

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

NP-01 Integrated Document Solutions Increased Input Costs

Dept Approval By

Supplemental FY 2018-19

OSPB Approval By

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$5,714,455	\$0	\$9,636,130	\$28,903	\$30,307
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,840,891	\$0	\$2,848,606	\$0	\$0
	CF	\$2,810,564	\$0	\$6,787,524	\$28,903	\$30,307
	RF	\$63,000	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$3,051,455	\$0	\$3,059,170	\$26,995	\$28,399
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A)	GF	\$2,840,891	\$0	\$2,848,606	\$0	\$0
Administration and Support, (1)	CF	\$210,564	\$0	\$210,564	\$26,995	\$28,399
Administration and Support - Postage	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
Total		\$2,663,000	\$0	\$6,576,960	\$1,908	\$1,908
FTE		0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (A)	GF	\$0	\$0	\$0	\$0	\$0
Administration, (1)	CF	\$2,600,000	\$0	\$6,576,960	\$1,908	\$1,908
Administration - DRIVES Maintenance and Support	RF	\$63,000	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request? Department of Revenue Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Impacts DPA

01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,666,122	\$0	\$1,637,407	\$0	\$0
	CF	\$2,371,409	\$0	\$2,585,380	(\$46,610)	\$0
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0

	Total	\$4,042,418	\$0	\$4,266,362	(\$46,610)	\$0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Supplemental Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,666,122	\$0	\$1,637,407	\$0	\$0
	CF	\$2,371,409	\$0	\$2,585,380	(\$46,610)	\$0
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0

	Total	\$15,798,988	\$0	\$12,191,270	\$1,253,065	\$0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Payments to OIT	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$10,388,686	\$0	\$8,976,360	\$0	\$0
	CF	\$5,410,302	\$0	\$3,214,910	\$1,253,065	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$9,651,554	\$0	\$9,860,583	(\$1,042,670)	\$0
06. State Lottery Division, (A) State Lottery Division, (1) State Lottery Division - Personal Services	FTE	117.1	0.0	117.1	(13.0)	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$9,651,554	\$0	\$9,860,583	(\$1,042,670)	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0


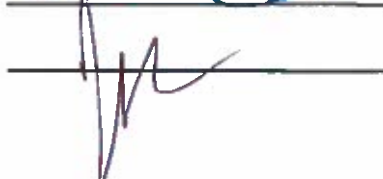
	Total	\$1,189,385	\$0	\$1,189,385	(\$12,350)	\$0
06. State Lottery Division, (A) State Lottery Division, (1) State Lottery Division - Operating Expenses	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$1,189,385	\$0	\$1,189,385	(\$12,350)	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Non-Prioritized Request	Interagency Approval or Related Schedule 13s:	Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title		NP-02 Lottery OIT Staffing	
Dept. Approval By:			Supplemental FY 2018-19
OSPB Approval By:			Budget Amendment FY 2019-20
		X	Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$47,561,783	\$0	\$44,640,115	\$0	\$0
	FTE	117.1	0.0	117.1	(13.0)	0.0
Total of All Line Items Impacted by Change Request	GF	\$18,843,017	\$0	\$17,273,529	\$0	\$0
	CF	\$28,690,629	\$0	\$27,149,894	\$0	\$0
	RF	\$28,137	\$0	\$49,081	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$12,699,520	\$0	\$12,722,299	(\$103,054)	\$0
01. Executive Director's Office, (A) Administration and Support, (1)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support - Health, Life, and Dental	GF	\$5,065,441	\$0	\$4,967,186	\$0	\$0
	CF	\$7,615,882	\$0	\$7,627,042	(\$103,054)	\$0
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0

	Total	\$137,500	\$0	\$143,854	(\$1,771)	\$0
01. Executive Director's Office, (A) Administration and Support, (1)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support - Short-term Disability	GF	\$56,646	\$0	\$55,169	\$0	\$0
	CF	\$80,688	\$0	\$87,214	(\$1,771)	\$0
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0
Total	Total	\$4,042,418	\$0	\$4,266,362	(\$46,610)	\$0

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

NP-03 Annual Fleet Vehicle Request

Dept. Approval By: 

Supplemental FY 2018-19

OSPB Approval By: 

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$669,802	\$0	\$669,802	(\$22,685)	\$0
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$168,466	\$0	\$168,466	(\$5,671)	\$0
CF		\$501,336	\$0	\$501,336	(\$17,014)	\$0
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$669,802	\$0	\$669,802	(\$22,685)	\$0
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$168,466	\$0	\$168,466	(\$5,671)	\$0
CF		\$501,336	\$0	\$501,336	(\$17,014)	\$0
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Non-Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title


NP-04 OIT DI1 Essential Database Support

Dept. Approval By:



Supplemental FY 2018-19

OSPB Approval By:



Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$15,798,988	\$0	\$12,191,270	\$79,130	\$75,952
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$10,388,686	\$0	\$8,976,360	\$30,700	\$30,023
CF		\$5,410,302	\$0	\$3,214,910	\$48,430	\$45,929
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$15,798,988	\$0	\$12,191,270	\$79,130	\$75,952
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$10,388,686	\$0	\$8,976,360	\$30,700	\$30,023
CF		\$5,410,302	\$0	\$3,214,910	\$48,430	\$45,929
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Non-Prioritized Request	Interagency Approval or Related Schedule 13s:	Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

NP-05 OIT DI2 Securing IT Operations

Dept. Approval By:

Supplemental FY 2018-19

OSPB Approval By:

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$15,798,988	\$0	\$12,191,270	\$567,896	\$242,515
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$10,388,686	\$0	\$8,976,360	\$220,324	\$95,871
	CF	\$5,410,302	\$0	\$3,214,910	\$347,572	\$146,644
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$15,798,988	\$0	\$12,191,270	\$567,896	\$242,515
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Payments to OIT	GF	\$10,388,686	\$0	\$8,976,360	\$220,324	\$95,871
	CF	\$5,410,302	\$0	\$3,214,910	\$347,572	\$146,644
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request?

Department of Revenue Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

NP-06 OIT DI4 Application Refresh and Consolidation

Dept. Approval By: 

Supplemental FY 2018-19

OSPB Approval By: 

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$15,798,988	\$0	\$12,191,270	\$45,461	\$45,461
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$10,388,686	\$0	\$8,976,360	\$17,639	\$17,971
	CF	\$5,410,302	\$0	\$3,214,910	\$27,822	\$27,490
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$15,798,988	\$0	\$12,191,270	\$45,461	\$45,461
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1)	GF	\$10,388,686	\$0	\$8,976,360	\$17,639	\$17,971
Administration and Support - Payments to OIT	CF	\$5,410,302	\$0	\$3,214,910	\$27,822	\$27,490
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Non-Prioritized Request	Interagency Approval or Related Schedule 13a:	Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-01 Gentax Support Enhancements

Dept Approval By

Supplemental FY 2018-19

OSP Approval By

Budget Amendment FY 2019-20

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$53,913,347	\$0	\$52,171,519	\$1,420,355	\$2,827,850
	FTE	126.1	0.0	126.3	6.0	13.0
Total of All Line Items Impacted by Change Request	GF	\$24,957,166	\$0	\$24,751,068	\$1,420,355	\$2,827,850
	CF	\$23,470,864	\$0	\$21,946,641	\$0	\$0
	RF	\$5,485,317	\$0	\$5,306,199	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$9,634,991	\$0	\$9,888,101	\$445,234	\$977,283
01. Executive Director's Office, (A)	FTE	126.1	0.0	126.3	6.0	13.0
Administration and Support, (1)	GF	\$3,680,120	\$0	\$4,110,441	\$445,234	\$977,283
Administration and Support - Personal Services	CF	\$497,691	\$0	\$520,542	\$0	\$0
	RF	\$5,457,180	\$0	\$5,257,118	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$12,699,520	\$0	\$12,722,299	\$47,562	\$103,052
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$5,065,441	\$0	\$4,967,186	\$47,562	\$103,052
Administration and Support - Health, Life, and Dental	CF	\$7,615,882	\$0	\$7,627,042	\$0	\$0
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$137,500	\$0	\$143,854	\$756	\$1,660
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$56,646	\$0	\$55,169	\$756	\$1,660
Administration and Support - Short-term Disability	CF	\$80,688	\$0	\$87,214	\$0	\$0
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0
	Total	\$4,042,418	\$0	\$4,266,362	\$19,904	\$43,688
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,666,122	\$0	\$1,637,407	\$19,904	\$43,688
Administration and Support - Amortization Equalization Disbursement	CF	\$2,371,409	\$0	\$2,585,380	\$0	\$0
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0
	Total	\$4,042,418	\$0	\$4,266,362	\$19,904	\$43,688
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,666,122	\$0	\$1,637,407	\$19,904	\$43,688
Administration and Support - Supplemental Amortization Equalization Disbursement	CF	\$2,371,409	\$0	\$2,585,380	\$0	\$0
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0
	Total	\$2,318,984	\$0	\$3,214,480	\$33,918	\$45,271
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,599,005	\$0	\$2,495,830	\$33,918	\$45,271
Administration and Support - Operating Expenses	CF	\$719,979	\$0	\$718,650	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$5,238,528	\$0	\$5,478,791	\$171,600	\$171,600
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$835,024	\$0	\$871,268	\$171,600	\$171,600
Administration and Support - Leased Space	CF	\$4,403,504	\$0	\$4,607,523	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$15,798,988	\$0	\$12,191,270	\$681,477	\$1,441,608
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$10,388,686	\$0	\$8,976,360	\$681,477	\$1,441,608
Administration and Support - Payments to OIT	CF	\$5,410,302	\$0	\$3,214,910	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	Requires OIT Approval



COLORADO

Department of Revenue

Priority: R-01
GenTax Support Enhancements
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) needs to update its GenTax tax processing system to better serve the citizens of Colorado. To facilitate this need, DOR requests 12.0 FTE (6 DOR, 6 OIT) and \$1,420,355 General Fund in FY 2019-20; annualizing to 26.0 FTE (13 DOR, 13 OIT) and \$2,827,850 General Fund in FY 2020-21; and further annualizing to 26.0 FTE (13 DOR, 13 OIT) and \$2,762,008 General Fund in FY 2021-22 and thereafter.

Current Program

- GenTax is the state of Colorado's tax administration software platform that is utilized by various divisions within DOR. It provides a user interface between taxpayers and DOR.

Problem or Opportunity

- DOR needs dedicated resources to provide GenTax training, quality assurance, and system documentation. In the past, these needs were addressed by utilizing day-to-day production resources to perform these functions, but the needs of the system simply have outgrown the available resources.
- No additional production line resources can be made available for GenTax support and system improvements. This work is currently being delayed or indefinitely postponed, and customer service is being negatively impacted as a consequence because of our inability to address system improvements and requests. Currently, due to the lack of support, the DOR has over 700 backlogged change requests outstanding.

Consequences of the Problem

- Without the resources being requested, the Department will be unable to achieve its long-term strategic goals such as enhanced electronic service offerings to Colorado taxpayers, additional customer service functionality, and improved reporting capabilities to the General Assembly and other stakeholders.

Proposed Solution

- Colorado tax filers will benefit from the proposed solution through increased and more efficient electronic/self-service functionality, more standardized and consistent correspondence, faster processing cycles, and more responsive customer service.
- These improvements in customer service tie to both the DOR's performance plan and the Governor's Vision 2018 goals by reducing the time customers will need to invest in order to comply with state sales tax laws.
- DOR requests 12.0 FTE (6 DOR, 6 OIT) and \$1,420,355 General Fund in FY 2019-20; annualizing to 26.0 FTE (13 DOR, 13 OIT) and \$2,827,850 General Fund in FY 2020-21; and further annualizing to 26.0 FTE (13 DOR, 13 OIT) and \$2,762,008 General Fund in FY 2021-22 and thereafter.
- No statutory changes are needed to implement these recommendations.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-01

Request Detail: GenTax Support Enhancements

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
GenTax Maintenance and Support	\$1,420,355	\$1,420,355	\$0

Problem or Opportunity:

In 2008, the State of Colorado upgraded its antiquated mainframe tax processing application to a modernized, integrated software application. To accomplish this, the State of Colorado was an early adopter of FAST Enterprise's GenTax tax processing software. As an early adopter, customized programming was necessary to enhance the commercial off-the-shelf software product in order to meet the needs of the State of Colorado. This customized programming created a more intensive support structure than was originally anticipated.

In the transition from development of the system to ongoing system maintenance, the complexity of the State of Colorado's tax structure coupled with population growth and increasing demands on the tax processing system led to development and support resources being shifted from strategic development of the GenTax system to maintaining day-to-day functionality. As a result, the Department of Revenue (DOR) currently lacks resources to provide on-going training for GenTax users, quality assurance oversight of system outputs, mitigation of software and development risk, and upkeep of system configuration documentation.

Without the resources being requested, DOR will be unable to achieve its long-term strategic goals such as enhanced electronic service offerings to Colorado taxpayers, additional customer service functionality, or improved reporting capabilities to the General Assembly and other stakeholders.

This request is part of a three-phase plan to ensure that the tax administration system, GenTax, continues to meet the needs of the citizens of Colorado and increases its capacity and capabilities to meet the reporting needs of the state in order to make informed policy decisions.

- Phase 1: (This request) Level-set resources to allow the DOR to execute tax administration accurately and efficiently without pulling existing resources from other areas of production which negatively impacts the performance and service levels of those other areas.
- Phase 2: Address areas of deficiency in system functionality identified from enhanced monitoring and knowledge transfer as a result of Phase I execution.
- Phase 3: Allow for non-statutorily required reporting to meet the requests of legislators, LCS, and JBC.

Although not included in this request, the Department recognizes a need for an additional 6 FTE to provide the system with necessary and critical support, and to further enhance the customer experience. Because DOR

acknowledges the limitations of available General Fund dollars, the Department opted to demonstrate delivered outcomes from this additional investment although it may not be ideal nor meet all of the identified needs. After demonstrating success with this initial investment, the Department seeks to continue to increase resources in future years to ensure that the system fulfills its maximal functionality and intended purpose.

A detailed breakdown of the FTE requested is as follows:

Functional Area	FY 2019-20 FTE	FY 2020-21 FTE (annualized)	Responsibilities	Justification
System Documentation & Change Requests	6 OIT Development	13 OIT Development	Address current backlog of over 700 system change requests and 30 strategic enhancements.	State is currently unable to support the tax system without contract developer resources. State developer resources bring the ratio of contractor to state developer in-line with other states.
Configuration Documentation & Testing	2 DOR Business Analysts	8 DOR Business Analysts	Testing of developer system changes prior to deployment and documenting software configuration.	Quality Assurance and system testing is currently performed by production line employees. Additional business analysts will free up production line employees for other mission critical activities.
Ongoing Training	2 DOR Training Specialists	2 DOR Training Specialists	Develop and update DOR-wide training to keep users informed of changes and system capabilities.	Currently there is minimal training. Standardized training reduces variability in processing and minimizes workarounds.
Vendor Relations and System Support	1 DOR Systems Operational Lead	1 DOR Systems Operational Lead	To coordinate DOR-wide efforts to manage the support team, prioritize system work, and serve as the point of contact with the vendor.	Broad coordination across all DOR divisions in collaboration with OIT and the vendor does not currently exist and is critical to ensure all stakeholders are included and provide their expertise.
System Reporting and Monitoring	0 DOR Statistical Analysis	1 DOR Statistical Analysis	Testing and optimizing of reports, data capture, and mapping system data.	Management reports are unmaintained or unavailable. Enhanced reporting provides accountability and precision for management and policy decisions.
System Documentation	1 DOR Technical Writer	1 DOR Technical Writer	Create and maintain system documentation written at a business-conversation level.	System architecture documentation is not currently available. Creation and maintenance of this documentation provides accountability and technical expertise and mitigates risks of complete system failure.

Total	12 FTE	26 FTE		All proposed FTE are required to increase accountability and expertise as well as mitigate risk of complete system failure.
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This work represents Phase I, as described above. The extent of additional resources necessary for system enhancements and increased reporting capabilities described in Phases II and III will be further evaluated as the Department gains additional insight as a result of this funding.

Background:

GenTax is the state of Colorado's tax administration software platform. It is also installed in over 40 other local, state, and international tax jurisdictions. It is a customizable off-the-shelf (COTS) application that is critical to the state's tax administration responsibilities for:

- Return and payment processing,
- Revenue distribution,
- Return adjusting,
- Billing and collections,
- Auditing,
- Customer correspondence,
- Reporting, and,
- E-services for electronic filing and customer self-service account management.

With 756 different tax jurisdictions in the state, Colorado has one of the most technically complicated state tax structures in the country. When Colorado adopted GenTax in 2008, it was an attractive product because the state could customize some of its core functions to meet its specific required state tax administration needs. However, over the years, GenTax has matured and now includes new functionality and enhancements that were not available at implementation such as adding all marijuana tax types, the refund fraud manager, Casino EZ file, TABOR and Earned Income Tax Credit refunds, Intercepts, and Enterprise Zone Credits, among others which could replace some of Colorado's customized product.

DOR needs to update its GenTax system to take advantage of the updated GenTax product to better serve the citizens of Colorado; however, there are no dedicated resources to provide GenTax training, quality assurance, or system documentation. In the past, DOR tried to address these needs by utilizing day-to-day production resources to perform these functions, but the needs simply have outgrown the resources and as a result, the DOR has amassed a backlog of over 700 change requests. The Department has reached a point where no additional production line resources can be made available to GenTax support activities and changes and enhancements are being delayed or indefinitely postponed, and consequently, the situation is negatively impacting customer service to Colorado's taxpayers.

All Colorado GenTax development is performed by FAST Enterprises (the software developer) under state contract. FAST Enterprises currently provides 12 developers to the State of Colorado as a contractual requirement. The Department's survey of other GenTax states indicated that no other state utilizing GenTax software uses a 100% outsourced development model. See the table below.

State	FAST Developers	State Developers	Total Developers
IL	15	42	57
MN	12	30	42
AL	18	22	40
GA	15	20	35
OK	18	14	32
MS	15	14	29
LA	18	8	26
ID	9	10	19
NM	7	10	17
UT	8	7	15
CO	12	0	12

In addition, the Department of Revenue Internal Audit's report *GenTax Risk Assessment* recommends:

- Formal GenTax training to align business processes with updated system capabilities and programming;
- Regular monitoring (quality assurance) of outputs to ensure the system is functioning as intended;
- Software Maintenance Risk Mitigation by transferring system software development and configuration knowledge from FAST Enterprises to the State of Colorado; and,
- Updating and maintain system specification documentation as the basis for system functionality.

Proposed Solution:

DOR anticipates that the addition of 26.0 FTE over the next two fiscal years, consisting of 13 OIT appropriated technical positions and 13 DOR appropriated business positions, will allow it to implement recommendations from the Internal Audit report to improve customer service, improve end-user system usage efficiencies, and implement consistent standards and processes throughout the system. Benefits of the proposed solution:

- Ongoing training will help reduce inefficiencies, workarounds, and errors in work product;
- Regular system monitoring (quality assurance) will help to better identify system issues, ensure consistency and effectiveness, provide for more thorough review of outgoing correspondence to ensure it is accurate, and mitigate internal and external fraud risks;
- System software development and configuration knowledge transfer from FAST Enterprises to the State of Colorado would allow the state to continue its mission critical functions in case of an interruption of availability of the vendor.
- Reviewing current GenTax site processes to see if core processes can be used to help reduce inefficiencies, processing time, and errors. In addition, implementing core processes will standardize GenTax and follow best practices.
- Enhanced statistical reporting resources will help DOR improve our tax administration, as well as provide accurate aggregate reports for the General Assembly, state agencies, and local governments to make policy and management decisions.

By adding the resources requested, the Department believes that it will have the required resources to provide the customer service the taxpayers deserve.

These resources are necessary to implement the following;

- Testing of the system for developer modifications, ensuring proper data is captured and retained, and mapping of the data.
- Processing critical modifications and enhancements that have been needed for some time to ensure the system is functioning at the level that is needed to ultimately improve processes for the taxpayers in Colorado.
 - The weighted average number of days it takes to issue refunds (from the moment a return either passes through our business rules or when the account issue is resolved to when the refund is issued) can be measured and work can then be undertaken towards improving this metric with the addition of these resources. There is a goal of improving the weighted average of days for a refund to be issued by 5% (that is 0.4 days) over the next two or three years. An added benefit is this will help eliminate phone calls to the call center asking about refund status and improve customer service.
 - Additional resources will allow the implementation of customer letters for better and more consistent communication for Corporate Income Tax, Partnership Income Tax, and Fiduciary Income Tax in regards to return adjustments and supporting documentation. It will allow the business analyst and SMEs to review all ~550 letters in the system to ensure that the letters are accurate and easily understood. Currently, tax examiners create free-form letters with custom language, which is not efficient and does not provide consistent information. GenTax sends taxpayers approximately 25,000 letters daily.
 - 15 penalty SQRs have been identified to ensure that the accuracy of GenTax calculations reflects the current statute and regulations. Additional resources will allow the SQRs to be reviewed against current statute and regulations and for discrepancies to be resolved, if deemed necessary.
 - Refund interest paid to a taxpayer needs to be reviewed against current statute and regulation. Additional resources will allow the refund interest process to be reviewed against current statute and regulations, for discrepancies to be resolved and improvements to be implemented, if deemed necessary.
- Development of DOR-wide training to ensure that employees are kept abreast of the latest modifications and the capabilities of the system. This could create efficiencies in taxpayer processes.
 - There are approximately 625 GenTax users. Currently, all training for GenTax is done by each individual section within the Taxation Division, which leads to GenTax users receiving inconsistent information. Lack of proper GenTax training negatively impacts the taxpayer by delaying or incorrectly processing returns, refunds, and payments. Additional resources will allow standardized GenTax training to help reduce negative impact to taxpayers.
- Monitoring the system to ensure GenTax is performing properly with the aforementioned changes. These FTE will also be responsible for ensuring the safety of vulnerable personally identifiable information (PII).
- Creating and maintaining system documentation for future benefit.
 - Additional resources will allow the business analyst to document the GenTax system processes. Documentation will allow the business analyst to provide better scoping for department requested changes. This will ensure that changes meet business requirements for

the section and also identify all other areas impacted are evaluated. Currently, there are 75 GenTax tax types and 12 GenTax sub-systems.

Anticipated Outcomes:

- Colorado tax filers will benefit from the proposed solution through increased and more efficient electronic/self-service functionality, more standardized and consistent correspondence, faster processing cycles, and more responsive customer service.
- The Colorado State Legislature and other constituents will benefit from the solution through more precise and opportune data and analyses to inform management and policy decisions, as well as more reporting functionality.
- The state of Colorado will benefit from the proposed solution by mitigating contract risk and enhancing the in-house ability to support and maintain the system with the addition of state software developers.
- The proposed solution will improve customer service, including reducing the Call Center wait times and blockage rates.
- The system end-users will benefit from the solution through increased accountability, technical knowledge, and functionality.
- Positive GenTax System User and Revenue Online Customer Satisfaction Survey results.
- There will be no significant system quality assurance findings.
- State software development resources will have the skills and experience to perform 1/3 of the software development work.
- There will be an electronic option for customers for all inputs and outputs of the GenTax System.

Description of the consequences if the proposed solution is not approved.

If the proposed solution is not approved, the Department will be unable to keep up with increasing demands on the tax processing system. As a result, Colorado tax filers will not be assured of timely and accurate:

- Return and payment processing,
- Revenue distribution,
- Return adjusting,
- Billing and collections,
- Auditing,
- Customer correspondence,
- Reporting, and
- E-services for electronic filing and customer self-service account management.

In the specific examples below, significant manual intervention by the Department was required to correct errors and prevent adverse impacts to tax filers. These manual processes prevent the Department from processing its normal workload. Examples include:

- When the Department administered the 2015 state sales tax credit (TABOR refund), a mistake occurred that imposed a due date for extension filers two days earlier than the actual due date. This mistake resulted in incorrect refunds issued and incorrect bills. Combined, approximately 8,000 taxpayers were negatively impacted by this error and our inability to quickly resolve it.

