

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

NP-01 COE Program Financial Restructure

Dept. Approval By:

Lorri Dugan Digitally signed by Lorri Dugan
Date: 2020.10.21 12:58:25 -06'00'

Supplemental FY 2020-21

OSPB Approval By:

Cynthia Kelly

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$0	\$0	\$0	\$25,415	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$0	\$0	\$0	\$25,415	\$0
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$0	\$0	\$0	\$25,415	\$0
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$0	\$0	\$0	\$25,415	\$0
Administration and Support - Statewide	CF	\$0	\$0	\$0	\$0	\$0
Training	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:

Impacts DPA

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

NP-02 DOR Printing and Mail Migration to IDS

Dept. Approval By:

Lorri Dugan Digitally signed by Lorri Dugan
Date: 2020.10.21 12:58:25 -06'00'

Supplemental FY 2020-21

OSPB Approval By:

Cynthia Kelly

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$64,812,056	\$0	\$56,437,178	\$347,116	(\$343,883)
	FTE	138.8	0.0	147.0	(5.0)	(5.0)
Total of All Line Items Impacted by Change Request	GF	\$31,301,561	\$0	\$29,458,433	\$689,675	(\$1,324)
	CF	\$27,255,355	\$0	\$19,281,488	(\$342,559)	(\$342,559)
	RF	\$6,070,759	\$0	\$7,521,391	\$0	\$0
	FF	\$184,381	\$0	\$175,866	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$12,605,285	\$0	\$13,371,575	(\$251,221)	(\$251,221)
01. Executive Director's Office, (A)	FTE	138.8	0.0	147.0	(5.0)	(5.0)
Administration and Support, (1)	GF	\$5,858,777	\$0	\$5,048,606	(\$251,221)	(\$251,221)
Administration and Support - Personal Services	CF	\$698,384	\$0	\$814,393	\$0	\$0
	RF	\$6,048,124	\$0	\$7,508,576	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$14,806,800	\$0	\$17,495,386	(\$59,083)	(\$59,083)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$3,833,915	\$0	\$6,738,907	(\$59,083)	(\$59,083)
Administration and Support - Health, Life, and Dental	CF	\$10,850,714	\$0	\$10,637,162	\$0	\$0
	RF	\$13,065	\$0	\$8,235	\$0	\$0
	FF	\$109,106	\$0	\$111,082	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$161,639	\$0	\$159,187	(\$4,773)	(\$4,773)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$61,023	\$0	\$71,866	(\$4,773)	(\$4,773)
Administration and Support - Short-term Disability	CF	\$99,201	\$0	\$86,233	\$0	\$0
	RF	\$160	\$0	\$72	\$0	\$0
	FF	\$1,255	\$0	\$1,016	\$0	\$0
	Total	\$4,778,411	\$0	\$4,676,092	(\$12,561)	(\$12,561)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	(\$12,561)	(\$12,561)
Administration and Support - Amortization	CF	\$2,935,957	\$0	\$2,701,944	\$0	\$0
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$4,778,411	\$0	\$4,676,092	(\$12,561)	(\$12,561)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	(\$12,561)	(\$12,561)
Administration and Support - Supplemental Amortization	CF	\$2,935,957	\$0	\$2,701,944	\$0	\$0
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$2,342,449	\$0	\$2,358,159	(\$355,962)	(\$355,962)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,608,261	\$0	\$1,614,911	(\$355,962)	(\$355,962)
Administration and Support - Operating Expenses	CF	\$734,188	\$0	\$743,248	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$3,224,512	\$0	\$3,255,067	(\$3,089,000)	(\$3,089,000)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$2,848,606	\$0	\$2,848,606	(\$2,746,441)	(\$2,746,441)
Administration and Support - Postage	CF	\$375,906	\$0	\$406,461	(\$342,559)	(\$342,559)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$20,521,724	\$0	\$8,786,141	(\$250,575)	(\$250,575)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$11,915,609	\$0	\$7,614,971	(\$250,575)	(\$250,575)
Administration and Support - Payments to OIT	CF	\$8,606,115	\$0	\$1,171,170	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$0	\$0	\$0	\$4,631,256	\$3,940,257
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (A)	GF	\$0	\$0	\$0	\$4,631,256	\$3,940,257
Administration , (1)	CF	\$0	\$0	\$0	\$0	\$0
Administration - IDS	RF	\$0	\$0	\$0	\$0	\$0
Print Production	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$1,067,697	\$0	\$1,086,997	(\$106,245)	(\$106,245)
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (B) Taxation and Compliance Division, (1)	GF	\$1,053,967	\$0	\$1,073,267	(\$106,245)	(\$106,245)
Taxation and Compliance Division - Operating Expenses	CF	\$13,730	\$0	\$13,730	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$525,128	\$0	\$572,482	(\$142,159)	(\$142,159)
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	GF	\$519,925	\$0	\$567,279	(\$142,159)	(\$142,159)
Taxpayer Service Division - Operating Expenses	CF	\$5,203	\$0	\$5,203	\$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 Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Impacts DPA



Department Priority: R-02
Request Detail: Department of Revenue Printing and Mail Migration to Integrated Document Solutions

Department of Personnel & Administration - Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$18,654,067	\$18,654,067	\$0	\$0
FTE	0	0	0	0
General Fund	\$0	\$0	\$0	\$0
Cash Funds	\$980,537	\$980,537	\$0	\$0
Reappropriated Funds	\$17,673,530	\$17,673,530	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0

Department of Revenue - Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds			\$347,116	(\$343,883)
FTE			(5.0)	(5.0)
General Fund			\$347,116	(\$343,883)
Cash Funds			\$0	\$0
Reappropriated Funds			\$0	\$0
Federal Funds			\$0	\$0

Summary of Request

The Department of Personnel & Administration (DPA), in coordination with the Department of Revenue (DOR), requests the adjustments necessary to consolidate printing and mail volumes at the Department of Personnel & Administration's Integrated Document Solutions (IDS) in order to eliminate duplication, generate a statewide savings, and resolve a recommendation from the Office of the State Auditor.

