

# JOINT BUDGET COMMITTEE



## STAFF BUDGET BRIEFING FY 2020-21

### DEPARTMENT OF REVENUE

(Information Technology Division, Division of Motor Vehicles,  
Enforcement Business Group, State Lottery Division)

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

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# DEPARTMENT OF REVENUE

## DEPARTMENT OVERVIEW

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, including state and multi-state games. The Department is divided into six divisions or business groups, four of which provide direct services to the citizens of the State, and two that provide support for the four direct-service providers. This briefing document covers the Information Technology Division, Division of Motor Vehicles, Enforcement Business Group, and State Lottery Division.

THE INFORMATION TECHNOLOGY DIVISION is responsible for the maintenance and support of the Department's information technology systems that are not maintained and supported by the Governor's Office of Information Technology.

### THE DIVISION OF MOTOR VEHICLES

- Is responsible for enforcement and administration of the laws governing driver licensing and vehicle registration;
- Licenses drivers, maintains records of licensed drivers, and applies administrative sanctions against drivers who violate traffic laws, including for drunk driving and for excessive points;
- Oversees the vehicle emissions testing stations (including mobile testing stations);
- Registers and titles motor vehicles; and
- Administers the motor vehicle insurance identification database to prevent the registration of vehicles that are not insured.

### THE ENFORCEMENT BUSINESS GROUP

- Regulates and enforces laws related to the limited stakes gaming industry in three historic mining towns;
- Regulates and enforces laws related to the sports betting industry;
- Enforces laws regarding liquor and tobacco retailers, including laws against selling those products to minors, and licenses retailers and special events where alcohol is served;
- Regulates horse racing (dog racing is currently inactive) and pari-mutuel betting (including off-track betting);
- Regulates retailers and sales agents in the motor vehicle sales industry; and
- Regulates medical and recreational marijuana dispensaries, cultivation, and manufacturing facilities.

## THE STATE LOTTERY DIVISION

Operates the State Lottery, which sells scratch ticket games and tickets for jackpot games (e.g. Powerball, Lotto, Cash 5, Pick 3, and Mega Millions). The net proceeds of the Lottery benefit the following funds and programs:

- The Conservation Trust Fund;
- Colorado Division of Parks and Outdoors Recreation;
- Great Outdoors Colorado; and
- The Public School Capital Construction Assistance Fund.

## DEPARTMENT BUDGET: RECENT APPROPRIATIONS

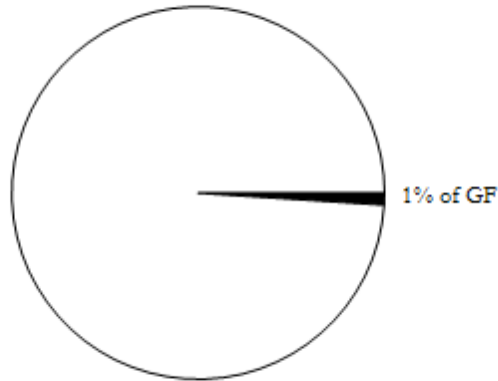
The following table outlines the sum of recent appropriations for the Information Technology Division, Division of Motor Vehicles, Enforcement Business Group, and State Lottery Division.

FUNDING SOURCE	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 *
General Fund	\$5,818,171	\$5,931,094	\$7,372,395	\$5,410,151
Cash Funds	205,132,739	214,692,764	231,564,465	234,319,054
Reappropriated Funds	431,982	576,038	516,462	520,456
Federal Funds	0	0	0	0
<b>TOTAL FUNDS</b>	<b>\$211,382,892</b>	<b>\$221,199,896</b>	<b>\$239,453,322</b>	<b>\$240,249,661</b>
Full Time Equiv. Staff	881.0	913.7	979.6	1,010.5

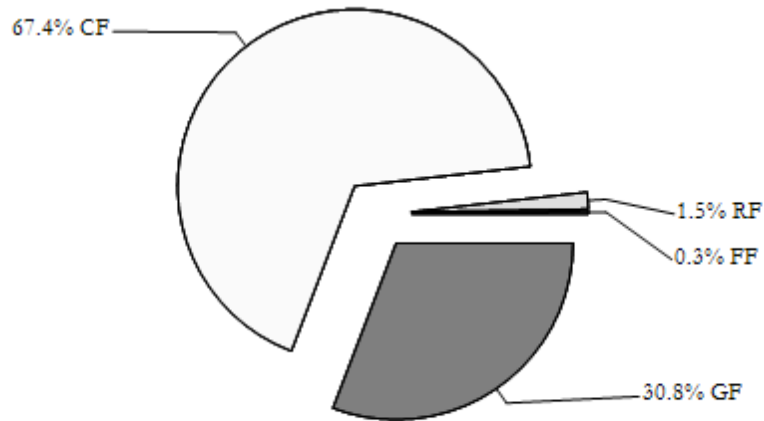
\*Requested appropriation.

# DEPARTMENT BUDGET: GRAPHIC OVERVIEW

**Department's Share of Statewide General Fund**

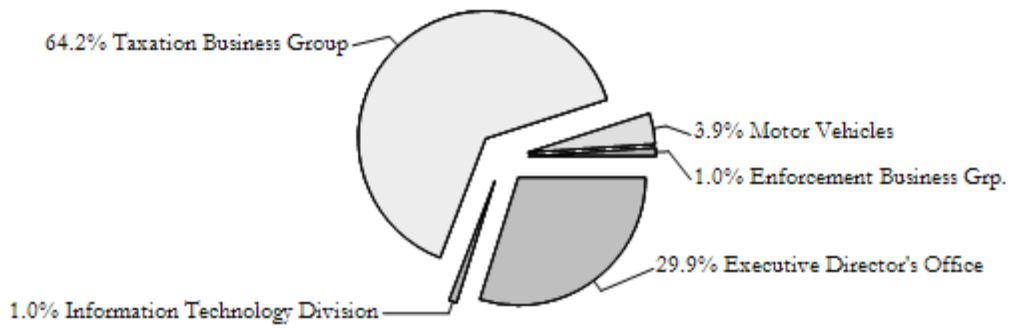


**Department Funding Sources**

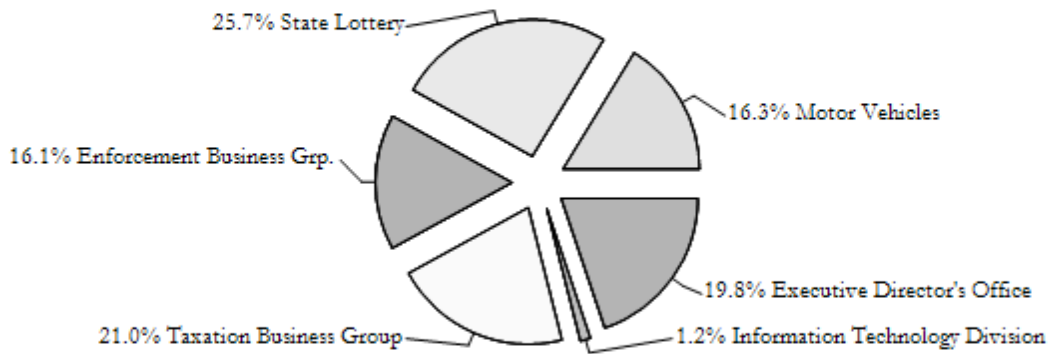


All charts are based on the FY 2019-20 appropriation.

### Distribution of General Fund by Division



### Distribution of Total Funds by Division



All charts are based on the FY 2019-20 appropriation.

## GENERAL FACTORS DRIVING THE BUDGET

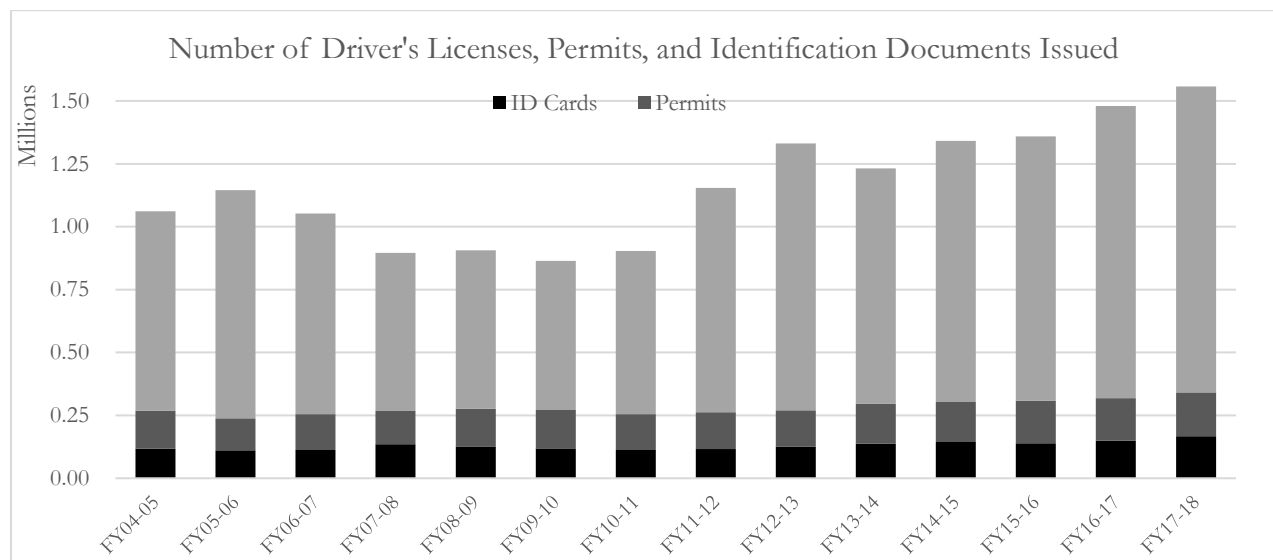
The Department's funding for FY 2019-20 consists of 30.8 percent General Fund, 67.4 percent cash funds, 1.5 percent reappropriated funds, and 0.3 percent federal funds. The Department's primary budget drivers are the State's tax structure, population, and business activity in regulated industries. In recent years, mineral severance activity and legislative changes related to identification document requirements have also increased demands on Department staff and systems.

### DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles:

- issues driver's licenses and identification cards;
- maintains driver records and enforces administrative sanctions, suspensions, and reinstatements of driver's licenses;
- regulates commercial driving schools;
- oversees the State's vehicle emissions program;
- provides support for the Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES) system (formerly the Statewide Vehicle Titling and Registration System or CSTARs);
- oversees the motorist insurance identification database program; and
- administers the Ignition Interlock Subsidy Program.

The Division operates 37 offices throughout the state and the number of identity documents issued yearly is one of the primary factors driving the budget of the Division of Motor Vehicles. The following chart reflects the number of documents issued since FY 2004-05.



Recent changes in state and federal law have increased transaction times for driver's licenses and ID cards. For example, the Department has instituted new policies and procedures to ensure that those documents are secure and verifiable by utilizing databases to confirm residency and legal status.



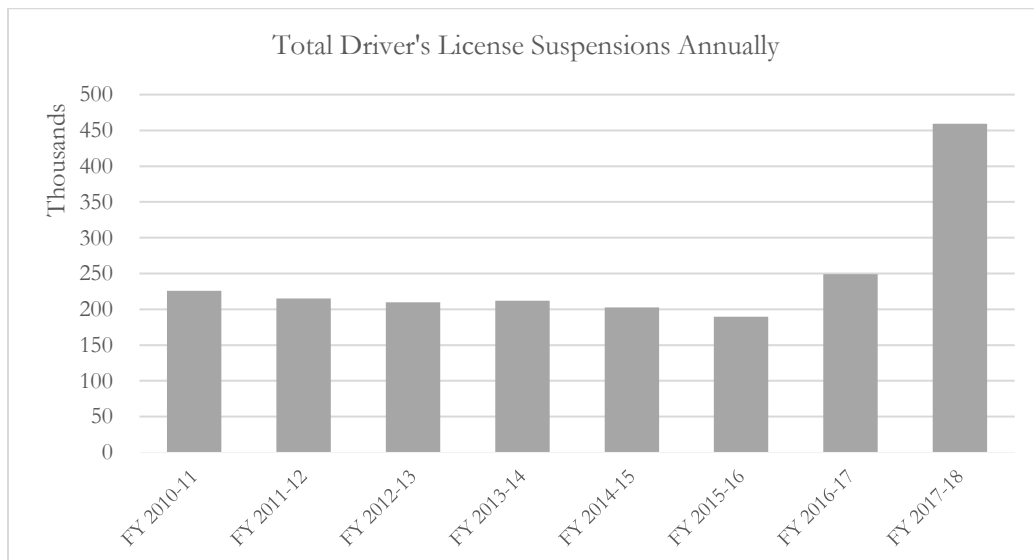
In addition to issuing driver's licenses, the Driver Services and Vehicle Services sections are responsible for:

- managing driver's licensing records;
- verifying documents presented for identification, including proof of the applicant's legal presence in the United States;
- identifying and administering administrative sanctions, including all restraints for alcohol related driving offenses;
- investigating fraud related to driver's licenses and identification cards;
- providing support and coordination for the motor vehicle registration process;
- administering the Colorado Road and Community Safety (S.B. 13-251) identification program; and
- supervising license plate ordering and distribution.

The following table outlines the number and type of driver's license suspensions since FY 2010-11.