- In 2017, some taxpayers with valid payment agreements saw their agreements classified as “violated” through no fault of their own when the system performed automatic updates to the penalties associated with their account. A violated payment agreement may result in the Department executing serious collection activities on an account such as issuing a wage garnishment and/or filing a lien on the taxpayer's property.
- The Department shares information on tax delinquencies with the State Treasurer's Unclaimed Property Program, who uses the data to intercept any claims made to pay the tax debt. In 2017, the Department discovered that some of the account information sent to the Treasurer included tax debt information that had not yet been sent to the taxpayer or even in some cases included taxpayers who actually had no balance due to the Department at all. Any taxpayers in this situation who made property claims through this program had their claims mistakenly withheld.
- In 2017, the Department had issues with letters that resulted in incomplete or unsent notices for taxpayers. In some cases, taxpayers did not receive the initial delinquency notice associated with their account, and therefore were not afforded the opportunity to pay or protest the debt. These debts then automatically moved forward and resulted in more serious collection activities (garnishments, liens, etc.) before the taxpayer had even been aware of the existence of the debt.
- The Department uses payment vouchers for taxpayers to include with their payment to ensure all payments are timely posted to the correct accounts. In 2017, the system was creating faulty vouchers that resulted in many delays in posting payments. In many cases, taxpayers who actually had made proper payments were being identified as having missed payments and these taxpayers then faced additional collection actions.
- The Department of Revenue was unable to report on severance tax operations and available severance tax deductions during a recent Colorado Supreme Court case. This led to the General Assembly requesting DOR to identify costs to more accurately and timely report on oil and gas activities in order to help manage the State's operating costs.

Assumptions and Calculations:

The following table itemizes the components of this request including FTE, operating, and other associated costs.

Position/Role	Classification	FY 2019-20		FY 2020-21		FY 2021-22 (No One-Time)	
		FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount
Development-OIT	Lead/Program Manager	1.0	\$140,654	1.0	\$140,654	1.0	\$140,654
	Sr. Database Administrator	0.0	\$0	1.0	\$140,654	1.0	\$140,654
	Sr. Application Support	1.0	\$126,535	2.0	\$253,070	2.0	\$253,070
	Application Support II	2.0	\$204,829	4.0	\$409,662	4.0	\$409,662
	Application Support I	1.0	\$92,252	4.0	\$369,008	4.0	\$369,008
	Quality Assurance	1.0	\$83,289	1.0	\$83,289	1.0	\$83,289
OIT Personal Services Subtotal		6.0	\$647,559	13.0	\$1,396,337	13.0	\$1,396,337
Business Analysts (2 Lead, 6 subordinates)-DOR	Analyst V	0.0	\$0	2.0	\$207,058	2.0	\$207,058
	Analyst IV	2.0	\$168,688	6.0	\$506,063	6.0	\$506,063
Trainers (2 Training and Content Delivery)-DOR	Training Specialist IV	2.0	\$168,688	2.0	\$168,688	2.0	\$168,688
Vendor Relations Coordinator/Production Support Coordinator-DOR	Operational Supervisor	1.0	\$111,640	1.0	\$111,640	1.0	\$111,640
System Reporting and Monitoring-DOR	Statistical Analyst III	0.0	\$0	1.0	\$91,578	1.0	\$91,578
Technical Writer for System Documentation-DOR	Analyst IV	1.0	\$84,344	1.0	\$84,344	1.0	\$84,344
DOR Personal Services Subtotal		6.0	\$533,360	13.0	\$1,169,371	13.0	\$1,169,371
Total Personal Services		12.0	\$1,180,919	26.0	\$2,565,708	26.0	\$2,565,708
Regular FTE Operating Expenses-OIT			\$3,000		\$6,500		\$6,500
Telephone Expenses-OIT			\$2,700		\$5,850		\$5,850
PC, One-Time-OIT			\$7,380		\$8,610		
Office Furniture, One-Time-OIT			\$20,838		\$24,311		
OIT Operating Subtotal			\$33,918		\$45,271		\$12,350
Possible Lease (220 sqft/FTE * \$30 sqft)-DOR			\$171,600		\$171,600		\$171,600
Regular FTE Operating Expenses-DOR			\$3,000		\$6,500		\$6,500
Telephone Expenses-DOR			\$2,700		\$5,850		\$5,850
PC, One-Time-DOR			\$7,380		\$8,610		
Office Furniture, One-Time-DOR			\$20,838		\$24,311		
DOR Operating Subtotal			\$205,518		\$216,871		\$183,950
Total Operating			\$239,436		\$262,142		\$196,300
Grand Total		12.0	\$1,420,355	26.0	\$2,827,850	26.0	\$2,762,008

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-02 Sales and Use Tax Collection

Dept. Approval By:

Supplemental FY 2018-19

OSPB Approval By:

Budget Amendment FY 2019-20

Change Request FY 2019-20

X

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total of All Line Items Impacted by Change Request	Total	\$35,285,682	\$0	\$36,407,597	\$1,057,808	\$814,778
	FTE	137.6	0.0	139.9	14.6	10.6
	GF	\$18,098,403	\$0	\$18,281,798	\$1,057,808	\$814,778
	CF	\$17,159,142	\$0	\$17,909,107	\$0	\$0
	RF	\$28,137	\$0	\$49,081	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Health, Life and Dental	Total	\$12,699,520	\$0	\$12,722,299	\$118,907	\$87,199
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$5,066,441	\$0	\$4,967,186	\$118,907	\$87,199
	CF	\$7,615,882	\$0	\$7,627,042	\$0	\$0
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Short-term Disability	Total	\$137,500	\$0	\$143,854	\$1,276	\$967
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$56,646	\$0	\$55,169	\$1,276	\$967
	CF	\$80,688	\$0	\$87,214	\$0	\$0
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$4,042,418	\$0	\$4,266,362	\$33,566	\$25,449
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,666,122	\$0	\$1,637,407	\$33,566	\$25,449
Administration and Support - Amortization	CF	\$2,371,409	\$0	\$2,585,380	\$0	\$0
Equalization	RF	\$4,887	\$0	\$7,628	\$0	\$0
Disbursement	FF	\$0	\$0	\$35,947	\$0	\$0
	Total	\$4,042,418	\$0	\$4,266,362	\$33,566	\$25,449
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,666,122	\$0	\$1,637,407	\$33,566	\$25,449
Administration and Support - Supplemental Amortization	CF	\$2,371,409	\$0	\$2,585,380	\$0	\$0
Equalization	RF	\$4,887	\$0	\$7,628	\$0	\$0
Disbursement	FF	\$0	\$0	\$35,947	\$0	\$0
	Total	\$5,238,528	\$0	\$5,478,791	\$96,360	\$96,360
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$835,024	\$0	\$871,268	\$96,360	\$96,360
Administration and Support - Leased Space	CF	\$4,403,504	\$0	\$4,607,523	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$8,616,529	\$0	\$9,006,771	\$750,857	\$569,284
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	FTE	137.6	0.0	139.9	14.6	10.6
Taxpayer Service Division - Personal Services	GF	\$8,304,362	\$0	\$8,604,271	\$750,857	\$569,284
	CF	\$312,167	\$0	\$402,500	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$508,769	\$0	\$523,158	\$23,276	\$10,070
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	FTE	0.0	0.0	0.0	0.0	0.0
Taxpayer Service Division - Operating Expenses	GF	\$504,686	\$0	\$509,090	\$23,276	\$10,070
	CF	\$4,083	\$0	\$14,068	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact



COLORADO

Department of Revenue

Priority: R-02
Sales & Use Tax Collection
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) requests an increase in General Fund appropriation for 14.6 FTE and \$1,057,808 in FY 2019-20; annualizing to 10.6 FTE and \$814,778 in FY 2020-21 and thereafter to enable Colorado to require out-of-state retailers to collect and remit sales taxes to comply with the U.S. Supreme Court's decision in *South Dakota v. Wayfair*.

Current Program

- Prior to the June 2018 U.S. Supreme Court case of *South Dakota v. Wayfair*, states were prohibited from requiring out-of-state vendors with no physical presence in the state to collect and remit sales taxes on sales made into the state.

Problem or Opportunity

- The U.S. Supreme Court decision was issued in June 2018; it overturned the physical presence requirement and ruled that taxation of out-of-state retailers will be subject to a standard four-pronged test for determining whether a state tax scheme complies with the Commerce Clause.
- Colorado may now require most out-of-state retailers to collect sales tax on sales of goods delivered to persons located in Colorado. Colorado will need to demonstrate that it is consistent with the criteria outlined in the court's decision.
- In order to accomplish this, Colorado must (1) update the GenTax registration process to remove manual efforts for both vendors and DOR support personnel, and (2) increase staffing levels to provide customer service to the increased number of remote vendors and provide local jurisdictions with customer service and resources for the new transactions and distributions.
- The anticipated revenue for all sales tax collections from remote sellers ranges from \$168 million to \$262 million annually (this is both state sales and local jurisdictions' sales taxes).

Consequences of the Problem

- Without this solution, the Department will have to put forth significant manual effort to attempt to implement the Supreme Court's decision. In addition to the Department's manual interventions, the remote vendors will have manual interventions required to be done prior to selling into any of Colorado's 756 jurisdictions for the first time. This increases the risk that the Department will be deemed as a "burden" to interstate commerce (per the Supreme Court's criteria) and therefore would not be able to impose sales tax on remote transactions.

Proposed Solution

- This solution links to the Department's Performance Plan, and the Governor's Vision 2018 initiative, by reducing the time clients will need in order to comply with state sales tax laws.
- This solution is a benefit to taxpayers, vendors, and local jurisdictions. Statutory changes are recommended, but not required, to ensure compliance with the Supreme Court decision.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-02
Request Detail: Sales & Use Tax Collection

Incremental Funding Change	Total Funds	General Fund	Cash Funds
Taxation – Sales & Use Tax Collection	\$1,057,808	\$1,057,808	\$0

Following the U.S. Supreme Court's 2018 Decision in *South Dakota v. Wayfair*, the Colorado Department of Revenue (DOR) is no longer prohibited in requiring out-of-state retailers with no physical presence to collect sales and use taxes on sales into Colorado. This decision item requests increase in General Fund appropriation for 14.6 FTE and \$1,057,808 in FY 2019-20; annualizing to 10.6 FTE and \$814,778 in FY 2020-21 and thereafter in order to comply with the Supreme Court decision.

Problem or Opportunity:

State governments were traditionally prohibited from imposing tax obligations on sellers who lacked a physical presence within a state, as imposing such obligations was seen as prohibited regulation of interstate commerce under the Dormant Commerce Clause. The U.S. Supreme Court reversed its position on the physical presence requirement in its *South Dakota v. Wayfair* Decision on June 21, 2018, which authorized a state to impose collection and reporting obligations on any retailer, even those lacking a physical presence in that state.

C.R.S. §39-26-104 already requires most out-of-state retailers to collect sales taxes. However, these laws were not enforced against out-of-state retailers prior to the U.S. Supreme Court's recent decision, as prior case law required that a taxpayer maintain a physical presence in a state before being subjected to that state's sales tax laws. Now that the physical presence rule has been overturned, DOR must fully implement and enforce the state's sales tax laws against out-of-state retailers. Unconstitutional laws that remain in state statutes are either not enforced, or they are enforced in a manner that allows for the statute to be implemented constitutionally. When the U.S. Supreme Court reverses itself on the constitutionality of a given law, as it did in this instance, then a law that was not being fully enforced will become fully effective (sometimes even retroactively). Although the law can be enforced retroactively, DOR is committed to only enforce the collection of sales tax when the law is fully effective.

DOR is striving to implement as soon as possible late in 2018 by pulling a bare minimum of existing production resources from other duties. If approved, DOR believes that the new registration program can be implemented during November 2018 with enforcement beginning on December 1, 2018. A timeline for implementation is included at the end of this narrative.

No statutory changes are required, but DOR does recommend that the Legislature clarify issues involving: minimum thresholds for enforcement, retroactivity of tax liability, adoption of the Streamlined Sales and Use Tax Agreement (SSUTA), and free access to sales tax administration software.

Proposed Solution:

DOR is requesting a General Fund increase of 14.6 FTE and \$1,057,808 in FY 2019-20; annualizing to 10.6 FTE and \$814,778 in FY 2020-21 and thereafter to fulfill its statutory mandates and to become compliant with the Supreme Court decision. The 4.0 FTE reduction reflects term-limited positions due to uncertainty in the volume of new accounts that would be registered.

DOR considered, but ultimately decided not to recommend, that manual efforts be used as an alternative to the solutions recommended in this narrative. This manual option was rejected due to the fact that would be difficult and time consuming for the Department, taxpayers, local governments, and out-of-state vendors. The manual option would increase the compliance burden on the remote sellers and would significantly delay the distribution of revenues to local jurisdictions. Remote vendors will be required to conduct exhaustive legal research regarding local tax administration prior to selling to buyers in any of Colorado's 756 local taxing jurisdictions the first time. This added burden imposed on remote vendors may also increase the litigation risk under current Dormant Commerce Clause case law.

Without the approval of this request, DOR will be unable to change its current administrative and Information Technology (IT) framework to comply with the Court's ruling. Taxpayers are often required to comply with the state's tax laws regardless of the Department's administrative, IT, or personnel capacity. More sales tax returns will be filed and DOR needs to expand its existing IT and personnel capacity to manage the increased volume and complexity of these new tax returns. Without this funding increase there will be processing delays and uncertainty for taxpayers and DOR will struggle to meet the additional demands.

No statutory changes are required, but DOR does recommend that the Legislature clarify issues involving: minimum thresholds for enforcement, retroactivity of tax liability, adoption of the Streamlined Sales and Use Tax Agreement (SSUTA), and free access to sales tax administration software. Though not impacted by this decision item, the Secretary of State may need to change the MyBiz.Colorado.gov website to account for DOR changes made to comply with the decision.

Anticipated Outcomes:

DOR believes that the effectiveness of this solution can be measured by increases in the sales tax revenues collected which are estimated to be approximately \$168 million to \$262 million annually.

This solution links to the DOR's Performance Plan by improving customer service through reductions in the time needed for clients to register and file tax documents. This solution will benefit taxpayers, vendors, and local jurisdictions.

Assumptions and Calculations:

This proposal increases the capacity of the DOR to process additional returns, answer customer calls, process payments to local governments, and facilitate training for remote sellers and local businesses. The Department's overall needs are summarized in the table below, and are explained in detail in the appendix.

Tax Examiner I

- 1.4 FTE - Sales Tax – Distribution –The assumption is 10,000 new accounts with an average of 50 sites which equals 500,000 total sites with possible errors/month. Using the current error rate of 0.87%, this equals 4,350 edits per month or approximately 52,200 new edits annually. These can be cleared at 22 per hour.
- 0.1 FTE - Sales Tax – Refunds – Anticipate 1,500 small claims for refund, which will take 12 minutes each to resolve
- 1.0 FTE - Local Government Support – More sales tax changes from local governments and special districts as a result of the decision. This includes rate changes and new imposition. More contact with local governments and more opportunity to train local MOUs.
- 4.1 FTE - Call Center – More inquiries from taxpayers and practioners on account activity, maintenance, collection, bills, technical assistance, status of refunds, registrations. Additional staff is proportional to current staff devoted to business tax lines compared to the assumed 10,000 increase in businesses – Reduced to 0.1 FTE in FY 2020-21
- 6.6 Total FTE for \$382,380 in FY 2019-20, reducing to 2.6 total FTE for \$152,556 in FY 2020-21

Tax Examiner II

- 1.0 FTE - Call Center – Work lead for new work group -- \$65,131

Tax Examiner III

- 1.0 FTE - Call Center – Supervisor for new group -- \$74,049

Training Specialist III

- 4.0 FTE – Sales tax training for in state businesses on requirements to assess tax on delivery, not at store location (if not sold in store). Other new business and filing training. Positions will be located in existing service center locations outside of Denver (Ft. Collins, Colorado Springs, Pueblo, Grand Junction) -- \$277,741

Analyst III

- 1.0 FTE - Local Government Support – Perform local government outreach (cities, counties, and special districts) to coordinate testing, identifying tax rate and exemptions changes, annexations, and reports back to those jurisdictions on results of the test; actively find and report address errors; work with OIT on resolution.
- 1.0 FTE - e-File Support – Functions will include providing technical support and maintenance with the seven certified software providers that are part of the Streamlined Sales and Use Tax Agreement and any other vendors and maintenance of the web page devoted to address lookup the Department operate.
- 2.0 Total FTE for \$138,871

Expenditure Detail - Appendix	FY 2019-20	FY 2020-21
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Personal Services:

Classification Title	Monthly Salary	FTE		FTE	
TAX EXAMINER I	\$3,382	6.6	\$267,854	2.6	\$105,518
PERA			\$27,857		\$10,974
AED			\$13,393		\$5,276
SAED			\$13,393		\$5,276
Medicare			\$3,884		\$1,530
STD			\$509		\$200
Health-Life-Dental			\$55,490		\$23,782

Subtotal Position 1, ## FTE **6.6** **\$382,380** **2.6** **\$152,556**

Classification Title	Monthly Salary	FTE		FTE	
TAX EXAMINER II	\$3,906	1.0	\$46,872	1.0	\$46,872
PERA			\$4,875		\$4,875
AED			\$2,344		\$2,344
SAED			\$2,344		\$2,344
Medicare			\$680		\$680
STD			\$89		\$89
Health-Life-Dental			\$7,927		\$7,927

Subtotal Position 2, ## FTE **1.0** **\$65,131** **1.0** **\$65,131**

Classification Title	Monthly Salary	FTE		FTE	
TAX EXAMINER III	\$4,515	1.0	\$54,180	1.0	\$54,180
PERA			\$5,635		\$5,635
AED			\$2,709		\$2,709
SAED			\$2,709		\$2,709
Medicare			\$786		\$786
STD			\$103		\$103
Health-Life-Dental			\$7,927		\$7,927

Subtotal Position 3, ## FTE **1.0** **\$74,049** **1.0** **\$74,049**

Classification Title	Monthly Salary	FTE	FTE
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TRAININ SPECIALIST III		\$4,200	4.0	\$201,600	4.0	\$201,600
PERA				\$20,966		\$20,966
AED				\$10,080		\$10,080
SAED				\$10,080		\$10,080
Medicare				\$2,923		\$2,923
STD				\$383		\$383
Health-Life-Dental				\$31,709		\$31,709
Subtotal Position 4, #.# FTE			4.0	\$277,741	4.0	\$277,741
Classification Title		Monthly Salary		FTE		
				FTE		
ANALYST III		\$4,200	2.0	\$100,800	2.0	\$100,800
PERA				\$10,483		\$10,483
AED				\$5,040		\$5,040
SAED				\$5,040		\$5,040
Medicare				\$1,462		\$1,462
STD				\$192		\$192
Health-Life-Dental				\$15,854		\$15,854
Subtotal Position 5, #.# FTE			2.0	\$138,871	2.0	\$138,871
Subtotal Personal Services			14.6	\$938,172	10.6	\$708,348
Operating Expenses:						
		FTE		FTE		
Regular FTE Operating Expenses		\$500	14.6	\$7,300	10.6	\$5,300
Telephone Expenses		\$450	14.6	\$6,570	10.6	\$4,770
PC, One-Time		\$1,230	2.0	\$2,460	-	\$0
Office Furniture, One-Time		\$3,473	2.0	\$6,946	-	\$0
Leased Space (220 sq ft per FTE @ \$30 per sq ft)		\$6,600	14.6	\$96,360	14.6	\$96,360
Other						
Other						
Subtotal Operating Expenses				\$119,636		\$106,430

<u>TOTAL REQUEST</u>	14.6	<u>\$1,057,808</u>	10.6	<u>\$814,778</u>
<i>General Fund:</i>		<i>\$1,057,808</i>		<i>\$814,778</i>
<i>Cash funds:</i>				
<i>Reappropriated</i>				
<i>Funds:</i>				
<i>Federal Funds:</i>				

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-03 Lottery Back Office Restructure

Dept. Approval By:



Supplemental FY 2018-19

OSPB Approval By:



Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$44,842,889	\$0	\$45,528,939	\$2,198,993	\$2,198,993
	FTE	117.1	0.0	117.1	(2.0)	(2.0)
Total of All Line Items Impacted by Change Request	GF	\$8,454,331	\$0	\$8,297,169	\$0	\$0
	CF	\$36,360,421	\$0	\$37,015,078	\$2,198,993	\$2,198,993
	RF	\$28,137	\$0	\$49,081	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$12,699,520	\$0	\$12,722,299	(\$15,854)	(\$15,854)
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Health, Life, and Dental	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$5,065,441	\$0	\$4,967,186	\$0	\$0
	CF	\$7,615,882	\$0	\$7,627,042	(\$15,854)	(\$15,854)
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0

	Total	\$137,500	\$0	\$143,854	(\$206)	(\$206)
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Short-term Disability	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$56,646	\$0	\$55,169	\$0	\$0
	CF	\$80,688	\$0	\$87,214	(\$206)	(\$206)
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0

Total	\$4,042,418	\$0	\$4,286,362	(\$5,420)	(\$5,420)
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01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,666,122	\$0	\$1,637,407	\$0	\$0
	CF	\$2,371,409	\$0	\$2,585,380	(\$5,420)	(\$5,420)
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0

	Total	\$4,042,418	\$0	\$4,266,362	(\$5,420)	(\$5,420)
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Supplemental Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,666,122	\$0	\$1,637,407	\$0	\$0
	CF	\$2,371,409	\$0	\$2,585,380	(\$5,420)	(\$5,420)
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0

	Total	\$9,651,554	\$0	\$9,860,583	(\$121,257)	(\$121,257)
	FTE	117.1	0.0	117.1	(2.0)	(2.0)
06. State Lottery Division, (A) State Lottery Division, (1) State Lottery Division - Personal Services	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$9,651,554	\$0	\$9,860,583	(\$121,257)	(\$121,257)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$14,269,479	\$0	\$14,269,479	\$2,347,150	\$2,347,150
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division, (A) State Lottery Division, (1) State Lottery Division - Vendor Fees	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$14,269,479	\$0	\$14,269,479	\$2,347,150	\$2,347,150
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	Requires OIT Approval



COLORADO

Department of Revenue

Priority: R-03
Lottery Back-Office Restructure
FY 2019-20 Funding Request

Cost and FTE

- The Department requests an increase in cash fund spending authority of \$2,347,150, partially offset by a reduction of \$148,157 and 2.0 FTE, for a net ongoing increase of \$2,198,993 in FY 2019-20 and thereafter.

Current Program

- The Lottery's current vendor contract provides for statewide support, a communications network, a central system, and other services for the Lottery's 3,100 retailers.
- Lottery's IT staff currently maintains the Lottery's back office applications; Scratch Game Management, Predictive Ordering, Retailer Accounting, Retailer Licensing, State Accounting System Interfaces, etc. and Lottery's current gaming system.

Problem or Opportunity

- The Lottery back-office system is reaching a critical stage that will require investments in hardware.
- This decision item allows for a cost savings of \$148,157 through an offsetting reduction of 2.0 FTE.
- The Lottery's vendors have dedicated research and development resources allowing them to obtain the most innovative and current systems used in the industry.
- This request reflects the spending authority increase needed to accommodate a high-sales year.

Consequences of Problem

- If this request is not approved and the Lottery experiences system degradation/failures of systems that have reached end-of-service-life, the Lottery would not be able to continue operations, resulting in an economic impact on its 3,100 retailers.
- The Lottery could face disciplinary actions from the Multi-State Lottery Association and potentially lose confidence of retailers and players.