The movement of all volumes from DOR to IDS was initiated due to the Office of the State Auditor's 2011 audit report (control number 2157), guiding DOR to move all printing and metering mail services to IDS. As part of this transfer, DOR's appropriations will be adjusted and an allocation of common policy funding will be included in an existing Document Solution Group (DSG) Common Policy line item, so that DOR is funded to pay IDS for print and mail services. Additionally, all customers who utilize IDS' services will benefit from reduced rates as fixed indirect costs will be able to be spread over an approximate 20% increase in volume for IDS North Campus, where the IDS printing and metering services are held.

Initial estimates indicate that the costs associated with the transfer will require a minor increase in appropriations at the Department of Revenue in the first year. All other customers will experience a decrease in rates, and a corresponding decrease in the amount billed to them due to the spread of fixed overhead costs over a larger volume (assuming print and mail volumes return to pre-COVID levels). This incremental need at DOR is driven by an unavoidable decrease in volumes projected at IDS due to COVID-19 and the associated tightening of operating budgets. In a year when volumes return to normal, the Department anticipates that all customers will benefit from the additional volumes processed by IDS. Even if volumes stabilize at a lower volume count, the State will still benefit from the elimination of duplicative services.

With this movement of volume into IDS, the program requests the combination of two line items to maximize efficiencies for the program. The Department requests that the (4) Division of Central Services (B) Integrated Document Solutions Postage line item be combined with the (4) Division of Central Services (B) Integrated Document Solutions Operating Expenses line item beginning FY 2021-22 and ongoing. Combining the Postage line item into the Operating line item enables IDS to take over the DOR volume without a request to increase appropriation through efficient utilization of existing spending authority.

To pay IDS common policy for the services of mailing and printing, the Department of Revenue will need to move appropriations in the amount of \$4,033,565 from a combination of personal services, benefits, operating, and postage lines to the IDS Common Policy line item. Also, DOR will need appropriation movement of \$250,575 from the DOR Office of Information Technology (OIT) Payment Common Policy line to the IDS Common Policy line item. OIT has been part of this request process, and calculated the amount of appropriation to be moved from the OIT common policy to the IDS Common Policy line item, as shown in appendix (A). This will total \$4,284,140, which is the current cost associated at DOR for printing and mailing services. For FY 2021-22, DOR will need an additional \$347,116 in appropriation within the IDS Common Policy to equal the total estimated cost for DOR print and mail volume migrating to IDS of \$4,631,256.

Although this request is not considered on the evidence-based policy continuum, it is a highly critical funding request that will sustain the program's operations. The evidence-based policy continuum lists types of evaluation (i.e. randomized controlled trial (RCT), quasi-experimental design (QED), etc.), the amount of confidence that can be had by each (i.e. high, moderate, etc.), and labels evaluation types based on their rigor (i.e. proven, evidence-informed, etc.). While the goal of evidence-based policy is to make decisions using data, research, and evidence, and to invest in activities that allow for continual monitoring and evaluation, this request falls into the category of critical administrative funding request and therefore does not require evidence-based research to support its criticality.

Current Program:

The Division of Central Services (DCS) provides a diverse set of services that include design, imaging, mail, delivery, and print management services. Within DCS, Integrated Document Solutions (IDS) is the Colorado State Printer and is an end-to-end document management operation, serving all government entities across Colorado. IDS advises, assists, and supports each agency's needs and provides a wide variety of document solutions at a professional level, all at a fraction of the cost of private vendors. From business cards, graphic design, and scanning, to print, mail delivery, and warehousing, IDS partners with each agency to offer professional services tailored to each program's need and budget. Since IDS provides so many business services/solutions in-house, it is relatively simple to integrate any number of these services into a seamless operation for agencies, resulting in more efficient processes and lower costs.

Pursuant to statutes 24-30-1102, C.R.S. and 24-30-1108, C.R.S., IDS sets rates for the services performed by the program, ensuring that all direct and indirect costs of running the program are covered and that the rates charged by the program are competitive with the market. Utilizing the anticipated volumes for each service, the process targets a zero-profit rate based on the anticipated volumes and total estimated costs of production. These costs for the upcoming year include program overhead, labor, and operational expenses. The main goal of the rate setting process is to ensure that the state agencies that use IDS services are getting the best price possible. The FY 2017-18 market rate comparison data shows IDS rates are on average 35% below market price.

Within IDS there are two locations that process all IDS production. The main location, North Campus, is located within Denver and will handle the DOR print and mail volume migration. The second site is in Pueblo, and is known as the Document Solutions Group (DSG). DSG handles the DOR tax pipeline and scanning operations, which Secretary of State (SOS) is also a large customer. In an effort to provide more stability in the rates for its two largest customers, the Department has implemented the DSG Common Policy in FY 2019-20 for those two customers. With this request DOR will be paying DPA for the services at both locations through a single common policy allocation.

Problem or Opportunity:

Unlike many private print and mail operations, IDS' rate setting process specifically excludes the need to generate a profit and simply targets a break even with a small fund balance cushion to protect against volatility in demand or prices, such as unexpected changes to volumes. As noted above, IDS is able to provide rates that fall substantially below market because of this process.

Rates for IDS' services cover program overhead, labor, and operational expenses. Program overhead includes Division of Central Services Administration costs, allocated portions of the Department's common policies such as Vehicle Leases, Leased Space, Payments to OIT, Capitol Complex Leased Space, Worker's Compensation, Risk Management Payments, CORE Operations Payments, and Indirect Cost Assessments. As volumes increase, these fixed program overheads are spread across additional volumes, thereby reducing the overall rates for each of IDS' customers.

