



JOINT BUDGET COMMITTEE STAFF FY 2020-21 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Revenue: Information Technology Division, Division of Motor Vehicles, Enforcement Business Group, State Lottery Division

The Department of Revenue regulates, enforces, and administers the state's tax laws. The Department also issues and maintains records related to drivers licenses, vehicle emissions testing stations, registration and titling of motor vehicles, limited stakes gaming, liquor and tobacco retailers, horse racing and pari-mutuel betting, the automobile sales industry, and medical and recreational marijuana retailers, growing facilities, and manufacturing facilities. In addition, the Department operates the State Lottery. The Department's FY 2019-20 appropriation represents approximately 1.2 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

FY 2019-20 APPROPRIATION AND FY 2020-21 REQUEST

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION:						
FY 2019-20 Long Bill (SB 19-207)	7,329,577	304,824	7,084,329	(59,576)	0	6.9
Other legislation	232,123,745	7,067,571	224,480,136	576,038	0	972.7
TOTAL	\$239,453,322	\$7,372,395	\$231,564,465	\$516,462	\$0	979.6
FY 2020-21 REQUESTED APPROPRIATION:						
FY 2019-20 Appropriation	\$239,453,322	7,372,395	\$231,564,465	\$516,462	\$0	979.6
R1 Auto Industry Division fingerprinting services	200,000	0	200,000	0	0	0.0
R2 Utilization reduction - product materials	(28,646)	0	(28,646)	0	0	0.0
R5 Budget efficiencies - Gaming Division	(450,000)	0	(450,000)	0	0	(3.0)
R6 Resource efficiencies - License Plate Services	(2,000,000)	0	(2,000,000)	0	0	0.0
R9 Shift spending to cash funds - DMV	0	(1,000,000)	1,000,000	0	0	0.0
R10 Back office cashier re-alignment	103,150	0	103,150	0	0	2.0
R11 DMV training team re-alignment	0	0	0	0	0	0.0
R12 Lottery appropriation re-alignment	0	0	0	0	0	0.0
Annualize prior year budget actions	1,645,816	140,850	1,501,513	3,453	0	0.0
Indirect cost adjustments	502,601	(12,085)	514,686	0	0	0.0
Non-prioritized requests	408,575	0	408,575	0	0	5.0
Technical adjustments	319,279	0	319,279	0	0	0.0
Annualize prior year legislation	95,564	(1,091,009)	1,186,032	541	0	26.9
TOTAL	\$240,249,661	\$5,410,151	\$234,319,054	\$520,456	\$0	1,010.5
INCREASE/(DECREASE)	\$796,339	(\$1,962,244)	\$2,754,589	\$3,994	\$0	30.9
Percentage Change	0.3%	(26.6%)	1.2%	0.8%	0.0%	3.2%

R1 AUTO INDUSTRY DIVISION FINGERPRINTING SERVICES: The Department requests an ongoing operating increase for the Auto Industry Division (AID) of \$200,000 cash funds from the Auto Dealers License Fund for existing payments being made to the Colorado Bureau of Investigation (CBI). Currently, AID collects the fee for

fingerprinting as part of the total transaction cost of license applications and passes on the revenues from applicants directly to CBI, instead of recording the full transaction cost as revenue to AID and separately recording payments to CBI as expenses. Within the Enforcement Division, Liquor and Marijuana Enforcement both report background check fees paid to CBI as expenses. This change would create consistency across the Enforcement Division and lead to the correct use of revenues and expenditures in line with accounting best practices.

R2 UTILIZATION REDUCTION – PRODUCT MATERIALS: The request includes an ongoing reduction in spending authority of \$28,646 from the Cigarette Ignition Propensity Standards Cash Fund. This fund has not generated sufficient revenue to support expenditures at the level appropriated for at least five years. This reduction is proposed as the revenues collected are not currently able to sustain the level of spending authority provided in the Long Bill. Workload is managed by existing staff with minimal impact to stakeholders, and all licensing and compliance requirements are being met.