Proposed Solution

- Transition the Lottery's back office system to the Lottery's current gaming system vendor with a vendor fee spending authority increase of \$2,198,993 with an offsetting reduction of 2.0 FTE, in FY 2019-20 and thereafter. This will align the Lottery with majority of other lotteries and ensure technology will keep pace with industry standards, security needs and innovations in the industry.
- The Lottery's current Information Technology (IT) staff is transitioning to The Governor's Office of Information Technology (OIT). These positions previously supported the in-house, home-grown solution. The transition of staff compounded by the end-of-service-life situation requires a new solution for the Lottery's back office work. The industry best practice is to have a vendor-provided solution. This decision item is necessary to ensure that a viable back-office solution remains in place for successful Lottery operations.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-03

Request Detail: Lottery Back-Office Restructure

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Lottery Division Back-Office Restructure	\$2,198,993	\$0	\$2,198,993

Problem or Opportunity:

Currently, the Lottery generates approximately \$600 million in revenue annually and operates as a self-sustained Enterprise Fund. This designation permits the Lottery Division, under the Department of Revenue, to act as a true business enterprise, but with legislative and regulatory oversight. By statute, the Lottery is mandated to generate net proceeds for its beneficiaries (Great Outdoors Colorado (GOCO), Conservation Trust Fund, Colorado Parks and Wildlife, and Building Excellent Schools Today (BEST)) through the sale of Jackpot and Scratch Games via its network of over 3,100 retailers across Colorado (C.R.S.24-35.210 and Amendment Article XXVII to the Colorado Constitution). In FY 2016-17, the Lottery generated \$556 million in revenue and \$131 million in net proceeds for its beneficiaries. Since the establishment of Lottery in 1983, the Colorado Lottery has returned more than \$3 billion for investment in recreation, trails, open space, and parks.

The Lottery's current back-office system is reaching a critical stage that will require investments in hardware and personnel that support the system moving forward. The transition of IT Professionals to OIT, as mandated by statute, compounded by the hardware's end-of-service-life situation requires outsourcing of the Lottery's back-office applications. A vendor-provided solution is the best practice for other lotteries. Currently, only one other Lottery maintains its own back-office system out of forty-five state-run Lotteries in the United States. The requested funding will ensure the Lottery has a viable back-office solution, which in turn ensures the success of the Lottery's revenue-generating operations.

As a point for comparison, the incremental cost to upgrade the current back-office system's hardware (which is not the optimal solution) is approximately \$310,000. Re-occurring annual licensing and software costs would be approximately \$34,000 and service maintenance would be an additional \$14,000. After March 31, 2018, Lottery is at risk without a service maintenance agreement due to systems reaching end of life and the inability to acquire available parts. If the Lottery does not upgrade its system to newer technology consistent with the best practices of the majority of other lotteries, it risks experiencing system downtime, which would likely result in significant lost revenue and the erosion of public trust resulting in the Lottery not being able to meet its mission of maximizing proceeds to its beneficiaries.

The transition of the Lottery's IT Professionals to OIT and the fact that the back-office system is reaching its end-of-life cycle, make it an opportune time for the Lottery to finally transition to a vendor-based back-

office system. This allows the Lottery to take advantage of the dedicated research and development resources of the vendor, who will continue to ensure a high level of service, due to the risk of having liquidated damages assessed per the performance clause in the contract related to downtime. Liquidated damages are necessary to ensure that the Lottery is able to provide the best experience for its players, which means the highest revenues for the state.

Proposed Solution:

The proposed solution is to transition the Lottery's back-office applications (Scratch Game Management, Predictive Ordering, Retailer Accounting, Retailer Licensing, State Accounting System Interfaces, etc.) to Lottery's current vendor system. The movement to a fully vendor-supported platform for Jackpot and Scratch Game Management will align Colorado with the majority of other state lotteries across the country. Only Kentucky maintains its own back-office services. This move to a vendor-provided service would also ensure that technology keeps pace with IT standards, security, business continuity, and innovation in the industry.

OIT and DOR have collaborated on the centralization of Lottery IT support. DOR's Purchasing and Contract Services (PACS) group, leadership team, and Lottery staff can exercise existing contract options to negotiate the best possible agreement.

To this end, the Department requests a cash fund spending authority increase of \$2,198,993, along with an offsetting reduction of 2.0 FTE starting in FY 2019-20 and continuing thereafter in the State Lottery Division Long Bill line item of Vendor Fees. This request does not require a statutory change.

If this request is not granted and Lottery experiences system degradation/failures due to inadequate hardware that has passed its end-of-service life, Lottery operations would be in jeopardy, which could result in a decrease in revenue and loss of public confidence of players and beneficiaries.

Anticipated Outcomes:

In addition to preventing system failures due to inadequate and outdated hardware, moving to a vendor-supported solution will enable the Lottery to assess liquidated damages should a break in service occur, and to benefit from vendor-provided technology and efficiencies that are not available with the current system. This will prevent unnecessary expenditures as well as maximizing sales. For example, the vendor has worldwide resources to create efficiencies with its Predictive Ordering Application, which will ensure that adequate scratch inventory is consistently available at all scratch retailers. Should this system fail, the vendor may be assessed liquidated damages for lost sales.

Another of the vendor's technologies is the Sales Wizard mobile app, which provides the sales team with real-time data and the tools to make the most efficient use of the time they have with retail store managers and owners. Alerts (new game alert, on-display alerts, planogram compliance alerts) will let the sales team and managers know about situations that, if promptly addressed, could contribute to an increase in sales. Sales Wizard provides the capability to optimize the price-point mix of scratch games at each retailer to increase sales. It helps the sales team to track sales by retailer sales goals, including by other parameters. The Space-to-Sales screen can demonstrate to retailers skeptical about carrying higher-priced scratch games that these games often generate higher commissions to them than lower-priced tickets do. Sales Wizard allows the opportunity to increase field time and reduce phone calls. The vendor currently

provides this application to more than 20 lotteries across the United States. Any enhancements to the Sales Wizard application are provided free of charge.

Disaster Recovery of the vendor-supported system is an automatic process and expected to be seamless. Contractually, liquidated damages apply if downtime is experienced.

The outcome of this request will be measured by how much new revenue is generated. The Department of Revenue seeks to increase the revenue of the state's lottery while maintaining or lowering the ratio of administrative expenses to total sales. As lottery revenues increase, distributions to proceeds recipients such as GOCO, the Conservation Trust Fund, Colorado Parks and Wildlife and BEST also increase. The mission of the Lottery is to maximize revenues for proceeds recipients in a way that demonstrates the integrity appropriate for a state agency.

Assumptions and Calculations:

Vendor fees for the back-office applications are based upon the overall sales revenue collected by Lottery. The following table illustrates a range of potential projected revenue for FY 2019-20. This specific budget request is based on the \$650 million revenue projection (bolded below in the table), which is actually 120% of the actual projected revenue. This will provide flexibility to accommodate for the unpredictable level of sales usually tied to jackpot ticket sales in the event of mega jackpot amounts.

Range of Projected Gross Sales	Current Base Percentage Paid to Retailers	Current Annual Cost Paid to Retailers	Back Office Percentage Paid to Retailers	Back Office Annual Cost Paid to Retailers
\$600,000,000	1.5%	\$9,150,000	0.34%	\$2,030,000
\$625,000,000	1.5%	\$9,531,000	0.34%	\$2,114,000
\$650,000,000	1.5%	\$9,912,000	0.34%	\$2,199,000
\$675,000,000	1.5%	\$10,293,000	0.34%	\$2,284,000
\$700,000,000	1.5%	\$10,674,000	0.34%	\$2,368,000

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-04 Drivers License Documents

Dept. Approval By

Supplemental FY 2018-19

OSPB Approval By

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$9,623,313	\$0	\$9,631,028	\$1,312,872	\$1,729,341
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,840,891	\$0	\$2,848,606	\$0	\$0
	CF	\$6,782,422	\$0	\$6,782,422	\$1,312,872	\$1,729,341
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$3,051,455	\$0	\$3,059,170	\$105,000	\$138,347
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A)	GF	\$2,840,891	\$0	\$2,848,606	\$0	\$0
Administration and Support, (1)	CF	\$210,564	\$0	\$210,564	\$105,000	\$138,347
Administration and Support - Postage	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Total		\$6,571,858	\$0	\$6,571,858	\$1,207,872	\$1,590,994
FTE		0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Drivers License Documents	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$6,571,858	\$0	\$6,571,858	\$1,207,872	\$1,590,994
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data**Requires Legislation?** NO**Type of Request?** Department of Revenue Prioritized Request**Interagency Approval or
Related Schedule 13s:**

No Other Agency Impact



COLORADO

Department of Revenue

Priority: R-04
Driver's License Documents
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) requests additional cash fund spending authority of \$1,312,872 in FY 2019-20 annualizing to \$1,729,341 in FY 2020-21 for the increased issuance of driver's licenses, instruction permits, and identification (DL/ID) cards.

Current Program

- The original FY 2018-19 appropriation in the Driver's License Documents line is \$6,571,858 and pays for the material costs associated with the production of driver's licenses, identification cards, and instruction permits. This includes materials and applicant verification using techniques such as facial recognition, verification of supporting documentation, and confirmation of residency requirements.
- Document issuance has experienced an average annual increase of 6.2% since 2014.
- These costs are paid for by the established fees paid by DMV customers. This request does not require an increase in fees, it is simply a request for a spending authority increase.

Problem or Opportunity

- Document issuance in FY 2016-17 had growth of 6.6% above FY 2015-16 and an additional 5.7% growth from FY 2016-17 to FY 2017-18. This trend is expected to continue.
- A significant portion of this increase is attributable to Colorado's population growth, which has grown by more than 10% since 2012.
- DOR expects this trend to continue given additional economic indicators such as the expected growth in the housing and employment markets.

Consequences of Problem

- Without additional spending authority, DOR will experience a shortfall of \$1.3 million for FY 2019-20 and \$1.7 million for FY 2020-21. This will result in the inability to issue driver's licenses, identification cards, and instruction permits to the citizens of Colorado for the latter portion of the fiscal year once the current spending authority is exhausted.

Proposed Solution

- The Department requests an increase in the cash fund spending authority of \$1,312,872 for FY 2019-20 and \$1,729,341 for FY 2020-21.
- Additionally DOR requests continuous spending authority in the Driver's License Documents line of the Long Bill to provide adequate capacity to account for growing document issuance.
- Additionally, DOR requests that this entire appropriation be awarded with continuous spending authority based on the fact that this appropriation is singled out as an independent Long Bill line item. In lieu of continuous spending authority, DOR requests an annual increase in this appropriation of 5% to account for population growth so that the immense time commitment required to submit annual Decision Items and Supplemental requests is no longer needed.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department of Revenue Priority: R-04
Request Detail: Driver's License Documents

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Division of Motor Vehicles – Driver's License Documents	\$1,312,872	\$0	\$1,312,872

Problem or Opportunity:

The Department of Revenue (DOR) Division of Motor Vehicles (DMV) is tasked with the issuance of identification cards and driver's licenses pursuant to Section 42-2-104, C.R.S. The DMV receives a specific and independent appropriation for document (card) issuance in the Long Bill in (4) Division of Motor Vehicles (b) Driver's License Documents line. The original FY 2018-19 appropriation is \$6,571,858. The Driver's License Documents line appropriation pays for the material costs associated with the production of driver's licenses, identification cards, and instruction permits. This includes materials and applicant verification using techniques such as facial recognition, verification of supporting documentation, and confirmation of residency requirements. During the past several years, Colorado's population has experienced significant growth. This growth results in an increase in document issuance by the DMV.

The DMV has experienced a continuous increase in document issuance, 5.7% growth in FY 2017-18 and 6.6% growth in FY 2016-17. Please see Table 1 for a summary of this data. The majority of this growth is attributed to an increase in the number of documents issued to residents many of whom are exchanging identification cards or driver's licenses from other states or countries. Permanent residents to Colorado from other states must transfer their driver's license within 30 days pursuant to Section 42-2-102(1)(2), C.R.S. DOR expects this growth trend to continue based upon economic indicators, such as the expected growth in the housing and employment markets.

Table 1: DMV Card Issuance

Fiscal Year	Annual Number of Documents Produced	% Change in Document Issuance
FY 2014-15	1,367,055	10.8%
FY 2015-16	1,391,959	1.8%
FY 2016-17	1,483,164	6.6%
FY 2017-18	1,567,975	5.7%

Due to the increase in the volume of document issuance and the number of current documents scheduled to expire based on the Colorado renewal cycle, the DMV will be unable to issue documents for the latter months of the fiscal year without an increase in spending authority.

Proposed Solution:

The Department requests a total increase in cash fund spending authority of \$1,312,872 for FY 2019-20 (\$1,207,872 appropriated to the LCSF and \$105,000 appropriated to EDO Postage); and \$1,729,341 for FY 2020-21 (\$1,590,994 appropriated to the LCSF and \$138,347 appropriated to EDO Postage). Additionally, DOR requests that this entire appropriation be awarded with continuous spending authority based on the fact that this appropriation is singled out as an independent Long Bill line item. In lieu of continuous spending authority, DOR requests an annual increase in this appropriation of 5% to account for population growth so that annual Decision Items and Supplemental requests to keep pace with the increase in issuance are no longer needed.

If the document issuance trend continues, DOR will experience an estimated \$1.3 million shortfall in the Driver's License Documents line item in FY 2019-20 that will result in the inability to issue driver's licenses, identification cards, and instruction permits for the latter part of the fiscal year. This shortfall is expected to grow to \$1.7 million by FY 2020-21 and is attributable to population increases.

An increase of \$1,312,872 in the spending authority will provide adequate capacity to account for growing document issuance for FY 2019-20.

Anticipated Outcomes:

The goal of this request is to ensure that the DMV is able to issue identification cards and driver's licenses to all permanent Colorado residents who meet application requirements. An increase in spending authority will allow DMV to maintain customer service levels and fulfill one of its primary functions – that of issuing documents.

Assumptions and Calculations:

R-04	FY2017-18 Actual	FY2018-19 Budget	FY2019-20 Budget	FY2020-21 Budget	FY2021-22 Budget	FY2022-23 Budget
Growth Factor		4.2%	5.5%	5.4%	5.0%	5.0%
Documents Issued	1,567,975	1,633,830	1,723,691	1,816,770	1,907,608	2,002,989
Document Cost	\$ 5,726,109	\$ 6,795,099	\$ 7,168,829	\$ 7,555,946	\$ 7,933,743	\$ 8,330,430
Postage Cost	\$ 627,401	\$ 687,045	\$ 715,901	\$ 745,253	\$ 775,808	\$ 807,616
Total Document Cost	\$ 6,353,510	\$ 7,482,144	\$ 7,884,730	\$ 8,301,199	\$ 8,709,551	\$ 9,138,047
Current Budget	\$ 6,571,858	\$ 6,571,858	\$ 6,571,858	\$ 6,571,858	\$ 6,571,858	\$ 6,571,858
Funding Shortage	\$ 218,348	\$ (910,286)	\$ (1,312,872)	\$ (1,729,341)	\$ (2,137,693)	\$ (2,566,189)

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title	
R-05 Division of Motor Vehicles Leased Space	
Dept. Approval By:	Supplemental FY 2018-19
OSP B Approval By:	Budget Amendment FY 2019-20
X	Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$29,631,068	\$0	\$30,469,247	\$3,172,536	\$954,146
FTE		410.0	0.0	411.5	8.0	8.0
Total of All Line Items Impacted by Change Request	GF	\$4,397,472	\$0	\$4,548,904	\$0	\$0
	CF	\$25,109,860	\$0	\$25,795,420	\$3,172,536	\$954,146
	RF	\$123,738	\$0	\$128,923	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$5,238,528	\$0	\$5,478,791	\$2,351,109	\$311,109
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Leased Space	GF	\$835,024	\$0	\$871,268	\$0	\$0
	CF	\$4,403,504	\$0	\$4,607,523	\$2,351,109	\$311,109
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Total		\$21,810,867	\$0	\$22,590,782	\$435,437	\$435,437
FTE		410.0	0.0	411.5	8.0	8.0
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Personal Services	GF	\$3,151,293	\$0	\$3,264,481	\$0	\$0
	CF	\$18,546,008	\$0	\$19,209,548	\$435,437	\$435,437
	RF	\$113,566	\$0	\$116,753	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Total		\$2,581,673	\$0	\$2,399,674	\$385,990	\$207,600
FTE		0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Operating Expense	GF	\$411,155	\$0	\$411,155	\$0	\$0
	CF	\$2,160,348	\$0	\$1,978,349	\$385,990	\$207,600
	RF	\$10,170	\$0	\$10,170	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13a:	No Other Agency Impact



COLORADO

Department of Revenue

Priority: R-05
Division of Motor Vehicles Leased Space
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) requests an increase in cash fund spending authority from the Driver's License Service Cash Fund of \$3,172,536 and 8.0 FTE in FY 2019-20 annualizing to \$954,146 and 8.0 FTE in FY 2020-21 and thereafter. Leased Space appropriation increases will be used to relocate the Driver's License Offices (DLOs) in Littleton, Parker, Boulder, and Longmont to more adequately serve the existing customer base. A portion of that request is to account for the increased lease cost for the existing Lamar DLO. Additional FTE are being requested to provide more workstations which will improve office efficiency and shorten wait times for customers.

Current Program

- The Littleton, Parker, Boulder, and Longmont driver's license offices are too small for the populations they serve.
- Leases have expired or will expire during FY 2018-19 on these locations, putting the DMV at risk of being asked to vacate the premises with a 30-day notice from the property owner.
- Over the last few years, customer volume has increased at a cumulative average of 19% at these locations, yet staff and square footage have remained unchanged.

Problem or Opportunity

- The existing locations for Littleton, Parker, Boulder, and Longmont cannot accommodate the current demand for services. These offices require expansion and/or relocation in order to meet demand and adequately serve the customers.

Consequences of Problem

- Without adequate spending authority to address these constraints, customers will continue to endure insufficient office spaces and unsatisfactory levels of customer service.
- The Littleton office is especially of concern as the staff/public restroom is behind an employee workstation which leaves the employees and equipment vulnerable.

Proposed Solution

- The Department proposes expanding and/or relocating the DLOs to better serve customers and meet the DMV's goal of enhancing customer service by reducing wait times and allowing for sufficient wait space.
- The Department requests the following increase in cash fund spending authority from the Licensing Services Cash Fund in DMV Driver Services: 1) \$435,437 and 8.0 FTE in Personal Services beginning in FY 2019-20 and thereafter and 2) \$385,990 in Operating Expenses in FY 2019-20, annualizing to \$207,600 for FY 2020-21 and thereafter.
- The Department requests the following increase in spending authority from the Licensing Services Cash Fund in the Executive Director's Office Leased Space line of \$2,351,109 in FY 2019-20 annualizing to \$311,109 thereafter.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-05

Request Detail: Division of Motor Vehicles Leased Space

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Division of Motor Vehicles Leased Space	\$3,172,536	\$0	\$3,172,536

Problem or Opportunity:

The Department's Division of Motor Vehicles (DMV) operates 34 driver's license offices (DLOs), the leases for which are funded by the Executive Director's Office Leased Space line item.

The facilities at the Littleton, Parker, Boulder, and Longmont DLOs do not meet customer needs. Space limitations at these locations are restricting the ability to provide excellent customer service and therefore require location expansion and/or relocation. Colorado has seen tremendous population growth in recent years, making many of the current DLOs insufficient to keep pace with the demand. Population growth in these cities has been approximately 3% per year over the past five years.

Each of these locations has experienced significant increased demand for document production from FY 2016-17 to FY 2017-18.

DLO Location	Yr. Over Yr. Document Issuance % Volume Increase	Yr. Over Yr. % Growth in Customer Foot Traffic per FTE
Littleton	12.2%	16.4%
Parker	22.0%	16.8%
Boulder*	2.6%	-
Longmont	9.7%	3.8%

*Although the staff at the Boulder DLO has seen an increase in customers served per FTE, the main challenge with the office is that it has reached its maximum capacity for document issuance. Facility constraints do not allow the Boulder DLO to increase the number of FTE and this negatively impacts the wait times and overall customer experience. Additionally, due to the limited space in the office, many customers are forced to wait outside the office for service. Population growth is estimated to increase by 12.3% over the next 10 years at this location. The Boulder office has approximately 33% less square footage than other offices with similar customers-served counts.

Additionally, the Littleton office has seen customers' initial wait time increase by 85% over FY 2016-17. DOR will have to seek new locations for these DLOs as the current occupied space does not allow

for expansion. The current leases will expire during FY 2018-19. The remaining offices have leases in holdover status, which may require the DMV to vacate with as little as 30 days' notice. Insufficient spending authority in the Department's lease line and increased rates across the State did not allow for renewal of these leases at the time they expired.

The customer waiting areas in the aforementioned offices are of inadequate size. This lack of space routinely forces customers to wait outside the office for extended periods during high-volume times (in the morning and during the lunch hour.) Lack of space also limits the number of workstations that can be installed, thereby restricting the ability to reduce wait times by adjusting staffing levels. The placement of the small public restroom at the Littleton office is of particular concern. The restroom is located within the designated employee work area, which results in security risks.

Proposed Solution:

The existing facilities of Littleton, Parker, Boulder, and Longmont require relocation for the DMV to adequately provide driver license and identification card issuance services to Colorado residents in a timely manner and yield a positive customer experience.

In addition to the facility improvements, DOR is requesting an increase in FTE and personal services to increase the number of work stations which will allow the DMV to serve more customers. The following table details the increase in spending authority from the Licensing Services Cash Fund:

- Executive Director's Office (EDO) Leased Space: \$2,325,409 in FY 2019-20 and \$311,109 in FY 2020-21 and thereafter;
- DMV Driver Services: \$435,437 and 8.0 FTE in Personal Services in FY 2019-20 and thereafter; and \$385,990 in Operating in FY 2019-20 annualizing to \$207,600 in FY 2020-21 and thereafter.

Category	FTE	FY 2019-20	FTE	FY 2020-21 Annualized
EDO Leased Space & Facility Build-out		\$2,351,109		\$311,109
DMV Personal Services	8.0	\$435,437	8.0	\$435,437
DMV Operating – FTE Equipment, Moving Expenses, & Marketing		\$385,990		\$207,600
TOTAL	15.0	\$3,172,536	8.0	\$954,146

The Licensing Services Cash Fund has funding to sustain this request based on a five-year forecast analysis assuming no increase to the fee structure. If the proposed solution is not approved, the DMV does not have adequate spending authority to address these leased space issues and provide the most efficient and effective customer service per the Governor's directive. The offices that are in holdover status have a 30-day provision to vacate upon the property owner's request. If this request is not funded and the DMV is requested to vacate, then there is the potential for some DLOs to close, thereby reducing the DMV's capacity to serve customers.

Included in this request is an annual appropriation to the operations of Driver Services for the marketing and outreach of the DMV's *Skip the Trip* campaign. The objective of the campaign is to increase awareness and use of online services so that fewer Colorado residents have to visit DMV offices for services, thereby reducing wait times. The services to be highlighted include online driver license and motor vehicle registration renewal, driving records and International Registration Program (IRP). We will work to highlight the fact that we currently have 34 online services, including 15 new services introduced on August 6, 2018.

To highlight the impact of just one of these 34 online services, last year, 208,000 individuals renewed their driver license online. The average total customer experience time for an individual to complete a driver license renewal in an office was 29:18. Colorado residents saved more than 6.2 million minutes or 104,000 hours by skipping the trip and renewing their driver license online. By continuing to increase the amount of customers completing their transactions online, DMV can continue to reduce wait times and increase customer satisfaction for those that travel to DLOs in person. DMV will continue to evaluate this digital footprint as physical leases are negotiated and total space requirements are finalized with each lease renewal which typically occurs at 5 year increments.

Anticipated Outcomes:

Approval of this request will support the DMV's goal of enhancing customer service by reducing the number of Colorado residents waiting in waiting areas too small for the number of customers served. It also supports DOR's strategic plan of providing outstanding, quality customer service. It is anticipated that by either expanding, relocating or remodeling these offices, the DMV will be able to achieve progress towards these goals. The additional 8.0 FTE could potentially serve an additional 53,000+ customers per year assuming an average of 25.5 customers served per employee per business day. Customer service time (the entire length of a customer's visit to a DLO) in these offices could potentially decrease 15%-25% compared to customer service time at current staffing/equipment levels. This would bring these offices more in line with state averages.