The Department of Revenue has been operating a print production and mail center to service DOR's specific needs, and the volumes processed in this DOR center represent volumes that can be folded seamlessly into IDS' existing infrastructure without increasing program overhead. Both the Department of Revenue and the Department of Personnel & Administration recognize the value of moving the volumes previously processed by DOR to IDS to ensure that all state agency customers are receiving the best value possible.

Additionally, the consolidation of these services within IDS represents the final stage of compliance with a performance audit completed by the Office of the State Auditor. The audit found that the Department of Revenue was not fully utilizing Department of Personnel & Administration's Division of Central Services for services including the processing of outgoing mail, warrants, and printing tax-related documents. The DOR Printing and Mail Migration to IDS decision item will transfer the final remaining business function within DOR that is not fully utilizing DCS and address the concerns of the audit report.

Proposed Solution:

The Department of Revenue and the Department of Personnel & Administration jointly recognize the value to the State of consolidating print production services at IDS. This request includes all of the necessary adjustments for both agencies to move DOR print production volume to IDS. Given that IDS is built to achieve efficiencies through automation and does not upcharge products for a profit, any production volume increase that moves through IDS spreads the cost of the program over a larger customer base. This increased cost sharing in turn lowers the rates for the billable tasks charged to each department that uses IDS services. The Department of Personnel & Administration proposes folding the print and mail billing into a common policy line item already appropriated at DOR to help with the predictability of billing. The methodology for that common policy is outlined below.

General DPA Common Policy Methodology:

Current DPA common policies such as Payments to Risk Management, Workers' Compensation, Administrative Law Judge Services, Colorado Operations Resource Engine (CORE) Operations, Vehicle Lease Payments and Capitol Complex Leased Space, and DSG common policy utilizes the same type of methodology: the Department estimates the total cost pool for the following fiscal year, determines the allocation percentages by department using a specific metric, and then determines the target fund balance estimate and any fund balance adjustments that may be needed. The total billing amount by cabinet/department is determined by taking the total allocable cost base plus or minus any fund balance adjustment, and multiplying this total cost by the allocation percentages by department.

Proposed IDS Common Policy Methodology for DOR:

The billing methodology DPA is proposing for this particular action represents a material departure from the standard methodology outlined above. The Department is proposing that the proposed common policy cost pool is mixed within the IDS standard billing cost pool. This combination ensures that the cost sharing of the overheads are still achieved to maximize savings for all departments. To calculate the DOR IDS common policy, the Department will use current fiscal year IDS rates. These rates will include all anticipated volumes and needed expenses, including DOR, to calculate the rates for all customers. These rates will then be multiplied by DOR's average of the past two full fiscal years' volumes split out by billable task. This process will not only create stable billing for DOR, but also guarantee that cost sharing principles are applied equitably throughout the customer base. The Department also proposes that each year during the common policy build process, a review and comparison of revenue collected to actual expenses will be undertaken. If either the expense or revenue is out of balance, an adjustment will be made in the common policy rates.

Anticipated Outcomes:

Once all of the print production from DOR has moved over completely to IDS and the IDS common policy is fully implemented, the State will experience an overall decrease in expenditures on print production costs. This decrease in cost is attributed to the elimination of duplication in printing production, and a distribution of fixed cost over a larger customer base.

The increased volume and small corresponding increase in expenses for IDS could potentially produce a savings across existing printing and metering customers of \$1,601,890 total funds, and a potential General Fund savings of \$467,627. Combined with the additional allocation of GF at DOR, this represents a net \$120,511 GF savings to the State. In addition, savings to IDS' other customers will be realized as early as FY 2021-22. Because of the lag associated with a common policy, the lower costs to DOR are projected to be realized in FY 2022-23.

Given that the first year of integrating DOR print and mail into IDS' business is in the middle of the COVID pandemic, the estimated volumes processed by IDS will be lower than a normal year. Because of this, the first year of expenses for DOR utilization of IDS' services is estimated to be \$4,631,256. In the second fiscal year, when volumes presumably return to equilibrium, the estimated cost is \$4,287,375. Within the year two estimate the Department is anticipating the COVID crisis has subsided, and IDS volumes have returned to normal levels. Once IDS volumes return to normal, the cost for DOR to use IDS for its print services is approximately the same cost DOR currently pays for its in-house print production. As additional volumes are brought into IDS, DOR and other customers will continue to pay less for the same services.

Assumptions and Calculations:

In FY 2021-22, the Department of Revenue plans on vacating the Annex Building within the Capitol Complex. This is where the current print and mailing production is housed for DOR. If the migration of volume from DOR to IDS is not approved, the Department of Revenue would have an estimated additional expense of \$200,000 to move out of the Annex Building and up fit a building to house the DOR printing facility, or remain in the Annex Building and pay the Capitol Complex Lease Space FY 2021-22 square footage rate.

An initial review, using the common policy methodology, places the estimated costs for DOR around \$4,631,256 for FY 2021-22, compared to current spend of \$4,284,140. This estimate includes all services and goods needed by IDS to fulfill DOR current obligations based on estimates for FY 2021-22 and provided by DOR's current print operations.

The movement of print production over to IDS in FY 2021-22 will cost DOR an estimated \$347,116 above current production costs due to the temporary decline in volumes associated with COVID. This estimated increase is approximately the same additional cost needed for moving the DOR Print Shop out of the Annex Building. The established FY 2020-21 rates, used to calculate the FY 2021-22 common policy estimate for DOR, have a large drop off in anticipated volumes due to the unprecedented COVID crisis that currently occurring within Colorado. This anticipated volume decrease caused the FY 2020-21 rates to be higher than average years. To help with keeping IDS rates at an affordable amount for the State, the Department subsidized the FY 2020-21 rates using a large portion of the IDS fund balance to keep year-over-year rate growth to just 3 percent, even though volumes are down 10.5%, excluding the DSG Common Policy volumes. As operations begin to normalize and IDS services get back to normal volume amounts, the estimated cost for DOR could potentially decrease to \$4,287,373 in FY 2022-23, which is around the same cost DOR is currently incurring for print production.

