOR VEHICLES LEGAL SERVICES**

	Request	Recommendation
<b>Total</b>	<b><u>\$178,218</u></b>	<b><u>\$89,109</u></b>
FTE	0.0	0.0
General Fund	178,218	89,109
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.	

**Department Request:** The Department requests \$178,218 General Fund in FY 2014-15, \$122,863 General Fund in FY 2015-16, which annualizes to \$85,059 General Fund to fund additional legal service hours for the Division of Motor Vehicles, which total 1800 hours in FY 2014-15.

**Staff Recommendation:** Staff recommends that the Committee approve funding of \$89,109 to support 900 hours of additional legal services for the parts of the request that meet supplemental criteria.

**Staff Analysis:** The Department made one request for an increase in legal service hours for the Division of Motor Vehicles (DMV) that really is four separate issues rolled into one package. To assist the Committee in understanding the total request, staff is making recommendations on each individual part of this request.

***Support of DMV Driver License Revocation Appeals***

The DOL monitors driver's license revocation appeals to district courts and assists district attorneys in representations. In FY 2013-14, 198 revocations were appealed to district courts and the DMV anticipates the number of appeals will be comparable in FY 2014-15 and going forward. The Department has requested the DOL increase its outreach to the district attorneys to provide consultation and training on procedural and substantive issues that arise in these appeals. For example, although these appeals are record reviews by the district court, recently drivers have begun including civil rights claims under 42 U.S.C. § 1983. DOL attorneys defend the DMV and State against these claims for damages and attorneys' fees. In addition, the DOL now reviews district court decisions and provides advice and recommendations to the DMV on questions related to appeals. The number of appeals from district court rulings varies but averages three per month. Because of limited resources, the DMV has not utilized the DOL for

these purposes. As part of a review of DMV operations, however, the Department determined greater coordination and consistency was needed through increased outreach by the DOL to the district attorneys, as well as the need for more comprehensive legal advice on decisions the Department must make regarding appeals to the Colorado Court of Appeals. These efforts require an additional 500 hours per year.

**Analysis: Staff recommends against funding the 500 hours per year for DMV Driver License Revocation Appeals** because it is not the result of an emergency or act of God, a technical error in calculating the original appropriation, data that was not available when the original appropriation was made, or an unforeseen contingency. The funding contemplated here would be more appropriately brought during the regular budget cycle because the Division reviewed operations and determined it was not utilizing all of the services available to it from the DOL and now it wishes to make a policy change.

#### ***DMV Rule Review***

The DMV has targeted 20 percent annual review of all its rules in furtherance of Executive Order D 2012-002 (Regulatory Efficiency Reviews). The DMV currently has 31 rules ranging from 1 to 34 pages in length each and covering a wide range of subject matter areas. The DMV has included 15 categories of rules on its 2015 regulatory agenda. Additional legal resources are required to ensure regulations comply with the authorizing statutes, amendments, and appellate decisions. The DOL is estimating an increase of 400 hours annually for this purpose.

**Analysis: Staff recommends against funding the 400 hours per year for DMV Rule Review** because it is not the result of an emergency or act of God, a technical error in calculating the original appropriation, data that was not available when the original appropriation was made, or an unforeseen contingency. Executive Order D2012-002, issued on January 9, 2012, directed state agencies to periodically review their rules to ensure that each rule:

1. Is necessary and does not duplicate existing rules;
2. Is written in plain language and is easy to understand;
3. Has achieved the desired intent and whether more or less regulation is necessary;
4. Can be amended to reduce any regulatory burdens while maintaining its benefits; and
5. Is implemented in an efficient and effective manner, including the requirements for the issuance of any permits or licenses.

This Executive Order is directed to all of the Executive Branch agencies and should not disproportionately affect the Department. No other Departments have made supplemental requests for additional legal service hours to address the three-year old Executive Order, ostensibly because if it did increase the need for legal service hours, the need was addressed through the regular budget process.

#### ***DMV Contract Review***

The DMV has three large IT procurements underway requiring the DOL to review contracts and represent the Department in procurement protest litigation. Currently, there are four cases in litigation related to these procurements requiring an additional 700 hours in FY 2014-15. As a comparison, the recent Lottery Commission protest that ended in successful litigation at the

District Court cost approximately \$30,000 or 303 hours. The DOL estimates an additional 200 hours will be needed in FY 2015-16 to advise the DMV on issues related to implementing new IT systems.

**Analysis: Staff recommends funding the 700 hours requested for contract review** of the large IT procurements undertaken by the Department and notes that it meets supplemental requirements because litigation is an unforeseen contingency.

***Real ID Recertification and Compliance***

The REAL ID Act requires recertification by the federal Department of Homeland Security in 2015 to ensure State laws and regulations and the DMV's operations are in compliance with federal law regarding the security of state-issued driver's licenses and identification cards and verification of lawful presence. This will require DOL attorneys to review DMV statutes and rules and advise the DMV on whether they are in compliance with the REAL ID Act. This will promote the issuance of a positive compliance letter from the Attorney General, required for full compliance with REAL ID. In FY 2014-15 and FY 2015-16, 200 hours of legal services will be needed for this purpose.

**Analysis: Staff recommends funding the 200 hours requested for Real ID Recertification and Compliance** and notes that it *may* meet supplemental criteria as an unforeseen contingency.

**SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #5  
DIVISION OF MOTOR VEHICLES LONG BILL TECHNICAL  
ADJUSTMENTS**

	Request	Recommendation	
<b>Total</b>		<b><u>\$0</u></b>	<b><u>\$0</u></b>
FTE		0.0	0.0
General Fund		0	0
Cash Funds		0	0
Reappropriated Funds		0	0
Federal Funds		0	0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of technical error in calculating the original appropriation.	

**Department Request:** The Department requests technical adjustments to several Division of Motor Vehicle line item appropriations to align the Long Bill appropriations with operations resulting in no net fiscal impact.

**Staff Recommendation:** Staff recommends that the Committee approve the Department’s request.

**Staff Analysis:** The Department has identified two situations where personal services and operating costs in the Long Bill do not align with the DMVs current operational structure. Both are the result of the DMV long bill structure being reorganized last year.