Assumptions and Calculations:

The Department is requesting an increase of 8.0 FTE in FY 2019-20 and thereafter. The positions are comprised of Technicians II-IV based on location. The additional FTE will allow the DMV to install more workstations to serve more customers and issue more documents. Personal Service for FY 2019-20 total \$435,437 with the associated operating costs for the staff of \$17,440, and an additional amount for the DMV workstations of \$83,550. The Department anticipates that the relocation will be completed within FY 2019-20, however the Department requests the authority to roll forward any funding that is not utilized by the end of the fiscal year, due to unforeseen circumstances or potential delays caused from relocation and/or expansion.


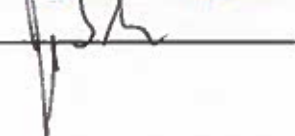
The additional leased space estimate is based on market rates provided by the State's real estate broker for the necessary square footage. The locations are listed in priority order in the table below.

						Requested Increase of EDO Leased Space		Requested DMV Operating
	Current Sq. Ft.	Current Annual Lease Cost	Requested Sq. Ft.	Market Rate Per Sq. Ft.	Projected Annual Lease Cost	Annual Lease Cost Increase (ongoing)	Facility Build out (one-time)	Moving Costs (one-time)
Littleton	2,439	\$75,055	5,000	\$36	\$180,000	\$104,945	\$580,261	\$25,000
Parker	3,638	\$131,200	5,000	\$40	\$200,000	\$68,800	\$589,266	\$25,000
Boulder	2,211	\$73,647	3,500	\$40	\$140,000	\$66,353	\$475,362	\$17,500
Longmont	2,304	\$29,104	3,500	\$28	\$98,000	\$68,896	\$395,111	\$17,500
Lamar	600	\$6,885	No Change	\$15	\$9,000	\$2,115	-	-
Total						\$311,109	\$2,040,000	\$85,000

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title	
R-06 Lottery Wal Mart Expansion	
Dept. Approval By: 	Supplemental FY 2018-19
OSPB Approval By: 	Budget Amendment FY 2019-20
	X Change Request FY 2019-20

Summary Information	Fund	FY 2018-19	Supplemental Request	FY 2019-20		FY 2020-21
		Initial Appropriation		Base Request	Change Request	Continuation
	Total	\$88,841,639	\$0	\$88,841,639	\$5,719,000	\$2,321,000
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$88,841,639	\$0	\$88,841,639	\$5,719,000	\$2,321,000
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19	Supplemental Request	FY 2019-20		FY 2020-21
		Initial Appropriation		Base Request	Change Request	Continuation
	Total	\$14,269,479	\$0	\$14,269,479	\$4,698,000	\$1,300,000
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division,	GF	\$0	\$0	\$0	\$0	\$0
(A) State Lottery Division,	CF	\$14,269,479	\$0	\$14,269,479	\$4,698,000	\$1,300,000
(1) State Lottery Division - Vendor Fees	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$54,572,160	\$0	\$54,572,160	\$1,021,000	\$1,021,000
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division,	GF	\$0	\$0	\$0	\$0	\$0
(A) State Lottery Division,	CF	\$54,572,160	\$0	\$54,572,160	\$1,021,000	\$1,021,000
(1) State Lottery Division - Retailer Compensation	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact



COLORADO
Department of Revenue

Priority: R-06
Lottery Wal-Mart Expansion
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) requests an increase in cash fund spending authority for the Lottery Division of \$5,719,000 in FY 2019-20 annualizing to \$2,321,000 in FY 2020-21 and thereafter for expansion of Lottery vending machines into Wal-Mart Super Centers across the state.

Current Program

- The Lottery's current vendor contract has been in place since January 2014. The vendor contract provides for statewide support, a communications network, a central system, and other services for the Lottery's 3,100 retailers.
- Lottery retailers are paid a 7% commission on all scratch sales, a 6% commission on all jackpot sales, and a 1% cashing bonus on the amount of all prizes claimed at their store. They also receive a bonus of \$1,000 to \$50,000 for selling top-prize-winning tickets and a quarterly compliance bonus, which combined, can equal up to 0.5% of total sales.

Problem or Opportunity

- The addition of Wal-Mart Super Centers to the Lottery retailer base will give the Lottery access to the largest retailer outlet in the state, which includes the potential to reach 20,000 customers per Wal-Mart Super Center per day.
- In order to increase that potential customer base, the Lottery will need to lease 200 Gemini vending machines to equip Wal-Mart Super Centers adequately.
- The Lottery reports that this expansion may result in increased annual sales by a range of \$29 million to \$40 million.

Consequences of Problem

- This request is projected to greatly increase gross revenue and the overall profitability of the Lottery. All proceeds are distributed to the beneficiaries. If this request is not approved, then the beneficiaries of GOCO Colorado, Conservation Trust, and BEST will not have an increase in their distributions.

Proposed Solution

- The Department requests a total increase of \$5,719,000, in FY 2019-20 annualizing to \$2,321,000 in FY 2020-21 and thereafter, to lease 200 Gemini vending machines to equip Wal-Mart Super Centers and increase Lottery revenue for the benefit of the Lottery proceeds recipients.
- Of the total request, \$4,698,000 is for vendor fees (which includes the one-time lease costs for the machines) beginning in FY 2019-20 annualizing to \$1,300,000 in FY 2020-21 and thereafter. Vendor fees fluctuate with sales, with significant spikes correlated with large jackpots. This ongoing increase in spending authority is necessary to accommodate a record sales year. Additionally, there is an increase of \$1,021,000 in retailer compensation needed in FY 2019-20 and thereafter.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-06

Request Detail: Lottery Wal-Mart Expansion

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Lottery Wal-Mart Expansion	\$5,719,000	\$0	\$5,719,000

Problem or Opportunity:

The addition of Wal-Mart Super Centers to the Lottery retailer base will give the Lottery access to the largest retailer outlet in the state. With the ability to offer Lottery products in Wal-Mart Super Centers, the Lottery has the potential to reach 20,000 Wal-Mart customers per Super Center per day. This increase in exposure will provide the Lottery with the potential to increase sales by a projected range of \$29 million to \$40 million per year. The Lottery needs to lease 200 Gemini vending machines to adequately equip Wal-Mart Super Centers and tap this market.

The Lottery has been under the current vendor contract since January 2014. The vendor contract provides for statewide support, a communications network, a central system, and other services for the Lottery's 3,100 retailers. Lottery retailers are paid a 7% commission on all scratch sales and 6% on all Jackpot sales. They are paid a 1% cashing bonus on the amount of all prizes claimed at their store. They are paid a selling bonus of \$1,000 to \$50,000 for selling top-prize winning tickets and they are paid a quarterly compliance bonus, which combined, can be up to 0.5% of all sales.

If this request is not approved, Wal-Mart could decide to not partner with the Lottery resulting in the loss of access to the biggest retailer market in America and the loss of tens of millions of dollars of sales. There could also be a loss of confidence from other potential big box store retailers (Target, Walgreens) resulting in a loss of potential untapped markets for Lottery products. The loss of a partnership with Wal-Mart will result in the potential loss of \$29 million to \$40 million in sales, which equates to approximately \$6 million - \$9 million in proceeds for the Lottery beneficiaries. As more options for potential lottery players (i.e. sports betting) become available, and in order to meet the Lottery's strategic goal of maximizing the proceeds for its beneficiaries, the Lottery must capitalize on all opportunities to expand its customer base and increase its annual sales.

Anticipated Outcomes:

The goal of this request is to increase the revenue of the state's lottery while maintaining or lowering the ratio of administrative expenses to total sales. As lottery revenues increase, distributions to proceeds recipients such as GOCO, the Conservation Trust Fund, Colorado Parks and Wildlife and BEST also increase. Measured success will be most evident through an increase in the annual proceed distribution amounts. The mission of the Lottery is to maximize revenues thereby increasing proceeds for its recipients in a way that demonstrates the integrity appropriate for a state agency.

Assumptions and Calculations:

This request consists of:

Long Bill Line	FY 2019-20	FY 2020-21 and Thereafter
Vendor Fees - Equipment Lease	\$ 3,440,000	\$ -
Vendor Fees	\$ 1,258,000	\$ 1,300,000
Retailer Compensation	\$ 1,021,000	\$ 1,021,000
Total	\$ 5,719,000	\$ 2,321,000

There is no additional FTE associated with this request.

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-07 Marijuana Enforcement Division Operations

Dept. Approval By:

Supplemental FY 2018-19

OSPB Approval By:

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$36,842,259	\$0	\$37,745,266	\$2,138,418	\$1,839,432
	FTE	104.1	0.0	104.1	8.0	8.0
Total of All Line Items Impacted by Change Request	GF	\$9,457,821	\$0	\$9,336,903	\$0	\$0
	CF	\$27,356,301	\$0	\$28,191,671	\$2,138,418	\$1,839,432
	RF	\$28,137	\$0	\$49,081	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$12,699,520	\$0	\$12,722,299	\$63,418	\$63,418
01, Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Health, Life and Dental	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$5,065,441	\$0	\$4,967,186	\$0	\$0
	CF	\$7,615,882	\$0	\$7,627,042	\$63,418	\$63,418
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0

	Total	\$137,500	\$0	\$143,854	\$1,189	\$1,189
01, Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Short-term Disability	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$56,646	\$0	\$55,169	\$0	\$0
	CF	\$80,688	\$0	\$87,214	\$1,189	\$1,189
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0



Cost and FTE

- The Marijuana Enforcement Division (MED) of the Department of Revenue (DOR) requests a cash fund spending authority increase from the DOR Marijuana Cash Fund to address issues and challenges surrounding marijuana business licensing, enforcement, and data collection. MED requests a cash fund spending authority totaling \$2,138,418 and 8.0 FTE in FY 2019-20 (of this amount, \$914,416 will be transferred to the Marijuana Tax Cash Fund (MTCF) to fund 5.0 FTE in the Colorado Bureau of Investigation (CBI) to combat black market activity). This request will annualize to \$1,839,432 and 8.0 FTE in FY 2020-21 (of this total, \$890,901 will be transferred to the MTCF to fund 5.0 FTE in CBI for a second year). This request will ultimately annualize to \$948,531 and 8.0 FTE in FY 2021-22 ongoing in DOR with no continuation of funding for the CBI resources from this cash fund.

Current Program

- The MED regulates the commercial marijuana sector and prioritizes public safety through the consistent administration of laws through the licensure of medical and retail marijuana businesses and key owners, as well as enforcement efforts.
- As of January 1, 2018, there were 1,534 licensed medical marijuana businesses, 1,539 licensed retail marijuana establishments, and 11,660 key occupational licenses in the State of Colorado.
- At the request of local law enforcement, CBI has begun to form a team to address the illegal and unregulated residential cultivation of marijuana. DOR's transfer of funds to the MTCF will fund this team for two fiscal years.

Problem or Opportunity

- The marijuana industry has seen an increase in the illegal marijuana trade that jeopardizes the viability of the State's regulated, licensed, commercial marijuana sector.
- MED and CBI both currently lack adequate spending authority to police the illegal marijuana trade.

Consequences of Problem

- If not addressed, the reduction of the illegal marijuana trade cannot be aggressively pursued.
- If more advanced inventory data is not collected, it will impede the State's data-driven decision-making.
- These issues will prevent MED from pursuing its mission to ensure that the regulated, licensed, commercial marijuana sector is not adversely impacted by illegal activity.
- Illegal cultivations contribute to violent crimes and the diversion of marijuana out of Colorado.

Proposed Solution

- The request will allow for the creation of a black market enforcement team comprised of MED criminal investigators and analysts to augment CBI drug task forces around the State.
- This request will also augment the existing CBI team by providing start-up funding in the form of a transfer to the MTCF for 5.0 CBI FTE.
- This request allows for the acquisition of software to synthesize and analyze data and the staff necessary to support the program.
- The public will benefit from the additional resources that will curb black market activity.
- This solution will not require a statutory change.



COLORADO

Department of Revenue

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

FY 2019-20 Funding Request | November 1, 2018

Department Priority: R-07
Request Detail: Marijuana Enforcement Division Staffing

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Marijuana Enforcement Division Operations	\$2,138,418	\$0	\$2,138,418

Problem or Opportunity:

The Marijuana Enforcement Division (MED) has structured its staff and allocated its resources for conducting background investigations and making recommendations regarding the issuance or denial of medical and retail marijuana licenses based on the pertinent mandates in the Colorado Constitution and applicable Colorado Revised Statutes. In addition to compliance with these Colorado legal requirements, MED has prioritized compliance with the federal government's enforcement priorities which are outlined in the "Cole Memo" provided by the Department of Justice (USDOJ). Although the Cole Memo was officially rescinded by DOJ in January 2018, the memo continues to provide informal guidance. It can be accessed at the following link:

<http://www.justice.gov/opa/pr/justice-department-announces-update-marijuana-enforcement-policy>.

Enforcement priorities for the purposes of this proposal continue to be "preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels, ... preventing the diversion of marijuana to other states, ... [and] preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity."

Colorado is faced with significant black market challenges. One special concern for DOR/MED is the potential of licensed, regulated market involvement in fueling illegal activity. Sales of concentrate by weight increased 45% during 2017, while sales of concentrates by unit increased 108%. These growth rates far outstrip flower sales, which only increased 15% in the same year. The rapid increase in concentrate sales may be driven by the higher profitability of trafficking and selling concentrates outside of Colorado. Concentrates produced and sold in the commercial marijuana market offer traffickers a commercial-grade product that has lower detectability signatures, higher value by weight, and higher demand than flower/bud, as they cannot easily be found in other states and markets.

As an example, working with the Denver Police Department (PD), MED identified looping activity at a specific medical center, with locations that amounted to over \$10 million in sales during a 12-month period, accounting for well over 30% of the company's medically-derived revenue. MED investigators understand that 'looping' and 'smurfing' practices were not contained solely to this stated medical center's locations, and may continue at other state-licensed stores and medical centers. By purchasing from the

licensed market in order to supply the black market, loopers/traffickers evade regulatory implements (think seed-to-sale inventory tracking system) designed to prevent commercially-grown marijuana from falling into the hands of individuals who intend to supply the black market. Black market concern is also focused on illicit residential cultivations across the state.

The proposed opportunity to address these concerns is two-fold:

1. **Enforcement Concerns:** There have been growing concerns regarding the increase of black market activity within the State of Colorado. This burgeoning market has proven to be elusive to enforcement action. The activity that surrounds this market evades the tracked and tested Colorado model. Additionally, there exists concern that this activity can impact surrounding States and beyond.

The creation of a black market enforcement team would assist in intercepting the aforementioned activity. The ideal strategy would be to identify skilled criminal investigators who have knowledge of Colorado's licensed commercial framework and can partner with the Colorado Bureau of Investigations and other drug task forces. The proposed elements include the following to be funded from DOR's Marijuana Cash Fund (MCF):

- A. 1.0 FTE Criminal Investigator IV position to lead the unit within the MED Investigations Section focused on supporting black-market enforcement efforts. This position would report directly to the Chief of Licensing and Investigations.
- B. 3.0 FTE Criminal Investigator II positions for MED and assigned to liaison work with the CBI Team, as well as support the regional drug task forces throughout the state.
- C. 1.0 FTE full time analyst at the Colorado Information Analysis Center (CIAC). This position will be critical in facilitating information exchange between Colorado law enforcement agencies.
- D. A \$914,416 transfer of funds from DOR's MCF to the MTCF to fund 5.0 FTE for a full-time CBI Task Force.
 - o 1.0 FTE Criminal Investigator III position with the Colorado Bureau of Investigation. Funding would flow directly to the Department of Public Safety, Colorado Bureau of Investigation.
 - o 1.0 FTE Criminal Investigator II - Sr. Agent position with the Colorado Bureau of Investigation. Funding would flow directly to the Department of Public Safety, Colorado Bureau of Investigation.
 - o 3.0 FTE Criminal Investigator II positions with the Colorado Bureau of Investigation. Funding would flow directly to the Department of Public Safety, Colorado Bureau of Investigation.

It should be noted that to acquire a skill set of staff for these positions consistent with the demands of these positions, salary levels were made equitable with other agencies.

2. **Data & Policy Enhancements:** The MED has identified that a key lesson learned with the legalization of marijuana is the importance of tracking data over time (and with current technology) to acquire a more comprehensive understanding of the effects and impacts of legalization. Data from the inventory tracking and seed-to-sale system is a critical tool for the Division; however it needs to be synthesized with other data points from a variety of public and law enforcement sources. This data must then be effectively used in planning, to ensure the marijuana enforcement

framework will keep up with recent trends in discouraging illegal activity. The proposed elements include:

- A. 1.0 FTE Policy Advisor VII position within the Policy and Regulation Section at MED to backfill the FTE that has been assigned to serve as the statewide cross-departmental marijuana coordinator in the Governor's Office. This policy position being requested has always served to enhance MED's capabilities to coordinate and support legislative and rulemaking activities, as well as administrative action processing, with a special focus on black market activity.
- B. 2.0 FTE Analyst II positions to support this new functionality. This capability will not only directly benefit the Division and its mission, but will also benefit the Department's Office of Research and Analysis, which is tasked with determining the Average Market Rates, as well as benefitting the Tax Division in their efforts to collect tax on marijuana sales.
- C. Specialized software capabilities to obtain and analyze data. This will require a one-time programming cost in FY 2019-20, and ongoing costs thereafter for maintenance and support.

Proposed Solution:

MED requests Marijuana Cash Fund (MCF) spending authority totaling \$2,138,418 and 8.0 FTE in FY 2019-20, \$1,839,432 and 8.0 FTE in FY 2020-21, annualizing to \$948,531 and 8.0 FTE in FY 2021-22 ongoing.

Of the totals being requested for FY 2019-20 and FY 2020-21, there is a one-time transfers to be made in each fiscal year from the DOR MCF to the State's MTCF to fund the task force FTE for CBI for two years. The amounts of these one-time transfers will be \$914,416 for FY 2019-20 and \$890,901 for FY 2020-21.

This request is critical to the success of MED and CBI in the mission to ensure that the legitimacy and viability of the regulated, licensed, commercial marijuana sector is not negatively impacted by illegal activity, and widespread illegal cultivation activity. This will also ensure that MED is meeting its due diligence in the compilation and analysis of crucial data. Both will benefit the licensed population, the public, and the State as a whole.

Anticipated Outcomes:

If approved, MED will have additional spending authority to continue its mission towards these goals, including the primary goal of ensuring that the broad illegal activity that surrounds the current marijuana market does not impact the Colorado licensure framework or the citizens of Colorado.

Assumptions and Calculations:

This increased spending authority will be funded from the existing resources in the Marijuana Cash Fund that have been collected from the licensing activity. A detailed cost break-out for this proposal is listed in Attachment A of this request

Additional Information (for internal/OSPB use only)

	Yes	No	Additional Information
Is the request driven by a new statutory mandate?		X	
Will the request require a statutory change?		X	
Is this a one-time request?	X		
Will this request involve IT components?	X		
If yes, has OIT reviewed the request and submitted a corresponding Schedule 13?			
Does this request impact other state agencies?		X	
If yes, has the other impacted state agencies reviewed the request and submitted a corresponding Schedule 13?			
Is there sufficient revenue to support the requested cash fund expenditures?	X		
Does the request link to the Department's Performance Plan?	X		

R-07 - ATTACHMENT A

Personal Services		FY 2019-20		FY 2020-21		FY 2021-22	
Department	Description	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Department of Revenue	Policy Advisor VII	1.0	\$154,375	1.0	\$154,375	1.0	\$154,375
Department of Revenue	Criminal Investigator IV	1.0	\$150,714	1.0	\$150,714	1.0	\$150,714
Department of Revenue	Criminal Investigator II	3.0	\$338,791	3.0	\$338,791	3.0	\$338,791
Department of Revenue	Statistical Analyst II	3.0	\$183,483	3.0	\$183,483	3.0	\$183,483
Subtotal Personal Services		8.0	\$827,363	8.0	\$827,363	8.0	\$827,363
Operating Expenses		FY 2019-20		FY 2020-21		FY 2021-22	
Department	Description	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Department of Revenue	Regular Operating	--	\$148,639	--	\$48,168	--	\$48,168
Department of Revenue	Leased Space	--	\$48,000	--	\$48,000	--	\$48,000
Department of Revenue	Analytical Software	--	\$200,000	--	\$25,000	--	\$25,000
	Subtotal Operating Expenses	--	\$396,639	--	\$121,168	--	
Department of Public Safety	Transfer funds to MTCF for CBI Taskforce of 5.0 FTE		\$914,416		\$890,901		--
Subtotal Operating Expenses Including Transfer		--	\$1,311,055	--	\$1,012,069	--	\$121,168
Total		8.0	\$2,138,418	8.0	\$1,839,432	8.0	\$948,531

FTE Calculation Assumptions:

Operating Expenses -- Base operating expenses are included per FTE for \$500 per year. In addition, for regular FTE, annual telephone costs assume base charges of \$450 per year.

Standard Capital Purchases -- Each additional employee necessitates the purchase of a Personal Computer (\$900), Office Suite Software (\$330), and office furniture (\$3,473).

General Fund FTE -- New full-time General Fund positions are reflected in Year 1 as 0.9166 FTE to account for the pay-date shift. This applies to personal services costs only; operating costs are not subject to the pay-date shift.