Additional volumes for DOR will lower rates, and this in turn may contribute to new volume coming to IDS. The savings associated with the additional volume will be passed on to all customers.

The only increase in cost to IDS for this migration of volume from DOR to IDS is \$7,000 per year. IDS is able to absorb the DOR volume increase without any increased appropriations due to IDS' large scale automated production facility. To estimate the potential savings to the existing customers, a high level analysis was completed assuming volumes return to pre-COVID levels after the pandemic.

Table 1 - Calculation of DOR Estimated Cost for FY 2021-22 Common Policy			
DOR Print Shop IDS Billable Tasks	Current FY 2020-21 IDS Rates by Billable Task	DOR Estimated FY 2021-22 Volumes	Potential Cost Estimate for FY 2021-22
Cost of Goods Sold (Postage & Paper)			\$2,678,483
Inkjet Web	\$0.038	9,000,000	\$342,990
Warrants	\$0.502	1,080,000	\$541,739
B&W Toner 5,001-24,999	\$0.054	1,920,000	\$102,835
Letters First Class/Postcards (Metered)	\$0.180	115,200	\$20,765
Flats Meter/Sort 03B,03B1,03B2, 03Z	\$0.847	240,000	\$203,198
Accountable (Certified) 03L1,03N,03O,03P	\$12.089	2,700	\$32,641
Inserters(1-4 / 1 OZ) 03F,03S	\$0.065	5,760,000	\$373,766
Inserters Flats High Volume (11+ Sheets)	\$0.188	240,000	\$45,238
FedEx	\$15.671	12,000	\$188,051
In Line Sort (Postcards)	\$0.017	6,000,000	\$101,550
Total Cost			\$4,631,256
DOR Communicated Total Print Production Cost			\$4,284,140
Variance			\$347,116

Table 2 - Calculation of DOR Estimated Cost for FY 2022-23 Common Policy			
DOR Print Shop IDS Billable Tasks	Estimated FY 2021-22 IDS Rates by Billable Task	DOR Estimated FY 2022-23 Volumes	Potential Cost Estimate for FY 2022-23
Cost of Goods Sold (Postage & Paper)			\$2,678,483
Inkjet Web	\$0.033	9,000,000	\$295,459
Warrants	\$0.431	1,080,000	\$465,299
B&W Toner 5,001-24,999	\$0.049	1,920,000	\$93,616
Letters First Class/Postcards (Metered)	\$0.146	115,200	\$16,821
Flats Meter/Sort 03B,03B1,03B2, 03Z	\$0.660	240,000	\$158,473
Accountable (Certified) 03L1,03N,03O,03P	\$9.433	2,700	\$25,469
Inserters(1-4 / 1 OZ) 03F,03S	\$0.051	5,760,000	\$292,566
Inserters Flats High Volume (11+ Sheets)	\$0.147	240,000	\$35,216
FedEx	\$12.228	12,000	\$146,734
In Line Sort (Postcards)	\$0.013	6,000,000	\$79,237
Total Cost			\$4,287,373
DOR Communicated Total Print Production Cost			\$4,284,140
Variance			\$3,233

The estimate for the potential savings across all funds for existing printing and metering customers is calculated by taking the estimated total cost for DOR in year two, \$4,287,373, subtracting out the Cost of Goods Sold, \$2,678,483, and removing the \$7,000 increase in per click cost for IDS. This total provides the total cost pool that will be shared with the rest of IDS customers, thus decreasing the rates.

As demonstrated in the table below, the savings across all funds is estimated to be \$1,601,890. To calculate the savings for the top three customers and all other state agencies, the Department took the difference in rates with and without DOR volumes and multiplied that amount by the anticipated volumes for FY 2020-21. The potential General Fund savings was calculated by applying the current General Fund participation rate for CBMS and the 2007 General Fund participation rate for all other IDS customers. These amounts are estimates and the potential savings will not be fully recognized until IDS has a true understanding of the cyclical nature of the DOR volume. The tables for these calculations are below:

Table 3 - Other State Agencies Total Savings Calculation	
DOR Total Cost	\$4,287,373
DOR Cost of Goods Sold	(\$2,678,483)
Increase Operating Cost to IDS	(\$7,000)
Total Savings to Other State Agencies	\$1,601,890

DOR Volume Increase Potential Savings Distribution	Potential Savings Across All Funds	General Funds Potential Savings
Colorado Benefits Management System	\$550,665	\$203,746
Colorado Department of Labor and Employment	\$91,342	\$0
Department of Motor Vehicles	\$63,437	\$4,441
All Other State Agencies	\$896,446	\$259,440
Total Savings to Other State Agencies	\$1,601,890	\$467,627

Supplemental, 1331 Supplemental or Budget Amendment Criteria:
None.

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

NP-03 Annual Fleet Vehicle Request

Dept. Approval By:

Lorri Dugan Digitally signed by Lorri Dugan
Date: 2020.10.21 12:58:25 -06'00'

Supplemental FY 2020-21

OSPB Approval By:

Cynthia Kelly

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$809,138	\$0	\$825,908	\$69,933	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$159,087	\$0	\$159,087	\$17,483	\$0
	CF	\$650,051	\$0	\$666,821	\$52,450	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$809,138	\$0	\$825,908	\$69,933	\$0
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$159,087	\$0	\$159,087	\$17,483	\$0
Administration and Support - Vehicle Lease Payments	CF	\$650,051	\$0	\$666,821	\$52,450	\$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:

Impacts DPA

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

NP-04 OIT_FY22 Budget Request Package

Dept. Approval By:

Lorri Dugan Digitally signed by Lorri Dugan
Date: 2020.10.21 12:58:25 -06'00'

Supplemental FY 2020-21

OSPB Approval By:

Cynthia Kelly

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$20,521,724	\$0	\$8,786,141	(\$901,849)	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$11,915,609	\$0	\$7,614,971	(\$330,528)	\$0
	CF	\$8,606,115	\$0	\$1,171,170	(\$571,321)	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$20,521,724	\$0	\$8,786,141	(\$901,849)	\$0
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$11,915,609	\$0	\$7,614,971	(\$330,528)	\$0
Administration and Support - Payments to OIT	CF	\$8,606,115	\$0	\$1,171,170	(\$571,321)	\$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:

Impacts Other Agency

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-01 Lottery Re-imagined for Beneficiaries

Dept. Approval By: **Lorri Dugan** Digitally signed by Lorri Dugan
Date: 2020.10.21 12:58:25 -06'00'

Supplemental FY 2020-21

OSPB Approval By: *Cynthia Kelly*

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$92,466,789	\$0	\$92,466,789	\$16,921,833	\$25,270,493
	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	\$92,466,789	\$0	\$92,466,789	\$16,921,833	\$25,270,493
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$14,700,000	\$0	\$14,700,000	\$2,750,000	\$1,500,000
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division, (A) State Lottery Division, (1)	GF	\$0	\$0	\$0	\$0	\$0
State Lottery Division - Marketing and Communications	CF	\$14,700,000	\$0	\$14,700,000	\$2,750,000	\$1,500,000
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$16,616,629	\$0	\$16,616,629	\$12,153,145	\$15,137,072
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division, (A) State Lottery Division, (1)	GF	\$0	\$0	\$0	\$0	\$0
State Lottery Division - Vendor Fees	CF	\$16,616,629	\$0	\$16,616,629	\$12,153,145	\$15,137,072
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$54,572,160	\$0	\$54,572,160	\$8,596,688	\$15,211,421
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division, (A) State	GF	\$0	\$0	\$0	\$0	\$0
Lottery Division, (1)	CF	\$54,572,160	\$0	\$54,572,160	\$8,596,688	\$15,211,421
State Lottery Division - Retailer Compensation	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$6,578,000	\$0	\$6,578,000	(\$6,578,000)	(\$6,578,000)
	FTE	0.0	0.0	0.0	0.0	0.0
06. State Lottery Division, (A) State	GF	\$0	\$0	\$0	\$0	\$0
Lottery Division, (1)	CF	\$6,578,000	\$0	\$6,578,000	(\$6,578,000)	(\$6,578,000)
State Lottery Division - Ticket Costs	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



Department Priority: R-01
Lottery Reimagined For Beneficiaries – Monitor Games & Scratch Incentive-Based Contracting

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$104.06 Million	\$104.06 Million	\$16.9 Million	\$25.3 Million (vs FY2020-21)
FTE	102.1	102.1	0.0	0.0
Cash Funds	\$104.06 Million	\$104.06 Million	\$16.9 Million	\$25.3 Million (vs FY2020-21)

Summary of Request

The Department of Revenue (DOR) requests an ongoing increase in spending authority in order to reimagine the State Lottery Division by expanding game offerings to include in-state monitor games and converting to an incentive based contract with its scratch ticket vendor. This increased spending will come entirely out of the increased revenue generated by the Lottery; as an enterprise fund, there is no impact on the state general fund.

It is projected that these changes will increase Beneficiary Proceeds by \$7.2 million in FY 2021-22 and \$21.6 million in FY 2022-23. These funds are critical to the Lottery's beneficiaries: Great Outdoors Colorado (GOCO), the Conservation Trust Fund (CTF), Colorado Parks and Wildlife (CPW), and Building Excellent Schools Today (BEST), particularly during these times when Colorado's parks and open spaces are being so heavily used and face decreased funding, due to the state's economic climate.

Furthermore, adding monitor games will provide an economic stimulus to many Colorado small business owners, particularly bars and restaurants who are struggling to survive the pandemic, through Lottery sales commissions projected to increase by \$1,850,000 in FY 2021-22 and \$3,250,000 in FY 2022-23.

In addition, these games reach new and different players – expanding the already broad base of lottery players in Colorado. Currently, 88% of Colorado lottery players are college educated, and half have a household income of over \$75,000. Appealing to a broad spectrum of players is one element of responsible gaming best practices – something the Colorado Lottery takes very seriously. It should be noted that current per capita spending on lottery in Colorado is around 35th in the nation; this proposal would increase Colorado's per capita spend on Lottery by about \$14.50 per year.

Current Program:

The Colorado Lottery, pursuant to its mission, creates and sells Lottery games of chance that are held to the highest standards of integrity, entertainment and efficiency, in order to maximize proceeds for the people of Colorado.

As an enterprise fund, all expenditures of the Lottery are paid from the revenues created through the sale of tickets, which are sold at more than 3,000 retailers across the state. Games that are offered are jackpot games (Powerball, MegaMillions, Colorado Lotto+, Cash 5, Pick 3, and Lucky for Life), and nearly three dozen active Scratch ticket games.

In the prior 4 years, Lottery has distributed the following proceeds to its beneficiaries:

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Great Outdoors Colorado (GOCO)	\$64.5M	\$66.3M	\$68.5M	\$70.4M
Conservation Trust Fund (CTF)	\$53.4M	\$56.3M	\$66.6M	\$57.0M
Colorado Parks and Wildlife (CPW)	\$13.3M	\$14.1M	\$16.7M	\$14.2M
Building Excellent Schools Today (BEST)	\$ 2.3M	\$ 4.1M	\$14.7M	\$ 0.8M
	\$133.5M	\$140.7M	\$166.5M	\$142.4M