DRIVER'S LICENSE SUSPENSIONS								
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Excessive points	11,299	9,907	8,947	7,380	7,811	5,534	7,010	7,262
Adult impaired driving arrests	26,876	26,062	26,859	24,592	23,581	19,871	18,254	19,289
License restricted by other state	4,146	3,953	3,675	4,071	4,409	3,638	6,483	12,622
DUI convictions	4,515	4,318	4,125	3,944	3,463	3,142	6,995	15,025
Habitual traffic offender	3,387	3,279	3,265	2,887	2,567	2,437	2,540	2,653
Accident without insurance	1,670	1,876	1,258	1,441	1,552	1,595	4,480	11,791
Driving without insurance	27,481	26,075	24,417	21,050	18,448	17,490	14,136	6,815
Vehicle assault/homicide	171	195	156	153	211	189	197	189
Underage drinking/driving	1,845	1,693	1,468	1,373	1,178	993	829	199
Underage buy/possess alcohol	1,361	1,149	846	613	422	385	289	333
Child support arrears	18,911	17,834	18,201	18,774	18,645	17,426	34,505	52,961
Unpaid ticket/failure to appear in court	84,370	81,085	78,868	77,519	76,662	74,128	86,926	114,685
Other	39,642	37,678	37,573	48,129	43,503	42,922	66,513	215,613
<b>Total</b>	<b>225,674</b>	<b>215,104</b>	<b>209,658</b>	<b>211,926</b>	<b>202,452</b>	<b>189,750</b>	<b>249,157</b>	<b>459,437</b>

The following table reflects total driver's license suspensions annually since FY 2010-11.

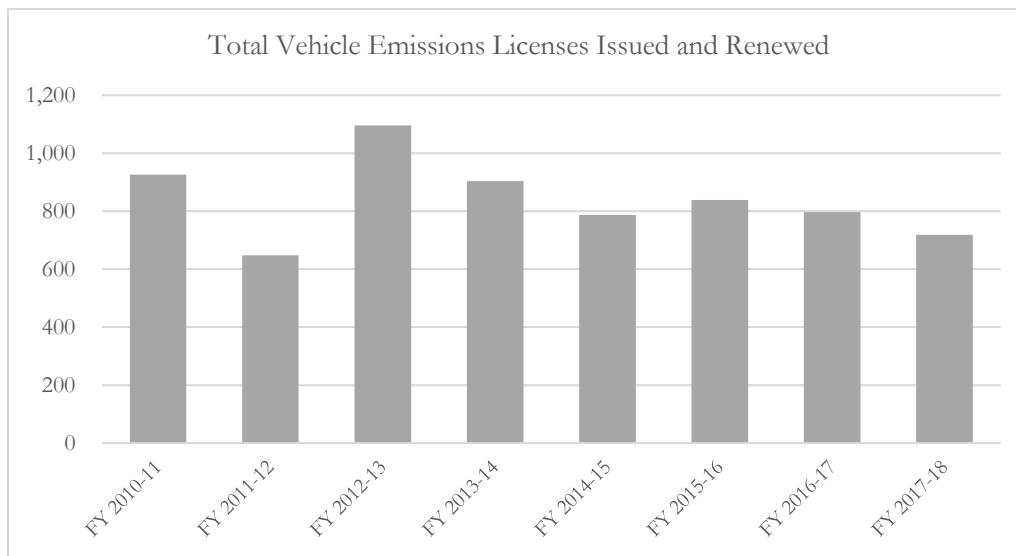


**VEHICLE EMISSIONS PROGRAM**

The Vehicle Emissions Program licenses, regulates, and inspects vehicle emissions testing site operators, inspectors, and mechanics; conducts inspections of vehicle emissions testing facilities to ensure compliance with statutory requirements; and validates inspector and mechanic performance standards. The following table outlines emissions station and inspector licenses issued and renewed since FY 2010-11.

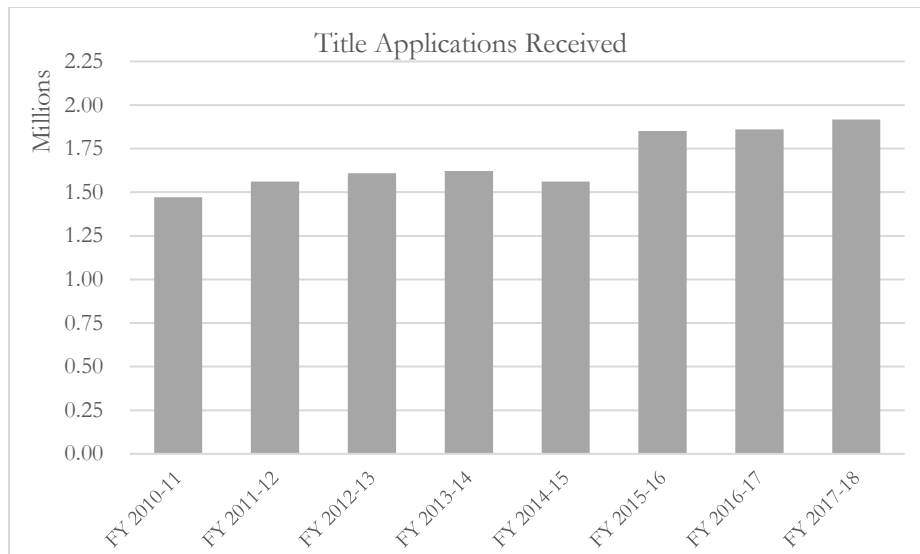
VEHICLE EMISSIONS LICENSING								
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Stations Licensed	83	75	87	87	81	82	81	83
Stations Renewed	64	67	81	51	49	53	66	53
Inspectors Licensed	579	355	683	593	496	480	479	426
Inspectors Renewed	200	151	245	173	161	224	171	156
<b>Total</b>	<b>926</b>	<b>648</b>	<b>1,096</b>	<b>904</b>	<b>787</b>	<b>839</b>	<b>797</b>	<b>718</b>

The following chart reflects total emissions station and inspector licenses issued and renewed annually since FY 2010-11.



**TITLES PROGRAM**

The Titles Program is responsible for the issuance of legal, negotiable certificates of title to protect the public when purchasing motor vehicles. Program staff review all high-risk title applications to verify that the assignment of ownership is proper. The following charts reflects the number of title applications received annually since FY 2010-11.



### ENFORCEMENT BUSINESS GROUP

The Enforcement Business Group regulates the liquor, tobacco, medical and retail marijuana, racing, gambling (except games of chance operated for charity, which are regulated by the Secretary of State), and automobile sales industries. The Limited Gaming Control Commission has authority over the Limited Gaming Division budget.

### LIMITED GAMING DIVISION

The Limited Gaming Division licenses and regulates the limited gaming industry, including gaming devices, facilities, personnel, and activities. The Division also enforces the laws contained in the Limited Gaming Act, as well as the rules and regulations promulgated by the Colorado Limited Gaming Control Commission (Commission). The Commission has constitutional authority to allocate money to the Division. Money remains in the Limited Gaming Fund after the payment of the Division's expenses and distributions according to the Constitution as follows:

- 28 percent to the State Historical Society;
- 12 percent to the gaming counties (Gilpin and Teller) in amounts proportional to gaming revenues collected in each county;
- 10 percent to the gaming cities (Black Hawk, Central City, and Cripple Creek) in amounts proportional to gaming revenues collected in each city; and
- 50 percent to the General Fund or such other uses or funds as the General Assembly may provide.

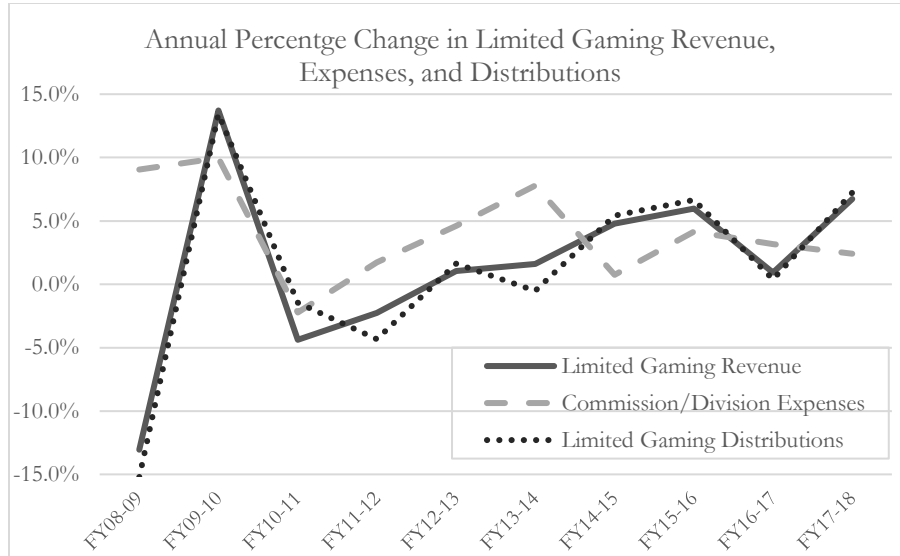
Amendment 50, approved by voter in 2008, expanded limited gaming to include higher limits on bets, extended hours, and new games. The proceeds of expanded gaming, after expenses, are distributed as follows:

- 10 percent to limited gaming cities;
- 12 percent to limited gaming counties; and
- 78 percent to the State's community colleges.

State limited gaming revenues, expenses, and distributions are outlined in the following table.

<b>Limited Gaming Revenue, Expenses, and Distributions</b>					
	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Limited Gaming Revenue	\$106,322,700	\$111,421,159	\$118,073,006	\$119,169,899	\$127,197,818
Commission/Division Expenses	(13,877,185)	(13,981,725)	(14,561,705)	(15,022,463)	(\$15,385,240)
Expenses percent of revenue	13.1%	12.5%	12.3%	12.6%	12.1%
Total Limited Gaming Distributions	(\$92,219,372)	(\$97,218,342)	(\$103,684,917)	(\$104,082,249)	(\$111,617,671)
Distributions percent of revenue	86.7%	87.3%	87.8%	87.3%	87.8%
<b>Amendment 50 Distributions</b>					
Limited Gaming Counties (12 percent)	\$1,005,480	\$1,185,549	\$1,506,898	\$1,610,384	\$2,008,593
Limited Gaming Cities (10 percent)	837,900	987,059	1,255,749	1,341,986	1,673,828
Community College System (78 percent)	6,535,622	7,702,884	9,794,840	10,467,496	13,055,859
<b>Total distributions - Amendment 50</b>	<b>\$8,379,002</b>	<b>\$9,875,492</b>	<b>\$12,557,487</b>	<b>\$13,419,866</b>	<b>\$16,738,280</b>
<b>State Share Distributions (50 percent):</b>					
State General Fund	\$11,820,185	\$13,571,425	\$15,463,715	\$15,231,191	\$16,895,831
Local Government Gaming Impact Fund	5,000,000	5,000,000	5,000,000	5,000,000	5,443,865
Tourism Promotion Fund	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Film Incentives Cash Fund	500,000	500,000	500,000	500,000	500,000
Bioscience Discovery Evaluation Grant Program	5,500,000	n/a	n/a	n/a	n/a
Advanced Industries Acceleration Cash Fund	n/a	5,500,000	5,500,000	5,500,000	5,500,000
Innovative Higher Ed Research Fund	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Creative Industries Cash Fund	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total distributions - State Share</b>	<b>\$41,920,185</b>	<b>\$43,671,425</b>	<b>\$45,563,715</b>	<b>\$45,331,191</b>	<b>\$47,439,696</b>
<b>State Historical Fund distribution (28 percent)</b>	<b>\$23,475,304</b>	<b>\$24,455,998</b>	<b>\$25,515,681</b>	<b>\$25,385,467</b>	<b>\$26,566,229</b>
<b>Limited Gaming Counties (12 percent)</b>					
Gilpin County	\$8,373,641	\$8,780,053	\$9,162,681	\$9,095,250	\$9,530,825
Teller County	1,687,203	1,701,089	1,772,611	1,784,236	1,854,702
<b>Total distributions - Counties</b>	<b>\$10,060,844</b>	<b>\$10,481,142</b>	<b>\$10,935,292</b>	<b>\$10,879,486</b>	<b>\$11,385,527</b>
<b>Limited Gaming Cities (10 percent)</b>					
City of Black Hawk	\$6,244,431	\$6,592,639	\$6,864,629	\$6,792,426	\$7,090,337
Central City	733,603	724,072	770,938	786,949	852,017
City of Cripple Creek	1,406,003	1,417,574	1,477,176	1,486,863	1,545,585
<b>Total distributions - Cities</b>	<b>\$8,384,037</b>	<b>\$8,734,285</b>	<b>\$9,112,743</b>	<b>\$9,066,238</b>	<b>\$9,487,939</b>

The following chart reflects the annual percentage change in limited gaming revenue, expenses, and total distributions since FY 2008-09.



The following table outlines annual changes in revenue, expenses, and distributions since FY 2013-14.