Expenditure Detail

FY 2019-20

FY 2020-21

Personal Services:

Classification Title	Monthly	FTE		FTE	
Policy Advisor VII	\$10,000	1.0	\$120,000	1.0	\$120,000
PERA			\$12,480		\$12,480
AED			\$6,000		\$6,000
SAED			\$6,000		\$6,000
Medicare			\$1,740		\$1,740
STD			\$228		\$228
Health-Life-Dental			\$7,927		\$7,927
Subtotal Position 1, ## FTE		1.0	\$154,375	1.0	\$154,375

Classification Title	Monthly	FTE		FTE	
Criminal Investigator IV	\$9,750	1.0	\$117,000	1.0	\$117,000
PERA			\$12,168		\$12,168
AED			\$5,850		\$5,850
SAED			\$5,850		\$5,850
Medicare			\$1,697		\$1,697
STD			\$222		\$222
Health-Life-Dental			\$7,927		\$7,927
Subtotal Position 1, ## FTE		1.0	\$150,714	1.0	\$150,714

Classification Title	Monthly	FTE		FTE	
Criminal Investigator II	\$7,170	3.0	\$258,120	3.0	\$258,120
PERA			\$26,844		\$26,844
AED			\$12,906		\$12,906
SAED			\$12,906		\$12,906
Medicare			\$3,743		\$3,743
STD			\$490		\$490
Health-Life-Dental			\$23,782		\$23,782
Subtotal Position 2, ## FTE		3.0	\$338,791	3.0	\$338,791

Classification Title	Monthly	FTE		FTE	
Analyst II	\$3,635	3.0	\$130,860	3.0	\$130,860
PERA			\$13,609		\$13,609
AED			\$6,543		\$6,543
SAED			\$6,543		\$6,543
Medicare			\$1,897		\$1,897
STD			\$249		\$249
Health-Life-Dental			\$23,782		\$23,782

Subtotal Position 2, ## FTE	3.0	\$183,483	3.0	\$183,483
Subtotal Personal Services	8.0	\$827,363	8.0	\$827,363
Operating Expenses:				
	FTE		FTE	
Regular FTE Operating Expenses	\$500 8.0	\$4,000 8.0	\$4,000	\$4,000
Telephone Expenses	\$450 8.0	\$3,600 8.0	\$3,600	\$3,600
PC, One-Time	\$1,230 8.0	\$9,840 -	-	
Office Furniture, One-Time	\$3,473 8.0	\$27,784 -	-	
Mileage Reimbursement	0.5	\$14,700		\$14,700
Vehicle Lease	\$4,950	\$13,650		\$13,650
Badge/Gun/Radio/Phone (<i>one-time</i>)	\$4,790	\$52,690		\$0
Ammo/Fees/Contracts (<i>ongoing</i>)	\$987	\$10,857		\$10,857
Shoe boot covers (pkg 200)	\$152	\$152		\$0
Disposable respirator (pk of 10)	\$41	\$247		\$247
Cut resistant gloves (each)	\$10	\$478		\$478
Chemical resistant coveralls (pkg 25)	\$200	\$400		\$400
Respirator half masks	\$38	\$422		\$0
Respirator cartridges (pkg of 2)	\$43	\$235		\$235
Single C02 Gas detector	\$871	\$9,583		\$0
Leased Space(\$30 per sq ft, 200 sq. ft)	\$30.00 8.0	\$48,000 8.0	\$48,000	\$48,000
Analytical Software		\$200,000		\$25,000
Other				
Subtotal Operating Expenses		\$396,639		\$121,168
TOTAL REQUEST	8.0	\$1,224,002	8.0	\$948,531
<i>General Fund:</i>				
<i>Cash funds:</i>		\$1,224,002		\$948,531
<i>Reappropriated Funds:</i>				
<i>Federal Funds:</i>				

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

NP-01 Integrated Document Solutions Increased Input Costs

Dept Approval By

Supplemental FY 2018-19

OSPB Approval By

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$5,714,455	\$0	\$9,636,130	\$28,903	\$30,307
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,840,891	\$0	\$2,848,606	\$0	\$0
	CF	\$2,810,564	\$0	\$6,787,524	\$28,903	\$30,307
	RF	\$63,000	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$3,051,455	\$0	\$3,059,170	\$26,995	\$28,399
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A)	GF	\$2,840,891	\$0	\$2,848,606	\$0	\$0
Administration and Support, (1)	CF	\$210,564	\$0	\$210,564	\$26,995	\$28,399
Administration and Support - Postage	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
Total		\$2,663,000	\$0	\$6,576,960	\$1,908	\$1,908
FTE		0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (A)	GF	\$0	\$0	\$0	\$0	\$0
Administration, (1)	CF	\$2,600,000	\$0	\$6,576,960	\$1,908	\$1,908
Administration - DRIVES Maintenance and Support	RF	\$63,000	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request? Department of Revenue Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Impacts DPA

01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,666,122	\$0	\$1,637,407	\$0	\$0
	CF	\$2,371,409	\$0	\$2,585,380	(\$46,610)	\$0
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0

	Total	\$4,042,418	\$0	\$4,266,362	(\$46,610)	\$0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Supplemental Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,666,122	\$0	\$1,637,407	\$0	\$0
	CF	\$2,371,409	\$0	\$2,585,380	(\$46,610)	\$0
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0

	Total	\$15,798,988	\$0	\$12,191,270	\$1,253,065	\$0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Payments to OIT	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$10,388,686	\$0	\$8,976,360	\$0	\$0
	CF	\$5,410,302	\$0	\$3,214,910	\$1,253,065	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$9,651,554	\$0	\$9,860,583	(\$1,042,670)	\$0
06. State Lottery Division, (A) State Lottery Division, (1) State Lottery Division - Personal Services	FTE	117.1	0.0	117.1	(13.0)	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$9,651,554	\$0	\$9,860,583	(\$1,042,670)	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0


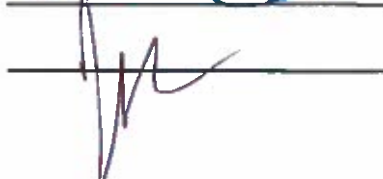
	Total	\$1,189,385	\$0	\$1,189,385	(\$12,350)	\$0
06. State Lottery Division, (A) State Lottery Division, (1) State Lottery Division - Operating Expenses	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$1,189,385	\$0	\$1,189,385	(\$12,350)	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Non-Prioritized Request	Interagency Approval or Related Schedule 13s:	Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title		NP-02 Lottery OIT Staffing	
Dept. Approval By:			Supplemental FY 2018-19
OSPB Approval By:			Budget Amendment FY 2019-20
		X	Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$47,561,783	\$0	\$44,640,115	\$0	\$0
	FTE	117.1	0.0	117.1	(13.0)	0.0
Total of All Line Items Impacted by Change Request	GF	\$18,843,017	\$0	\$17,273,529	\$0	\$0
	CF	\$28,690,629	\$0	\$27,149,894	\$0	\$0
	RF	\$28,137	\$0	\$49,081	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$12,699,520	\$0	\$12,722,299	(\$103,054)	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1)	GF	\$5,065,441	\$0	\$4,967,186	\$0	\$0
Administration and Support - Health, Life, and Dental	CF	\$7,615,882	\$0	\$7,627,042	(\$103,054)	\$0
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0

	Total	\$137,500	\$0	\$143,854	(\$1,771)	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1)	GF	\$56,646	\$0	\$55,169	\$0	\$0
Administration and Support - Short-term Disability	CF	\$80,688	\$0	\$87,214	(\$1,771)	\$0
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0
Total		\$4,042,418	\$0	\$4,266,362	(\$46,610)	\$0

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

NP-03 Annual Fleet Vehicle Request

Dept. Approval By: 

Supplemental FY 2018-19

OSPB Approval By: 

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$669,802	\$0	\$669,802	(\$22,685)	\$0
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$168,466	\$0	\$168,466	(\$5,671)	\$0
CF		\$501,336	\$0	\$501,336	(\$17,014)	\$0
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$669,802	\$0	\$669,802	(\$22,685)	\$0
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$168,466	\$0	\$168,466	(\$5,671)	\$0
CF		\$501,336	\$0	\$501,336	(\$17,014)	\$0
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Non-Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

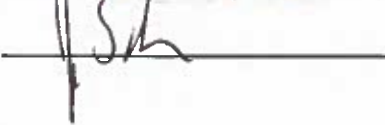
NP-04 OIT DI1 Essential Database Support

Dept. Approval By:



Supplemental FY 2018-19

OSPB Approval By:



Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$15,798,988	\$0	\$12,191,270	\$79,130	\$75,952
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$10,388,686	\$0	\$8,976,360	\$30,700	\$30,023
	CF	\$5,410,302	\$0	\$3,214,910	\$48,430	\$45,929
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$15,798,988	\$0	\$12,191,270	\$79,130	\$75,952
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1)	GF	\$10,388,686	\$0	\$8,976,360	\$30,700	\$30,023
Administration and Support - Payments to OIT	CF	\$5,410,302	\$0	\$3,214,910	\$48,430	\$45,929
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request?

Department of Revenue Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

NP-05 OIT DI2 Securing IT Operations

Dept. Approval By:

Supplemental FY 2018-19

OSPB Approval By:

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$15,798,988	\$0	\$12,191,270	\$567,896	\$242,515
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$10,388,686	\$0	\$8,976,360	\$220,324	\$95,871
CF		\$5,410,302	\$0	\$3,214,910	\$347,572	\$146,644
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$15,798,988	\$0	\$12,191,270	\$567,896	\$242,515
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$10,388,686	\$0	\$8,976,360	\$220,324	\$95,871
CF		\$5,410,302	\$0	\$3,214,910	\$347,572	\$146,644
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Non-Prioritized Request	Interagency Approval or Related Schedule 13s:	Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

NP-06 OIT DI4 Application Refresh and Consolidation

Dept. Approval By: 

Supplemental FY 2018-19

OSPB Approval By: 

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$15,798,988	\$0	\$12,191,270	\$45,461	\$45,461
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$10,388,686	\$0	\$8,976,360	\$17,639	\$17,971
	CF	\$5,410,302	\$0	\$3,214,910	\$27,822	\$27,490
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$15,798,988	\$0	\$12,191,270	\$45,461	\$45,461
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1)	GF	\$10,388,686	\$0	\$8,976,360	\$17,639	\$17,971
Administration and Support - Payments to OIT	CF	\$5,410,302	\$0	\$3,214,910	\$27,822	\$27,490
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Non-Prioritized Request	Interagency Approval or Related Schedule 13a:	Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

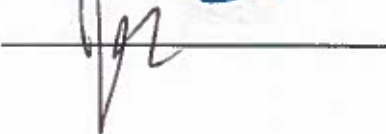
NP-07 OIT D15 Optimize Self-Service Capabilities

Dept. Approval By:



Supplemental FY 2018-19

OSPB Approval By:



Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$15,798,988	\$0	\$12,191,270	\$15,969	\$13,066
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$10,388,686	\$0	\$8,976,360	\$6,194	\$5,167
	CF	\$5,410,302	\$0	\$3,214,910	\$9,775	\$7,899
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$15,798,988	\$0	\$12,191,270	\$15,969	\$13,066
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Payments to OIT	GF	\$10,388,686	\$0	\$8,976,360	\$6,194	\$5,167
	CF	\$5,410,302	\$0	\$3,214,910	\$9,775	\$7,899
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request?

Department of Revenue Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Requires OIT Approval

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-01 Gentax Support Enhancements

Dept Approval By

Supplemental FY 2018-19

OSP Approval By

Budget Amendment FY 2019-20

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$53,913,347	\$0	\$52,171,519	\$1,420,355	\$2,827,850
	FTE	126.1	0.0	126.3	6.0	13.0
Total of All Line Items Impacted by Change Request	GF	\$24,957,166	\$0	\$24,751,068	\$1,420,355	\$2,827,850
	CF	\$23,470,864	\$0	\$21,946,641	\$0	\$0
	RF	\$5,485,317	\$0	\$5,306,199	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$9,634,991	\$0	\$9,888,101	\$445,234	\$977,283
	FTE	126.1	0.0	126.3	6.0	13.0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Personal Services	GF	\$3,680,120	\$0	\$4,110,441	\$445,234	\$977,283
	CF	\$497,691	\$0	\$520,542	\$0	\$0
	RF	\$5,457,180	\$0	\$5,257,118	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$12,699,520	\$0	\$12,722,299	\$47,562	\$103,052
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Health, Life, and Dental	GF	\$5,065,441	\$0	\$4,967,186	\$47,562	\$103,052
	CF	\$7,615,882	\$0	\$7,627,042	\$0	\$0
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$137,500	\$0	\$143,854	\$756	\$1,660
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$56,646	\$0	\$55,169	\$756	\$1,660
Administration and Support - Short-term Disability	CF	\$80,688	\$0	\$87,214	\$0	\$0
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0
	Total	\$4,042,418	\$0	\$4,266,362	\$19,904	\$43,688
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,666,122	\$0	\$1,637,407	\$19,904	\$43,688
Administration and Support - Amortization Equalization Disbursement	CF	\$2,371,409	\$0	\$2,585,380	\$0	\$0
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0
	Total	\$4,042,418	\$0	\$4,266,362	\$19,904	\$43,688
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,666,122	\$0	\$1,637,407	\$19,904	\$43,688
Administration and Support - Supplemental Amortization Equalization Disbursement	CF	\$2,371,409	\$0	\$2,585,380	\$0	\$0
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0
	Total	\$2,318,984	\$0	\$3,214,480	\$33,918	\$45,271
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,599,005	\$0	\$2,495,830	\$33,918	\$45,271
Administration and Support - Operating Expenses	CF	\$719,979	\$0	\$718,650	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$5,238,528	\$0	\$5,478,791	\$171,600	\$171,600
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$835,024	\$0	\$871,268	\$171,600	\$171,600
Administration and Support - Leased Space	CF	\$4,403,504	\$0	\$4,607,523	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$15,798,988	\$0	\$12,191,270	\$681,477	\$1,441,608
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$10,388,686	\$0	\$8,976,360	\$681,477	\$1,441,608
Administration and Support - Payments to OIT	CF	\$5,410,302	\$0	\$3,214,910	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	Requires OIT Approval



COLORADO

Department of Revenue

Priority: R-01
GenTax Support Enhancements
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) needs to update its GenTax tax processing system to better serve the citizens of Colorado. To facilitate this need, DOR requests 12.0 FTE (6 DOR, 6 OIT) and \$1,420,355 General Fund in FY 2019-20; annualizing to 26.0 FTE (13 DOR, 13 OIT) and \$2,827,850 General Fund in FY 2020-21; and further annualizing to 26.0 FTE (13 DOR, 13 OIT) and \$2,762,008 General Fund in FY 2021-22 and thereafter.

Current Program

- GenTax is the state of Colorado's tax administration software platform that is utilized by various divisions within DOR. It provides a user interface between taxpayers and DOR.

Problem or Opportunity

- DOR needs dedicated resources to provide GenTax training, quality assurance, and system documentation. In the past, these needs were addressed by utilizing day-to-day production resources to perform these functions, but the needs of the system simply have outgrown the available resources.
- No additional production line resources can be made available for GenTax support and system improvements. This work is currently being delayed or indefinitely postponed, and customer service is being negatively impacted as a consequence because of our inability to address system improvements and requests. Currently, due to the lack of support, the DOR has over 700 backlogged change requests outstanding.

Consequences of the Problem

- Without the resources being requested, the Department will be unable to achieve its long-term strategic goals such as enhanced electronic service offerings to Colorado taxpayers, additional customer service functionality, and improved reporting capabilities to the General Assembly and other stakeholders.

Proposed Solution

- Colorado tax filers will benefit from the proposed solution through increased and more efficient electronic/self-service functionality, more standardized and consistent correspondence, faster processing cycles, and more responsive customer service.
- These improvements in customer service tie to both the DOR's performance plan and the Governor's Vision 2018 goals by reducing the time customers will need to invest in order to comply with state sales tax laws.
- DOR requests 12.0 FTE (6 DOR, 6 OIT) and \$1,420,355 General Fund in FY 2019-20; annualizing to 26.0 FTE (13 DOR, 13 OIT) and \$2,827,850 General Fund in FY 2020-21; and further annualizing to 26.0 FTE (13 DOR, 13 OIT) and \$2,762,008 General Fund in FY 2021-22 and thereafter.
- No statutory changes are needed to implement these recommendations.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-01

Request Detail: GenTax Support Enhancements

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
GenTax Maintenance and Support	\$1,420,355	\$1,420,355	\$0

Problem or Opportunity:

In 2008, the State of Colorado upgraded its antiquated mainframe tax processing application to a modernized, integrated software application. To accomplish this, the State of Colorado was an early adopter of FAST Enterprise's GenTax tax processing software. As an early adopter, customized programming was necessary to enhance the commercial off-the-shelf software product in order to meet the needs of the State of Colorado. This customized programming created a more intensive support structure than was originally anticipated.

In the transition from development of the system to ongoing system maintenance, the complexity of the State of Colorado's tax structure coupled with population growth and increasing demands on the tax processing system led to development and support resources being shifted from strategic development of the GenTax system to maintaining day-to-day functionality. As a result, the Department of Revenue (DOR) currently lacks resources to provide on-going training for GenTax users, quality assurance oversight of system outputs, mitigation of software and development risk, and upkeep of system configuration documentation.

Without the resources being requested, DOR will be unable to achieve its long-term strategic goals such as enhanced electronic service offerings to Colorado taxpayers, additional customer service functionality, or improved reporting capabilities to the General Assembly and other stakeholders.

This request is part of a three-phase plan to ensure that the tax administration system, GenTax, continues to meet the needs of the citizens of Colorado and increases its capacity and capabilities to meet the reporting needs of the state in order to make informed policy decisions.

- Phase 1: (This request) Level-set resources to allow the DOR to execute tax administration accurately and efficiently without pulling existing resources from other areas of production which negatively impacts the performance and service levels of those other areas.
- Phase 2: Address areas of deficiency in system functionality identified from enhanced monitoring and knowledge transfer as a result of Phase I execution.
- Phase 3: Allow for non-statutorily required reporting to meet the requests of legislators, LCS, and JBC.

Although not included in this request, the Department recognizes a need for an additional 6 FTE to provide the system with necessary and critical support, and to further enhance the customer experience. Because DOR

acknowledges the limitations of available General Fund dollars, the Department opted to demonstrate delivered outcomes from this additional investment although it may not be ideal nor meet all of the identified needs. After demonstrating success with this initial investment, the Department seeks to continue to increase resources in future years to ensure that the system fulfills its maximal functionality and intended purpose.

A detailed breakdown of the FTE requested is as follows:

Functional Area	FY 2019-20 FTE	FY 2020-21 FTE (annualized)	Responsibilities	Justification
System Documentation & Change Requests	6 OIT Development	13 OIT Development	Address current backlog of over 700 system change requests and 30 strategic enhancements.	State is currently unable to support the tax system without contract developer resources. State developer resources bring the ratio of contractor to state developer in-line with other states.
Configuration Documentation & Testing	2 DOR Business Analysts	8 DOR Business Analysts	Testing of developer system changes prior to deployment and documenting software configuration.	Quality Assurance and system testing is currently performed by production line employees. Additional business analysts will free up production line employees for other mission critical activities.
Ongoing Training	2 DOR Training Specialists	2 DOR Training Specialists	Develop and update DOR-wide training to keep users informed of changes and system capabilities.	Currently there is minimal training. Standardized training reduces variability in processing and minimizes workarounds.
Vendor Relations and System Support	1 DOR Systems Operational Lead	1 DOR Systems Operational Lead	To coordinate DOR-wide efforts to manage the support team, prioritize system work, and serve as the point of contact with the vendor.	Broad coordination across all DOR divisions in collaboration with OIT and the vendor does not currently exist and is critical to ensure all stakeholders are included and provide their expertise.
System Reporting and Monitoring	0 DOR Statistical Analysis	1 DOR Statistical Analysis	Testing and optimizing of reports, data capture, and mapping system data.	Management reports are unmaintained or unavailable. Enhanced reporting provides accountability and precision for management and policy decisions.
System Documentation	1 DOR Technical Writer	1 DOR Technical Writer	Create and maintain system documentation written at a business-conversation level.	System architecture documentation is not currently available. Creation and maintenance of this documentation provides accountability and technical expertise and mitigates risks of complete system failure.

Total	12 FTE	26 FTE		All proposed FTE are required to increase accountability and expertise as well as mitigate risk of complete system failure.
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This work represents Phase I, as described above. The extent of additional resources necessary for system enhancements and increased reporting capabilities described in Phases II and III will be further evaluated as the Department gains additional insight as a result of this funding.

Background:

GenTax is the state of Colorado's tax administration software platform. It is also installed in over 40 other local, state, and international tax jurisdictions. It is a customizable off-the-shelf (COTS) application that is critical to the state's tax administration responsibilities for:

- Return and payment processing,
- Revenue distribution,
- Return adjusting,
- Billing and collections,
- Auditing,
- Customer correspondence,
- Reporting, and,
- E-services for electronic filing and customer self-service account management.

With 756 different tax jurisdictions in the state, Colorado has one of the most technically complicated state tax structures in the country. When Colorado adopted GenTax in 2008, it was an attractive product because the state could customize some of its core functions to meet its specific required state tax administration needs. However, over the years, GenTax has matured and now includes new functionality and enhancements that were not available at implementation such as adding all marijuana tax types, the refund fraud manager, Casino EZ file, TABOR and Earned Income Tax Credit refunds, Intercepts, and Enterprise Zone Credits, among others which could replace some of Colorado's customized product.

DOR needs to update its GenTax system to take advantage of the updated GenTax product to better serve the citizens of Colorado; however, there are no dedicated resources to provide GenTax training, quality assurance, or system documentation. In the past, DOR tried to address these needs by utilizing day-to-day production resources to perform these functions, but the needs simply have outgrown the resources and as a result, the DOR has amassed a backlog of over 700 change requests. The Department has reached a point where no additional production line resources can be made available to GenTax support activities and changes and enhancements are being delayed or indefinitely postponed, and consequently, the situation is negatively impacting customer service to Colorado's taxpayers.

All Colorado GenTax development is performed by FAST Enterprises (the software developer) under state contract. FAST Enterprises currently provides 12 developers to the State of Colorado as a contractual requirement. The Department's survey of other GenTax states indicated that no other state utilizing GenTax software uses a 100% outsourced development model. See the table below.

State	FAST Developers	State Developers	Total Developers
IL	15	42	57
MN	12	30	42
AL	18	22	40
GA	15	20	35
OK	18	14	32
MS	15	14	29
LA	18	8	26
ID	9	10	19
NM	7	10	17
UT	8	7	15
CO	12	0	12

In addition, the Department of Revenue Internal Audit's report *GenTax Risk Assessment* recommends:

- Formal GenTax training to align business processes with updated system capabilities and programming;
- Regular monitoring (quality assurance) of outputs to ensure the system is functioning as intended;
- Software Maintenance Risk Mitigation by transferring system software development and configuration knowledge from FAST Enterprises to the State of Colorado; and,
- Updating and maintain system specification documentation as the basis for system functionality.

Proposed Solution:

DOR anticipates that the addition of 26.0 FTE over the next two fiscal years, consisting of 13 OIT appropriated technical positions and 13 DOR appropriated business positions, will allow it to implement recommendations from the Internal Audit report to improve customer service, improve end-user system usage efficiencies, and implement consistent standards and processes throughout the system. Benefits of the proposed solution:

- Ongoing training will help reduce inefficiencies, workarounds, and errors in work product;
- Regular system monitoring (quality assurance) will help to better identify system issues, ensure consistency and effectiveness, provide for more thorough review of outgoing correspondence to ensure it is accurate, and mitigate internal and external fraud risks;
- System software development and configuration knowledge transfer from FAST Enterprises to the State of Colorado would allow the state to continue its mission critical functions in case of an interruption of availability of the vendor.
- Reviewing current GenTax site processes to see if core processes can be used to help reduce inefficiencies, processing time, and errors. In addition, implementing core processes will standardize GenTax and follow best practices.
- Enhanced statistical reporting resources will help DOR improve our tax administration, as well as provide accurate aggregate reports for the General Assembly, state agencies, and local governments to make policy and management decisions.

By adding the resources requested, the Department believes that it will have the required resources to provide the customer service the taxpayers deserve.

These resources are necessary to implement the following;

- Testing of the system for developer modifications, ensuring proper data is captured and retained, and mapping of the data.
- Processing critical modifications and enhancements that have been needed for some time to ensure the system is functioning at the level that is needed to ultimately improve processes for the taxpayers in Colorado.
 - The weighted average number of days it takes to issue refunds (from the moment a return either passes through our business rules or when the account issue is resolved to when the refund is issued) can be measured and work can then be undertaken towards improving this metric with the addition of these resources. There is a goal of improving the weighted average of days for a refund to be issued by 5% (that is 0.4 days) over the next two or three years. An added benefit is this will help eliminate phone calls to the call center asking about refund status and improve customer service.
 - Additional resources will allow the implementation of customer letters for better and more consistent communication for Corporate Income Tax, Partnership Income Tax, and Fiduciary Income Tax in regards to return adjustments and supporting documentation. It will allow the business analyst and SMEs to review all ~550 letters in the system to ensure that the letters are accurate and easily understood. Currently, tax examiners create free-form letters with custom language, which is not efficient and does not provide consistent information. GenTax sends taxpayers approximately 25,000 letters daily.
 - 15 penalty SQRs have been identified to ensure that the accuracy of GenTax calculations reflects the current statute and regulations. Additional resources will allow the SQRs to be reviewed against current statute and regulations and for discrepancies to be resolved, if deemed necessary.
 - Refund interest paid to a taxpayer needs to be reviewed against current statute and regulation. Additional resources will allow the refund interest process to be reviewed against current statute and regulations, for discrepancies to be resolved and improvements to be implemented, if deemed necessary.
- Development of DOR-wide training to ensure that employees are kept abreast of the latest modifications and the capabilities of the system. This could create efficiencies in taxpayer processes.
 - There are approximately 625 GenTax users. Currently, all training for GenTax is done by each individual section within the Taxation Division, which leads to GenTax users receiving inconsistent information. Lack of proper GenTax training negatively impacts the taxpayer by delaying or incorrectly processing returns, refunds, and payments. Additional resources will allow standardized GenTax training to help reduce negative impact to taxpayers.
- Monitoring the system to ensure GenTax is performing properly with the aforementioned changes. These FTE will also be responsible for ensuring the safety of vulnerable personally identifiable information (PII).
- Creating and maintaining system documentation for future benefit.
 - Additional resources will allow the business analyst to document the GenTax system processes. Documentation will allow the business analyst to provide better scoping for department requested changes. This will ensure that changes meet business requirements for

the section and also identify all other areas impacted are evaluated. Currently, there are 75 GenTax tax types and 12 GenTax sub-systems.