First, during the 2014 legislative session, the Department of Corrections (DOC) requested and received funding to enhance overall parole operations through a budget amendment titled “Pre-Release Services.” As part of the budget amendment, the DMV Investigations Unit received reappropriated funding of \$50,735 and 1.0 FTE in FY 2014-15. The budget amendment correctly appropriated funding to the DMV’s Driver and Vehicles Services, Personal Services and Operating lines, however, the appropriation did not take into consideration a long bill reorganization requested by the Department and ultimately approved by the Committee.

The second situation arose from House Bill 13-1240 (Penalties for Persistent Drunk Drivers), which appropriated cash funding from the First Time Drunk Driving Offender subaccount of the Highway Users Tax Fund to implement changes related to penalties for driving while impaired. For the driver’s license personnel addressed in this request, the bill annualized FY 2013-14 appropriations to \$76,775 and 1.9 FTE in FY 2014-15 and appropriated it to the Driver and Vehicles Services, Personal Services and Operating line items. The appropriation should properly be allocated to the Ignition Interlock Program line item.

Although the Department is not impacted operationally by the misalignment of funds and FTE, the requested adjustments improve accountability and transparency by accurately reflecting DMV expenditures in the appropriate line items. These technical adjustments impact several Long Bill line items, but do not change the total appropriation of each fund type.

---

## Non-prioritized Supplemental Requests

---

### REPLACE DEPARTMENT OF REVENUE’S APPROPRIATION FROM MARIJUANA TAX CASH FUND WITH MARIJUANA CASH FUND

	Request	Recommendation	
<b>Total</b>		<b><u>\$0</u></b>	<b><u>\$0</u></b>
FTE		0.0	0.0
General Fund		0	0

*JBC Staff Supplemental Recommendations: FY 2014-15*  
*Staff Working Document – Does Not Represent Committee Decision*

	Request	Recommendation
Cash Funds	0	0
Marijuana Tax Cash Fund	(6,424,672)	(6,424,672)
Marijuana Cash Fund	6,424,672	6,424,672
Reappropriated Funds	0	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of a data that was not available when the original appropriation was made.	

**Department Request:** The Department requests its appropriation for enforcement activities from the Marijuana Tax Cash Fund be reduced by \$6,424,672 and replaced with \$6,424,672 from the Marijuana Cash Fund to reduce the Department's appropriation from the Marijuana Tax Cash Fund from \$7.6 million to \$1.2 million in FY 2014-15 only and retain the difference of \$6.4 million in the Fund to partially offset the refund of Proposition AA taxes required by Section 3 (c) of TABOR.

**Staff Recommendation:** Staff recommends approving the Department request.

**Staff Analysis:** Senate Bill 14-215 includes the following provisions: (1) all medical and retail marijuana sales taxes previously deposited in the Marijuana Cash Fund are to be deposited in the newly created Marijuana Tax Cash Fund, effective July 1, 2014; (2) moneys collected by the Department of Revenue from medical and retail marijuana application and license fees would continue to be deposited in the Marijuana Cash Fund; (3) transfer all sales tax revenue deposited in the Marijuana Cash Fund in FY 2013-14 to the Marijuana Tax Cash Fund effective July 1, 2014; (4) the General Assembly cannot appropriate moneys in the Marijuana Tax Cash Fund for the fiscal year in which they were received by the state, except to appropriate moneys to the Department of Revenue for the fiscal years in which they were received by the state; and (5) moneys in the Marijuana Tax Cash Fund that are not appropriated to the Department of Revenue are subject to annual appropriation by the General Assembly for any fiscal year following the fiscal year in which they were received by the state based on the most recent estimate of revenue.

In addition to \$25.4 million appropriated from the Marijuana Tax Cash Fund in FY 2014-15 to fund programs in several state departments, the Department of Revenue was appropriated \$7.6 million from the Marijuana Tax Cash Fund in FY 2014-15 and ongoing to partially fund the Marijuana Enforcement Division. Only the Department of Revenue's appropriation may be supported with FY 2014-15 (or current year) revenue. The Department's appropriation from the Marijuana Cash Fund (consisting of application and license fees) was reduced by \$7.6 million in FY 2014-15 and ongoing.

The table below shows the projected FY 2014-15 ending balance in the Marijuana Cash Fund of nearly \$9.0 million. In order to fully utilize this fee revenue, and set aside a greater portion of tax revenue for required rebates under Section 20 (3)(c) of TABOR, the Department of Revenue requests to reduce its appropriation from the Marijuana Tax Cash Fund from \$7.6 million to \$1.2 million and fund the difference of \$6.4 million from the Marijuana Cash Fund, instead. This would reduce the projected FY 2014-15 Marijuana Cash Fund ending balance from \$9.0 million to \$2.6 million. The year-end balance would be sufficient to fund the Department's S-2/BA-2, "Marijuana Enforcement Division FTE and Legal Services," of which \$464,882 is requested in FY 2014-15 from the Marijuana Cash Fund to fund additional FTE and an increase in legal service costs.

FY 2014-15 Marijuana Cash Fund Cash Flow Projection	
FY 2014-15 Beginning Balance	\$25,463,613
<b>Revenue</b>	
Retail Marijuana Fees	2,811,315
Medical Marijuana Fees	4,529,862
Total Revenue Projection	7,341,177
<b>Expenses</b>	
Department of Revenue	4,786,072
Transfer to the Marijuana Tax Cash Fund	18,938,725
H.B. 14-1361	100,000
Total Expenses	23,824,797
Net Cash Flow	(16,483,620)
<b>FY 2014-15 Ending Fund Balance</b>	<b>8,979,993</b>
<b>Requested Replacement Appropriation</b>	<b>6,424,672</b>
<b>Projected Ending Fund Balance if Approved</b>	<b>2,555,321</b>

In order to effectuate this change, the Governor requests S.B. 14-215 be amended in the following manner:

SECTION 12. Appropriation – adjustments to 2014 long bill.