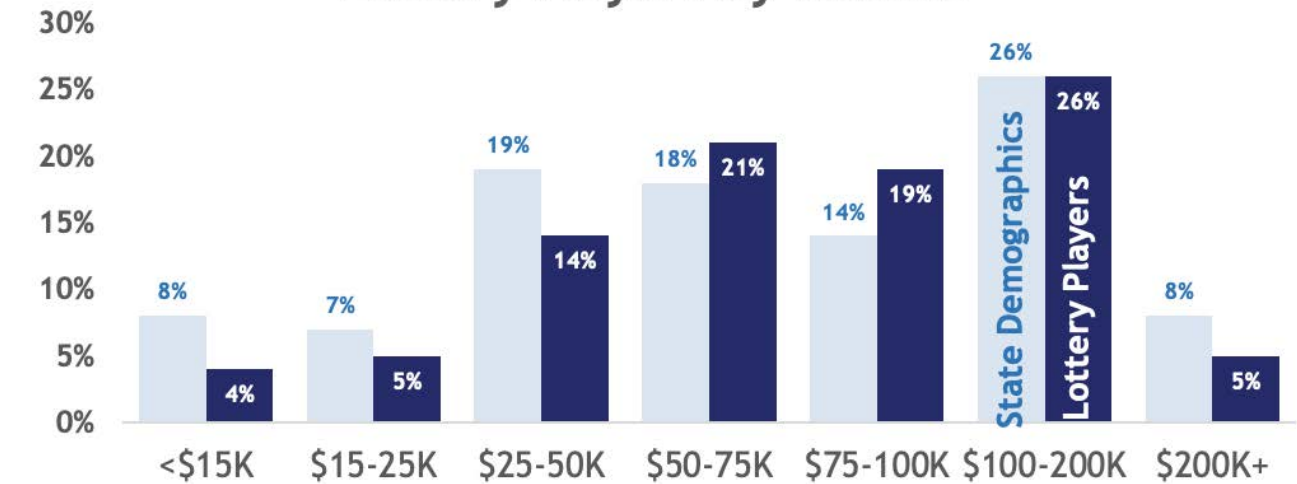
The Constitution mandates that 50% of Lottery's net revenue goes to GOCO, up to a specified cap. It also requires that 40% of net revenue goes to CTF and 10% of net revenue goes to CPW. Once the GOCO cap is met, 50% of all net revenue is then subject to statutory distribution, which currently directs remaining funds to BEST.

The Lottery Division and the Lottery Commission take gaming addiction very seriously. The Lottery is dedicated to following responsible gaming best practices and has achieved Level 3 Certification in Responsible Gaming from the World Lottery Association, with a Level 4 application in process. This certification requires that best practices are followed, such as seeking out a wide and diverse customer base, employee/retailer training and policies that discourage addictive play.

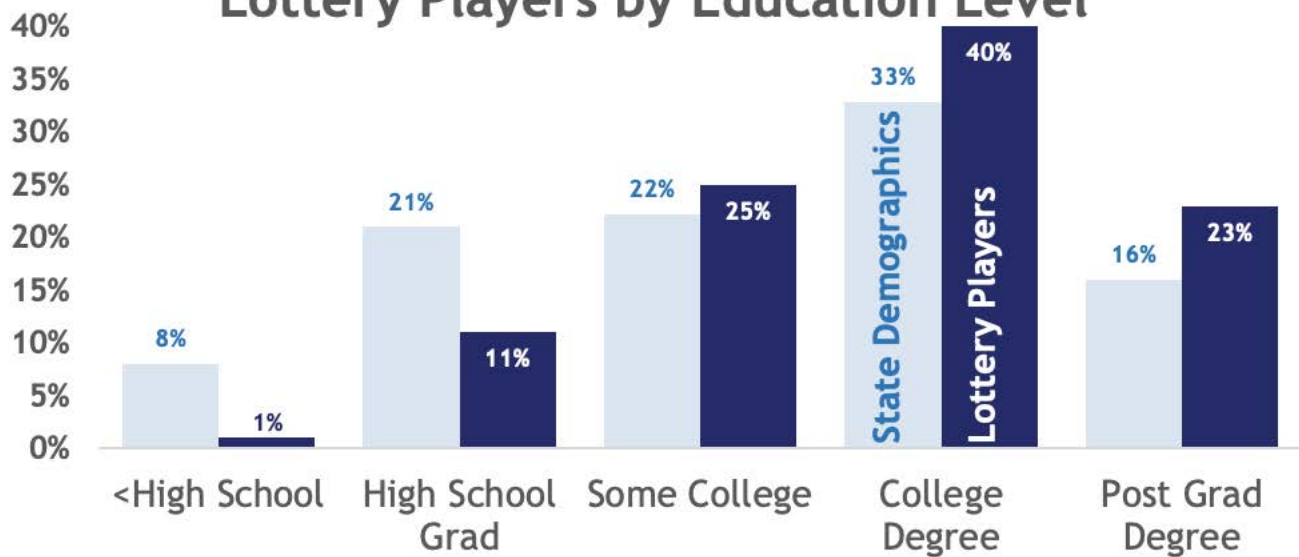
Based on a 2018 Colorado demographic survey, the average Colorado lottery player is well educated and has a household income of nearly \$90,000 per year. It is vital that the Lottery maintain a player demographic that closely mirrors Colorado's overall demographic. The way to do that is to continue to offer games that appeal to a broad player base.

See demographic graphs on next page:

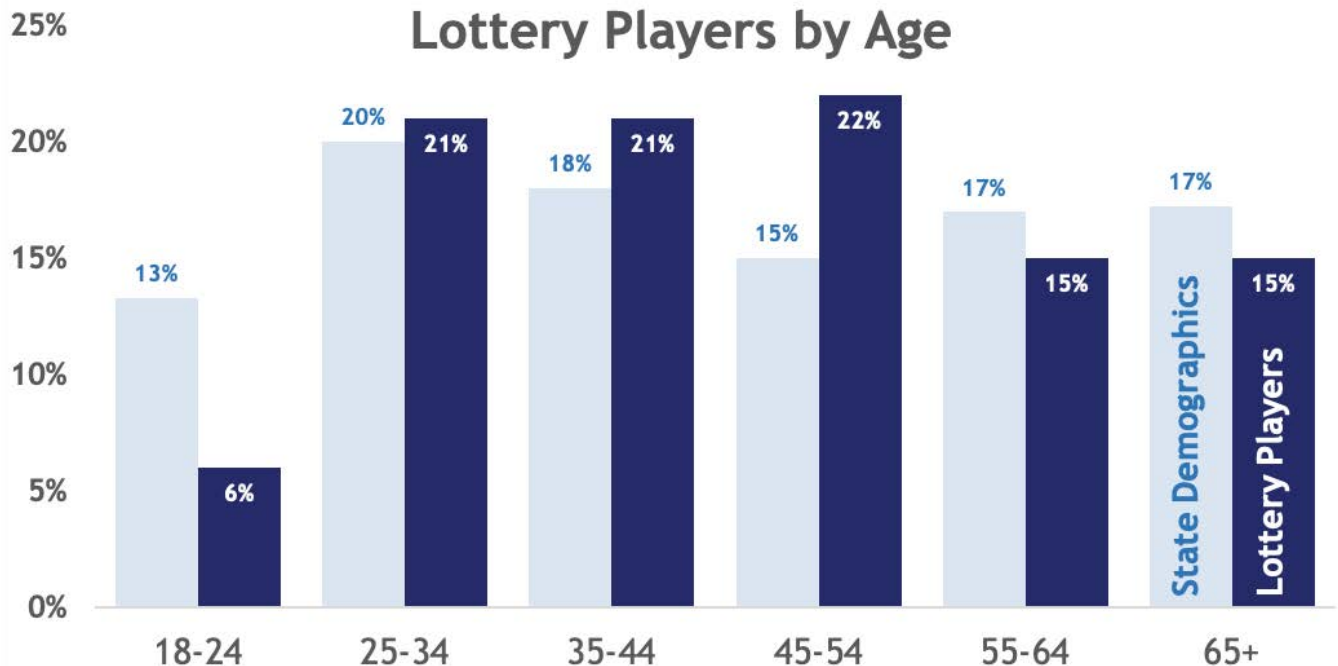
Lottery Players by Income



Lottery Players by Education Level



Lottery Players by Age



Problem or Opportunity:

The Lottery is unable to significantly expand its annual sales levels with only its current product offerings, which have remained the same for the last six years. While the Lottery has had some very good sales years recently, the Lottery's revenue growth over the past 5 years has been mainly attributable to population growth in Colorado and a strong economy. Recently published industry data shows Colorado ranked about 35th among U.S. states in per capita Lottery sales. While the Lottery has been able to generate revenue over the GOCO cap during most years, it has generated over \$5 million only three times in the past ten years. Under this plan, the Lottery is projecting to routinely generate over \$10 million dollars that will go to the BEST fund or could otherwise be redirected through statutory change authorized by the legislature. Lottery and the Department of Revenue leadership believe that with the proper strategies, Colorado could be ranked between 20th and 25th in per capita sales.

Monitor Games:

Currently 19 U.S. Lotteries offer monitor games (e.g. Keno) as part of a best practices game mix. This offering would allow bars and restaurants (retailers) to partner with the Lottery to offer instant-win drawings on video monitors within these businesses. Retailers would be paid a commission for offering the games in its location, and will also benefit from incidental food/beverage sales to customers who come to play or linger longer, because of the additional entertainment being offered. This is a different type of product offered in a new type of location which will expand the Lottery's player base to ensure that the increased revenue is not on the backs of the Lottery's current players only. Expanding the player base is consistent with responsible gaming best practices, as it lessens the dependence on any one player's contribution to overall revenue.

In other states, the percentage of independent retailers (vs. national chain retailers) offering monitor games is as high as almost 95%. For Colorado, this percentage could be as high as 80%, which would mean sales commissions paid to Colorado-owned businesses with the implementation of monitor games are likely to exceed \$1,850,000 in FY 2021-22 and \$3,250,000 in FY 2022-23, based on current projections. This additional revenue could be a much needed lifeline for an industry hit hard by the current pandemic-induced economic downturn, helping small businesses recover faster than would otherwise be possible.

Scratch Game Incentive-Based Contracting Model:

Over the past 9 years, the Lottery has averaged approximately 3% annual growth in scratch sales revenue. While there were several enhancements made over the past 2 years to improve scratch sales, the opportunities to continue to grow without structural changes to the game portfolio are limited. The next level of growth is best achieved by contracting for scratch ticket production, game design, inventory management and enhanced equipment on an incentive, or variable cost basis. Currently, 20 other U.S. Lotteries have contracted on this basis, and have seen industry-leading increases in revenue and profitability of more than 10% year-over-year. The Colorado Lottery requests the opportunity to leverage the best practices and experience of our vendor

partner to maximize proceeds for our beneficiaries.

Scientific Games is the industry leader in the scratch game sector, producing approximately 70% of all scratch tickets sold worldwide for over 110 lottery customers. This means they have unique insight into a broad spectrum of best practices, and an incentive-based agreement will give them more responsibility and enable the Lottery to leverage their expertise in Colorado. Currently, the Lottery pays Scientific Games fixed costs for ticket production only. However, under an incentive-based model, Lottery would no longer pay Scientific Games any fixed costs; rather, the Lottery would pay a percentage of scratch sales to Scientific Games, meaning that the payment to Scientific Games will only go up if the Lottery's sales revenue goes up. The percentage paid is still subject to negotiation, but this model has been proven to net more profit for distribution to beneficiaries in every other state that has utilized it.

Although the Lottery expects sales to continue to increase, a recession like what is happening as a result of the recent COVID-19 pandemic could cause a drop in sales. (Lottery saw nearly a 25% drop in scratch sales after the State "shut down" in March of 2020.) Currently, with fixed costs, it is difficult for the Lottery to quickly drop its overhead in response to an unforeseen drop in sales revenue to free up more money for its beneficiaries. In contrast, under a variable cost model, if the Lottery were to see a sudden decline in sales revenue, the vendor costs would go down automatically, since they are calculated as a percentage of revenue generated from sales.