Anticipated Outcomes:

- Colorado tax filers will benefit from the proposed solution through increased and more efficient electronic/self-service functionality, more standardized and consistent correspondence, faster processing cycles, and more responsive customer service.
- The Colorado State Legislature and other constituents will benefit from the solution through more precise and opportune data and analyses to inform management and policy decisions, as well as more reporting functionality.
- The state of Colorado will benefit from the proposed solution by mitigating contract risk and enhancing the in-house ability to support and maintain the system with the addition of state software developers.
- The proposed solution will improve customer service, including reducing the Call Center wait times and blockage rates.
- The system end-users will benefit from the solution through increased accountability, technical knowledge, and functionality.
- Positive GenTax System User and Revenue Online Customer Satisfaction Survey results.
- There will be no significant system quality assurance findings.
- State software development resources will have the skills and experience to perform 1/3 of the software development work.
- There will be an electronic option for customers for all inputs and outputs of the GenTax System.

Description of the consequences if the proposed solution is not approved.

If the proposed solution is not approved, the Department will be unable to keep up with increasing demands on the tax processing system. As a result, Colorado tax filers will not be assured of timely and accurate:

- Return and payment processing,
- Revenue distribution,
- Return adjusting,
- Billing and collections,
- Auditing,
- Customer correspondence,
- Reporting, and
- E-services for electronic filing and customer self-service account management.

In the specific examples below, significant manual intervention by the Department was required to correct errors and prevent adverse impacts to tax filers. These manual processes prevent the Department from processing its normal workload. Examples include:

- When the Department administered the 2015 state sales tax credit (TABOR refund), a mistake occurred that imposed a due date for extension filers two days earlier than the actual due date. This mistake resulted in incorrect refunds issued and incorrect bills. Combined, approximately 8,000 taxpayers were negatively impacted by this error and our inability to quickly resolve it.

- In 2017, some taxpayers with valid payment agreements saw their agreements classified as “violated” through no fault of their own when the system performed automatic updates to the penalties associated with their account. A violated payment agreement may result in the Department executing serious collection activities on an account such as issuing a wage garnishment and/or filing a lien on the taxpayer's property.
- The Department shares information on tax delinquencies with the State Treasurer's Unclaimed Property Program, who uses the data to intercept any claims made to pay the tax debt. In 2017, the Department discovered that some of the account information sent to the Treasurer included tax debt information that had not yet been sent to the taxpayer or even in some cases included taxpayers who actually had no balance due to the Department at all. Any taxpayers in this situation who made property claims through this program had their claims mistakenly withheld.
- In 2017, the Department had issues with letters that resulted in incomplete or unsent notices for taxpayers. In some cases, taxpayers did not receive the initial delinquency notice associated with their account, and therefore were not afforded the opportunity to pay or protest the debt. These debts then automatically moved forward and resulted in more serious collection activities (garnishments, liens, etc.) before the taxpayer had even been aware of the existence of the debt.
- The Department uses payment vouchers for taxpayers to include with their payment to ensure all payments are timely posted to the correct accounts. In 2017, the system was creating faulty vouchers that resulted in many delays in posting payments. In many cases, taxpayers who actually had made proper payments were being identified as having missed payments and these taxpayers then faced additional collection actions.
- The Department of Revenue was unable to report on severance tax operations and available severance tax deductions during a recent Colorado Supreme Court case. This led to the General Assembly requesting DOR to identify costs to more accurately and timely report on oil and gas activities in order to help manage the State's operating costs.

Assumptions and Calculations:

The following table itemizes the components of this request including FTE, operating, and other associated costs.

Position/Role	Classification	FY 2019-20		FY 2020-21		FY 2021-22 (No One-Time)	
		FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount
Development-OIT	Lead/Program Manager	1.0	\$140,654	1.0	\$140,654	1.0	\$140,654
	Sr. Database Administrator	0.0	\$0	1.0	\$140,654	1.0	\$140,654
	Sr. Application Support	1.0	\$126,535	2.0	\$253,070	2.0	\$253,070
	Application Support II	2.0	\$204,829	4.0	\$409,662	4.0	\$409,662
	Application Support I	1.0	\$92,252	4.0	\$369,008	4.0	\$369,008
	Quality Assurance	1.0	\$83,289	1.0	\$83,289	1.0	\$83,289
OIT Personal Services Subtotal		6.0	\$647,559	13.0	\$1,396,337	13.0	\$1,396,337
Business Analysts (2 Lead, 6 subordinates)-DOR	Analyst V	0.0	\$0	2.0	\$207,058	2.0	\$207,058
	Analyst IV	2.0	\$168,688	6.0	\$506,063	6.0	\$506,063
Trainers (2 Training and Content Delivery)-DOR	Training Specialist IV	2.0	\$168,688	2.0	\$168,688	2.0	\$168,688
Vendor Relations Coordinator/Production Support Coordinator-DOR	Operational Supervisor	1.0	\$111,640	1.0	\$111,640	1.0	\$111,640
System Reporting and Monitoring-DOR	Statistical Analyst III	0.0	\$0	1.0	\$91,578	1.0	\$91,578
Technical Writer for System Documentation-DOR	Analyst IV	1.0	\$84,344	1.0	\$84,344	1.0	\$84,344
DOR Personal Services Subtotal		6.0	\$533,360	13.0	\$1,169,371	13.0	\$1,169,371
Total Personal Services		12.0	\$1,180,919	26.0	\$2,565,708	26.0	\$2,565,708
Regular FTE Operating Expenses-OIT			\$3,000		\$6,500		\$6,500
Telephone Expenses-OIT			\$2,700		\$5,850		\$5,850
PC, One-Time-OIT			\$7,380		\$8,610		
Office Furniture, One-Time-OIT			\$20,838		\$24,311		
OIT Operating Subtotal			\$33,918		\$45,271		\$12,350
Possible Lease (220 sqft/FTE * \$30 sqft)-DOR			\$171,600		\$171,600		\$171,600
Regular FTE Operating Expenses-DOR			\$3,000		\$6,500		\$6,500
Telephone Expenses-DOR			\$2,700		\$5,850		\$5,850
PC, One-Time-DOR			\$7,380		\$8,610		
Office Furniture, One-Time-DOR			\$20,838		\$24,311		
DOR Operating Subtotal			\$205,518		\$216,871		\$183,950
Total Operating			\$239,436		\$262,142		\$196,300
Grand Total		12.0	\$1,420,355	26.0	\$2,827,850	26.0	\$2,762,008

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-02 Sales and Use Tax Collection

Dept. Approval By:

Supplemental FY 2018-19

OSPB Approval By:

Budget Amendment FY 2019-20

Change Request FY 2019-20

X

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total of All Line Items Impacted by Change Request	Total	\$35,285,682	\$0	\$36,407,597	\$1,057,808	\$814,778
	FTE	137.6	0.0	139.9	14.6	10.6
	GF	\$18,098,403	\$0	\$18,281,798	\$1,057,808	\$814,778
	CF	\$17,159,142	\$0	\$17,909,107	\$0	\$0
	RF	\$28,137	\$0	\$49,081	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Health, Life and Dental	Total	\$12,699,520	\$0	\$12,722,299	\$118,907	\$87,199
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$5,066,441	\$0	\$4,967,186	\$118,907	\$87,199
	CF	\$7,615,882	\$0	\$7,627,042	\$0	\$0
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Short-term Disability	Total	\$137,500	\$0	\$143,854	\$1,276	\$967
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$56,646	\$0	\$55,169	\$1,276	\$967
	CF	\$80,688	\$0	\$87,214	\$0	\$0
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$4,042,418	\$0	\$4,266,362	\$33,566	\$25,449
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,666,122	\$0	\$1,637,407	\$33,566	\$25,449
Administration and Support - Amortization	CF	\$2,371,409	\$0	\$2,585,380	\$0	\$0
Equalization	RF	\$4,887	\$0	\$7,628	\$0	\$0
Disbursement	FF	\$0	\$0	\$35,947	\$0	\$0
	Total	\$4,042,418	\$0	\$4,266,362	\$33,566	\$25,449
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,666,122	\$0	\$1,637,407	\$33,566	\$25,449
Administration and Support - Supplemental Amortization	CF	\$2,371,409	\$0	\$2,585,380	\$0	\$0
Equalization	RF	\$4,887	\$0	\$7,628	\$0	\$0
Disbursement	FF	\$0	\$0	\$35,947	\$0	\$0
	Total	\$5,238,528	\$0	\$5,478,791	\$96,360	\$96,360
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$835,024	\$0	\$871,268	\$96,360	\$96,360
Administration and Support - Leased Space	CF	\$4,403,504	\$0	\$4,607,523	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$8,616,529	\$0	\$9,006,771	\$750,857	\$569,284
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	FTE	137.6	0.0	139.9	14.6	10.6
Taxpayer Service Division - Personal Services	GF	\$8,304,362	\$0	\$8,604,271	\$750,857	\$569,284
	CF	\$312,167	\$0	\$402,500	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$508,769	\$0	\$523,158	\$23,276	\$10,070
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	FTE	0.0	0.0	0.0	0.0	0.0
Taxpayer Service Division - Operating Expenses	GF	\$504,686	\$0	\$509,090	\$23,276	\$10,070
	CF	\$4,083	\$0	\$14,068	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact



COLORADO

Department of Revenue

Priority: R-02
Sales & Use Tax Collection
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) requests an increase in General Fund appropriation for 14.6 FTE and \$1,057,808 in FY 2019-20; annualizing to 10.6 FTE and \$814,778 in FY 2020-21 and thereafter to enable Colorado to require out-of-state retailers to collect and remit sales taxes to comply with the U.S. Supreme Court's decision in *South Dakota v. Wayfair*.

Current Program

- Prior to the June 2018 U.S. Supreme Court case of *South Dakota v. Wayfair*, states were prohibited from requiring out-of-state vendors with no physical presence in the state to collect and remit sales taxes on sales made into the state.

Problem or Opportunity

- The U.S. Supreme Court decision was issued in June 2018; it overturned the physical presence requirement and ruled that taxation of out-of-state retailers will be subject to a standard four-pronged test for determining whether a state tax scheme complies with the Commerce Clause.
- Colorado may now require most out-of-state retailers to collect sales tax on sales of goods delivered to persons located in Colorado. Colorado will need to demonstrate that it is consistent with the criteria outlined in the court's decision.
- In order to accomplish this, Colorado must (1) update the GenTax registration process to remove manual efforts for both vendors and DOR support personnel, and (2) increase staffing levels to provide customer service to the increased number of remote vendors and provide local jurisdictions with customer service and resources for the new transactions and distributions.
- The anticipated revenue for all sales tax collections from remote sellers ranges from \$168 million to \$262 million annually (this is both state sales and local jurisdictions' sales taxes).

Consequences of the Problem

- Without this solution, the Department will have to put forth significant manual effort to attempt to implement the Supreme Court's decision. In addition to the Department's manual interventions, the remote vendors will have manual interventions required to be done prior to selling into any of Colorado's 756 jurisdictions for the first time. This increases the risk that the Department will be deemed as a "burden" to interstate commerce (per the Supreme Court's criteria) and therefore would not be able to impose sales tax on remote transactions.

Proposed Solution

- This solution links to the Department's Performance Plan, and the Governor's Vision 2018 initiative, by reducing the time clients will need in order to comply with state sales tax laws.
- This solution is a benefit to taxpayers, vendors, and local jurisdictions. Statutory changes are recommended, but not required, to ensure compliance with the Supreme Court decision.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-02

Request Detail: Sales & Use Tax Collection

Incremental Funding Change	Total Funds	General Fund	Cash Funds
Taxation – Sales & Use Tax Collection	\$1,057,808	\$1,057,808	\$0

Following the U.S. Supreme Court's 2018 Decision in *South Dakota v. Wayfair*, the Colorado Department of Revenue (DOR) is no longer prohibited in requiring out-of-state retailers with no physical presence to collect sales and use taxes on sales into Colorado. This decision item requests increase in General Fund appropriation for 14.6 FTE and \$1,057,808 in FY 2019-20; annualizing to 10.6 FTE and \$814,778 in FY 2020-21 and thereafter in order to comply with the Supreme Court decision.

Problem or Opportunity:

State governments were traditionally prohibited from imposing tax obligations on sellers who lacked a physical presence within a state, as imposing such obligations was seen as prohibited regulation of interstate commerce under the Dormant Commerce Clause. The U.S. Supreme Court reversed its position on the physical presence requirement in its *South Dakota v. Wayfair* Decision on June 21, 2018, which authorized a state to impose collection and reporting obligations on any retailer, even those lacking a physical presence in that state.

C.R.S. §39-26-104 already requires most out-of-state retailers to collect sales taxes. However, these laws were not enforced against out-of-state retailers prior to the U.S. Supreme Court's recent decision, as prior case law required that a taxpayer maintain a physical presence in a state before being subjected to that state's sales tax laws. Now that the physical presence rule has been overturned, DOR must fully implement and enforce the state's sales tax laws against out-of-state retailers. Unconstitutional laws that remain in state statutes are either not enforced, or they are enforced in a manner that allows for the statute to be implemented constitutionally. When the U.S. Supreme Court reverses itself on the constitutionality of a given law, as it did in this instance, then a law that was not being fully enforced will become fully effective (sometimes even retroactively). Although the law can be enforced retroactively, DOR is committed to only enforce the collection of sales tax when the law is fully effective.

DOR is striving to implement as soon as possible late in 2018 by pulling a bare minimum of existing production resources from other duties. If approved, DOR believes that the new registration program can be implemented during November 2018 with enforcement beginning on December 1, 2018. A timeline for implementation is included at the end of this narrative.

No statutory changes are required, but DOR does recommend that the Legislature clarify issues involving: minimum thresholds for enforcement, retroactivity of tax liability, adoption of the Streamlined Sales and Use Tax Agreement (SSUTA), and free access to sales tax administration software.

Proposed Solution:

DOR is requesting a General Fund increase of 14.6 FTE and \$1,057,808 in FY 2019-20; annualizing to 10.6 FTE and \$814,778 in FY 2020-21 and thereafter to fulfill its statutory mandates and to become compliant with the Supreme Court decision. The 4.0 FTE reduction reflects term-limited positions due to uncertainty in the volume of new accounts that would be registered.

DOR considered, but ultimately decided not to recommend, that manual efforts be used as an alternative to the solutions recommended in this narrative. This manual option was rejected due to the fact that would be difficult and time consuming for the Department, taxpayers, local governments, and out-of-state vendors. The manual option would increase the compliance burden on the remote sellers and would significantly delay the distribution of revenues to local jurisdictions. Remote vendors will be required to conduct exhaustive legal research regarding local tax administration prior to selling to buyers in any of Colorado's 756 local taxing jurisdictions the first time. This added burden imposed on remote vendors may also increase the litigation risk under current Dormant Commerce Clause case law.

Without the approval of this request, DOR will be unable to change its current administrative and Information Technology (IT) framework to comply with the Court's ruling. Taxpayers are often required to comply with the state's tax laws regardless of the Department's administrative, IT, or personnel capacity. More sales tax returns will be filed and DOR needs to expand its existing IT and personnel capacity to manage the increased volume and complexity of these new tax returns. Without this funding increase there will be processing delays and uncertainty for taxpayers and DOR will struggle to meet the additional demands.

No statutory changes are required, but DOR does recommend that the Legislature clarify issues involving: minimum thresholds for enforcement, retroactivity of tax liability, adoption of the Streamlined Sales and Use Tax Agreement (SSUTA), and free access to sales tax administration software. Though not impacted by this decision item, the Secretary of State may need to change the MyBiz.Colorado.gov website to account for DOR changes made to comply with the decision.

Anticipated Outcomes:

DOR believes that the effectiveness of this solution can be measured by increases in the sales tax revenues collected which are estimated to be approximately \$168 million to \$262 million annually.

This solution links to the DOR's Performance Plan by improving customer service through reductions in the time needed for clients to register and file tax documents. This solution will benefit taxpayers, vendors, and local jurisdictions.

Assumptions and Calculations:

This proposal increases the capacity of the DOR to process additional returns, answer customer calls, process payments to local governments, and facilitate training for remote sellers and local businesses. The Department's overall needs are summarized in the table below, and are explained in detail in the appendix.

Tax Examiner I

- 1.4 FTE - Sales Tax – Distribution –The assumption is 10,000 new accounts with an average of 50 sites which equals 500,000 total sites with possible errors/month. Using the current error rate of 0.87%, this equals 4,350 edits per month or approximately 52,200 new edits annually. These can be cleared at 22 per hour.
- 0.1 FTE - Sales Tax – Refunds – Anticipate 1,500 small claims for refund, which will take 12 minutes each to resolve
- 1.0 FTE - Local Government Support – More sales tax changes from local governments and special districts as a result of the decision. This includes rate changes and new imposition. More contact with local governments and more opportunity to train local MOUs.
- 4.1 FTE - Call Center – More inquiries from taxpayers and practioners on account activity, maintenance, collection, bills, technical assistance, status of refunds, registrations. Additional staff is proportional to current staff devoted to business tax lines compared to the assumed 10,000 increase in businesses – Reduced to 0.1 FTE in FY 2020-21
- 6.6 Total FTE for \$382,380 in FY 2019-20, reducing to 2.6 total FTE for \$152,556 in FY 2020-21

Tax Examiner II

- 1.0 FTE - Call Center – Work lead for new work group -- \$65,131

Tax Examiner III

- 1.0 FTE - Call Center – Supervisor for new group -- \$74,049

Training Specialist III

- 4.0 FTE – Sales tax training for in state businesses on requirements to assess tax on delivery, not at store location (if not sold in store). Other new business and filing training. Positions will be located in existing service center locations outside of Denver (Ft. Collins, Colorado Springs, Pueblo, Grand Junction) -- \$277,741

Analyst III

- 1.0 FTE - Local Government Support – Perform local government outreach (cities, counties, and special districts) to coordinate testing, identifying tax rate and exemptions changes, annexations, and reports back to those jurisdictions on results of the test; actively find and report address errors; work with OIT on resolution.
- 1.0 FTE - e-File Support – Functions will include providing technical support and maintenance with the seven certified software providers that are part of the Streamlined Sales and Use Tax Agreement and any other vendors and maintenance of the web page devoted to address lookup the Department operate.
- 2.0 Total FTE for \$138,871

Expenditure		
Detail - Appendix	FY 2019-20	FY 2020-21

Personal Services:

Classification Title	Monthly Salary	FTE		FTE	
TAX EXAMINER I	\$3,382	6.6	\$267,854	2.6	\$105,518
PERA			\$27,857		\$10,974
AED			\$13,393		\$5,276
SAED			\$13,393		\$5,276
Medicare			\$3,884		\$1,530
STD			\$509		\$200
Health-Life-Dental			\$55,490		\$23,782

Subtotal Position 1, ## FTE **6.6** **\$382,380** **2.6** **\$152,556**

Classification Title	Monthly Salary	FTE		FTE	
TAX EXAMINER II	\$3,906	1.0	\$46,872	1.0	\$46,872
PERA			\$4,875		\$4,875
AED			\$2,344		\$2,344
SAED			\$2,344		\$2,344
Medicare			\$680		\$680
STD			\$89		\$89
Health-Life-Dental			\$7,927		\$7,927

Subtotal Position 2, ## FTE **1.0** **\$65,131** **1.0** **\$65,131**

Classification Title	Monthly Salary	FTE		FTE	
TAX EXAMINER III	\$4,515	1.0	\$54,180	1.0	\$54,180
PERA			\$5,635		\$5,635
AED			\$2,709		\$2,709
SAED			\$2,709		\$2,709
Medicare			\$786		\$786
STD			\$103		\$103
Health-Life-Dental			\$7,927		\$7,927

Subtotal Position 3, ## FTE **1.0** **\$74,049** **1.0** **\$74,049**

Classification Title	Monthly Salary	FTE	FTE
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TRAININ SPECIALIST III		\$4,200	4.0	\$201,600	4.0	\$201,600
PERA				\$20,966		\$20,966
AED				\$10,080		\$10,080
SAED				\$10,080		\$10,080
Medicare				\$2,923		\$2,923
STD				\$383		\$383
Health-Life-Dental				\$31,709		\$31,709
Subtotal Position 4, #.# FTE			4.0	\$277,741	4.0	\$277,741
Classification Title		Monthly Salary		FTE		FTE
ANALYST III		\$4,200	2.0	\$100,800	2.0	\$100,800
PERA				\$10,483		\$10,483
AED				\$5,040		\$5,040
SAED				\$5,040		\$5,040
Medicare				\$1,462		\$1,462
STD				\$192		\$192
Health-Life-Dental				\$15,854		\$15,854
Subtotal Position 5, #.# FTE			2.0	\$138,871	2.0	\$138,871
Subtotal Personal Services			14.6	\$938,172	10.6	\$708,348
Operating Expenses:						
		FTE		FTE		
Regular FTE Operating Expenses		\$500	14.6	\$7,300	10.6	\$5,300
Telephone Expenses		\$450	14.6	\$6,570	10.6	\$4,770
PC, One-Time		\$1,230	2.0	\$2,460	-	\$0
Office Furniture, One-Time		\$3,473	2.0	\$6,946	-	\$0
Leased Space (220 sq ft per FTE @ \$30 per sq ft)		\$6,600	14.6	\$96,360	14.6	\$96,360
Other						
Other						
Subtotal Operating Expenses				\$119,636		\$106,430

<u>TOTAL REQUEST</u>	14.6	<u>\$1,057,808</u>	10.6	<u>\$814,778</u>
<i>General Fund:</i>		<i>\$1,057,808</i>		<i>\$814,778</i>
<i>Cash funds:</i>				
<i>Reappropriated</i>				
<i>Funds:</i>				
<i>Federal Funds:</i>				

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-03 Lottery Back Office Restructure

Dept. Approval By:



Supplemental FY 2018-19

OSPB Approval By:



Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$44,842,889	\$0	\$45,528,939	\$2,198,993	\$2,198,993
	FTE	117.1	0.0	117.1	(2.0)	(2.0)
Total of All Line Items Impacted by Change Request	GF	\$8,454,331	\$0	\$8,297,169	\$0	\$0
	CF	\$36,360,421	\$0	\$37,015,078	\$2,198,993	\$2,198,993
	RF	\$28,137	\$0	\$49,081	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$12,699,520	\$0	\$12,722,299	(\$15,854)	(\$15,854)
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Health, Life, and Dental	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$5,065,441	\$0	\$4,967,186	\$0	\$0
	CF	\$7,615,882	\$0	\$7,627,042	(\$15,854)	(\$15,854)
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0

	Total	\$137,500	\$0	\$143,854	(\$206)	(\$206)
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Short-term Disability	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$56,646	\$0	\$55,169	\$0	\$0
	CF	\$80,688	\$0	\$87,214	(\$206)	(\$206)
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0

Total	\$4,042,418	\$0	\$4,286,382	(\$5,420)	(\$5,420)
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01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,666,122	\$0	\$1,637,407	\$0	\$0
	CF	\$2,371,409	\$0	\$2,585,380	(\$5,420)	(\$5,420)
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0

	Total	\$4,042,418	\$0	\$4,266,362	(\$5,420)	(\$5,420)
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Supplemental Amortization Equalization Disbursement	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,666,122	\$0	\$1,637,407	\$0	\$0
	CF	\$2,371,409	\$0	\$2,585,380	(\$5,420)	(\$5,420)
	RF	\$4,887	\$0	\$7,628	\$0	\$0
	FF	\$0	\$0	\$35,947	\$0	\$0

	Total	\$9,651,554	\$0	\$9,660,583	(\$121,257)	(\$121,257)
	FTE	117.1	0.0	117.1	(2.0)	(2.0)
06. State Lottery Division, (A) State Lottery Division, (1) State Lottery Division - Personal Services	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$9,651,554	\$0	\$9,660,583	(\$121,257)	(\$121,257)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$14,269,479	\$0	\$14,269,479	\$2,347,150	\$2,347,150
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division, (A) State Lottery Division, (1) State Lottery Division - Vendor Fees	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$14,269,479	\$0	\$14,269,479	\$2,347,150	\$2,347,150
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	Requires OIT Approval



COLORADO

Department of Revenue

Priority: R-03
Lottery Back-Office Restructure
FY 2019-20 Funding Request

Cost and FTE

- The Department requests an increase in cash fund spending authority of \$2,347,150, partially offset by a reduction of \$148,157 and 2.0 FTE, for a net ongoing increase of \$2,198,993 in FY 2019-20 and thereafter.