(g) The cash funds appropriation from the marijuana cash fund created in section 12-43.3-501, Colorado Revised Statutes to the department of revenue is decreased by ~~\$7,600,000~~ **\$1,175,328 in FY 2014-15**; and

(h) In addition to any other appropriation, there is hereby appropriated, out of moneys in the marijuana tax cash fund created in section 39-28.8-501, Colorado Revised Statutes, to the department of revenue, for the fiscal year beginning July 1, 2014, the sum of **\$1,175,328 in FY 2014-15 only and \$7,600,000 thereafter**, or so much thereof as may be necessary for implementation of this act.

This request is consistent with the policy outlined in the Governor's November 3, 2014 letter stating that any FY 2014-15 revenue credited to the Marijuana Tax Cash Fund in excess of the FY 2015-16 requested spending plan would be set aside for the required Proposition AA refund. Because total state revenue is projected to exceed the estimate in the 2013 Blue Book, a refund of Proposition AA taxes collected in FY 2014-15 will be required under current law. The Legislative Council's December 2014 forecast projects Proposition AA tax collections to total \$58.7 million in FY 2014-15, \$33.5 million of which is from the state share of the 10 percent special sales tax on retail marijuana that is deposited in the Marijuana Tax Cash Fund. Without this requested change, the Department's full \$7.6 million appropriation is essentially a liability to the General Fund, as any amount spent from FY 2014-15 Proposition AA revenues would reduce the amount of cash funds available to set aside for required rebates.

---

**JBC STAFF-INITIATED SUPPLEMENTAL #1  
 TECHNICAL ADJUSTMENTS RESULTING FROM PASSAGE OF S.B. 14-194 AND DMV LONG BILL REORGANIZATION IN FY 2014-15**

	Request	Recommendation
<b>Total</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of a technical error in calculating the original appropriation.	

**Department Request:** The Department did not request that the Long Bill appropriation for (4) Division of Motor Vehicles, (B) Driver Services, Motorist Insurance Identification Database be changed to draw from the CSTARs account of the Highway Users Tax Fund. Similarly, the Department did not request that the Long Bill appropriation for (4) Division of Motor Vehicles, (B) Driver Services, Drivers License Documents be changed to draw from the Licensing Services Cash Fund. However, the Department is aware of staff's recommendation and concurs with this recommendation.

**Staff Recommendation:** Staff recommends that the changes described above be made to the Long Bill.

**Staff Analysis:** Senate Bill 14-194, amongst other things, eliminated two funding streams that typically funded parts of programs in the Division of Motor Vehicles; these funds were the special account within the Highway Users Tax Fund, the Motorist Insurance Identification Account (MIIDB) and the Identification Security Fund (ID Security Fund).

The MIIDB formerly received fee revenue from vehicles registration until S.B. 14-194 directed those revenues to the Colorado State Titling and Registration Account (CSTARS Account) of the Highway Users Trust Fund. Similarly, the ID Security Fund received fee revenue charged in addition to regular fees for driver’s licenses and ID Cards and the Bill redirected this fee to the Licensing Services Cash Fund. Because neither of these funds exist under current law, appropriations for FY 2014-15 that identified either the MIIDB or the ID Security Fund need to be corrected to ensure the Department can access the funds the General Assembly intended them to expend.

Senate Bill 14-194 was introduced the after the Long Bill came out of Conference Committee and therefore the cash fund letter notes in the Long Bill could not account for the changes of law included in S.B. 14-194.

Staff recommends amending the long bill to correct the technical errors described above.

---

## Statewide Common Policy Supplemental Requests

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

Department's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
SNP1 Administrative Law Judge	\$791	\$0	\$791	\$0	\$0	0.0
SNP2 Capitol Complex Lease Space	(22,017)	(5,857)	(16,160)	0	0	0.0
SNP3 Vehicle Lease Payments True-up	176,507	281,476	(104,969)	0	0	0.0
SNP4 CORE Common Policy True-up	<u>(80,747)</u>	<u>23,194</u>	<u>(103,941)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>Department's Total Statewide Supplemental Requests</b>	<b>\$74,534</b>	<b>\$298,813</b>	<b>(\$224,279)</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>

**Staff Recommendation:** The staff recommendation for these requests is pending Committee approval of common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves this common policy supplemental. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

---

*JBC Staff Supplemental Recommendations - FY 2014-15  
Staff Working Document - Does Not Represent Committee Decision*

**Appendix A: Number Pages**

	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2014-15 Requested Change	FY 2014-15 Rec'd Change	FY 2014-15 Total W/ Rec'd Change
--	----------------------	-----------------------------	--------------------------------	----------------------------	-------------------------------------

**DEPARTMENT OF REVENUE  
Barbara Brohl, Executive Director**

**S1 Tax Document Processing Costs**

**(1) EXECUTIVE DIRECTOR'S OFFICE**

Personal Services	<u>5,505,676</u>	<u>8,494,537</u>	<u>543,522</u>	<u>543,522</u>	<u>9,038,059</u>
FTE	61.0	112.6	4.7	4.7	117.3
General Fund	1,748,922	3,845,760	543,522	543,522	4,389,282
Cash Funds	144,635	406,745	0	0	406,745
Reappropriated Funds	3,612,119	4,242,032	0	0	4,242,032
Health, Life, and Dental	<u>8,182,768</u>	<u>8,924,637</u>	<u>0</u>	<u>0</u>	<u>8,924,637</u>
General Fund	3,196,134	3,212,467	0	0	3,212,467
Cash Funds	4,775,200	5,403,539	0	0	5,403,539
Reappropriated Funds	211,434	308,631	0	0	308,631
Short-term Disability	<u>117,770</u>	<u>153,779</u>	<u>0</u>	<u>0</u>	<u>153,779</u>
General Fund	48,925	57,926	0	0	57,926
Cash Funds	65,242	89,498	0	0	89,498
Reappropriated Funds	3,603	6,355	0	0	6,355
S.B. 04-257 Amortization Equalization Disbursement	<u>2,206,774</u>	<u>2,817,337</u>	<u>0</u>	<u>0</u>	<u>2,817,337</u>
General Fund	925,665	1,060,378	0	0	1,060,378
Cash Funds	1,217,456	1,641,420	0	0	1,641,420
Reappropriated Funds	63,653	115,539	0	0	115,539