Limited Gaming Revenue, Expenses, and Distributions					
	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18
Limited Gaming Revenue	\$106,322,700	\$111,421,159	\$118,073,006	\$119,169,899	\$127,197,818
Change	1,677,726	5,098,459	6,651,847	1,096,893	8,027,919
Percentage Change	1.6%	4.8%	6.0%	0.9%	6.7%
Percentage change since FY 13-14					21.6%
Compound annual growth rate					3.7%
Commission/Division Expenses	\$13,877,185	\$13,981,725	\$14,561,705	\$15,022,463	\$15,385,240
Percent of Revenue	13.1%	12.5%	12.3%	12.6%	12.1%
Change	1,004,464	104,540	579,980	460,758	362,777
Percentage Change	7.8%	0.8%	4.1%	3.2%	2.4%
Percentage change since FY 13-14					10.9%
Compound annual growth rate					(1.5%)
Total Limited Gaming Distributions	\$92,219,372	\$97,218,342	\$103,684,917	\$104,082,249	\$111,617,671
Percent of Revenue	86.7%	87.3%	87.8%	87.3%	87.8%
Change	(467,444)	4,998,970	6,466,575	397,332	7,535,422
Percentage Change	(0.5%)	5.4%	6.7%	0.4%	7.2%
Percentage change since FY 13-14					21.0%
Compound annual growth rate					0.2%

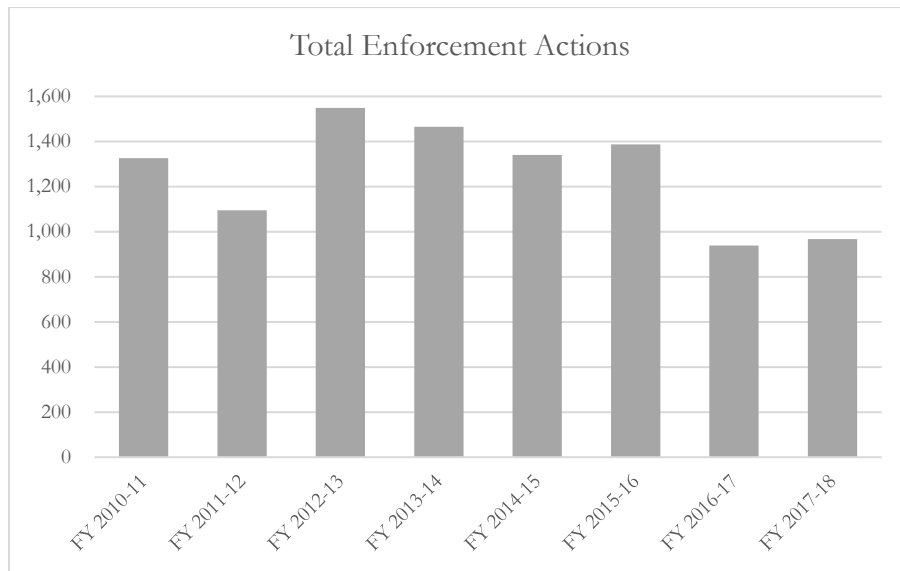
### LIQUOR AND TOBACCO ENFORCEMENT DIVISION

The Liquor and Tobacco Enforcement Division licenses persons who manufacture, import, distribute, or sell alcoholic beverages; regulates the sale and distribution of liquor within the State, including enforcement of the liquor, beer, and special events codes; and enforces State and federal laws regarding

the sale of tobacco products to minors. The following table details the enforcement actions the Division has undertaken since FY 2010-11.

LIQUOR AND TOBACCO ENFORCEMENT DIVISION - ENFORCEMENT ACTIONS								
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Total liquor licenses in force	15,935	13,515	12,816	12,998	13,348	14,113	14,154	14,438
State administrative actions	369	278	424	382	314	452	409	287
State revocations	4	3	0	5	0	0	4	6
State suspensions	163	51	70	44	33	57	41	30
State denials	0	1	1	3	3	3	1	3
Division filed court cases	784	756	1,042	1,026	988	874	482	641
Division assisted local hearings	6	6	12	5	3	1	2	0
<b>Total Enforcement Actions</b>	<b>1,326</b>	<b>1,095</b>	<b>1,549</b>	<b>1,465</b>	<b>1,341</b>	<b>1,387</b>	<b>939</b>	<b>967</b>

The following chart reflects total enforcement actions annually since FY 2010-11.

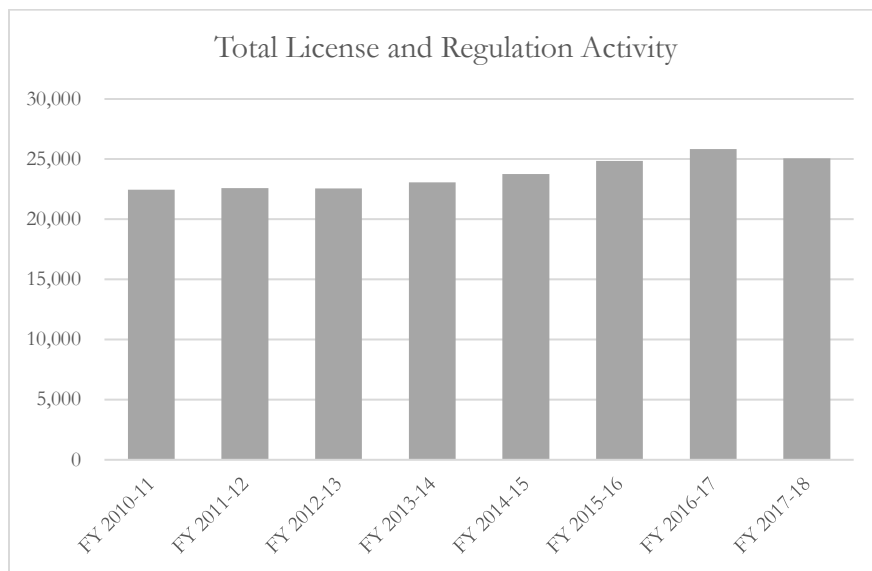


### **MOTOR VEHICLE DEALER LICENSING BOARD**

The Motor Vehicle Dealer Licensing Board is responsible for licensing and regulating the sale and distribution of motor vehicles and promulgating consumer protection regulations. Responsibilities include licensing all salespersons and individuals with ownership interests in new and used auto dealerships. The following table outlines license and regulation activity since FY 2010-11.

MOTOR VEHICLE DEALER LICENSING BOARD – LICENSE AND REGULATION ACTIVITY								
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Total dealer/salesperson licenses issued	17,652	18,059	18,699	19,295	19,952	20,893	22,251	21,811
Complaints received	1,525	1,347	1,234	1,225	1,218	1,242	1,067	1,035
Investigations completed	1,595	1,559	1,304	1,270	1,220	1,297	1,189	994
Violations/founded complaints	858	822	673	656	697	761	671	621
Verbal warnings issued	456	360	326	238	181	122	97	64
Warning letters issued	117	137	175	225	321	420	406	407
Criminal summons issued	60	26	22	11	25	12	23	12
Cases presented to Dealer Board	186	286	135	159	153	93	141	123
<b>Total License and Regulation Activity</b>	<b>22,449</b>	<b>22,596</b>	<b>22,568</b>	<b>23,079</b>	<b>23,767</b>	<b>24,840</b>	<b>25,845</b>	<b>25,067</b>

The following chart reflects total license and regulation activity annually since FY 2010-11.



### MARIJUANA ENFORCEMENT

The Department of Revenue is the state licensing authority for all regulation of businesses and employees operating under the medical and recreational marijuana laws. The Marijuana Enforcement Division issues licenses to businesses, completes background checks on business owners and employees to verify no relationship with illegal activity, and inspects marijuana businesses for compliance with all state laws. The budget for marijuana enforcement is driven by the number of licensees. The following table summarizes licensing activity for medical and retail marijuana establishments since FY 2011-12.

MARIJUANA ENFORCEMENT – LICENSING ACTIVITY							
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Medical Marijuana (MM) Licensing Activity							
MM center business licenses	273	372	493	512	529	509	495
MM infused product business licenses	38	80	149	183	237	256	253
MM optional premises cultivation licenses	n/a	488	729	763	785	765	725
MM testing facility business licenses	n/a	n/a	n/a	n/a	n/a	14	11

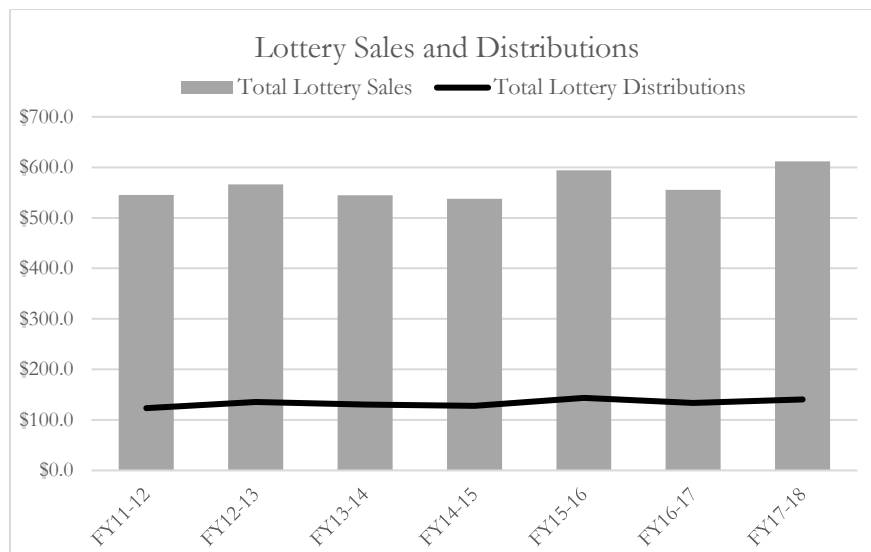
Retail Marijuana (RM) Licensing Activity					
RM store business licenses	221	372	435	492	538
RM product manufacturer business licenses	63	132	193	271	289
RM optional premises cultivation licenses	279	471	572	692	744
RM testing facility business licenses	8	19	15	13	11

## STATE LOTTERY DIVISION

The State Lottery recorded sales of \$612 million and net proceeds of \$140.7 million were distributed in FY 2017-18. The table below outlines total sales and net proceeds distributions since FY 2011-12.

LOTTERY – SALES AND DISTRIBUTIONS (IN MILLIONS)							
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Total Sales	\$545.3	\$566.3	\$545.0	\$538.0	\$594.4	\$555.3	\$612.0
Distributions							
Conservation Trust Fund	49.3	54.2	52.1	51.2	57.4	53.4	56.3
Great Outdoors Colorado	57.1	59.2	60.3	62.0	63.7	64.5	66.2
Colorado Parks and Wildlife	12.3	13.6	13.0	12.8	14.4	13.3	14.1
Public School Capital Construction Fund (BEST)	4.6	8.6	4.7	2.0	8.1	2.3	4.1
<b>Total Distributions</b>	<b>\$123.3</b>	<b>\$135.6</b>	<b>\$130.1</b>	<b>\$128.0</b>	<b>\$143.6</b>	<b>\$133.5</b>	<b>\$140.7</b>

The following chart reflects total lottery sales and distributions annually since FY 2011-12.



In FY 2017-18, distributions totaled \$140.7 million or 23.0 percent of total sales. Since FY 2011-12, distributions have averaged 23.6 percent of total sales.



## SUMMARY: FY 2019-20 APPROPRIATION & FY 2020-21 REQUEST

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2019-20 APPROPRIATION:</b>						
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
<b>TOTAL</b>	<b>\$239,453,322</b>	<b>\$7,372,395</b>	<b>\$231,564,465</b>	<b>\$516,462</b>	<b>\$0</b>	<b>979.6</b>
<b>FY 2020-21 REQUESTED APPROPRIATION:</b>						
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
<b>TOTAL</b>	<b>\$240,249,661</b>	<b>\$5,410,151</b>	<b>\$234,319,054</b>	<b>\$520,456</b>	<b>\$0</b>	<b>1,010.5</b>
<b>INCREASE/(DECREASE)</b>	<b>\$796,339</b>	<b>(\$1,962,244)</b>	<b>\$2,754,589</b>	<b>\$3,994</b>	<b>\$0</b>	<b>30.9</b>
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
<b>TOTAL</b>	<b>\$1,645,816</b>	<b>\$140,850</b>	<b>\$1,501,513</b>	<b>\$3,453</b>	<b>0.0</b>

**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
<b>TOTAL</b>	<b>\$502,601</b>	<b>(\$12,085)</b>	<b>\$514,686</b>	<b>0.0</b>

**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
<b>TOTAL</b>	<b>\$408,575</b>	<b>\$0</b>	<b>\$408,575</b>	<b>5.0</b>

**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
<b>TOTAL</b>	<b>\$319,279</b>	<b>\$0</b>	<b>\$319,279</b>	<b>0.0</b>

**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
<b>TOTAL</b>	<b>\$95,564</b>	<b>(\$1,091,009)</b>	<b>\$1,186,032</b>	<b>\$541</b>	<b>26.9</b>

# ISSUE: LEGALIZATION AND TAXATION OF SPORTS BETTING

House Bill 19-1327 decriminalizes sports betting and, conditional upon voter approval, authorizes the State to levy a tax on sports betting revenue. Proposition DD was subsequently approved by a margin of 51.4 percent to 48.6 percent in the November 2019 General Election. 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.