Current Program

- The Lottery's current vendor contract provides for statewide support, a communications network, a central system, and other services for the Lottery's 3,100 retailers.
- Lottery's IT staff currently maintains the Lottery's back office applications; Scratch Game Management, Predictive Ordering, Retailer Accounting, Retailer Licensing, State Accounting System Interfaces, etc. and Lottery's current gaming system.

Problem or Opportunity

- The Lottery back-office system is reaching a critical stage that will require investments in hardware.
- This decision item allows for a cost savings of \$148,157 through an offsetting reduction of 2.0 FTE.
- The Lottery's vendors have dedicated research and development resources allowing them to obtain the most innovative and current systems used in the industry.
- This request reflects the spending authority increase needed to accommodate a high-sales year.

Consequences of Problem

- If this request is not approved and the Lottery experiences system degradation/failures of systems that have reached end-of-service-life, the Lottery would not be able to continue operations, resulting in an economic impact on its 3,100 retailers.
- The Lottery could face disciplinary actions from the Multi-State Lottery Association and potentially lose confidence of retailers and players.

Proposed Solution

- Transition the Lottery's back office system to the Lottery's current gaming system vendor with a vendor fee spending authority increase of \$2,198,993 with an offsetting reduction of 2.0 FTE, in FY 2019-20 and thereafter. This will align the Lottery with majority of other lotteries and ensure technology will keep pace with industry standards, security needs and innovations in the industry.
- The Lottery's current Information Technology (IT) staff is transitioning to The Governor's Office of Information Technology (OIT). These positions previously supported the in-house, home-grown solution. The transition of staff compounded by the end-of-service-life situation requires a new solution for the Lottery's back office work. The industry best practice is to have a vendor-provided solution. This decision item is necessary to ensure that a viable back-office solution remains in place for successful Lottery operations.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-03

Request Detail: Lottery Back-Office Restructure

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Lottery Division Back-Office Restructure	\$2,198,993	\$0	\$2,198,993

Problem or Opportunity:

Currently, the Lottery generates approximately \$600 million in revenue annually and operates as a self-sustained Enterprise Fund. This designation permits the Lottery Division, under the Department of Revenue, to act as a true business enterprise, but with legislative and regulatory oversight. By statute, the Lottery is mandated to generate net proceeds for its beneficiaries (Great Outdoors Colorado (GOCO), Conservation Trust Fund, Colorado Parks and Wildlife, and Building Excellent Schools Today (BEST)) through the sale of Jackpot and Scratch Games via its network of over 3,100 retailers across Colorado (C.R.S.24-35.210 and Amendment Article XXVII to the Colorado Constitution). In FY 2016-17, the Lottery generated \$556 million in revenue and \$131 million in net proceeds for its beneficiaries. Since the establishment of Lottery in 1983, the Colorado Lottery has returned more than \$3 billion for investment in recreation, trails, open space, and parks.

The Lottery's current back-office system is reaching a critical stage that will require investments in hardware and personnel that support the system moving forward. The transition of IT Professionals to OIT, as mandated by statute, compounded by the hardware's end-of-service-life situation requires outsourcing of the Lottery's back-office applications. A vendor-provided solution is the best practice for other lotteries. Currently, only one other Lottery maintains its own back-office system out of forty-five state-run Lotteries in the United States. The requested funding will ensure the Lottery has a viable back-office solution, which in turn ensures the success of the Lottery's revenue-generating operations.

As a point for comparison, the incremental cost to upgrade the current back-office system's hardware (which is not the optimal solution) is approximately \$310,000. Re-occurring annual licensing and software costs would be approximately \$34,000 and service maintenance would be an additional \$14,000. After March 31, 2018, Lottery is at risk without a service maintenance agreement due to systems reaching end of life and the inability to acquire available parts. If the Lottery does not upgrade its system to newer technology consistent with the best practices of the majority of other lotteries, it risks experiencing system downtime, which would likely result in significant lost revenue and the erosion of public trust resulting in the Lottery not being able to meet its mission of maximizing proceeds to its beneficiaries.

The transition of the Lottery's IT Professionals to OIT and the fact that the back-office system is reaching its end-of-life cycle, make it an opportune time for the Lottery to finally transition to a vendor-based back-

office system. This allows the Lottery to take advantage of the dedicated research and development resources of the vendor, who will continue to ensure a high level of service, due to the risk of having liquidated damages assessed per the performance clause in the contract related to downtime. Liquidated damages are necessary to ensure that the Lottery is able to provide the best experience for its players, which means the highest revenues for the state.

Proposed Solution:

The proposed solution is to transition the Lottery's back-office applications (Scratch Game Management, Predictive Ordering, Retailer Accounting, Retailer Licensing, State Accounting System Interfaces, etc.) to Lottery's current vendor system. The movement to a fully vendor-supported platform for Jackpot and Scratch Game Management will align Colorado with the majority of other state lotteries across the country. Only Kentucky maintains its own back-office services. This move to a vendor-provided service would also ensure that technology keeps pace with IT standards, security, business continuity, and innovation in the industry.

OIT and DOR have collaborated on the centralization of Lottery IT support. DOR's Purchasing and Contract Services (PACS) group, leadership team, and Lottery staff can exercise existing contract options to negotiate the best possible agreement.

To this end, the Department requests a cash fund spending authority increase of \$2,198,993, along with an offsetting reduction of 2.0 FTE starting in FY 2019-20 and continuing thereafter in the State Lottery Division Long Bill line item of Vendor Fees. This request does not require a statutory change.

If this request is not granted and Lottery experiences system degradation/failures due to inadequate hardware that has passed its end-of-service life, Lottery operations would be in jeopardy, which could result in a decrease in revenue and loss of public confidence of players and beneficiaries.

Anticipated Outcomes:

In addition to preventing system failures due to inadequate and outdated hardware, moving to a vendor-supported solution will enable the Lottery to assess liquidated damages should a break in service occur, and to benefit from vendor-provided technology and efficiencies that are not available with the current system. This will prevent unnecessary expenditures as well as maximizing sales. For example, the vendor has worldwide resources to create efficiencies with its Predictive Ordering Application, which will ensure that adequate scratch inventory is consistently available at all scratch retailers. Should this system fail, the vendor may be assessed liquidated damages for lost sales.

Another of the vendor's technologies is the Sales Wizard mobile app, which provides the sales team with real-time data and the tools to make the most efficient use of the time they have with retail store managers and owners. Alerts (new game alert, on-display alerts, planogram compliance alerts) will let the sales team and managers know about situations that, if promptly addressed, could contribute to an increase in sales. Sales Wizard provides the capability to optimize the price-point mix of scratch games at each retailer to increase sales. It helps the sales team to track sales by retailer sales goals, including by other parameters. The Space-to-Sales screen can demonstrate to retailers skeptical about carrying higher-priced scratch games that these games often generate higher commissions to them than lower-priced tickets do. Sales Wizard allows the opportunity to increase field time and reduce phone calls. The vendor currently

provides this application to more than 20 lotteries across the United States. Any enhancements to the Sales Wizard application are provided free of charge.

Disaster Recovery of the vendor-supported system is an automatic process and expected to be seamless. Contractually, liquidated damages apply if downtime is experienced.

The outcome of this request will be measured by how much new revenue is generated. The Department of Revenue seeks to increase the revenue of the state's lottery while maintaining or lowering the ratio of administrative expenses to total sales. As lottery revenues increase, distributions to proceeds recipients such as GOCO, the Conservation Trust Fund, Colorado Parks and Wildlife and BEST also increase. The mission of the Lottery is to maximize revenues for proceeds recipients in a way that demonstrates the integrity appropriate for a state agency.

Assumptions and Calculations:

Vendor fees for the back-office applications are based upon the overall sales revenue collected by Lottery. The following table illustrates a range of potential projected revenue for FY 2019-20. This specific budget request is based on the \$650 million revenue projection (bolded below in the table), which is actually 120% of the actual projected revenue. This will provide flexibility to accommodate for the unpredictable level of sales usually tied to jackpot ticket sales in the event of mega jackpot amounts.

Range of Projected Gross Sales	Current Base Percentage Paid to Retailers	Current Annual Cost Paid to Retailers	Back Office Percentage Paid to Retailers	Back Office Annual Cost Paid to Retailers
\$600,000,000	1.5%	\$9,150,000	0.34%	\$2,030,000
\$625,000,000	1.5%	\$9,531,000	0.34%	\$2,114,000
\$650,000,000	1.5%	\$9,912,000	0.34%	\$2,199,000
\$675,000,000	1.5%	\$10,293,000	0.34%	\$2,284,000
\$700,000,000	1.5%	\$10,674,000	0.34%	\$2,368,000

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-04 Drivers License Documents

Dept. Approval By

Supplemental FY 2018-19

OSPB Approval By

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$9,623,313	\$0	\$9,631,028	\$1,312,872	\$1,729,341
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,840,891	\$0	\$2,848,606	\$0	\$0
	CF	\$6,782,422	\$0	\$6,782,422	\$1,312,872	\$1,729,341
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$3,051,455	\$0	\$3,059,170	\$105,000	\$138,347
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A)	GF	\$2,840,891	\$0	\$2,848,606	\$0	\$0
Administration and Support, (1)	CF	\$210,564	\$0	\$210,564	\$105,000	\$138,347
Administration and Support - Postage	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Total		\$6,571,858	\$0	\$6,571,858	\$1,207,872	\$1,590,994
FTE		0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Drivers License Documents	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$6,571,858	\$0	\$6,571,858	\$1,207,872	\$1,590,994
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data**Requires Legislation?** NO**Type of Request?** Department of Revenue Prioritized Request**Interagency Approval or
Related Schedule 13s:**

No Other Agency Impact



COLORADO

Department of Revenue

Priority: R-04
Driver's License Documents
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) requests additional cash fund spending authority of \$1,312,872 in FY 2019-20 annualizing to \$1,729,341 in FY 2020-21 for the increased issuance of driver's licenses, instruction permits, and identification (DL/ID) cards.

Current Program

- The original FY 2018-19 appropriation in the Driver's License Documents line is \$6,571,858 and pays for the material costs associated with the production of driver's licenses, identification cards, and instruction permits. This includes materials and applicant verification using techniques such as facial recognition, verification of supporting documentation, and confirmation of residency requirements.
- Document issuance has experienced an average annual increase of 6.2% since 2014.
- These costs are paid for by the established fees paid by DMV customers. This request does not require an increase in fees, it is simply a request for a spending authority increase.

Problem or Opportunity

- Document issuance in FY 2016-17 had growth of 6.6% above FY 2015-16 and an additional 5.7% growth from FY 2016-17 to FY 2017-18. This trend is expected to continue.
- A significant portion of this increase is attributable to Colorado's population growth, which has grown by more than 10% since 2012.
- DOR expects this trend to continue given additional economic indicators such as the expected growth in the housing and employment markets.

Consequences of Problem

- Without additional spending authority, DOR will experience a shortfall of \$1.3 million for FY 2019-20 and \$1.7 million for FY 2020-21. This will result in the inability to issue driver's licenses, identification cards, and instruction permits to the citizens of Colorado for the latter portion of the fiscal year once the current spending authority is exhausted.

Proposed Solution

- The Department requests an increase in the cash fund spending authority of \$1,312,872 for FY 2019-20 and \$1,729,341 for FY 2020-21.
- Additionally DOR requests continuous spending authority in the Driver's License Documents line of the Long Bill to provide adequate capacity to account for growing document issuance.
- Additionally, DOR requests that this entire appropriation be awarded with continuous spending authority based on the fact that this appropriation is singled out as an independent Long Bill line item. In lieu of continuous spending authority, DOR requests an annual increase in this appropriation of 5% to account for population growth so that the immense time commitment required to submit annual Decision Items and Supplemental requests is no longer needed.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department of Revenue Priority: R-04
Request Detail: Driver's License Documents

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Division of Motor Vehicles – Driver's License Documents	\$1,312,872	\$0	\$1,312,872

Problem or Opportunity:

The Department of Revenue (DOR) Division of Motor Vehicles (DMV) is tasked with the issuance of identification cards and driver's licenses pursuant to Section 42-2-104, C.R.S. The DMV receives a specific and independent appropriation for document (card) issuance in the Long Bill in (4) Division of Motor Vehicles (b) Driver's License Documents line. The original FY 2018-19 appropriation is \$6,571,858. The Driver's License Documents line appropriation pays for the material costs associated with the production of driver's licenses, identification cards, and instruction permits. This includes materials and applicant verification using techniques such as facial recognition, verification of supporting documentation, and confirmation of residency requirements. During the past several years, Colorado's population has experienced significant growth. This growth results in an increase in document issuance by the DMV.

The DMV has experienced a continuous increase in document issuance, 5.7% growth in FY 2017-18 and 6.6% growth in FY 2016-17. Please see Table 1 for a summary of this data. The majority of this growth is attributed to an increase in the number of documents issued to residents many of whom are exchanging identification cards or driver's licenses from other states or countries. Permanent residents to Colorado from other states must transfer their driver's license within 30 days pursuant to Section 42-2-102(1)(2), C.R.S. DOR expects this growth trend to continue based upon economic indicators, such as the expected growth in the housing and employment markets.

Table 1: DMV Card Issuance

Fiscal Year	Annual Number of Documents Produced	% Change in Document Issuance
FY 2014-15	1,367,055	10.8%
FY 2015-16	1,391,959	1.8%
FY 2016-17	1,483,164	6.6%
FY 2017-18	1,567,975	5.7%

Due to the increase in the volume of document issuance and the number of current documents scheduled to expire based on the Colorado renewal cycle, the DMV will be unable to issue documents for the latter months of the fiscal year without an increase in spending authority.

Proposed Solution:

The Department requests a total increase in cash fund spending authority of \$1,312,872 for FY 2019-20 (\$1,207,872 appropriated to the LCSF and \$105,000 appropriated to EDO Postage); and \$1,729,341 for FY 2020-21 (\$1,590,994 appropriated to the LCSF and \$138,347 appropriated to EDO Postage). Additionally, DOR requests that this entire appropriation be awarded with continuous spending authority based on the fact that this appropriation is singled out as an independent Long Bill line item. In lieu of continuous spending authority, DOR requests an annual increase in this appropriation of 5% to account for population growth so that annual Decision Items and Supplemental requests to keep pace with the increase in issuance are no longer needed.

If the document issuance trend continues, DOR will experience an estimated \$1.3 million shortfall in the Driver's License Documents line item in FY 2019-20 that will result in the inability to issue driver's licenses, identification cards, and instruction permits for the latter part of the fiscal year. This shortfall is expected to grow to \$1.7 million by FY 2020-21 and is attributable to population increases.

An increase of \$1,312,872 in the spending authority will provide adequate capacity to account for growing document issuance for FY 2019-20.

Anticipated Outcomes:

The goal of this request is to ensure that the DMV is able to issue identification cards and driver's licenses to all permanent Colorado residents who meet application requirements. An increase in spending authority will allow DMV to maintain customer service levels and fulfill one of its primary functions – that of issuing documents.



Assumptions and Calculations:

R-04	FY2017-18 Actual	FY2018-19 Budget	FY2019-20 Budget	FY2020-21 Budget	FY2021-22 Budget	FY2022-23 Budget
Growth Factor		4.2%	5.5%	5.4%	5.0%	5.0%
Documents Issued	1,567,975	1,633,830	1,723,691	1,816,770	1,907,608	2,002,989
Document Cost	\$ 5,726,109	\$ 6,795,099	\$ 7,168,829	\$ 7,555,946	\$ 7,933,743	\$ 8,330,430
Postage Cost	\$ 627,401	\$ 687,045	\$ 715,901	\$ 745,253	\$ 775,808	\$ 807,616
Total Document Cost	\$ 6,353,510	\$ 7,482,144	\$ 7,884,730	\$ 8,301,199	\$ 8,709,551	\$ 9,138,047
Current Budget	\$ 6,571,858	\$ 6,571,858	\$ 6,571,858	\$ 6,571,858	\$ 6,571,858	\$ 6,571,858
Funding Shortage	\$ 218,348	\$ (910,286)	\$ (1,312,872)	\$ (1,729,341)	\$ (2,137,693)	\$ (2,566,189)

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title	
R-05 Division of Motor Vehicles Leased Space	
Dept. Approval By: 	Supplemental FY 2018-19
OSPB Approval By: 	Budget Amendment FY 2019-20
X	Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$29,631,068	\$0	\$30,469,247	\$3,172,536	\$954,146
FTE		410.0	0.0	411.5	8.0	8.0
Total of All Line Items Impacted by Change Request	GF	\$4,397,472	\$0	\$4,548,904	\$0	\$0
	CF	\$25,109,860	\$0	\$25,795,420	\$3,172,536	\$954,146
	RF	\$123,738	\$0	\$128,923	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$5,238,528	\$0	\$5,478,791	\$2,351,109	\$311,109
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Leased Space	GF	\$835,024	\$0	\$871,268	\$0	\$0
	CF	\$4,403,504	\$0	\$4,607,523	\$2,351,109	\$311,109
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Total		\$21,810,867	\$0	\$22,590,782	\$435,437	\$435,437
FTE		410.0	0.0	411.5	8.0	8.0
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Personal Services	GF	\$3,151,293	\$0	\$3,264,481	\$0	\$0
	CF	\$18,546,008	\$0	\$19,209,548	\$435,437	\$435,437
	RF	\$113,566	\$0	\$116,753	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Total		\$2,581,673	\$0	\$2,399,674	\$385,990	\$207,600
FTE		0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Operating Expense	GF	\$411,155	\$0	\$411,155	\$0	\$0
	CF	\$2,160,348	\$0	\$1,978,349	\$385,990	\$207,600
	RF	\$10,170	\$0	\$10,170	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact



COLORADO

Department of Revenue

Priority: R-05
Division of Motor Vehicles Leased Space
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) requests an increase in cash fund spending authority from the Driver's License Service Cash Fund of \$3,172,536 and 8.0 FTE in FY 2019-20 annualizing to \$954,146 and 8.0 FTE in FY 2020-21 and thereafter. Leased Space appropriation increases will be used to relocate the Driver's License Offices (DLOs) in Littleton, Parker, Boulder, and Longmont to more adequately serve the existing customer base. A portion of that request is to account for the increased lease cost for the existing Lamar DLO. Additional FTE are being requested to provide more workstations which will improve office efficiency and shorten wait times for customers.

Current Program

- The Littleton, Parker, Boulder, and Longmont driver's license offices are too small for the populations they serve.
- Leases have expired or will expire during FY 2018-19 on these locations, putting the DMV at risk of being asked to vacate the premises with a 30-day notice from the property owner.
- Over the last few years, customer volume has increased at a cumulative average of 19% at these locations, yet staff and square footage have remained unchanged.

Problem or Opportunity

- The existing locations for Littleton, Parker, Boulder, and Longmont cannot accommodate the current demand for services. These offices require expansion and/or relocation in order to meet demand and adequately serve the customers.

Consequences of Problem

- Without adequate spending authority to address these constraints, customers will continue to endure insufficient office spaces and unsatisfactory levels of customer service.
- The Littleton office is especially of concern as the staff/public restroom is behind an employee workstation which leaves the employees and equipment vulnerable.

Proposed Solution

- The Department proposes expanding and/or relocating the DLOs to better serve customers and meet the DMV's goal of enhancing customer service by reducing wait times and allowing for sufficient wait space.
- The Department requests the following increase in cash fund spending authority from the Licensing Services Cash Fund in DMV Driver Services: 1) \$435,437 and 8.0 FTE in Personal Services beginning in FY 2019-20 and thereafter and 2) \$385,990 in Operating Expenses in FY 2019-20, annualizing to \$207,600 for FY 2020-21 and thereafter.
- The Department requests the following increase in spending authority from the Licensing Services Cash Fund in the Executive Director's Office Leased Space line of \$2,351,109 in FY 2019-20 annualizing to \$311,109 thereafter.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-05

Request Detail: Division of Motor Vehicles Leased Space

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Division of Motor Vehicles Leased Space	\$3,172,536	\$0	\$3,172,536

Problem or Opportunity:

The Department's Division of Motor Vehicles (DMV) operates 34 driver's license offices (DLOs), the leases for which are funded by the Executive Director's Office Leased Space line item.

The facilities at the Littleton, Parker, Boulder, and Longmont DLOs do not meet customer needs. Space limitations at these locations are restricting the ability to provide excellent customer service and therefore require location expansion and/or relocation. Colorado has seen tremendous population growth in recent years, making many of the current DLOs insufficient to keep pace with the demand. Population growth in these cities has been approximately 3% per year over the past five years.

Each of these locations has experienced significant increased demand for document production from FY 2016-17 to FY 2017-18.

DLO Location	Yr. Over Yr. Document Issuance % Volume Increase	Yr. Over Yr. % Growth in Customer Foot Traffic per FTE
Littleton	12.2%	16.4%
Parker	22.0%	16.8%
Boulder*	2.6%	-
Longmont	9.7%	3.8%

*Although the staff at the Boulder DLO has seen an increase in customers served per FTE, the main challenge with the office is that it has reached its maximum capacity for document issuance. Facility constraints do not allow the Boulder DLO to increase the number of FTE and this negatively impacts the wait times and overall customer experience. Additionally, due to the limited space in the office, many customers are forced to wait outside the office for service. Population growth is estimated to increase by 12.3% over the next 10 years at this location. The Boulder office has approximately 33% less square footage than other offices with similar customers-served counts.

Additionally, the Littleton office has seen customers' initial wait time increase by 85% over FY 2016-17. DOR will have to seek new locations for these DLOs as the current occupied space does not allow

for expansion. The current leases will expire during FY 2018-19. The remaining offices have leases in holdover status, which may require the DMV to vacate with as little as 30 days' notice. Insufficient spending authority in the Department's lease line and increased rates across the State did not allow for renewal of these leases at the time they expired.

The customer waiting areas in the aforementioned offices are of inadequate size. This lack of space routinely forces customers to wait outside the office for extended periods during high-volume times (in the morning and during the lunch hour.) Lack of space also limits the number of workstations that can be installed, thereby restricting the ability to reduce wait times by adjusting staffing levels. The placement of the small public restroom at the Littleton office is of particular concern. The restroom is located within the designated employee work area, which results in security risks.

Proposed Solution:

The existing facilities of Littleton, Parker, Boulder, and Longmont require relocation for the DMV to adequately provide driver license and identification card issuance services to Colorado residents in a timely manner and yield a positive customer experience.

In addition to the facility improvements, DOR is requesting an increase in FTE and personal services to increase the number of work stations which will allow the DMV to serve more customers. The following table details the increase in spending authority from the Licensing Services Cash Fund:

- Executive Director's Office (EDO) Leased Space: \$2,325,409 in FY 2019-20 and \$311,109 in FY 2020-21 and thereafter;
- DMV Driver Services: \$435,437 and 8.0 FTE in Personal Services in FY 2019-20 and thereafter; and \$385,990 in Operating in FY 2019-20 annualizing to \$207,600 in FY 2020-21 and thereafter.

Category	FTE	FY 2019-20	FTE	FY 2020-21 Annualized
EDO Leased Space & Facility Build-out		\$2,351,109		\$311,109
DMV Personal Services	8.0	\$435,437	8.0	\$435,437
DMV Operating – FTE Equipment, Moving Expenses, & Marketing		\$385,990		\$207,600
TOTAL	15.0	\$3,172,536	8.0	\$954,146

The Licensing Services Cash Fund has funding to sustain this request based on a five-year forecast analysis assuming no increase to the fee structure. If the proposed solution is not approved, the DMV does not have adequate spending authority to address these leased space issues and provide the most efficient and effective customer service per the Governor's directive. The offices that are in holdover status have a 30-day provision to vacate upon the property owner's request. If this request is not funded and the DMV is requested to vacate, then there is the potential for some DLOs to close, thereby reducing the DMV's capacity to serve customers.