**JBC Staff Supplemental Recommendations - FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Appropriation</b>	<b>FY 2014-15 Requested Change</b>	<b>FY 2014-15 Rec'd Change</b>	<b>FY 2014-15 Total W/ Rec'd Change</b>
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>1,990,862</u>	<u>2,641,254</u>	<u>0</u>	<u>0</u>	<u>2,641,254</u>
General Fund	832,728	994,105	0	0	994,105
Cash Funds	1,100,731	1,538,832	0	0	1,538,832
Reappropriated Funds	57,403	108,317	0	0	108,317
Operating Expenses	<u>1,085,749</u>	<u>2,202,621</u>	<u>106,301</u>	<u>106,301</u>	<u>2,308,922</u>
General Fund	503,869	1,523,851	106,301	106,301	1,630,152
Cash Funds	581,880	678,770	0	0	678,770
<b>(4) TAXATION BUSINESS GROUP</b>					
<b>(C) Taxpayer Service Division</b>					
Personal Services	<u>4,596,929</u>	<u>6,348,415</u>	<u>25,673</u>	<u>25,673</u>	<u>6,374,088</u>
FTE	78.6	105.2	0.5	0.5	105.7
General Fund	4,472,749	6,094,077	25,673	25,673	6,119,750
Cash Funds	124,180	254,338	0	0	254,338
Operating Expenses	<u>349,547</u>	<u>473,458</u>	<u>10,071</u>	<u>10,071</u>	<u>483,529</u>
General Fund	349,547	469,728	10,071	10,071	479,799
Cash Funds	0	3,730	0	0	3,730
Document Management	<u>0</u>	<u>1,917,354</u>	<u>1,030,034</u>	<u>1,030,034</u>	<u>2,947,388</u>
General Fund	0	1,877,849	1,030,034	1,030,034	2,907,883
Cash Funds	0	39,505	0	0	39,505

***JBC Staff Supplemental Recommendations - FY 2014-15***  
***Staff Working Document - Does Not Represent Committee Decision***

---

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Appropriation</b>	<b>FY 2014-15 Requested Change</b>	<b>FY 2014-15 Rec'd Change</b>	<b>FY 2014-15 Total W/ Rec'd Change</b>
<b>Total for S1 Tax Document Processing Costs</b>	24,036,075	33,973,392	1,715,601	1,715,601	35,688,993
<i>FTE</i>	<u>139.6</u>	<u>217.8</u>	<u>5.2</u>	<u>5.2</u>	<u>223.0</u>
General Fund	12,078,539	19,136,141	1,715,601	1,715,601	20,851,742
Cash Funds	8,009,324	10,056,377	0	0	10,056,377
Reappropriated Funds	3,948,212	4,780,874	0	0	4,780,874

**JBC Staff Supplemental Recommendations - FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2014-15 Requested Change	FY 2014-15 Rec'd Change	FY 2014-15 Total W/ Rec'd Change
<b>S2 Marijuana Enforcement Division FTE and Legal Services</b>					
<b>(1) EXECUTIVE DIRECTOR'S OFFICE</b>					
Operating Expenses	<u>1,085,749</u>	<u>2,202,621</u>	<u>4,640</u>	<u>4,640</u>	<u>2,207,261</u>
General Fund	503,869	1,523,851	0	0	1,523,851
Cash Funds	581,880	678,770	4,640	4,640	683,410
Legal Services	<u>3,306,147</u>	<u>3,959,113</u>	<u>178,218</u>	<u>178,218</u>	<u>4,137,331</u>
General Fund	2,101,747	2,471,288	0	0	2,471,288
Cash Funds	1,204,400	1,487,825	178,218	178,218	1,666,043
Vehicle Lease Payments	<u>537,546</u>	<u>595,416</u>	<u>5,703</u>	<u>5,703</u>	<u>601,119</u>
General Fund	137,908	158,376	0	0	158,376
Cash Funds	399,638	437,040	5,703	5,703	442,743
<b>(6) ENFORCEMENT BUSINESS GROUP</b>					
<b>(G) Marijuana Enforcement</b>					
Marijuana Enforcement	<u>3,593,823</u>	<u>6,445,951</u>	<u>276,321</u>	<u>276,321</u>	<u>6,722,272</u>
FTE	27.2	55.2	3.3	3.3	58.5
Cash Funds	3,593,823	6,445,951	276,321	276,321	6,722,272
<b>Total for S2 Marijuana Enforcement Division</b>					
<b>FTE and Legal Services</b>	8,523,265	13,203,101	464,882	464,882	13,667,983
FTE	<u>27.2</u>	<u>55.2</u>	<u>3.3</u>	<u>3.3</u>	<u>58.5</u>
General Fund	2,743,524	4,153,515	0	0	4,153,515
Cash Funds	5,779,741	9,049,586	464,882	464,882	9,514,468

**JBC Staff Supplemental Recommendations - FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2014-15 Requested Change	FY 2014-15 Rec'd Change	FY 2014-15 Total W/ Rec'd Change
<b>S3 Senate Bill 13-251 Funding</b>					
<b>(5) DIVISION OF MOTOR VEHICLES (CURRENT STRUCTURE)</b>					
<b>(B) Driver Services</b>					
Personal Services	0	<u>21,346,054</u>	<u>161,990</u>	<u>161,990</u>	<u>21,508,044</u>
FTE	0.0	395.2	4.5	4.5	399.7
General Fund	0	9,035,849	0	0	9,035,849
Cash Funds	0	12,163,127	161,990	161,990	12,325,117
Reappropriated Funds	0	147,078	0	0	147,078
Operating Expenses	<u>0</u>	<u>3,474,262</u>	<u>4,275</u>	<u>4,275</u>	<u>3,478,537</u>
General Fund	0	1,847,216	0	0	1,847,216
Cash Funds	0	1,519,864	4,275	4,275	1,524,139
Reappropriated Funds	0	107,182	0	0	107,182
<b>Total for S3 Senate Bill 13-251 Funding</b>	0	24,820,316	166,265	166,265	24,986,581
FTE	<u>0.0</u>	<u>395.2</u>	<u>4.5</u>	<u>4.5</u>	<u>399.7</u>
General Fund	0	10,883,065	0	0	10,883,065
Cash Funds	0	13,682,991	166,265	166,265	13,849,256
Reappropriated Funds	0	254,260	0	0	254,260