## SUMMARY

- The Supreme Court ruled in 2018 that a federal law prohibiting states from authorizing sports betting violated the Tenth Amendment of the United States Constitution.
- House Bill 19-1327 decriminalizes sports betting and, with the approval of Proposition DD, authorizes the State to levy a tax on sports betting revenue.
- Sports betting will be regulated by the Division of Gaming within the Department of Revenue, subject to supervision by the existing Limited Gaming Control Commission.
- Sports betting will be allowed both in-person at casinos in the State's three gaming towns (Black Hawk, Central City, and Cripple Creek) and online through internet sports betting operators contracted by casinos.
- The State will collect a 10 percent tax on the net proceeds of sports betting activities to fund implementation of the State Water Plan and other public purposes.
- The Department's internal revenue expectations are significantly lower than the estimates included in the Legislative Council Staff fiscal note.

## DISCUSSION

### **BACKGROUND**

In 2018, the United States Supreme Court ruled that a federal law prohibiting states from authorizing sports betting violated the Tenth Amendment of the United States Constitution; therefore states may now authorize sports betting. In August 2018, the Colorado Attorney General's Office issued an opinion that sports betting is permissible under the Colorado Constitution because it does not conflict with existing provisions related to limited gaming. The General Assembly subsequently approved H.B. 19-1327, which decriminalizes sports betting in Colorado contingent upon voter approval of the State's ability to tax net sports betting proceeds. Voter approval was granted through Proposition DD by a margin of 51.4 percent to 48.6 percent in the November 2019 General Election. Sports betting will be allowed both in-person at casinos in the State's three gaming towns (Black Hawk, Central City, and Cripple Creek) and online through internet sports betting operators contracted by casinos.

### **APPLICABILITY**

Bets can be placed on both amateur and professional sporting events in which the outcome is not determined by chance. This includes professional, collegiate, sanctioned motor sports, and Olympic

sporting events, but excludes high school sporting events, video games not sanctioned by a sports governing body, and proposition bets on collegiate events. Bets can also be placed on individual performance statistics of athletes during a sporting event or a combination of sporting events. The Limited Gaming Control Commission may allow bets to be placed on other types of sporting events.

### **REGULATION AND LICENSING**

The Limited Gaming Control Commission is permitted to issue at least three types of licenses. A master license will be issued to a person that held a retail gaming license in the state prior to May 1, 2020, or that has obtained one through the purchase of an ownership interest in a casino that was in operation May 1, 2020. A person holding more than one retail gaming license may be issued one master license for each retail gaming license it holds. This license is required if sports betting is to be conducted on premises, and it expires two years from the date of issuance. All sports betting must go through a master licensee whether it is online or in person, and master licenses may not be transferred to any facility located outside of the three gaming towns. A sports betting operator license or an internet sports betting operator license allows the licensee to contract with a holder of a master license to operate a sports betting operation in person or online. Only one sports betting operator and one internet sports betting operator may contract with a master licensee; however, a person may hold both a sports betting operator and internet sports betting operator license.

Casinos and online or mobile sports betting providers that hold a license will have to pay a fee of up to \$125,000 every other year. It is estimated that 40 license applications will be submitted during FY 2019-20, and an additional six applications are expected in FY 2020-21. The Legislative Council Staff fiscal note estimates that this biennial license fee will result in an influx of approximately \$5 million every other year after FY 2019-20. Fee revenue generated by the bill does not result from a voter-approved revenue change and is therefore subject to TABOR.

### **TAXATION, REVENUE, AND DISTRIBUTIONS**

Proposition DD established a tax of 10 percent on casinos' net sports betting proceeds. Net sports betting proceeds are the amount kept by casinos after deducting payouts to winners and the federal excise tax on sports bets. Only casinos, or the sports betting operators that a casino contracts with, would pay the 10 percent tax. The tax does not apply to the winnings of bettors. The figure below provides an example of how money from sports bets will be disbursed.

Figure 1:



Source: 2019 State Ballot Information Booklet

Proposition DD authorizes the State to collect up to \$29 million per year in sports betting tax revenue; all revenue generated from this tax will be deposited into the newly created Sports Betting Fund. Tax revenue from sports betting is expected to vary as the market matures. All of the expenses associated with regulating, administering, and investigating sports betting activity will be paid out of the Sports Betting Fund. The distribution of all moneys credited to the Sports Betting Fund will occur in the following order:

- 1 Repayment of General Fund moneys provided for start-up costs for the Division of Gaming;
- 2 payment of ongoing Division of Gaming administrative expenses for sports betting;
- 3 transfer of 6 percent of the full fiscal year sports betting tax revenue to the Hold Harmless Fund, which will be further distributed to its beneficiaries;
- 4 transfer of \$130,000 to the Office of Behavioral Health in the Department of Human Services, of which \$30,000 will be allocated to the Rocky Mountain Crisis Partners, or its successor, for the operation of a crisis hotline for gamblers, and \$100,000 will be allocated for the prevention, education, treatment, and workforce development by counselors certified to treat gambling disorders; and
- 5 transfer of the remaining funds to the Water Plan Implementation Cash Fund.

In FY 2020-21, the first full year in which sports betting will be in effect, total revenue is estimated at \$9,650,000 in the Legislative Council Staff fiscal note and will be distributed as follows:

- Administrative expenses: \$2,627,061
- Hold Harmless Fund: \$534,000
- Office of Behavioral Health: \$130,000
- Water Plan Implementation Cash Fund: \$6,358,939

The fiscal note also concludes that based on information from other states' sports betting markets, about \$16 million in tax revenue, on average, is expected to be collected annually over the first five years. Tax revenue generated by H.B. 19-1327 results from a voter-approved revenue change and is exempt from TABOR.

## **IMPLEMENTATION UPDATE**

### *RULEMAKING PROCESS*

The Division of Gaming created five rulemaking review committees totaling approximately 75 members to assist in the rulemaking process. Members included representatives from over 50 companies, operators, and other establishments from around the world. The groups were divided into the following topics: general rules, compliance, technology, integrity and information, and responsible gaming. Public rulemaking meetings were held between December 9 and December 11. The Division reports that feedback on the initial draft rules was largely positive; a revised draft will be released in the coming weeks.

Representatives from the Division of Gaming visited other states where sports betting has been legalized to gather information for the rulemaking process. The Division cited New Jersey as its most notable model, where online casino gaming has been legal since 2013 and sports betting was legalized immediately following the Supreme Court decision. An important element of New Jersey's sports betting industry is the ability to draw customers in from nearby states; the Colorado market will lack this aspect of the customer base. A common theme among states was that revenue generation was not as substantial or as sudden as initially estimated.

### *REVISED REVENUE OUTLOOK*

The Department's internal revenue expectations are much lower than fiscal note estimates. Department leadership anticipates that because sports betting will be launched during the slowest betting months of the year, revenue generated in FY 2019-20 may not be sufficient to reimburse the General Fund in the first partial year of implementation as planned. The Department anticipates between \$1.5 million and \$1.7 million of revenue in FY 2020-21; this amount would not be sufficient to fund a transfer to the Water Plan Implementation Cash Fund. Furthermore, the Division of Gaming estimates that the most they could reasonably charge for a license fee would be \$40,000 and will likely be much less; this will result in a significantly lower amount of fee revenue than anticipated.

### *DEPARTMENT OF REVENUE STAFFING IMPACT*

The fiscal note estimates that H.B. 19-1327 will require 11.8 FTE in FY 2019-20 (part-year impact) and 23.5 FTE in FY 2020-21 (full-year impact). Within the Division of Gaming, the background and field investigations group requires 8.0 FTE to perform criminal and financial background investigations for all license holders, and the technical systems group requires 5.0 FTE to review IT systems and procedures, including testing and ensuring the security of any new software. The auditing section requires 6.0 FTE to ensure that all regulations and rules are followed, verify funds, and review all financial processes. Finally, the Executive Director's Office will administratively support the Division of Gaming with 4.5 FTE, including accounting technicians, a budget and policy analyst, and a purchasing agent. Because the Department anticipates sports betting activity to initially be much lower than previously estimated, they plan to hire new employees only as needed to keep administrative costs in line with actual revenue levels.



## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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**DEPARTMENT OF REVENUE**  
Lu Cordova, Executive Director

**(2) INFORMATION TECHNOLOGY DIVISION**

**(A) System Support**

Personal Services	<u>46,805</u>	<u>100,000</u>	<u>100,000</u>	<u>111,131</u>	
General Fund	46,805	100,000	100,000	100,000	
Cash Funds	0	0	0	11,131	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>1,341,898</u>	<u>1,300,035</u>	<u>1,516,490</u>	<u>1,516,490</u>	
General Fund	951,881	924,155	1,109,976	1,109,976	
Cash Funds	390,017	375,880	406,514	406,514	

<b>SUBTOTAL - (A) System Support</b>	1,388,703	1,400,035	1,616,490	1,627,621	0.7%
<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	998,686	1,024,155	1,209,976	1,209,976	0.0%
Cash Funds	390,017	375,880	406,514	417,645	2.7%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

**(B) DMV IT System (DRIVES) Support**

Operating Expenses	<u>2,377,792</u>	<u>2,301,264</u>	<u>2,617,535</u>	<u>2,617,535</u>	
Cash Funds	2,377,792	2,301,264	2,617,535	2,617,535	

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
County Office Asset Maintenance	<u>474,334</u>	<u>483,774</u>	<u>568,230</u>	<u>568,230</u>	
Cash Funds	474,334	483,774	568,230	568,230	
County Office Improvements	<u>26,285</u>	<u>14,679</u>	<u>40,000</u>	<u>40,000</u>	
Cash Funds	26,285	14,679	40,000	40,000	
Personal Services	<u>48,963</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	48,963	0	0	0	
<b>SUBTOTAL - (B) DMV IT System (DRIVES) Support</b>	2,927,374	2,799,717	3,225,765	3,225,765	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
Cash Funds	2,927,374	2,799,717	3,225,765	3,225,765	0.0%
<b>TOTAL - (2) Information Technology Division</b>	4,316,077	4,199,752	4,842,255	4,853,386	0.2%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	998,686	1,024,155	1,209,976	1,209,976	0.0%
Cash Funds	3,317,391	3,175,597	3,632,279	3,643,410	0.3%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
<b>(4) DIVISION OF MOTOR VEHICLES</b>					
<b>(A) Administration</b>					
Personal Services	<u>1,495,170</u>	<u>2,973,210</u>	<u>2,630,148</u>	<u>4,136,626</u> *	
FTE	18.9	32.9	32.9	49.9	
General Fund	234,707	275,054	369,059	370,437	
Cash Funds	1,209,118	2,636,435	2,209,744	3,714,679	
Reappropriated Funds	51,345	61,721	51,345	51,510	
Federal Funds	0	0	0	0	
Operating Expenses	<u>72,666</u>	<u>499,725</u>	<u>440,980</u>	<u>555,904</u> *	
General Fund	12,475	11,711	65,317	63,633	
Cash Funds	56,801	421,624	372,273	488,881	
Reappropriated Funds	3,390	66,390	3,390	3,390	
DRIVES Maintenance and Support	<u>0</u>	<u>2,600,000</u>	<u>7,715,343</u>	<u>6,901,972</u>	
General Fund	0	0	18,000	18,000	
Cash Funds	0	2,600,000	7,697,343	6,883,972	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
<b>SUBTOTAL - (A) Administration</b>	<b>1,567,836</b>	<b>6,072,935</b>	<b>10,786,471</b>	<b>11,594,502</b>	<b>7.5%</b>
FTE	<u>18.9</u>	<u>32.9</u>	<u>32.9</u>	<u>49.9</u>	<u>51.7%</u>
General Fund	247,182	286,765	452,376	452,070	(0.1%)
Cash Funds	1,265,919	5,658,059	10,279,360	11,087,532	7.9%
Reappropriated Funds	54,735	128,111	54,735	54,900	0.3%
Federal Funds	0	0	0	0	0.0%

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
<b>(B) Driver Services</b>					
Personal Services	<u>19,969,153</u>	<u>27,305,915</u>	<u>24,122,001</u>	<u>24,905,849</u> *	
FTE	399.1	410.0	444.7	443.7	
General Fund	3,064,873	4,097,376	3,264,481	2,397,300	
Cash Funds	16,863,238	23,110,041	20,740,530	22,387,730	
Reappropriated Funds	41,042	98,498	116,990	120,819	
Operating Expenses	<u>3,080,984</u>	<u>2,530,132</u>	<u>3,306,499</u>	<u>2,637,124</u> *	
General Fund	418,104	411,155	411,155	411,155	
Cash Funds	2,660,449	2,118,977	2,885,174	2,215,799	
Reappropriated Funds	2,431	0	10,170	10,170	
Drivers License Documents	<u>5,696,473</u>	<u>5,781,066</u>	<u>7,855,858</u>	<u>8,334,660</u>	
Cash Funds	5,696,473	5,781,066	7,855,858	8,334,660	
Ignition Interlock Program	<u>696,001</u>	<u>778,735</u>	<u>1,253,319</u>	<u>1,269,106</u>	
FTE	6.9	6.9	6.9	6.9	
Cash Funds	696,001	778,735	1,253,319	1,269,106	
Indirect Cost Assessment	<u>2,183,128</u>	<u>2,136,552</u>	<u>2,419,604</u>	<u>2,702,240</u>	
Cash Funds	2,183,128	2,136,552	2,419,604	2,702,240	
<b>SUBTOTAL - (B) Driver Services</b>	<b>31,625,739</b>	<b>38,532,400</b>	<b>38,957,281</b>	<b>39,848,979</b>	<b>2.3%</b>
FTE	<u>406.0</u>	<u>416.9</u>	<u>451.6</u>	<u>450.6</u>	<u>(0.2%)</u>
General Fund	3,482,977	4,508,531	3,675,636	2,808,455	(23.6%)
Cash Funds	28,099,289	33,925,371	35,154,485	36,909,535	5.0%
Reappropriated Funds	43,473	98,498	127,160	130,989	3.0%