R5 BUDGET EFFICIENCIES – GAMING DIVISION: The request includes an ongoing reduction of \$450,000 from the Gaming Division Cash Fund appropriation for the Division of Gaming. This reduction is to remove funding for 3.0 FTEs and other personal services funding for temporary positions and contracting within the division that have been vacant for the past year. Historically, the Gaming Division has experienced difficulties in hiring and retaining Criminal Investigator I and Auditor II positions. These positions primarily perform on-site underage gaming checks and audits. Limited impacts to stakeholders are expected since duties have been absorbed through other FTE to meeting Gaming’s needs.

R6 RESOURCE EFFICIENCIES – LICENSE PLATE SERVICES: The Department is requesting an ongoing reduction of \$2,000,000 from the Division of Motor Vehicle’s License Plate Cash Fund. The Department proposes this reduction as the revenue being generated in the fund is insufficient to allow spending up to the full appropriation within the license plate ordering line item. In FY 2018-19, the License Plate Cash Fund generated \$5.7 million, roughly in line with revenue from the past three fiscal years, but had an appropriation of \$10.3 million. Currently, the standard internal program practice is to have a nine-month inventory of plates on hand for distribution. At the end of FY 2018-19, DMV had one year of inventory on hand. Following this reduction, DMV operations will lower the amount of inventory purchased and held in a given year. DOR believes that this inventory level is sufficient to meet demand and absorb potential future production delays.

R9 SHIFT SPENDING TO CASH FUNDS – DIVISION OF MOTOR VEHICLES: The request includes an ongoing reduction of \$1,000,000 from the General Fund appropriation to the Division of Motor Vehicles, and an accompanying increase of \$1,000,000 to the Division’s cash fund spending authority. The request maximizes DMV funding from non-General Fund resources to ensure that the services that customers receive are supported by the fees that they pay.

R10 BACK OFFICE CASHIER RE-ALIGNMENT: The request is for a net-zero realignment of the personal services appropriation for 2.0 FTE from the Executive Director’s Office to the Division of Motor Vehicles’ Driver Services section. Before implementation of the DRIVES system in February 2017, mailed-in payments for traffic tickets were processed by a work unit called the “central cashiers”, who are appropriated under the EDO. After DRIVES was implemented, the process was changed so that mailed-in payments for traffic tickets are now received and processed by a different unit called the “back-office cashiers”, located within the DMV’s Driver Services section. To address the workload shift that result from this process change, two employees from the central cashiers group (under EDO) were reassigned to the back-office cashiering unit (under DMV). This request will ensure that these two FTE are budgeted for within the unit in which they actually work.

R11 DIVISION OF MOTOR VEHICLES TRAINING TEAM RE-ALIGNMENT: The request includes a net-zero realignment to consolidate the personal services appropriation within the Division of Motor Vehicles for 8.0 FTE from the Driver Services section and 9.0 FTE from the Vehicle Services section into the DMV’s administration personal services and operating lines for a total cash fund shift of \$1,544,696. As part of the strategy to support the training needs of State and county end-users of DRIVES, the DMV consolidated all existing training staff from the Driver License, Titles and Registration, and Driver Control sections into a single functional unit. However, funding for these existing positions is currently appropriated across DMV sub-units. Putting the Training team under one appropriation within the administrative unit of the DMV budget will improve the accuracy and efficiency of administering the training program.

R12 LOTTERY APPROPRIATION RE-ALIGNMENT: The request is for an ongoing consolidation of the line item appropriations for the Operating Expenses, Travel, Marketing and Communications, and Research lines in the Long Bill into a single Operating Expenses appropriation within the State enterprise Lottery Division. This change will conform budgetary practices to departmental norms and allow the Lottery Division more flexibility in responding to market conditions, resulting in more efficient uses of resources.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a net increase of \$1,645,816 total funds for prior year budget actions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize prior year salary survey	\$1,740,070	\$140,850	\$1,595,767	\$3,453	0.0
FY 19-20 R4 DMV driver’s license documents	383,122	0	383,122	0	0.0
FY 19-20 R7 MED operations	(298,986)	0	(298,986)	0	0.0
FY 19-20 R5 DMV leased space	(178,390)	0	(178,390)	0	0.0
TOTAL	\$1,645,816	\$140,850	\$1,501,513	\$3,453	0.0

INDIRECT COST ADJUSTMENTS: The request includes net adjustments to indirect costs across the Department.