**JBC Staff Supplemental Recommendations - FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2014-15 Requested Change	FY 2014-15 Rec'd Change	FY 2014-15 Total W/ Rec'd Change
--	----------------------	-----------------------------	--------------------------------	----------------------------	-------------------------------------

**S4 Division of Motor Vehicles Legal Services**

**(1) EXECUTIVE DIRECTOR'S OFFICE**

Legal Services	<u>3,306,147</u>	<u>3,959,113</u>	<u>178,218</u>	<u>89,109</u>	<u>4,048,222</u>
General Fund	2,101,747	2,471,288	178,218	89,109	2,560,397
Cash Funds	1,204,400	1,487,825	0	0	1,487,825

<b>Total for S4 Division of Motor Vehicles Legal Services</b>	3,306,147	3,959,113	178,218	89,109	4,048,222
<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	2,101,747	2,471,288	178,218	89,109	2,560,397
Cash Funds	1,204,400	1,487,825	0	0	1,487,825

**JBC Staff Supplemental Recommendations - FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2014-15 Requested Change	FY 2014-15 Rec'd Change	FY 2014-15 Total W/ Rec'd Change
--	----------------------	-----------------------------	--------------------------------	----------------------------	-------------------------------------

**S5 Long Bill Technical Adjustments**

**(5) DIVISION OF MOTOR VEHICLES (CURRENT STRUCTURE)**

**(A) Administration**

Personal Services	<u>0</u>	<u>1,453,280</u>	<u>47,062</u>	<u>47,062</u>	<u>1,500,342</u>
FTE	0.0	16.9	0.9	0.9	17.8
General Fund	0	29,761	0	0	29,761
Cash Funds	0	1,423,519	0	0	1,423,519
Reappropriated Funds	0	0	47,062	47,062	47,062
Operating Expenses	<u>0</u>	<u>80,034</u>	<u>3,390</u>	<u>3,390</u>	<u>83,424</u>
General Fund	0	1,670	0	0	1,670
Cash Funds	0	78,364	0	0	78,364
Reappropriated Funds	0	0	3,390	3,390	3,390

**(5) DIVISION OF MOTOR VEHICLES (CURRENT STRUCTURE)**

**(B) Driver Services**

Personal Services	<u>0</u>	<u>21,346,054</u>	<u>(112,531)</u>	<u>(112,531)</u>	<u>21,233,523</u>
FTE	0.0	395.2	(2.8)	(2.8)	392.4
General Fund	0	9,035,849	0	0	9,035,849
Cash Funds	0	12,163,127	(65,469)	(65,469)	12,097,658
Reappropriated Funds	0	147,078	(47,062)	(47,062)	100,016
Operating Expenses	<u>0</u>	<u>3,474,262</u>	<u>(14,696)</u>	<u>(14,696)</u>	<u>3,459,566</u>
General Fund	0	1,847,216	0	0	1,847,216
Cash Funds	0	1,519,864	(11,306)	(11,306)	1,508,558
Reappropriated Funds	0	107,182	(3,390)	(3,390)	103,792

***JBC Staff Supplemental Recommendations - FY 2014-15***  
***Staff Working Document - Does Not Represent Committee Decision***

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Appropriation</b>	<b>FY 2014-15 Requested Change</b>	<b>FY 2014-15 Rec'd Change</b>	<b>FY 2014-15 Total W/ Rec'd Change</b>
Ignition Interlock Program	<u>0</u>	<u>1,151,930</u>	<u>76,775</u>	<u>76,775</u>	<u>1,228,705</u>
FTE	0.0	5.0	1.9	1.9	6.9
General Fund	0	0	0	0	0
Cash Funds	0	1,151,930	76,775	76,775	1,228,705
<b>Total for S5 Long Bill Technical Adjustments</b>	0	27,505,560	0	0	27,505,560
<i>FTE</i>	<u>0.0</u>	<u>417.1</u>	<u>0.0</u>	<u>0.0</u>	<u>417.1</u>
General Fund	0	10,914,496	0	0	10,914,496
Cash Funds	0	16,336,804	0	0	16,336,804
Reappropriated Funds	0	254,260	0	0	254,260

**JBC Staff Supplemental Recommendations - FY 2014-15**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2014-15 Requested Change	FY 2014-15 Rec'd Change	FY 2014-15 Total W/ Rec'd Change
--	----------------------	-----------------------------	--------------------------------	----------------------------	-------------------------------------

**Non-Prioritized MTCF Request**

**(6) ENFORCEMENT BUSINESS GROUP**

**(G) Marijuana Enforcement**

Marijuana Enforcement	<u>3,593,823</u>	<u>6,445,951</u>	<u>0</u>	<u>0</u>	<u>6,445,951</u>
FTE	27.2	55.2	0.0	0.0	55.2
Cash Funds	3,593,823	6,445,951	0	0	6,445,951
<b>Total for Non-Prioritized MTCF Request</b>	3,593,823	6,445,951	0	0	6,445,951
FTE	<u>27.2</u>	<u>55.2</u>	<u>0.0</u>	<u>0.0</u>	<u>55.2</u>
Cash Funds	3,593,823	6,445,951	0	0	6,445,951

<b>Totals Excluding Pending Items</b>					
<b>REVENUE</b>					
<b>TOTALS for ALL Departmental line items</b>	337,315,346	327,080,067	2,524,966	2,435,857	329,515,924
FTE	<u>909.7</u>	<u>1,322.0</u>	<u>13.0</u>	<u>13.0</u>	<u>1,335.0</u>
General Fund	75,884,316	101,668,190	1,893,819	1,804,710	103,472,900
Cash Funds	255,719,203	219,053,032	631,147	631,147	219,684,179
Reappropriated Funds	4,917,992	5,534,457	0	0	5,534,457
Federal Funds	793,835	824,388	0	0	824,388