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
<b>(C) Vehicle Services</b>					
Personal Services	<u>2,454,053</u>	<u>3,632,826</u>	<u>3,230,501</u>	<u>2,625,463</u>	*
FTE	50.0	55.0	56.7	47.9	
General Fund	453,247	567,703	483,164	502,180	
Cash Funds	2,000,806	3,065,123	2,747,337	2,123,283	
Operating Expenses	<u>385,101</u>	<u>454,225</u>	<u>467,892</u>	<u>403,520</u>	*
General Fund	27,169	36,282	26,157	26,157	
Cash Funds	357,932	417,943	441,735	377,363	
License Plate Ordering	<u>10,177,105</u>	<u>8,591,411</u>	<u>10,272,271</u>	<u>8,320,277</u>	*
General Fund	216,315	226,184	216,315	216,315	
Cash Funds	9,960,790	8,365,227	10,055,956	8,103,962	
Motorist Insurance Identification Database Program	<u>183,702</u>	<u>252,173</u>	<u>340,155</u>	<u>342,443</u>	
FTE	1.0	1.0	1.0	1.0	
Cash Funds	183,702	252,173	340,155	342,443	
Emissions Program	<u>1,086,188</u>	<u>1,441,921</u>	<u>1,303,989</u>	<u>1,338,308</u>	
FTE	15.0	15.0	15.0	15.0	
Cash Funds	1,086,188	1,441,921	1,303,989	1,338,308	
Indirect Cost Assessment	<u>368,088</u>	<u>357,421</u>	<u>429,074</u>	<u>460,766</u>	
Cash Funds	368,088	357,421	429,074	460,766	
<b>SUBTOTAL - (C) Vehicle Services</b>	<b>14,654,237</b>	<b>14,729,977</b>	<b>16,043,882</b>	<b>13,490,777</b>	<b>(15.9%)</b>
FTE	<u>66.0</u>	<u>71.0</u>	<u>72.7</u>	<u>63.9</u>	<b>(12.1%)</b>
General Fund	696,731	830,169	725,636	744,652	2.6%
Cash Funds	13,957,506	13,899,808	15,318,246	12,746,125	(16.8%)

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
<b>TOTAL - (4) Division of Motor Vehicles</b>	47,847,812	59,335,312	65,787,634	64,934,258	(1.3%)
<i>FTE</i>	<u>490.9</u>	<u>520.8</u>	<u>557.2</u>	<u>564.4</u>	<u>1.3%</u>
General Fund	4,426,890	5,625,465	4,853,648	4,005,177	(17.5%)
Cash Funds	43,322,714	53,483,238	60,752,091	60,743,192	(0.0%)
Reappropriated Funds	98,208	226,609	181,895	185,889	2.2%
Federal Funds	0	0	0	0	0.0%

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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### (5) ENFORCEMENT BUSINESS GROUP

#### (A) Administration

Personal Services	<u>668,335</u>	<u>1,063,286</u>	<u>996,136</u>	<u>1,019,012</u>	
FTE	8.0	10.0	10.0	10.0	
General Fund	4,865	8,708	7,524	7,694	
Cash Funds	425,598	743,250	658,983	681,689	
Reappropriated Funds	237,872	311,328	329,629	329,629	
Federal Funds	0	0	0	0	
Operating Expenses	<u>11,310</u>	<u>14,252</u>	<u>14,680</u>	<u>14,680</u>	
General Fund	85	111	111	111	
Cash Funds	7,275	9,348	9,631	9,631	
Reappropriated Funds	3,950	4,793	4,938	4,938	

<b>SUBTOTAL - (A) Administration</b>	679,645	1,077,538	1,010,816	1,033,692	2.3%
FTE	<u>8.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	0.0%
General Fund	4,950	8,819	7,635	7,805	2.2%
Cash Funds	432,873	752,598	668,614	691,320	3.4%
Reappropriated Funds	241,822	316,121	334,567	334,567	0.0%
Federal Funds	0	0	0	0	0.0%

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
<b>(B) Limited Gaming Division</b>					
Personal Services	<u>6,194,217</u>	<u>8,606,163</u>	<u>8,420,783</u>	<u>9,245,499</u>	*
FTE	91.0	89.0	101.6	110.5	
General Fund	0	0	882,345	0	
Cash Funds	6,194,217	8,606,163	7,538,438	9,245,499	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>685,257</u>	<u>672,431</u>	<u>1,262,526</u>	<u>1,147,644</u>	*
General Fund	0	0	234,416	0	
Cash Funds	685,257	672,431	1,028,110	1,147,644	
Payments to Other State Agencies	<u>4,654,288</u>	<u>4,399,558</u>	<u>4,937,995</u>	<u>4,936,279</u>	
General Fund	0	0	1,716	0	
Cash Funds	4,654,288	4,399,558	4,936,279	4,936,279	
Distribution to Gaming Cities and Counties	<u>111,598,539</u>	<u>111,750,844</u>	<u>23,788,902</u>	<u>23,788,902</u>	
Cash Funds	111,598,539	111,750,844	23,788,902	23,788,902	
Indirect Cost Assessment	<u>812,715</u>	<u>860,536</u>	<u>578,358</u>	<u>636,436</u>	
Cash Funds	812,715	860,536	578,358	636,436	
<b>SUBTOTAL - (B) Limited Gaming Division</b>	123,945,016	126,289,532	38,988,564	39,754,760	2.0%
FTE	<u>91.0</u>	<u>89.0</u>	<u>101.6</u>	<u>110.5</u>	8.8%
General Fund	0	0	1,118,477	0	(100.0%)
Cash Funds	123,945,016	126,289,532	37,870,087	39,754,760	5.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%



## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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### (C) Liquor and Tobacco Enforcement Division

Personal Services	<u>2,386,162</u>	<u>2,948,791</u>	<u>2,821,117</u>	<u>2,868,562</u> *
FTE	30.0	32.5	32.5	32.5
General Fund	132,315	174,291	175,694	180,228
Cash Funds	2,253,847	2,774,500	2,645,423	2,688,334
Operating Expenses	<u>107,474</u>	<u>160,271</u>	<u>155,028</u>	<u>153,199</u> *
General Fund	6,984	6,361	6,965	6,965
Cash Funds	100,490	153,910	148,063	146,234
Indirect Cost Assessment	<u>178,175</u>	<u>182,163</u>	<u>198,942</u>	<u>215,258</u>
Cash Funds	178,175	182,163	198,942	215,258

<b>SUBTOTAL - (C) Liquor and Tobacco Enforcement</b>					
<b>Division</b>	2,671,811	3,291,225	3,175,087	3,237,019	2.0%
FTE	<u>30.0</u>	<u>32.5</u>	<u>32.5</u>	<u>32.5</u>	0.0%
General Fund	139,299	180,652	182,659	187,193	2.5%
Cash Funds	2,532,512	3,110,573	2,992,428	3,049,826	1.9%

### (D) Division of Racing Events

Personal Services	<u>835,606</u>	<u>837,407</u>	<u>952,156</u>	<u>969,774</u>
FTE	7.7	7.7	7.7	7.7
Cash Funds	835,606	837,407	952,156	969,774
Operating Expenses	<u>198,123</u>	<u>207,576</u>	<u>220,721</u>	<u>220,721</u>
Cash Funds	198,123	207,576	220,721	220,721

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
Purses and Breeders Awards	<u>1,344,012</u>	<u>954,689</u>	<u>1,400,000</u>	<u>1,400,000</u>	
Cash Funds	1,344,012	954,689	1,400,000	1,400,000	
Indirect Cost Assessment	<u>48,306</u>	<u>47,239</u>	<u>50,038</u>	<u>54,379</u>	
Cash Funds	48,306	47,239	50,038	54,379	
<b>SUBTOTAL - (D) Division of Racing Events</b>	<b>2,426,047</b>	<b>2,046,911</b>	<b>2,622,915</b>	<b>2,644,874</b>	<b>0.8%</b>
<i>FTE</i>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>	<b>0.0%</b>
Cash Funds	2,426,047	2,046,911	2,622,915	2,644,874	<b>0.8%</b>

### (F) Motor Vehicle Dealer Licensing Board

Personal Services	<u>2,078,284</u>	<u>2,764,231</u>	<u>2,401,002</u>	<u>2,474,903</u>	
FTE	32.3	32.3	32.3	32.3	
Cash Funds	2,078,284	2,764,231	2,401,002	2,474,903	
Operating Expenses	<u>194,141</u>	<u>136,877</u>	<u>152,691</u>	<u>338,691</u> *	
Cash Funds	194,141	136,877	152,691	338,691	
Indirect Cost Assessment	<u>170,640</u>	<u>202,291</u>	<u>209,900</u>	<u>228,111</u>	
Cash Funds	170,640	202,291	209,900	228,111	
<b>SUBTOTAL - (F) Motor Vehicle Dealer Licensing Board</b>	<b>2,443,065</b>	<b>3,103,399</b>	<b>2,763,593</b>	<b>3,041,705</b>	<b>10.1%</b>
<i>FTE</i>	<u>32.3</u>	<u>32.3</u>	<u>32.3</u>	<u>32.3</u>	<b>0.0%</b>
Cash Funds	2,443,065	3,103,399	2,763,593	3,041,705	<b>10.1%</b>

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
<b>(G) Marijuana Enforcement</b>					
Marijuana Enforcement	<u>19,250,162</u>	<u>11,276,269</u>	<u>15,586,130</u>	<u>15,748,713</u>	
FTE	104.0	104.1	136.2	151.0	
Cash Funds	19,250,162	11,276,269	15,586,130	15,748,713	
Indirect Cost Assessment	<u>785,853</u>	<u>752,040</u>	<u>797,080</u>	<u>939,000</u>	
Cash Funds	785,853	752,040	797,080	939,000	
<b>SUBTOTAL - (G) Marijuana Enforcement</b>	20,036,015	12,028,309	16,383,210	16,687,713	1.9%
FTE	<u>104.0</u>	<u>104.1</u>	<u>136.2</u>	<u>151.0</u>	<u>10.9%</u>
Cash Funds	20,036,015	12,028,309	16,383,210	16,687,713	1.9%
<b>TOTAL - (5) Enforcement Business Group</b>	152,201,599	147,836,914	64,944,185	66,399,763	2.2%
FTE	<u>273.0</u>	<u>275.6</u>	<u>320.3</u>	<u>344.0</u>	<u>7.4%</u>
General Fund	144,249	189,471	1,308,771	194,998	(85.1%)
Cash Funds	151,815,528	147,331,322	63,300,847	65,870,198	4.1%
Reappropriated Funds	241,822	316,121	334,567	334,567	0.0%
Federal Funds	0	0	0	0	0.0%

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
<b>(6) STATE LOTTERY DIVISION</b>					
Personal Services	<u>8,602,404</u>	<u>10,970,826</u>	<u>8,715,155</u>	<u>8,945,306</u>	
FTE	117.1	117.1	102.1	102.1	
General Fund	0	0	0	0	
Cash Funds	8,602,404	10,970,826	8,715,155	8,945,306	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>993,406</u>	<u>1,095,861</u>	<u>1,177,035</u>	<u>16,240,533</u>	*
Cash Funds	993,406	1,095,861	1,177,035	16,240,533	
Payments to Other State Agencies	<u>84,324</u>	<u>89,403</u>	<u>239,410</u>	<u>239,410</u>	
Cash Funds	84,324	89,403	239,410	239,410	
Travel	<u>82,057</u>	<u>109,019</u>	<u>113,498</u>	<u>0</u>	*
Cash Funds	82,057	109,019	113,498	0	
Marketing and Communications	<u>13,539,964</u>	<u>14,641,413</u>	<u>14,700,000</u>	<u>0</u>	*
Cash Funds	13,539,964	14,641,413	14,700,000	0	
Multi-State Lottery Fees	<u>127,308</u>	<u>158,032</u>	<u>177,433</u>	<u>177,433</u>	
Cash Funds	127,308	158,032	177,433	177,433	
Vendor Fees	<u>11,392,105</u>	<u>12,772,610</u>	<u>16,616,629</u>	<u>16,616,629</u>	
Cash Funds	11,392,105	12,772,610	16,616,629	16,616,629	
Retailer Compensation	<u>46,153,182</u>	<u>51,574,517</u>	<u>54,572,160</u>	<u>54,572,160</u>	
Cash Funds	46,153,182	51,574,517	54,572,160	54,572,160	

## Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
Ticket Costs	<u>3,701,312</u>	<u>4,195,716</u>	<u>6,578,000</u>	<u>6,578,000</u>	
Cash Funds	3,701,312	4,195,716	6,578,000	6,578,000	
Research	<u>57,904</u>	<u>242,400</u>	<u>250,000</u>	<u>0</u> *	
Cash Funds	57,904	242,400	250,000	0	
Indirect Cost Assessment	<u>718,738</u>	<u>698,576</u>	<u>739,928</u>	<u>692,783</u>	
Cash Funds	718,738	698,576	739,928	692,783	
<b>TOTAL - (6) State Lottery Division</b>	85,452,704	96,548,373	103,879,248	104,062,254	0.2%
<i>FTE</i>	<u>117.1</u>	<u>117.1</u>	<u>102.1</u>	<u>102.1</u>	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	85,452,704	96,548,373	103,879,248	104,062,254	0.2%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
<b>TOTAL - Department of Revenue</b>	289,818,192	307,920,351	239,453,322	240,249,661	0.3%
<i>FTE</i>	<u>881.0</u>	<u>913.5</u>	<u>979.6</u>	<u>1,010.5</u>	3.2%
General Fund	5,569,825	6,839,091	7,372,395	5,410,151	(26.6%)
Cash Funds	283,908,337	300,538,530	231,564,465	234,319,054	1.2%
Reappropriated Funds	340,030	542,730	516,462	520,456	0.8%
Federal Funds	0	0	0	0	0.0%

An asterisk (\*) indicates that the FY 2020-21 requested amount for a line item is affected by one or more decision items.