Included in this request is an annual appropriation to the operations of Driver Services for the marketing and outreach of the DMV's *Skip the Trip* campaign. The objective of the campaign is to increase awareness and use of online services so that fewer Colorado residents have to visit DMV offices for services, thereby reducing wait times. The services to be highlighted include online driver license and motor vehicle registration renewal, driving records and International Registration Program (IRP). We will work to highlight the fact that we currently have 34 online services, including 15 new services introduced on August 6, 2018.

To highlight the impact of just one of these 34 online services, last year, 208,000 individuals renewed their driver license online. The average total customer experience time for an individual to complete a driver license renewal in an office was 29:18. Colorado residents saved more than 6.2 million minutes or 104,000 hours by skipping the trip and renewing their driver license online. By continuing to increase the amount of customers completing their transactions online, DMV can continue to reduce wait times and increase customer satisfaction for those that travel to DLOs in person. DMV will continue to evaluate this digital footprint as physical leases are negotiated and total space requirements are finalized with each lease renewal which typically occurs at 5 year increments.

Anticipated Outcomes:

Approval of this request will support the DMV's goal of enhancing customer service by reducing the number of Colorado residents waiting in waiting areas too small for the number of customers served. It also supports DOR's strategic plan of providing outstanding, quality customer service. It is anticipated that by either expanding, relocating or remodeling these offices, the DMV will be able to achieve progress towards these goals. The additional 8.0 FTE could potentially serve an additional 53,000+ customers per year assuming an average of 25.5 customers served per employee per business day. Customer service time (the entire length of a customer's visit to a DLO) in these offices could potentially decrease 15%-25% compared to customer service time at current staffing/equipment levels. This would bring these offices more in line with state averages.

Assumptions and Calculations:

The Department is requesting an increase of 8.0 FTE in FY 2019-20 and thereafter. The positions are comprised of Technicians II-IV based on location. The additional FTE will allow the DMV to install more workstations to serve more customers and issue more documents. Personal Service for FY 2019-20 total \$435,437 with the associated operating costs for the staff of \$17,440, and an additional amount for the DMV workstations of \$83,550. The Department anticipates that the relocation will be completed within FY 2019-20, however the Department requests the authority to roll forward any funding that is not utilized by the end of the fiscal year, due to unforeseen circumstances or potential delays caused from relocation and/or expansion.


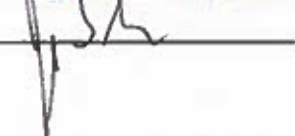
The additional leased space estimate is based on market rates provided by the State's real estate broker for the necessary square footage. The locations are listed in priority order in the table below.

						Requested Increase of EDO Leased Space		Requested DMV Operating
	Current Sq. Ft.	Current Annual Lease Cost	Requested Sq. Ft.	Market Rate Per Sq. Ft.	Projected Annual Lease Cost	Annual Lease Cost Increase (ongoing)	Facility Build out (one-time)	Moving Costs (one-time)
Littleton	2,439	\$75,055	5,000	\$36	\$180,000	\$104,945	\$580,261	\$25,000
Parker	3,638	\$131,200	5,000	\$40	\$200,000	\$68,800	\$589,266	\$25,000
Boulder	2,211	\$73,647	3,500	\$40	\$140,000	\$66,353	\$475,362	\$17,500
Longmont	2,304	\$29,104	3,500	\$28	\$98,000	\$68,896	\$395,111	\$17,500
Lamar	600	\$6,885	No Change	\$15	\$9,000	\$2,115	-	-
Total						\$311,109	\$2,040,000	\$85,000

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title	
R-06 Lottery Wal Mart Expansion	
Dept. Approval By: 	Supplemental FY 2018-19
OSP B Approval By: 	Budget Amendment FY 2019-20
	X Change Request FY 2019-20

Summary Information	Fund	FY 2018-19	Supplemental Request	FY 2019-20	Change Request	FY 2020-21
		Initial Appropriation		Base Request		Continuation
	Total	\$88,841,639	\$0	\$88,841,639	\$5,719,000	\$2,321,000
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$88,841,639	\$0	\$88,841,639	\$5,719,000	\$2,321,000
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2018-19	Supplemental Request	FY 2019-20	Change Request	FY 2020-21
		Initial Appropriation		Base Request		Continuation
	Total	\$14,269,479	\$0	\$14,269,479	\$4,698,000	\$1,300,000
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division,	GF	\$0	\$0	\$0	\$0	\$0
(A) State Lottery Division,	CF	\$14,269,479	\$0	\$14,269,479	\$4,698,000	\$1,300,000
(1) State Lottery Division - Vendor Fees	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$54,572,160	\$0	\$54,572,160	\$1,021,000	\$1,021,000
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division,	GF	\$0	\$0	\$0	\$0	\$0
(A) State Lottery Division,	CF	\$54,572,160	\$0	\$54,572,160	\$1,021,000	\$1,021,000
(1) State Lottery Division - Retailer Compensation	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Revenue Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact



COLORADO
Department of Revenue

Priority: R-06
Lottery Wal-Mart Expansion
FY 2019-20 Funding Request

Cost and FTE

- The Department of Revenue (DOR) requests an increase in cash fund spending authority for the Lottery Division of \$5,719,000 in FY 2019-20 annualizing to \$2,321,000 in FY 2020-21 and thereafter for expansion of Lottery vending machines into Wal-Mart Super Centers across the state.

Current Program

- The Lottery's current vendor contract has been in place since January 2014. The vendor contract provides for statewide support, a communications network, a central system, and other services for the Lottery's 3,100 retailers.
- Lottery retailers are paid a 7% commission on all scratch sales, a 6% commission on all jackpot sales, and a 1% cashing bonus on the amount of all prizes claimed at their store. They also receive a bonus of \$1,000 to \$50,000 for selling top-prize-winning tickets and a quarterly compliance bonus, which combined, can equal up to 0.5% of total sales.

Problem or Opportunity

- The addition of Wal-Mart Super Centers to the Lottery retailer base will give the Lottery access to the largest retailer outlet in the state, which includes the potential to reach 20,000 customers per Wal-Mart Super Center per day.
- In order to increase that potential customer base, the Lottery will need to lease 200 Gemini vending machines to equip Wal-Mart Super Centers adequately.
- The Lottery reports that this expansion may result in increased annual sales by a range of \$29 million to \$40 million.

Consequences of Problem

- This request is projected to greatly increase gross revenue and the overall profitability of the Lottery. All proceeds are distributed to the beneficiaries. If this request is not approved, then the beneficiaries of GOCO Colorado, Conservation Trust, and BEST will not have an increase in their distributions.

Proposed Solution

- The Department requests a total increase of \$5,719,000, in FY 2019-20 annualizing to \$2,321,000 in FY 2020-21 and thereafter, to lease 200 Gemini vending machines to equip Wal-Mart Super Centers and increase Lottery revenue for the benefit of the Lottery proceeds recipients.
- Of the total request, \$4,698,000 is for vendor fees (which includes the one-time lease costs for the machines) beginning in FY 2019-20 annualizing to \$1,300,000 in FY 2020-21 and thereafter. Vendor fees fluctuate with sales, with significant spikes correlated with large jackpots. This ongoing increase in spending authority is necessary to accommodate a record sales year. Additionally, there is an increase of \$1,021,000 in retailer compensation needed in FY 2019-20 and thereafter.



COLORADO

Department of Revenue

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

Department Priority: R-06

Request Detail: Lottery Wal-Mart Expansion

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Lottery Wal-Mart Expansion	\$5,719,000	\$0	\$5,719,000

Problem or Opportunity:

The addition of Wal-Mart Super Centers to the Lottery retailer base will give the Lottery access to the largest retailer outlet in the state. With the ability to offer Lottery products in Wal-Mart Super Centers, the Lottery has the potential to reach 20,000 Wal-Mart customers per Super Center per day. This increase in exposure will provide the Lottery with the potential to increase sales by a projected range of \$29 million to \$40 million per year. The Lottery needs to lease 200 Gemini vending machines to adequately equip Wal-Mart Super Centers and tap this market.

The Lottery has been under the current vendor contract since January 2014. The vendor contract provides for statewide support, a communications network, a central system, and other services for the Lottery's 3,100 retailers. Lottery retailers are paid a 7% commission on all scratch sales and 6% on all Jackpot sales. They are paid a 1% cashing bonus on the amount of all prizes claimed at their store. They are paid a selling bonus of \$1,000 to \$50,000 for selling top-prize winning tickets and they are paid a quarterly compliance bonus, which combined, can be up to 0.5% of all sales.

If this request is not approved, Wal-Mart could decide to not partner with the Lottery resulting in the loss of access to the biggest retailer market in America and the loss of tens of millions of dollars of sales. There could also be a loss of confidence from other potential big box store retailers (Target, Walgreens) resulting in a loss of potential untapped markets for Lottery products. The loss of a partnership with Wal-Mart will result in the potential loss of \$29 million to \$40 million in sales, which equates to approximately \$6 million - \$9 million in proceeds for the Lottery beneficiaries. As more options for potential lottery players (i.e. sports betting) become available, and in order to meet the Lottery's strategic goal of maximizing the proceeds for its beneficiaries, the Lottery must capitalize on all opportunities to expand its customer base and increase its annual sales.

Anticipated Outcomes:

The goal of this request is to increase the revenue of the state's lottery while maintaining or lowering the ratio of administrative expenses to total sales. As lottery revenues increase, distributions to proceeds recipients such as GOCO, the Conservation Trust Fund, Colorado Parks and Wildlife and BEST also increase. Measured success will be most evident through an increase in the annual proceed distribution amounts. The mission of the Lottery is to maximize revenues thereby increasing proceeds for its recipients in a way that demonstrates the integrity appropriate for a state agency.

Assumptions and Calculations:

This request consists of:

Long Bill Line	FY 2019-20	FY 2020-21 and Thereafter
Vendor Fees - Equipment Lease	\$ 3,440,000	\$ -
Vendor Fees	\$ 1,258,000	\$ 1,300,000
Retailer Compensation	\$ 1,021,000	\$ 1,021,000
Total	\$ 5,719,000	\$ 2,321,000

There is no additional FTE associated with this request.

Schedule 13

Department of Revenue

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-07 Marijuana Enforcement Division Operations

Dept. Approval By:

Supplemental FY 2018-19

OSPB Approval By:

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$36,842,259	\$0	\$37,745,266	\$2,138,418	\$1,839,432
	FTE	104.1	0.0	104.1	8.0	8.0
Total of All Line Items Impacted by Change Request	GF	\$9,457,821	\$0	\$9,336,903	\$0	\$0
	CF	\$27,356,301	\$0	\$28,191,671	\$2,138,418	\$1,839,432
	RF	\$28,137	\$0	\$49,081	\$0	\$0
	FF	\$0	\$0	\$167,611	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$12,699,520	\$0	\$12,722,299	\$63,418	\$63,418
01, Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Health, Life and Dental	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$5,065,441	\$0	\$4,967,186	\$0	\$0
	CF	\$7,615,882	\$0	\$7,627,042	\$63,418	\$63,418
	RF	\$18,197	\$0	\$33,568	\$0	\$0
	FF	\$0	\$0	\$94,503	\$0	\$0

	Total	\$137,500	\$0	\$143,854	\$1,189	\$1,189
01, Executive Director's Office, (A) Administration and Support, (1) Administration and Support - Short-term Disability	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$56,646	\$0	\$55,169	\$0	\$0
	CF	\$80,688	\$0	\$87,214	\$1,189	\$1,189
	RF	\$166	\$0	\$257	\$0	\$0
	FF	\$0	\$0	\$1,214	\$0	\$0



Cost and FTE

- The Marijuana Enforcement Division (MED) of the Department of Revenue (DOR) requests a cash fund spending authority increase from the DOR Marijuana Cash Fund to address issues and challenges surrounding marijuana business licensing, enforcement, and data collection. MED requests a cash fund spending authority totaling \$2,138,418 and 8.0 FTE in FY 2019-20 (of this amount, \$914,416 will be transferred to the Marijuana Tax Cash Fund (MTCF) to fund 5.0 FTE in the Colorado Bureau of Investigation (CBI) to combat black market activity). This request will annualize to \$1,839,432 and 8.0 FTE in FY 2020-21 (of this total, \$890,901 will be transferred to the MTCF to fund 5.0 FTE in CBI for a second year). This request will ultimately annualize to \$948,531 and 8.0 FTE in FY 2021-22 ongoing in DOR with no continuation of funding for the CBI resources from this cash fund.

Current Program

- The MED regulates the commercial marijuana sector and prioritizes public safety through the consistent administration of laws through the licensure of medical and retail marijuana businesses and key owners, as well as enforcement efforts.
- As of January 1, 2018, there were 1,534 licensed medical marijuana businesses, 1,539 licensed retail marijuana establishments, and 11,660 key occupational licenses in the State of Colorado.
- At the request of local law enforcement, CBI has begun to form a team to address the illegal and unregulated residential cultivation of marijuana. DOR's transfer of funds to the MTCF will fund this team for two fiscal years.

Problem or Opportunity

- The marijuana industry has seen an increase in the illegal marijuana trade that jeopardizes the viability of the State's regulated, licensed, commercial marijuana sector.
- MED and CBI both currently lack adequate spending authority to police the illegal marijuana trade.

Consequences of Problem

- If not addressed, the reduction of the illegal marijuana trade cannot be aggressively pursued.
- If more advanced inventory data is not collected, it will impede the State's data-driven decision-making.
- These issues will prevent MED from pursuing its mission to ensure that the regulated, licensed, commercial marijuana sector is not adversely impacted by illegal activity.
- Illegal cultivations contribute to violent crimes and the diversion of marijuana out of Colorado.

Proposed Solution

- The request will allow for the creation of a black market enforcement team comprised of MED criminal investigators and analysts to augment CBI drug task forces around the State.
- This request will also augment the existing CBI team by providing start-up funding in the form of a transfer to the MTCF for 5.0 CBI FTE.
- This request allows for the acquisition of software to synthesize and analyze data and the staff necessary to support the program.
- The public will benefit from the additional resources that will curb black market activity.
- This solution will not require a statutory change.



COLORADO

Department of Revenue

John W. Hickenlooper
Governor

Michael Hartman
Executive Director

FY 2019-20 Funding Request | November 1, 2018

Department Priority: R-07

Request Detail: Marijuana Enforcement Division Staffing

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund	Cash Funds
Marijuana Enforcement Division Operations	\$2,138,418	\$0	\$2,138,418

Problem or Opportunity:

The Marijuana Enforcement Division (MED) has structured its staff and allocated its resources for conducting background and compliance investigations and making recommendations regarding the issuance, denial, suspension, fine, or revocation of medical and retail marijuana licenses based on the pertinent mandates in the Colorado Constitution and applicable Colorado Revised Statutes. In addition to compliance with these Colorado legal requirements, MED has prioritized compliance with the federal government's enforcement priorities which are outlined in the "Cole Memo" provided by the Department of Justice (USDOJ). Although the Cole Memo was officially rescinded by DOJ in January 2018, the memo continues to provide informal guidance. It can be accessed at the following link:

<http://www.justice.gov/opa/pr/justice-department-announces-update-marijuana-enforcement-policy>.

Enforcement priorities for the purposes of this proposal continue to be "preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels, ... preventing the diversion of marijuana to other states, ... [and] preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity."

Colorado is faced with significant black market challenges. Recent data tells us that Colorado law enforcement agencies are aggressively pursuing cases involving black market activity, yet we continue to see how additional resources could enhance enforcement efforts. For example, although overall marijuana-related arrests and serious case filings have either decreased or remained consistent with pre-legalization levels, organized crime cases generally increased since 2008. Further, from 2015-2017, seizures of marijuana plants on public lands rose continuously. Finally, the number of seizures by the US Postal Inspection Service of marijuana originating in Colorado have increased steadily since 2010. These data points suggest needs to enhance support of and coordination with federal, state, and local partners enforcing against illegal marijuana activity.

One special concern for DOR/MED is the potential of licensed, regulated market involvement in fueling illegal activity. Sales of concentrate by weight increased 45% during 2017, while sales of concentrates by unit increased 108%. These growth rates far outstrip flower sales, which only increased 15% in the same year. The rapid increase in concentrate sales may be driven by the higher profitability of trafficking and

selling concentrates outside of Colorado. Concentrates produced and sold in the commercial marijuana market offer traffickers a commercial-grade product that has lower detectability signatures, higher value by weight, and higher demand than flower/bud, as they cannot easily be found in other states and markets.

As an example, working with the Denver Police Department (PD), MED identified looping activity at a specific medical center, with locations that amounted to over \$10 million in sales during a 12-month period, accounting for well over 30% of the company's medically-derived revenue. MED investigators understand that 'looping' and 'smurfing' practices were not contained solely to this stated medical center's locations, and may continue at other state-licensed stores and medical centers. By purchasing from the licensed market in order to supply the black market, loopers/traffickers evade regulatory implements (think seed-to-sale inventory tracking system) designed to prevent commercially-grown marijuana from falling into the hands of individuals who intend to supply the black market. Black market concern is also focused on illicit residential cultivations across the state.

The proposed opportunity to address these concerns is two-fold:

1. **Enforcement Concerns:** There have been growing concerns regarding the increase of black market activity within the State of Colorado. This burgeoning market has proven to be elusive to enforcement action. The activity that surrounds this market evades the tracked and tested Colorado model. Additionally, there exists concern that this activity can impact surrounding States and beyond.

The creation of a black market enforcement team would assist in intercepting the aforementioned activity. The ideal strategy would be to identify skilled criminal investigators who have knowledge of Colorado's licensed commercial framework and can partner with the Colorado Bureau of Investigations and other drug task forces. The proposed elements include the following to be funded from DOR's Marijuana Cash Fund (MCF):

- A. 1.0 FTE Criminal Investigator IV position to lead the unit within the MED Investigations Section focused on supporting black-market enforcement efforts. This position would report directly to the Chief of Licensing and Investigations.
- B. 3.0 FTE Criminal Investigator II positions for MED and assigned full-time to the CBI regional teams. These three MED positions, with one assigned to the West Slope team, and two assigned to the Front Range team, will be designated as full POST-certified task force team members, and will report operationally to CBI leadership. One special area of focus for these investigators will be black market activity in the state. These FTEs will be able to access and utilize MED data to proactively inform CBI investigations. MED investigators will also be tasked with liaison work with regional drug task forces throughout the state.
- C. 1.0 FTE full time analyst at the Colorado Information Analysis Center (CIAC). This position will be critical in facilitating analysis of complex data sets and information exchange between Colorado law enforcement agencies.
- D. A \$914,416 transfer of funds from DOR's MCF to the MTCF to fund 5.0 FTE for a full-time CBI Task Force.
 - o 1.0 FTE Criminal Investigator III position with the Colorado Bureau of Investigation. Funding would flow directly to the Department of Public Safety, Colorado Bureau of Investigation.
 - o 1.0 FTE Criminal Investigator II - Sr. Agent position with the Colorado Bureau of Investigation. Funding would flow directly to the Department of Public Safety, Colorado Bureau of Investigation.

- 3.0 FTE Criminal Investigator II positions with the Colorado Bureau of Investigation. Funding would flow directly to the Department of Public Safety, Colorado Bureau of Investigation.

It should be noted that to acquire a skill set of staff for these positions consistent with the demands of these positions, salary levels were made equitable with other agencies.

2. **Data & Policy Enhancements:** The MED has identified that a key lesson learned with the legalization of marijuana is the importance of tracking data over time (and with current technology) to acquire a more comprehensive understanding of the effects and impacts of legalization. Data from the inventory tracking and seed-to-sale system is a critical tool for the Division; however it needs to be synthesized with other data points from a variety of public and law enforcement sources. This data must then be effectively used in planning, to ensure the marijuana enforcement framework will keep up with recent trends in discouraging illegal activity. The proposed elements include:
 - A. 1.0 FTE Policy Advisor VII position within the Policy and Regulation Section at MED to backfill the FTE that has been assigned to serve as the statewide cross-departmental marijuana coordinator in the Governor's Office. This policy position being requested has always served to enhance MED's capabilities to coordinate and support legislative and rulemaking activities, as well as administrative action processing, with a special focus on black market activity.
 - B. 2.0 FTE Analyst II positions to support this new functionality. This capability will not only directly benefit the Division and its mission, but will also benefit the Department's Office of Research and Analysis, which is tasked with determining the Average Market Rates, as well as benefitting the Tax Division in their efforts to collect tax on marijuana sales.
 - C. Specialized software capabilities to obtain and analyze data. This will require a one-time programming cost in FY 2019-20, and ongoing costs thereafter for maintenance and support.

Proposed Solution:

MED requests Marijuana Cash Fund (MCF) spending authority totaling \$2,138,418 and 8.0 FTE in FY 2019-20, \$1,839,432 and 8.0 FTE in FY 2020-21, annualizing to \$948,531 and 8.0 FTE in FY 2021-22 ongoing.

Of the totals being requested for FY 2019-20 and FY 2020-21, there is a one-time transfers to be made in each fiscal year from the DOR MCF to the State's MTCF to fund the task force FTE for CBI for two years. The amounts of these one-time transfers will be \$914,416 for FY 2019-20 and \$890,901 for FY 2020-21.

This request is critical to the success of MED and CBI in the mission to ensure that the legitimacy and viability of the regulated, licensed, commercial marijuana sector is not negatively impacted by illegal activity, and widespread illegal cultivation activity. This will also ensure that MED is meeting its due diligence in the compilation and analysis of crucial data. Both will benefit the licensed population, the public, and the State as a whole.

Anticipated Outcomes:

If approved, MED will have additional spending authority to continue its mission towards these goals, including the primary goal of ensuring that the broad illegal activity that surrounds the current marijuana market does not impact the Colorado licensure framework or the citizens of Colorado.

Assumptions and Calculations:

This increased spending authority will be funded from the existing resources in the Marijuana Cash Fund that have been collected from the licensing activity. A detailed cost break-out for this proposal is listed in Attachment A of this request

Additional Information (for internal/OSPB use only)

	Yes	No	Additional Information
Is the request driven by a new statutory mandate?		X	
Will the request require a statutory change?		X	
Is this a one-time request?	X		
Will this request involve IT components?	X		
If yes, has OIT reviewed the request and submitted a corresponding Schedule 13?			
Does this request impact other state agencies?		X	
If yes, has the other impacted state agencies reviewed the request and submitted a corresponding Schedule 13?			
Is there sufficient revenue to support the requested cash fund expenditures?	X		
Does the request link to the Department's Performance Plan?	X		

R-07 - ATTACHMENT A

Personal Services		FY 2019-20		FY 2020-21		FY 2021-22	
Department	Description	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Department of Revenue	Policy Advisor VII	1.0	\$154,375	1.0	\$154,375	1.0	\$154,375
Department of Revenue	Criminal Investigator IV	1.0	\$150,714	1.0	\$150,714	1.0	\$150,714
Department of Revenue	Criminal Investigator II	3.0	\$338,791	3.0	\$338,791	3.0	\$338,791
Department of Revenue	Statistical Analyst II	3.0	\$183,483	3.0	\$183,483	3.0	\$183,483
Subtotal Personal Services		8.0	\$827,363	8.0	\$827,363	8.0	\$827,363
Operating Expenses		FY 2019-20		FY 2020-21		FY 2021-22	
Department	Description	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Department of Revenue	Regular Operating	--	\$148,639	--	\$48,168	--	\$48,168
Department of Revenue	Leased Space	--	\$48,000	--	\$48,000	--	\$48,000
Department of Revenue	Analytical Software	--	\$200,000	--	\$25,000	--	\$25,000
Subtotal Operating Expenses		--	\$396,639	--	\$121,168	--	
Department of Public Safety	Transfer funds to MTCF for CBI Taskforce of 5.0 FTE		\$914,416		\$890,901		--
Subtotal Operating Expenses Including Transfer		--	\$1,311,055	--	\$1,012,069	--	\$121,168
Total		8.0	\$2,138,418	8.0	\$1,839,432	8.0	\$948,531