## **Appendix B: Special Bills Affecting the Marijuana Enforcement Division**

**H.B. 10-1284:** Creates the Medical Marijuana State Licensing Authority (SLA) in the Department of Revenue. The provisions of H.B. 10-1284 include:

- The SLA grants, refuses or renews medical marijuana licenses after the potential licensee has received local approval.
- License may be issued to operate medical marijuana centers and associated off-premises cultivation and medical marijuana infused products manufacturers and associated cultivation operations.
- The SLA will operate in a similar fashion to the State Licensing Authority for alcohol sales.
- Permits a locality to ban the sale, distribution, cultivation, and dispensing of medical marijuana by a majority vote of its governing board or a majority vote of its citizens.
- A medical marijuana center may only sell products it cultivates itself or products purchased from another center in a quantity that does not exceed 30 percent of its inventory.
- Requires the Department of Public Health and Environment (DPHE) to promulgate rules allowing a homebound patient to have a primary caregiver transport the patient's medical marijuana to that patient.
- Provides a sales tax exemption to indigent patients.
- Requires DPHE to promulgate rules related to what constitutes significant responsibility for managing the well-being of a patient.
- Allows a primary caregiver to serve no more than five patients on the registry at one time, except in exceptional cases.
- Requires patients permitted to use medical marijuana have a registry identification card at all times when they are in possession of medical marijuana.
- Provides an exception to the adulterated food offenses for medical marijuana centers that manufacture or sell food that contains medical marijuana, as long as the food is labeled.

Appropriates \$10,317,583 cash funds from the Medical Marijuana License Cash Fund and 110.0 FTE for FY 2010-11 to the Department of Revenue, to staff the Medical Marijuana Licensing Authority, which will enforce the provisions of the act. Included in this appropriation are appropriations of \$271,368 reappropriated funds and 2.0 FTE to the Department of Law for legal services and \$260,700 reappropriated funds and 1.2 FTE to the Department of Public Safety for background checks. Appropriates \$59,747 cash funds and 1.2 FTE for FY 2010-11 from the Medical Marijuana Program Cash Fund to the Department of Public Health and Environment. Allows the Department of Revenue to borrow up to \$1.0 million from the Medical Marijuana Program cash fund in FY 2010-11 to get the program started.

Captures the first \$2 million in sales tax revenue from the sale of medical marijuana and allocates half to the Department of Human Services, for mental health and alcohol and drug abuse services. Allocates the other half to the Screening, Brief Intervention and Referral to Treatment (SBIRT) program. For FY 2010-11, appropriates \$334,227 General Fund to the Department of Human Services. House Bill 10-1033, which creates the SBIRT program and was contingent upon the passage of H.B. 10-1284, appropriates \$334,227 General Fund to SBIRT.

For more information, see the corresponding bill descriptions for the Department of Health Care Policy and Financing and the Department of Public Health and Environment.

**S.B. 13-283:** Permits a local government to prohibit the use of a compressed flammable gas as a solvent in residential marijuana cultivation, and allows retail marijuana businesses to participate in the medical marijuana responsible vendor program. Requires the drug policy task force of the Colorado Commission on Criminal and Juvenile Justice to make recommendations to the General Assembly regarding criminal law changes that need to be made in order to conform to Amendment 64. Requires the Governor to designate the appropriate state agency to:

Create a list of banned substances in marijuana cultivation;  
Work with a private organization to develop good cultivation and handling practices;  
Work with a private organization to develop good laboratory practices; and  
Establish an educational oversight committee for marijuana issues.

Encourages peace officer training to include advanced roadside impairment driving enforcement training, and subject to available funds, the Peace Officers Standards and Training (P.O.S.T.) Board shall arrange training in advanced impairment driving enforcement for drug-recognition experts who will act as trainers for all other peace officers.

Requires the Division of Criminal Justice in the Department of Public Safety to undertake or contract for a scientific study of law enforcement activities related to retail marijuana implementation, and the Department of Public Health and Environment to monitor the emerging science and medical information regarding marijuana through a panel of health care experts.

Clarifies that drug paraphernalia does not include marijuana accessories as defined by Amendment 64 if used or possessed by someone 21 years of age or older. Prohibits the use of retail marijuana products on school property, adds marijuana to the "Colorado Clean Indoor Air Act", and creates an open container offense for marijuana to mirror the open container offense for alcohol. Outlines which business operating licenses can be revoked if retail marijuana is consumed or cultivated onsite. Prohibits the cultivation, use, or consumption of marijuana at a community residential home or regional center. Permits certain business deductions to be used to calculate the state tax owed. Appropriates the following amounts in FY 2013-14 to implement the act:

- \$307,542 cash funds and 4.0 FTE from the Marijuana Cash Fund to the Department of Public Health and Environment;

- \$154,034 General Fund to the Department of Public Safety;
- \$280,000 General Fund to the Department of Revenue; and
- \$20,000 General Funds to the Department of Law.

**H.B. 13-1061:** This bill creates the Responsible Medical Marijuana Vendor Server and Seller Designation (designation) for licensed medical marijuana businesses, and sets standards for a training program for achieving the designation. A person offering a training program must first apply to the Medical Marijuana Enforcement Division (MMED) in the Department of Revenue (DOR) for approval. The MMED will consult with the Department of Public Health and Environment (DPHE) prior to approving or disapproving a training program.

To receive the designation from the vendor, all employees selling and handling marijuana, all managers and all resident on-site owners must successfully complete an approved training program. A designation is valid for two years and requires that new employees and owners be trained within 90 days of employment in order to maintain the designation. The licensed medical marijuana business will maintain documentation of completion of the program for owners and employees. If the MMED or a local licensing authority initiates an administrative action against a licensee who has the designation, the designation must be considered as a mitigating factor when imposing sanctions or penalties on the licensee.

**H.B. 13-1238:** Under current law, the Medical Marijuana Enforcement Division (MMED) in the Department of Revenue (DOR) cannot issue a state license to a medical marijuana business (medical marijuana centers, optional premises cultivation operations, and medical marijuana-infused products manufacturers) until the local licensing authority has issued a local license. This bill allows the MMED to issue a license to a medical marijuana business on the condition that the business receive its local license within 1 year. If a local licensing authority denies an application, the medical marijuana business' conditional state license is revoked. If the local licensing authority does not license a medical marijuana business within 1 year of the issuance of a state license, the conditional state license expires and cannot be renewed. These businesses will need to reapply for licensure.