## APPENDIX B

### RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

#### 2018 SESSION BILLS

**S.B. 18-036 (RELOCATE TITLE 24 TOBACCO SALES MINORS TO TITLE 44):** Relocates statutes concerning regulation of tobacco sales to minors from Title 24 to the newly created Title 44 of the Colorado Revised Statutes and makes minor technical changes. In FY 2018-19, appropriates \$6,730 cash funds, including \$5,402 from the Liquor Enforcement Division and State Licensing Authority Cash Fund and \$1,328 from the Tobacco Education Programs Fund, to the Department of Revenue, of which \$4,630 is reappropriated to the Governor's Office of Information Technology.

**S.B. 18-108 (ELIGIBILITY COLORADO ROAD AND COMMUNITY SAFETY ACT):** The Colorado Road and Community Safety Act (S.B. 13-251) authorizes issuance of a driver license, identification card, or instruction permit, valid for three years, to an individual who is either temporarily lawfully present in the U.S. or a Colorado resident who is not a U.S. citizen and does not have permanent residency status. The bill clarifies that S.B. 13-251 documents may be renewed or reissued in accordance with the process used for standard documents without the individual having to resubmit the initial requisite documentation if the individual provides a previously issued S.B. 13-251 document and proof of current Colorado residency. The bill also allows an applicant to provide his or her social security number in lieu of an individual taxpayer identification number. In FY 2018-19, appropriates \$108,992 cash funds from the Licensing Services Cash Fund and 1.2 FTE to the Department of Revenue.

**S.B. 18-200 (ELIMINATE UNFUNDED LIABILITY IN PERA):** Makes changes to the defined benefit plan administered by the Colorado Public Employees' Retirement Association (PERA) with the goal of eliminating PERA's unfunded actuarial accrued liability within 30 years. Among other changes, on July 1, 2020, increases the monthly employer contribution to PERA on behalf of members by 0.25 percent of salary. For additional information, see the bill description in the "Recent Legislation" section at the end of Part III of the Department of Treasury.

**S.B. 18-233 (ELECTIONS CLEAN-UP):** Makes technical modifications to various provisions of the Uniform Election Code of 1992. In FY 2018-19, appropriates \$63,000 reappropriated funds received from the Department of State to the Department of Revenue. For additional information, see the "Recent Legislation" section at the end of Part III for the Department of State.

**S.B. 18-243 (RETAIL SALES ALCOHOL BEVERAGES):** Effective January 1, 2019, the limitation on the maximum alcohol content of fermented malt beverages, also referred to as "3.2% beer", is eliminated, thereby allowing grocery stores, convenience stores, and others licensed to sell fermented malt beverages containing more than 3.2 percent alcohol. Modifies laws governing the retail sale of fermented malt beverages. In FY 2018-19, appropriates \$91,092 cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund and 1.0 FTE to the Department of Revenue, of which \$10,656 is reappropriated to the Department of Law.

**S.B. 18-253 (CSTARS ACCOUNT TRANSFER TO DRIVES ACCOUNT EFFECTIVE):** Establishes a uniform date of July 1, 2019, to transition the Department of Revenue's CSTARS account to the new

DRIVES Vehicle Services account. The bill also delays corresponding statutory repeal dates for one year.

**S.B. 18-259 (LOCAL GOVERNMENT RETAIL MARIJUANA TAXES):** Makes the following changes to marijuana taxation in Colorado:

- allows a county to continue collecting excise taxes for three years if a marijuana cultivation facility is annexed into a municipality. If this occurs, the municipality is unable to levy its own excise tax until the county's authority to levy an excise tax expires;
- allows counties to use either the wholesale price or the calculated wholesale price to determine excise taxes;
- removes the authority for metropolitan districts to collect a sales tax on retail marijuana; and
- clarifies that the state excise tax is collected when unprocessed marijuana is transferred between marijuana cultivation facilities.

In FY 2018-19, appropriates \$15,840 General Fund to the Department of Revenue.

**S.B. 18-271 (IMPROVE FUNDING FOR MARIJUANA RESEARCH):** Allows a marijuana research and development licensee or a marijuana research and development cultivation licensee to share premises with a commonly owned medical marijuana infused products manufacturer or a retail marijuana product manufacturers under a co-location permit. House Bill 18-1322 (Long Bill) transferred \$3.0 million from the Marijuana Tax Cash Fund to the health research subaccount of the Medical Marijuana Program Cash Fund. This bill continues the subaccount from its current repeal date of July 1, 2019, to July 1, 2023, and authorizes the Department of Public Health and Environment (CDPHE) to use up to \$100,000 from the subaccount for administration of the medical marijuana research grant program. In FY 2018-19, appropriates \$10,656 cash funds from the Marijuana Cash Fund to the Department of Revenue.

**H.B. 18-1025 (RELOCATE TITLE 12 LIQUOR LAWS TO TITLE 44):** Relocates the statutes regulating alcohol beverages from Title 12 to a newly created Title 44 of the Colorado Revised Statutes and makes minor technical changes. In FY 2018-19, appropriates \$3,091 cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund to the Department of Revenue.

**H.B. 18-1042 (PRIVATE INTERSTATE COMMERCIAL VEHICLES):** Allows private parties to perform expedited vehicle registrations for commercial trucks. Requires the Department of Revenue (DOR) to promulgate rules in order to allow a private provider to perform expedited vehicle registration for Class A commercial vehicles. The provider may retain a service fee, but will collect and remit the registration taxes and fees to the department.

Private providers of expedited Class A vehicle registrations must:

- be approved by DOR;
- utilize a department-approved software that will calculate taxes and fees and be updated regularly to account for any rate changes;
- file evidence of a surety bond or an alternative to a surety bond; and
- provide for reimbursement of any damages caused to the state, local governments, or owners of Class A vehicles through its acts or omissions.

DOR is required to ensure that the expedited registration program:

- operates efficiently;
- provides additional services or increases the speed or quality of services at an overall cost savings to the state; and
- complies with state law.

DOR may deny, suspend, or revoke approval of a private provider who violates a contract, makes a material misstatement, fails to comply with state law or rules, or fails to provide expedited service. DOR may also accept financial assistance from a private party to implement the expedited registration program to the extent permitted, credited to the Colorado Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES) Vehicle Services Account.

In FY 2018-19, includes a net appropriation of \$20,865 General Fund and includes a net decrease of 0.3 FTE to the Department of Revenue, of which \$16,016 is reappropriated to the Governor's Office of Information Technology.

**H.B. 18-1060 (INCOME TAX DEDUCTION FOR MILITARY RETIREMENT BENEFITS):** Allows an income tax deduction for military retirement benefits received by individuals under age 55 for tax years 2019 through 2023, including up to \$4,500 in 2019, \$7,500 in 2020, \$10,000 in 2021, and \$15,000 in 2022 and 2023.

**H.B. 18-1185 (MARKET SOURCING FOR BUSINESS INCOME TAX APPORTIONMENT):** Changes the apportionment method for corporations that do business in multiple states. Prior to the bill, income from the sale of services and intangible property was apportioned based on where the income-producing activity was performed. The bill changes the sourcing rules so that the income is apportioned based on where the income-producing activity is used or delivered.

**H.B. 18-1208 (EXPAND CHILD CARE EXPENSES INCOME TAX CREDIT):** Beginning in tax year 2019, expands the state income tax credit for child care expenses for taxpayers with adjusted gross income (AGI) of \$60,000 or less who claim a child care expenses credit on their federal income tax return, equal to 50.0 percent of the federal credit. Prior to the bill, taxpayers with AGI of \$25,000 or less were eligible for 50.0 percent of the federal credit, taxpayers with AGI of \$25,001 to \$35,000 were eligible for 30.0 percent of the federal credit, and taxpayers with AGI of \$35,001 to \$60,000 were eligible for 10.0 percent of the federal credit.

**H.B. 18-1244 (HONOR THE SERVICE OF SUBMARINE VETERANS):** Creates the submarine service military license plate. The license plate is available to honorably discharged, retired, reserve, or active members of the submarine service of the U.S. Navy who submit the required forms and pay a one-time special plate fee of \$50. In FY 2018-19, appropriates \$2,960 cash funds from the License Plate Cash Fund to the Department of Revenue.

**H.B. 18-1255 (CHILDHOOD CANCER AWARENESS SPECIAL LICENSE):** Creates the childhood cancer awareness special license plate. This license plate is available to anyone who donates to an organization chosen by the Department of Revenue and pays a one-time special plate fee of \$50. At least once every five years, the DOR will choose an organization to which applicants must donate to qualify for this license plate. In FY 2018-19, appropriates \$8,288 cash funds from the License Plate Cash Fund to the DOR. This organization must:



- have an office in Colorado;
- have been in existence for at least one year; and
- provide financial assistance to families with a minor being treated for cancer or research foundations that provide money for pediatric cancer research.

**H.B. 18-1280 (COURT APPOINTEES FOR MARIJUANA BUSINESSES):** Provides specifications for court-appointed receiverships or similar situations related to a person taking possession of, operating, managing, or controlling a licensed marijuana business. Requires an individual to certify to the appointing court that he or she is not prohibited from holding a marijuana license before being appointed a receiver of a marijuana business. Once appointed, the receiver must notify the Marijuana Enforcement Division (MED) of the appointment. The MED is required to issue a temporary registration to the appointee, which may be subject to administrative action if the appointee fails to comply with state marijuana laws or regulations. In FY 2018-19, appropriates \$28,950 cash funds from the Marijuana Cash Fund to the Department of Revenue, of which \$14,918 is reappropriated to the Department of Law.

**H.B. 18-1285 (REMUNERATION-EXEMPT DISABILITY PARKING PLACARD):** Creates a remuneration-exempt placard that exempts individuals with qualifying disabilities from paying for meter parking. In FY 2018-19, appropriates \$9,870 General Fund to the Department of Revenue.

**H.B. 18-1299 (ELECTRONIC FILING TITLE REGISTRATION MOTOR VEHICLE):** Under current law, the Department of Revenue (DOR) may establish a system to allow the electronic transmission of registration, lien, and titling information for motor vehicles. To implement this system, the bill allows the DOR to adopt rules to: maintain titling information electronically; accept electronic signatures on any documents; eliminate any notarization requirements for document signatures; allow all parties to electronically file and release lien information; and authorize third-party providers to process registration, lien, and titling information on behalf of a business entity. The bill includes an appropriation clause for FY 2018-19; however, the effective date clause in the bill establishes an effective date for the entire bill of July 1, 2019, nullifying the appropriation in FY 2018-19.

**H.B. 18-1339 (BACKGROUND CHECKS FOR EMPLOYEES WITH ACCESS TO FEDERAL TAX INFORMATION):** Requires each applicant, state employee, state contractor, or other individual who has or may have access through a state agency to federal tax information received from the federal government to submit to a fingerprint-based criminal history records check. Specifies that a state agency that shares such federal tax information with a county may authorize and require the county department applicants, employees, contractors, or other individuals to submit to a fingerprint-based criminal history records check. Requires a state agency to deny access to federal tax information received from the federal government to any individual who does not pass the fingerprint-based criminal history record check. Provides FY 2018-19 appropriations as follows:

- \$6,188 General Fund to the Governor's Office of Information Technology;
- \$36,630 General Fund to the Department of Human Services;
- \$7,425 cash funds to the Department of Labor and Employment;
- \$6,683 General Fund to the Department of Local Affairs;
- \$11,633 General Fund to the Department of Personnel;
- \$41,580 General Fund to the Department of Revenue;

- \$121,748 reappropriated funds and 0.6 FTE to the Department of Public Safety from the appropriations made to other departments above.

**H.B. 18-1350 (MACHINE TOOL SALES TAX EXEMPTION FOR SCRAP METAL):** Expands the definition of recovered materials under the machinery and machine tools sales and use tax exemption beginning January 1, 2019. In FY 2018-19, appropriates \$14,292 General Fund and 0.3 FTE to the Department of Revenue.

## 2019 SESSION BILLS

**S.B. 19-006 (ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM):** Directs the Governor's Office of Information Technology (OIT) to procure an electronic sales and use tax simplification system. Requires OIT and the Department of Revenue (DOR) to work with stakeholders to determine the scope of work for the system. Requires DOR to use the system to accept sales tax returns and payments for state and state-collected local jurisdictions; home rule jurisdictions may choose to use the system. Appropriates \$9,183,000 General Fund to OIT; \$817,000 General Fund to DOR for a global information system (GIS) database; and reappropriates \$817,000 to OIT for FY 2019-20.