INDIRECT COST ADJUSTMENTS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Indirect cost assessment	\$502,601	(\$12,085)	\$514,686	0.0
TOTAL	\$502,601	(\$12,085)	\$514,686	0.0

NON-PRIORITIZED REQUESTS: The request includes \$408,575 for the myColorado™ mobile application.

NON-PRIORITIZED REQUESTS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
NP4 myColorado App	\$408,575	\$0	\$408,575	5.0
TOTAL	\$408,575	\$0	\$408,575	5.0

TECHNICAL ADJUSTMENTS: The request includes a technical adjustment of \$319,279.

TECHNICAL ADJUSTMENTS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
FAST Enterprises contract escalator	\$319,279	\$0	\$319,279	0.0
TOTAL	\$319,279	\$0	\$319,279	0.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a net increase of \$95,564 total funds to reflect the FY 2019-20 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
HB 19-1327 Authorize and tax sports betting refer under TABOR	\$952,202	(\$1,118,477)	\$2,070,679	\$0	11.9
HB 19-1234 Regulated marijuana delivery	701,911	0	701,911	0	9.3
SB18-200 PERA	341,584	27,468	313,575	541	0.0
HB 19-1230 Marijuana hospitality establishments	325,053	0	325,053	0	5.3
HB 19-1255 Mesa Verde National Park license plate	36,379	0	36,379	0	0.0
SB 18-200 PERA unfunded liability	11,131	0	11,131	0	0.0
SB 19-167 Honor Colorado professional fire fighters	8,217	0	8,217	0	0.0
SB 19-256 Electronic documents motor vehicle appropriation	(977,684)	0	(977,684)	0	0.2
HB 19-1090 Publicly licensed marijuana companies	(665,829)	0	(665,829)	0	0.0
SB 19-139 More CO Road and Community Safety Act offices	(337,419)	0	(337,419)	0	0.0
SB 19-224 Sunset regulated marijuana	(137,741)	0	(137,741)	0	0.2
HB 19-1039 Identity documents for transgender persons	(58,500)	0	(58,500)	0	0.0
SB 19-054 Military vehicle motor vehicle regulation	(45,000)	0	(45,000)	0	0.0
SB 19-235 Automatic voter registration	(18,000)	0	(18,000)	0	0.0
SB 19-249 License business selling its used motor vehicles	(14,000)	0	(14,000)	0	0.0
HB 19-1138 Vehicle transfer registration fee credit	(7,200)	0	(7,200)	0	0.0
HB 19-1023 Foster children driving licenses	(6,750)	0	(6,750)	0	0.0
SB 19-035 DOR enforcement measure	(6,750)	0	(6,750)	0	0.0
HB 19-1265 Right-of-way for snowplows in echelon formation	(3,375)	0	(3,375)	0	0.0
SB 19-175 Serious bodily injury vulnerable road user penalties	(1,575)	0	(1,575)	0	0.0
SB 19-205 Honor service of women veterans	(1,090)	0	(1,090)	0	0.0
TOTAL	\$95,564	(\$1,091,009)	\$1,186,032	\$541	26.9

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

LEGALIZATION AND TAXATION OF SPORTS BETTING: House Bill 19-1327 decriminalized sports betting and, conditional upon voter approval, authorized the State to levy a tax on sports betting revenue. Sports betting will be effective May 1, 2020 and will be regulated by the Department of Revenue, subject to supervision by the Limited Gaming Control Commission. This issue brief provides an overview of the sports betting program as described in the fiscal note for H.B. 19-1327 and discusses the Department’s implementation progress and revised revenue expectations.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2020-21_revbrf2.pdf