Only medical marijuana businesses that were operating before July 1, 2010, and applied for licensure prior to the licensing moratorium that started after August 1, 2010, are permitted to operate with a conditional license. Medical marijuana businesses who applied, or will apply for licensure on or after July 1, 2012, when the moratorium on licensing was lifted, are not permitted to operate until both their state and local licenses are issued.

The bill removes a current requirement to provide lists of employees who are not substantially associated with the business operations to the MMED.

Finally, the bill requires that on or before October 31, 2013, DOR and each local licensing authority post on their respective websites a report that shows, for certain time periods, the number of medical marijuana applications received, licenses granted, applications denied, applications withdrawn, and the results of enforcement efforts.

**H.B. 13-1317:** Establishes the regulatory framework to implement Amendment 64, which legalizes the possession of small amounts of marijuana.

Converts the existing Medical Marijuana Enforcement Division (MMED) to the Marijuana Enforcement Division (MED), with the MED having the authority to regulate medical marijuana and retail marijuana, and authorizes the MED to receive moneys from the General Fund. All spending authority that previously existed for the MMED is transferred to the MED.

Establishes unlawful acts including consuming marijuana in a licensed retail marijuana business, buying or selling marijuana outside of the regulated system, selling to a person under 21 years of age, and failing to pay the lawful excise tax. These acts are classified as Class 2 misdemeanors.

Specifies the amount of the application fees for existing medical marijuana business and new businesses.

Requires the MED to provide a report to the Finance Committees that includes the amount of revenue generated by retail marijuana, the expenses of the MED, and the regulatory work performed by the MED.

Provides that only existing medical marijuana licensees businesses in good standing can apply for a license for a retail marijuana license business until September 30, 2014. Starting July 1, 2014, other persons may give notice of intent to apply for a retail license and receive preference from the MED.

Through September 30, 2014, continues the current requirement for vertical integration.

Requires the MED to develop and maintain a seed-to-sale tracking system.

Credits the Marijuana Cash Fund with all application and licensing fees related to marijuana businesses, all regular sales taxes and any special sales taxes from medical and retail marijuana, as well as any General Fund required to fund the MED's regulatory and enforcement operations. Once the MED achieves a sufficient balance of cash funds to support the operations of the MED, excess moneys are transferred to the General Fund until the General Fund has been repaid any moneys provided to the MED for its operations.

Appropriates \$1,227,026 cash funds to the DOR for personal services and operating expense and the purchase of legal services and computer center services related to implementation of the act.

**H.B. 13-1318:** Creates a special sales tax of up to 15 percent (in addition to the current 2.9 percent state sales tax and any local sales tax) to be levied on retail marijuana sales. The tax rate is initially set at 10 percent, which the General Assembly may raise or lower without having to go back to the voters for approval. The retailers are not permitted to keep any portion of the tax for their costs in collecting the tax for the State. Local jurisdictions receive 15 percent of the proceeds from the tax in the proportion of the total marijuana sales that occur in their areas. Requires an annual transfer from the General Fund to the Marijuana Cash Fund in the amount equal to the remaining sales tax revenues after apportionment to the local jurisdictions.

Creates an excise tax of up to 15 percent of the average market rate of the unprocessed retail marijuana upon its first sale or transfer from a cultivation facility to a retail store, manufacturing facility, or other cultivation facility. As required by Amendment 64, the first \$40 million raised goes to the Public School Capital Construction Fund, with any remaining moneys deposited into the Marijuana Cash Fund.

The additional sales and excise taxes will go into effect if the voters approve, at the November 2013 statewide election, the statewide ballot question regarding imposition of the taxes. Appropriates, if the ballot measure is approved, \$4,246,090 from the Marijuana Cash Fund to the DOR for FY 2013-14 for the administration of the taxes imposed.

**H.B. 14-1122:** The bill requires that medical marijuana be sold in a package or container meeting requirements established by the Marijuana Enforcement Division (MED) in the Department of Revenue (DOR) similar to the federal "Poison Prevention Packaging Act of 1970." Alternately the medical marijuana can be placed in an opaque and resealable package or container at the point of sale prior to exiting the store.

It gives a retail marijuana store owner or employee the ability to confiscate proof of age suspected to be fraudulent from a person under 21 years of age who is attempting to purchase retail marijuana. The licensee or employee or a member of law enforcement may also detain and question the person. The bill changes the classification of the crime for selling, or permitting the sale of, retail marijuana to a person under 21 from a class 2 to a class 1 misdemeanor. Finally, the bill specifies the enclosure and locked space requirements for cultivation of marijuana in a residence where a person under 21 years of age lives or visits.

**H.B. 14-1361:** Requires that by January 1, 2016, the Department of Revenue promulgate rules establishing the equivalency of one ounce of retail marijuana flower in various retail marijuana products including retail marijuana concentrate. Prior to promulgating the rules, the Department may contract for a scientific study to determine such equivalency. Clarifies that a retail marijuana store may not sell more than one ounce of retail marijuana or its equivalent in retail marijuana products to a Colorado resident, or not more than a quarter ounce of retail marijuana or its equivalent in marijuana products to a nonresident. For FY 2014-15 appropriates \$100,000 cash funds to the Department of Revenue.

# MEMORANDUM

**TO:** Joint Budget Committee

**FROM:** Scott Thompson, Joint Budget Committee Staff (x4957)

**SUBJECT:** OSPB Request for Changes in Law Related to Marijuana Taxes

**DATE:** January 21, 2015

The Governor's FY 2014-15 supplemental package includes a request for the Joint Budget Committee to sponsor legislation that would authorize expenditures from the Marijuana Tax Cash Fund (MTCF) to be made in the year the taxes are collected. This memo provides a brief summary of the proposed legislation, after providing a review of current law.