**S.B. 19-035 (DOR ENFORCEMENT MEASURES COLLECTION OF TAX OWED):** Clarifies the enforcement mechanisms available to DOR in circumstances of tax delinquency. Extends the one year statute of limitations on the assessment of any tax, penalty, or interest for any period during which the taxpayer's assets are under the control or custody of a court, and for six months thereafter or in a case under federal bankruptcy law during which the DOR is prohibited from seizing assets, and for six months thereafter. Specifies that for seizure and sales of vehicles, a government certificate of sale or court order is required to be accepted in lieu of a certificate of title for the purpose of transferring ownership and issuance of such a certificate voids previously issued titles to that motor vehicle. Specifies that any Colorado district court has jurisdiction to issue orders as necessary to collect delinquent taxes, penalty, or interest, including warrants to search premises to seize and sell a taxpayer's personal property. Clarifies that a person must surrender a delinquent taxpayer's property upon demand of the DOR with an exception if the person, at the time of the demand, has a valid right of setoff or an interest superior to the DOR's. Financial institutions must surrender any deposits within 21 days after service of the levy. Employers must surrender salary or wages within 21 days after the end of the taxpayer's pay period. A levy on salary or wages is continuous from the date when the levy is made until its release by the DOR, and may not exceed 25 percent of the taxpayer's disposable earnings. Persons who fail to surrender a delinquent taxpayer's property upon demand are liable for an amount equal to the value of the levied property, not to exceed the amount of the tax liability. Persons complying with orders to surrender property are discharged from any obligation to the delinquent taxpayer arising from the surrender. Appropriates \$6,750 cash funds from the Colorado DRIVES Vehicle Services Account in the Highway Users Tax Fund for IT programming for the DRIVES system for FY 2019-20.

**S.B. 19-054 (MILITARY VEHICLE MOTOR VEHICLE REGISTRATION):** Defines a demilitarized motor vehicle as a motor vehicle that was built for the U.S. Armed Forces, commonly used by the U.S. Armed Forces to transport persons or property over the highway, and purchased for a nonmilitary use. Exempts demilitarized motor vehicles from emissions requirements and allows persons to sell, register, or reregister a demilitarized motor vehicle with an emissions waiver certification. Allows demilitarized motor vehicles to be deemed roadworthy without a physical vehicle identification

number (VIN) inspection and allows certificates of title to include information about a vehicle's status as a demilitarized motor vehicle. Appropriates \$45,000 cash funds from the Colorado DRIVES Vehicle Services Account in the Highway Users Tax Fund for IT programming for the DRIVES system for FY 2019-20.

**S.B. 19-139 (MORE CRCSA OFFICES):** Requires, by January 1, 2020, that the DMV issue SB 13-251 documents at eight offices, including the DMV offices already issuing documents, and at ten offices by July 1, 2020, in varying geographic areas around the state. The Colorado Road and Community Safety Act (S.B. 13-251) authorizes the Division of Motor Vehicles (DMV) within DOR to issue a driver's license, identification card, or instruction permit (SB 13-251 documents) to an individual who is either temporarily lawfully present in the U.S. or a Colorado resident who is not a U.S. citizen and does not have permanent residency status. CRCSA or S.B. 13-251 documents are valid for three years after issuance, with an exception for minor driver licenses. Appropriates \$1.7 million cash funds from the Licensing Services Cash Fund and 21.6 FTE to DOR for FY 2019-20.

**S.B. 19-142 (HARD CIDER EXEMPTION WINE INDUSTRY DEVELOPMENT ACT):** Exempts produce used in the production of hard cider from the excise tax, and, for the purposes of the Wine Industry Development Act, the bill exempts hard cider from the definition of wine. Appropriates \$2,000 General Fund for IT programming for the GenTax system for FY 2019-20.

**S.B. 19-167 (HONOR COLORADO PROFESSIONAL FIRE FIGHTERS):** Creates the Colorado Professional Fire Fighters group special license plate to be available by January 1, 2020. The license plate is available to all applicants that pay a one-time special license plate fee of \$50 and give a donation to a designated Colorado nonprofit organization. Nonprofit organizations may only use the donations to directly support first responders, firefighters, and family members of first responders and firefighters, and must report to DOR annually regarding the collection and use of the donation. Appropriates \$56,364 cash funds to DOR, including \$51,864 from the License Plate Cash Fund for license plate ordering and \$4,500 from the Colorado DRIVES Vehicle Services Account in the Highway Users Tax Fund for IT programming for the DRIVES system for FY 2019-20.

**S.B. 19-175 (SERIOUS BODILY INJURY VULNERABLE ROAD USER PENALTIES):** Creates a new class 1 traffic misdemeanor of causing serious bodily injury to a vulnerable person while carelessly driving. A violation results in 12 points issued to the driver's license which results in a license suspension and may subject a violator to a restitution order, attendance at a driver improvement course, or performance of public service for no more than 320 hours. Defines a vulnerable road user, and includes, pedestrians, bicycles, and peace officers outside their vehicles. Appropriates \$1,575 cash funds from the Licensing Services Cash Fund for IT programming for the DRIVES system for FY 2019-20.

**S.B. 19-205 (HONOR SERVICE OF WOMEN VETERANS):** Creates the U.S. Women Veteran military license plate. The license plate is available to honorably discharged or retired members of the U.S. Armed Forces who submit the required forms and pay a one-time special plate fee of \$50. Appropriates \$14,771 cash funds to DOR, including \$10,946 from the License Plate Cash Fund for license plate ordering and \$3,825 from the Colorado DRIVES Vehicle Services Account in the Highway Users Tax Fund for IT programming for the DRIVES system for FY 2019-20.

**S.B. 19-224 (SUNSET REGULATED MARIJUANA):** Continues the regulation of medical and retail marijuana until September 1, 2028, incorporates recommendations from the sunset reviews for the

Colorado Medical Marijuana Code and the Colorado Retail Marijuana Code, and makes other changes including integration of the two codes into one code entitled the Colorado Marijuana Code. Appropriates \$396,604 cash funds from the Marijuana Cash Fund and 1.8 FTE for the Marijuana Enforcement Division and reappropriates \$103,630 and 0.6 FTE to the Department of Law for the provision of legal services for FY 2019-20.

**S.B. 19-235 (AUTOMATIC VOTER REGISTRATION):** Requires DOR, the Department of Health Care Policy and Financing (HCPF), and the Department of Human Services (DHS) to electronically transfer records to the Department of State for registering voters. Appropriates \$18,000 General Fund to DOR for IT programming for the DRIVES system for FY 2019-20.

**S.B. 19-248 (STATE TAX SYSTEM WORKING GROUP):** Convenes a state tax system working group to meet during the 2019 legislative interim to evaluate the state tax administration software system, GenTax, and make recommendations. Working group stakeholders include the nonpartisan legislative service agencies, the Department of Revenue (DOR), the Department of Personnel, and the Governor's Office of Information Technology. The working group must evaluate:

- the deficits of the current state tax system;
- the benefit of ownership of the current tax system in relationship to the cost of the total deficits of the current system;
- whether it would be more cost-effective for the state to make adjustments and new investments in the current tax system or to pursue a new system;
- options for managing the recurring changes in tax data and methods by which new tax reports are implemented and tracked; and
- any other topics the working group deems necessary.

The working group must provide an update on its progress to the Joint Technology Committee and the Joint Budget Committee by October 1, 2019, and, by December 1, 2019, report to the General Assembly on its findings and recommendations, whether an independent third-party assessment of the state tax system is necessary and whether the working group should be continued through the 2020 legislative interim.

Appropriates \$44,552 General Fund and 0.5 FTE to Legislative Council and the Office of Legislative Legal Services in the Legislative Department and \$30,000 General Fund to DOR for FY 2019-20.

**S.B. 19-249 (LICENSE BUSINESS SELLING ITS USED MOTOR VEHICLES):** Creates a new motor vehicle business disposal license. The license allows businesses to sell used motor vehicles that have been owned by the business for more than a year, are exclusively used for business purposes, are titled in the name of the business, and are not designed or used primarily to carry passengers. A business only qualifies for the disposal license if motor vehicle sales do not exceed 20 percent of the business's gross revenue. In addition, the bill enumerates the grounds for which a business disposal license may be denied, suspended, or revoked by the Colorado Motor Vehicle Dealer Board and the associated penalties for selling specified vehicles without a license. Appropriates \$14,000 cash funds from the Auto Dealers License Fund to DOR for use by the Motor Vehicle Dealer Licensing Board for FY 2019-20.

**S.B. 19-256 (ELECTRONIC DOCUMENTS MOTOR VEHICLE APPROPRIATION):** House Bill 18-1299 allows DOR to implement a system to allow the electronic transmission of registration, lien, and titling information for motor vehicles. This bill appropriates \$1.2 million from gifts, grants, and donations deposited in the Colorado DRIVES Vehicle Services Account and 3.1 FTE to DOR and reappropriates \$16,590 to OIT to implement the system created in H.B. 18-1299 for FY 2019-20. Also specifies that the appropriation remains available through FY 2020-21.

**H.B. 19-1023 (FOSTER CHILDREN DRIVING LICENSES):** Clarifies that a minor who is at least 16 years of age can purchase auto insurance and exempts a foster child from having a foster parent or other guardian sign an affidavit of liability regarding financial responsibility. It lowers the age at which the state or a county must obtain permission from a foster parent or guardian to help a foster child obtain a permit from 17 1/2 years old to 17 years old and allows anyone who is at least 21 years of age and holds a driver license to instruct a foster child with a driving permit and sign a foster child's driving logs. It allows each county department of human services or social services that has custody of a foster child or ward of the court to implement a program that provides foster kids under the age of 18 with a driver permit if the minor's foster parent consents or the county has first consulted with the foster parent for a child 17 years old or older. The bill also requires the Transportation Legislation Review Committee to study the barriers to foster children meeting the 50 hour driving requirement for an instruction permit, and the ability of foster children to obtain automobile insurance during the 2019 legislative interim. Appropriates \$6,750 cash funds from the Colorado DRIVES Vehicle Services Account in the Highway Users Tax Fund for IT programming for the DRIVES system for FY 2019-20.

**H.B. 19-1039 (IDENTITY DOCUMENTS FOR TRANSGENDER PERSONS):** Under current law, a person born in Colorado seeking to obtain a birth certificate that reflects a change in gender designation must first obtain a court order indicating that the person's gender has been changed by a surgical procedure and that their name has been changed. The bill eliminates the requirement for a court order, and requires the state registrar in the Colorado Department of Public Health and Environment (CDPHE) to issue a new birth certificate to any person who was born in Colorado and has a gender different from the gender denoted on that person's birth certificate. Persons who currently reside in Colorado but who were born in another state or in a foreign jurisdiction may request a decree from a court in Colorado if such a decree is required to issue an amended birth certificate in the place of their birth.

To issue a new birth certificate, the state registrar must receive a written request from the person and a statement confirming the sex designation on the person's birth certificate does not align with the person's gender identity. If the person is under the age of eighteen, the state registrar must receive the request and statement from the person's parents, guardian, or legal representative and a statement from a professional medical or mental health care provider. The DMV must issue a new driver's license or identity document to a person who has a gender different from the sex denoted on that person's driver's license or identity document upon receiving a statement similar to the above and a new birth certificate issued pursuant to this bill.

Appropriates \$58,500 cash funds from the Licensing Services Cash Fund for IT programming for the DRIVES system for FY 2019-20.

**H.B. 19-1085 (GRANTS FOR PROPERTY TAX RENT AND HEAT):** Under current law, Colorado residents over the age of 65 are eligible for a property tax and rent assistance rebate grant and a heat

and fuel expenses rebate grant, if they meet certain conditions. This bill increases the minimum and maximum rebate amounts and eligible income requirements and removes the requirement that the payment of rent only qualifies for a rent rebate if the rent is paid to a landlord that pays property taxes. Under current law, the income amounts are adjusted annually for inflation. This bill adjusts the rebate amount and income levels for inflation starting in 2020. Appropriates \$24,847 General Fund to DOR, reappropriates \$1,200 to the Department of Personnel for document management services, and increases the Long Bill informational appropriation for the Old Age Heat and Fuel and Property Tax Assistance Grant by \$653,500 General Fund for FY 2019-20.

**H.B. 19-1090 (PUBLICLY LICENSED MARIJUANA COMPANIES):** Modifies the statutory ownership and investment definitions for medical and retail marijuana licensees, removes the limit of 15 out-of-state owners, changes the ownership residency requirement, and allows a publicly traded corporation to invest in a marijuana business or become a marijuana business. The bill repeals the definition of direct beneficial interest owner, indirect beneficial interest owner, and permitted economic interest; creates new ownership types; and changes disclosure and background requirements, including exemptions for passive beneficial owners and indirect financial interest holders.

A person intending to apply to become a controlling beneficial owner must receive a finding of suitability or an exemption from the Marijuana Enforcement Division (MED) in DOR prior to submitting a marijuana business application. The MED is required to complete a finding of suitability within 120 days. The MED is required to promulgate rules to implement the bill that address: ownership and financial disclosure procedure requirements; record keeping requirements; findings of suitability; divestiture of ownership of a person found unsuitable by the MED; transfers of ownership involving a publicly traded corporation; designation of controlling beneficial owners; modification of the percentage of securities that may be held by a controlling beneficial owner and passive beneficial owner; designation of persons who qualify for an exemption from a finding of suitability; and designation of indirect financial interest holders and qualified institutional investors.

Appropriates \$54,766 cash funds from the Marijuana Cash Fund and 0.2 FTE to DOR and reappropriates \$31,089 and 0.2 FTE to the Department of Law for legal services for FY 2018-19. Appropriates \$2.7 million cash funds from the Marijuana Cash Fund and 15.5 FTE to DOR, reappropriates \$242,494 and 1.3 FTE to the Department of Law for legal services, reappropriates \$18,772 to the Department of Public Safety for criminal history record checks, and reappropriates \$24,750 to the Department of Personnel for fleet vehicles for FY 2019-20.

**H.B. 19-1138 (VEHICLE TRANSFER REGISTRATION FEE CREDIT):** Under current law, vehicle owners receive a prorated credit of taxes and some registration fees when a vehicle is sold before the end of the vehicle registration year. This bill extends that credit to additional registration fees. Appropriates \$7,200 cash funds from the Colorado DRIVES Vehicle Services Account in the Highway Users Tax Fund for IT programming for the DRIVES system for FY 2019-20.

**H.B. 19-1230 (MARIJUANA HOSPITALITY ESTABLISHMENTS):** Beginning January 1, 2020, allows for the operation of marijuana hospitality establishments and retail marijuana hospitality and sales establishments, as approved by a local government. The bill sets provisions for hospitality establishments, including definitions, licensing, rules, and exceptions to currently illegal acts. Beginning January 1, 2020, the MED may issue licenses for marijuana hospitality establishments and hospitality and sales establishments, conditional upon local government approval. Current law prohibits the public consumption and possession of small amounts of retail or medical marijuana, or

evidence of marijuana consumption, on premises licensed by the MED. The bill creates an exception for display, consumption, and possession at a licensed marijuana hospitality or hospitality and sales establishment. The bill also creates an exception to the Clean Indoor Air Act for marijuana smoking that occurs in the hospitality space within a licensed hospitality or hospitality and sales establishment, if authorized by a local government ordinance, license, or regulation.

The bill establishes procedures for application submittal, denial, and revocation. Licenses are good for a period of time set for the licensee by the local government, not to exceed one year. The MED may set application and renewal fee amounts by rule. The bill establishes requirements for the licensee and employees of the licensed establishment, including that licensees prohibit the smoking or consumption of alcohol and tobacco products, and all employees must complete an annual responsible vendor training program that is approved by the MED. The bill adds that information on serving size, potency, and impairment must be included in approved responsible vendor training. The MED must promulgate rules related to the implementation of both license types, including general liability insurance requirements, a sales limit, and restrictions on the types of retail marijuana sold at hospitality and sales establishment.

Appropriates \$399,479 cash funds from the Marijuana Cash Fund and 3.2 FTE to DOR, reappropriates \$72,023 and 0.3 FTE to the Department of Law for legal services, reappropriates \$4,576 to the Department of Public Safety for criminal history record checks, and reappropriates \$4,790 to the Department of Personnel for fleet vehicles for FY 2019-20.

**H.B. 19-1234 (REGULATED MARIJUANA DELIVERY):** Creates a marijuana delivery permit to allow licensed medical marijuana centers, licensed retail marijuana stores, and medical and retail marijuana transporters to deliver marijuana and marijuana products to customers. The MED in DOR has rulemaking authority over the permit and delivery system.

Delivery permit issuances are valid for one-year and the bill establishes marijuana delivery requirements, including:

- requiring responsible vendor training programs to include marijuana delivery training;
- requiring a \$1.00 surcharge on each delivery to be remitted to the municipality or county where the establishment is in business to be used for law enforcement purposes;
- prohibiting more than one delivery to the same person per day;
- requiring the MED to provide a prompt response to local law enforcement agencies requesting information related to criminal activity materially related to marijuana delivery; and
- prohibiting delivery in jurisdictions that prohibit the operation of other licensed marijuana businesses.

The MED must issue a report to the Finance Committees of the General Assembly by January 2, 2021, regarding the number of medical marijuana center delivery permit applications and issuances, any findings of criminal activity materially related to delivery, and any incident reports of felony charges materially related to delivery.

Appropriates \$390,152 cash funds from the Marijuana Cash Fund and 3.6 FTE to DOR, reappropriates \$35,752 and 0.2 FTE to the Department of Law for legal services, and reappropriates \$4,950 to the Department of Personnel for fleet vehicles for FY 2019-20.

**H.B. 19-1240 (SALES AND USE TAX ADMINISTRATION):** Codifies DOR's rules regarding the requirement that out-of-state retailers collect and remit sales tax, establishes destination-based sourcing rules, and requires marketplace facilitators to collect and remit sales tax on behalf of their third-party vendors.

Establishes economic nexus for purposes of retail sales made by retailers without physical presence and applies to out-of-state retailers with over \$100,000 in sales into the state during the last calendar year. Regarding in-state sales tax sourcing rules, the bill codifies and expands upon DOR emergency rules regarding the change from origin-based to destination-based sales tax sourcing for both purchases and leases, and exempts retailers that do not meet the de minimus threshold. The destination sourcing rules applies to retailers with physical presence that have over \$100,000 in retail sales in the state during the previous calendar year. If a retailer does not meet the threshold, the sale is sourced to the business location of the retailer regardless of where the goods are delivered. This threshold remains effective until 90 days after the state is notified that a geographic information system (GIS) address location system for sales tax jurisdictions is online and available for use by retailers. After the GIS system is available, all sales will be sourced to the delivery location.

Defines marketplace facilitators for sales tax purposes and requires them to start collecting and remitting sales tax in Colorado. A marketplace can be either online or physical, including a store, a website, a catalog, or a software. A marketplace facilitator is defined as an entity that facilitates sales of marketplace sellers to purchasers on its platform, communicates the offer between the buyer and seller, and provides a payment processing service.

**H.B. 19-1245 (AFFORDABLE HOUSING FUNDING FROM VENDOR FEE CHANGES):** Beginning January 1, 2020, increases the "vendor fee" (an amount that a retailer is permitted to retain for its expenses incurred in collecting and remitting the state sales tax) from 3.33 percent to 4.0 percent, subject to a \$1,000 monthly cap. This limit applies regardless of the number of the retailer's locations, and a vendor with multiple locations is required to register all locations under one account with the Department of Revenue (DOR). Excludes the increase in sales taxes attributable to the vendor fee changes from the definition of "state sales tax increment revenue" for purposes of the "Colorado Regional Tourism Act" so that the increase is payable to the State and not an applicable financing entity.

Requires the State Treasurer to credit an amount equal to the increase in sales taxes attributable to the vendor fee changes, minus the following specified amounts that will instead be retained in the General Fund, to the existing Housing Development Grant Fund:

- \$15,335,781 for FY 2019-20;
- \$40,323,158 for FY 2020-21; and
- \$985,335 for FY 2021-22 and subsequent fiscal years.

Requires the Division of Housing in the Department of Local Affairs (DOLA) to annually award at least one-third of the money credited to the Housing Development Grant Fund under the act for affordable housing projects for households whose annual income is less than or equal to 30 percent of the area median income.

Appropriates \$286,408 to DOR for FY 2019-20, and states that DOR will require 0.4 FTE to implement the act. Appropriates \$3,398 General Fund to DOLA for FY 2019-20.



**H.B. 19-1265 (RIGHT-OF-WAY FOR SNOWPLOWS IN ECHELON FORMATION):** Under current law, drivers must exercise care and caution when passing a snowplow engaged in snow and ice removal. Failure to do so is a class B traffic infraction. This bill makes it a class A traffic infraction if a driver passes a snowplow operated by a state, county, or local government while performing its service in an echelon formation, as defined by the bill. The bill does not change penalties for passing a snowplow. Appropriates \$3,375 cash funds from the Licensing Services Cash Fund to DOR for IT programming for the DRIVES system for FY 2019-20.

**H.B. 19-1327 (AUTHORIZE AND TAX SPORTS BETTING REFER UNDER TABOR):** Conditional upon voter approval, this bill decriminalizes sports betting and places it under the authority of the Division of Gaming in DOR and the Colorado Limited Gaming Control Commission (Commission). Both in-person and online bets must be placed in Colorado and are limited to people 21 years of age or older. Upon statewide voter approval, beginning in May 2020, sports betting will be allowed both in-person at casinos in the State's three gaming towns (Black Hawk, Central City, and Cripple Creek), if approved by local voters, and online through internet sports betting operators contracted by casinos.

The Commission is permitted to issue at least three types of licenses as defined in the bill. The license, and subsequent license renewal fee, cannot exceed \$125,000 and must be renewed every two years. The following entities may not hold an ownership interest or be employed by a sports betting operator or licensee:

- an athlete, coach, referee, employee, or the director of a sports governing body or any team that is a member of a sports governing body;
- a sports governing body or any of its member teams;
- an agent, union, or union representative that advocates for players, referees, or other personnel involved in sporting events;
- a person who holds a position of authority that may exert influence over participants in a sporting event;
- a person with access to nonpublic information about any sports event overseen by that person's sports governing body; or
- a person identified by the sports governing body to have potential conflicts of interest.

Members of the Commission and employees of the Division of Gaming may not participate in sports betting activities, since they are considered to hold positions of public trust.

Upon voter approval, a ten percent tax will be levied on net sports betting proceeds. All of the revenue generated by this tax will be deposited into the newly created Sports Betting Fund, along with all licensing fees, fines, and penalties. All of the expenses associated with regulating, administering, and investigating sports betting activity will be paid out of the Sports Betting Fund. The treasurer can invest the money in the fund as long as enough money remains to cover administrative expenses at any given time. Any additional funds may be spent by the state and are continuously appropriated.

This bill creates the Hold Harmless Fund, which will distribute six percent of total sports betting tax revenue to entities that may see a decrease in revenue if betting behavior shifts from casino-game and off-track parimutuel bets to sports betting. Each entity may submit an annual application to the gaming commission to receive a portion of those funds once it shows the loss in revenue attributable to the implementation of sports betting. If there is not sufficient revenue to cover all documented losses, the

gaming commission will decrease distributions by a uniform percentage so that each receives a share proportionate to their losses. The following entities may apply for a distribution from this fund:

- the State Historical Fund;
- community colleges;
- the cities of Black Hawk, Central, and Cripple Creek;
- the counties of Gilpin and Teller; and
- any person or entity that benefits from purse funds, including off-track betting sites and the horse breeders' and owners' awards and supplemental purse fund.

This bill creates the Water Plan Implementation Cash Fund, which will receive deposits from sports betting revenue and any other money allocated by the General Assembly. Grants may be made from this fund pursuant to Section 37-60-106.3 (6), C.R.S., along with any expenditures that will ensure compliance with interstate water allocation compacts, equitable apportionment decrees, international treaties, and federal laws relating to interstate storage, release, apportionment, and allocation of water. Any expenditures related to the administration of this fund may also be paid out of the fund.

The distribution of all moneys credited to the Sports Betting Fund shall occur in the following order:

- 6 repayment of General Fund moneys provided for start up costs for the Division of Gaming;
- 7 payment of ongoing Division of Gaming administrative expenses for sports betting. The state treasurer may withhold an amount to cover administrative expenses for the following fiscal year;
- 8 transfer of six percent of the full fiscal year sports betting tax revenue to the Hold Harmless Fund, which will be further distributed to its beneficiaries, as described below;
- 9 transfer of \$130,000 to the Office of Behavioral Health in the Department of Human Services, of which \$30,000 will be allocated to the Rocky Mountain Crisis Partners, or its successor, for the operation of a crisis hotline for gamblers, and \$100,000 will be allocated for the prevention, education, treatment, and workforce development by counselors certified to treat gambling disorders; and
- 10 transfer of the remaining funds to the Water Plan Implementation Cash Fund.

After the initial appropriation to cover startup costs, the bill requires that no state money other than the revenue in the fund will be used to pay the administrative expenses of sports betting in the state. Appropriates \$1.7 million General Fund and 11.6 FTE to DOR, reappropriates \$142,388 and 0.8 FTE to the Department of Law for legal services, reappropriates \$34,650 to the Department of Personnel for fleet vehicles, and reappropriates \$1,716 to the Department of Public Safety for criminal history record checks for FY 2019-20.

Implementation of the sports betting provisions in the bill are conditional upon voter approval. However, the appropriation from the General Fund is made available to the Department of Revenue to implement information technology systems changes and to conduct background investigations prior to voter approval. Thus, it is possible that the Department will incur General Fund expenditures prior to the election which would not be repaid if voters reject the referred measure.

## APPENDIX C FOOTNOTES AND INFORMATION REQUESTS

### UPDATE ON LONG BILL FOOTNOTES

There were no Department footnotes from FY 2019-20.

### UPDATE ON REQUESTS FOR INFORMATION

There were no Department requests for information from FY 2019-20.

## APPENDIX D

### DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(b), C.R.S., the Department of Revenue is required to publish an Annual Performance Report for the previous fiscal year by November 1 of each year. This report is to include a summary of the department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the department is required to develop a Performance Plan and submit the plan for the current fiscal year to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the department's FY 2020-21 budget request, the FY 2018-19 Annual Performance Report and the FY 2019-20 Performance Plan can be found at the following link:

<https://www.colorado.gov/performancemanagement/department-performance-plans>