### ***Current Law Established by S.B. 14-215***

Senate Bill 14-215 (Disposition of Legal Marijuana Related Revenue) created the MTCF which consists of excise tax revenue on wholesale marijuana which exceeds the \$40.0 million transfer to the Building Excellent Schools Today (BEST) program, revenues from the 10.0 percent special sales tax on retail marijuana less the local share<sup>1</sup> and regular sales tax of 2.9 percent on both retail and medical marijuana.

The bill also placed important guidelines on the timing of appropriations and limits the use of funds in the MTCF by requiring them to be spent in any fiscal year other than the collection fiscal year. The direct and indirect costs of regulating the industry, however, may be appropriated and spent by the Department of Revenue during the year they are collected.

### ***FY 2014-15 Appropriations Compared to Revenue***

During the budget process last year appropriations for programs supported by the MTCF were based on the most conservative projections made about anticipated marijuana tax revenue. This resulted in a total of \$25.4 million being appropriated in FY 2014-15, not including \$7.6 million appropriated to the Department for administering enforcement. This appropriation of \$25.4 million is limited by the amount of revenue collected during the preceding fiscal year, which totaled \$18.9 million in FY 2013-14. The difference between appropriations and available revenue is approximately \$6.4 million. Below is a summary of the appropriations from the MTCF and the total revenue shortfall:

<b>FY 2014-15 Appropriation from the Marijuana Cash Tax Fund</b>			
<b>Program/Description</b>	<b>Department</b>	<b>FY 2014-15 Appropriation</b>	<b>Negative Supplemental<sup>1/B</sup></b>
<b>General Fund Transfers from Marijuana Cash Tax Fund</b>			
Transfer to General Fund--CIRCLE/SBIRT	HUM/HCPF	2,000,000	0
Transfer to General Fund--School based prevention and intervention services	HCPF	2,130,000	(1,151,631)
Transfer to General Fund--School based early intervention and	HCPF	2,130,000	0

<sup>1</sup> Local governments receive 15.0 percent of the sales tax collected by stores in their territory.

<b>FY 2014-15 Appropriation from the Marijuana Cash Tax Fund</b>			
<b>Program/Description</b>	<b>Department</b>	<b>FY 2014-15 Appropriation</b>	<b>Negative Supplemental<sup>B</sup></b>
prevention services grant progra			
	6		
<b>Adjustments made by S.B. 14-215 to H.B. 14-1336 (Long Bill)</b>			
Division of Criminal Justice implementation of S.B. 14-215	PBS	45,000	0
Peace Officer Standards Training Board Support	LAW	76,000	(76,000)
Cannabis health environmental and epidemiological training, outreach, and surveillance	PBH	320,388	0
Division of Criminal Justice implementation of S.B. 14-215	PBS	159,983	0
			0
<b>Appropriations in S.B. 14-215</b>			
School Health Profession Grant Program	EDU	2,500,000	0
Office of Marijuana Coordination	GOV	190,097	0
Tony Grampsas youth service program	HUM	2,000,000	0
Substance use disorder treatment services for adolescents and pregnant women	HUM	1,500,000	0
Expansion and enhancement of jail-based behavior health services	HUM	2,000,000	(452,787)
Enhancement of S.B. 91-094 programs	HUM	2,000,000	0
Marijuana Special Prosecutions Unit	LAW	456,760	0
Peace Officer Standards and Training (POST) Board expanded training activities	LAW	1,168,000	0
Public awareness campaign	PBH	5,683,608	0
Healthy Kids Colorado survey	PBH	903,561	0
Child welfare training	HUM	100,000	0
			0
<b>Total</b>		<b>\$25,363,397</b>	
Total of potential negative supplemental MCTF recommendations			(1,680,418)
Total Marijuana Cash Fund Revenue Available for FY 2014-15 Appropriations		18,938,725	
<b>FY 2014-15 Revenue Needed to Support FY 2014-15 Appropriations</b>		<b>(\$6,424,672)</b>	<b>(\$4,744,254)</b>

The Governor is requesting the Joint Budget Committee to sponsor legislation to allow \$6,424,672 million collected during FY 2014-15 to be used to support appropriations for programs supported by the MTCF in FY 2014-15. The Governor's Office did not communicate any preference whether this would be a change in law only for FY 2014-15 or if it is seeking permanent statutory change.

If the authorization to use FY 2014-15 revenue to support the programs in FY 2014-15 is not granted through a bill, the Executive branch will need to reduce expenditures without the direction of the General Assembly. Programs supported by marijuana revenues are highly visible and the focus of intense scrutiny by the media and other interested parties and, therefore, ensuring programs supported with this funding stream are adequately funded is crucial to how the state will be portrayed.

Also, staff has been made aware of three situations where the appropriations from the MTCF will not be fully utilized. The first is in a staff-initiated recommendation to reduce the appropriation from the MTCF to the Department of Human Services for expansion and enhancement of jail-

MEMO

Page 3

January 21, 2015

based behavioral, which totals \$452,787. The detail of this recommendation is available in the supplemental packet for the Department of Human Services, Behavioral Health Services. The second occurs in a MTCF transfer to the General Fund to support school based prevention and intervention services in the Department of Healthcare Policy and Financing and totals \$1,151,631. The last situation occurs in the Department of Law related to the appropriation to the Peace Officer Standards Training (POST) Board of \$76,000, which supports a train-the-trainer program. The Department of Law has indicated that it is unable to expend appropriation in FY 2014-15. If the Committee chooses to adopt both supplemental reductions, the bill being requested should only appropriate \$4,744,254 of FY 2014-15 revenues to support the programs above the FY 2013-14 revenue collections.

***Staff Recommendation***

Staff recommends the Committee sponsor legislation to allow a one-time appropriation from the MTCF revenue collected during FY 2014-15 to support the programs funded through S.B. 14-215. Staff envisions the bill would authorize only as much revenue as necessary to cover FY 2014-15 appropriations and then repeal that provision July 1, 2015. If the Committee would like to request a draft of the bill at this time, staff requests permission to allow OSPB to work directly with Legal Services to develop the necessary language. Additionally, staff requests permission to adjust the total amount appropriated by the bill to match Committee actions on the potential negative supplemental to ensure the correct amount of revenue is authorized to be expended.