Proposed Solution:

DOR requests an increase in spending authority for the Lottery Division to enable it to expand its product offerings to include monitor games and to pay its scratch ticket vendor a percentage of sales, thereby increasing the amount of money to fund outdoor recreation, conservation and schools in Colorado.

Responsible Gaming:

Expanding product offerings and expanding the player base is a best practice when it comes to responsible gaming. The Colorado Lottery is a member of the World Lottery Association (see details below), and received Level 3 Responsible Gaming Certification from the WLA in September 2019 with a Level 4 application currently in process. While the Lottery is extremely proud of these achievements on the international level, it's the work done here at home that truly makes a difference to the lives of lottery players and all Coloradans. The Problem Gambling Coalition of Colorado recently honored the Colorado Lottery with an award recognizing the longstanding partnership they share and their continued commitment to responsible gaming. The Lottery also funded a National Coalition of Problem Gambling conference that took place in Denver in 2019.

World Lottery Association Responsible Gaming Certification

The World Lottery Association's Responsible Gaming Framework is an internationally recognized responsible gaming standard for the lottery sector. There are 10 responsible gaming program elements that serve as the foundation for this framework: research, employee training, retailer training, game design, remote gaming, marketing and advertising, player education,

treatment referral, stakeholder engagement, and reporting and measurement.

Included in that framework are four levels of achievement that reflect how successfully a lottery has implemented responsible gaming into its day-to-day operations. Lotteries applying for accreditation are evaluated by the WLA's Responsible Gaming Independent Assessment Panel (IAP). That panel assesses each lottery on both their current practices and any future plans, while also providing valuable feedback on other ways to improve. Once approved, this certification lasts for three years, at which point lotteries must then reapply.

Level 1 - Commitment

By becoming a member of the World Lottery Association, each Lottery agrees to uphold the WLA's Seven Responsible Gaming Principles. These principles address the areas of: player protection, stakeholder collaboration, research, promotion, informed player choice, monitoring, and reporting. Through this commitment to responsible gaming, Lotteries achieve Level 1 certification.

Level 2 - Self Assessment and Gap Analysis

To achieve Level 2 certification, lotteries must complete a self-assessment of their current responsible gaming program. This helps to determine what responsible gaming elements are already in place, and which need to be improved; ultimately ensuring the organization addresses each of the Seven Principles. If the IAP deems the assessment thorough and well-documented, they make their recommendation for Level 2 certification.

Level 3 - Planning and Implementation

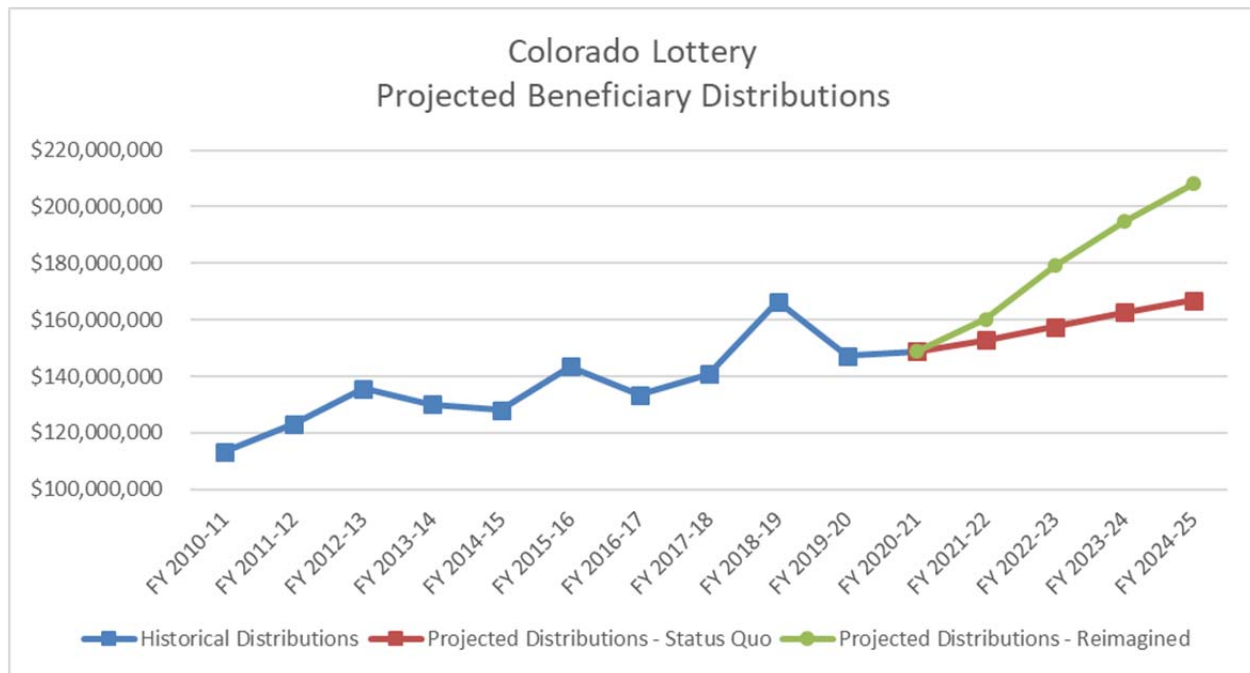
Based on their assessment during the Level 2 application, lotteries must then develop a plan, a timetable, and a budget to implement specific responsible gaming programs. While the IAP does not expect every responsible gaming program element to be fully developed at Level 3, their evaluation hinges on the level of successful implementation and the depth of future action planning.

Level 4 - Continuous Improvement

The final stage is Level 4 certification which is granted after lotteries have integrated specific responsible gaming programs into their day-to-day operations and decision-making. All 10 program elements of the WLA's Responsible Gaming Framework are fully addressed with detailed plans of action and measurable results. Before the submission can even be reviewed by the IAP, an external independent assessor must first assure the accuracy and reliability of that information. Although Level 4 accreditation is the highest level of achievement, lotteries must continuously demonstrate their commitment to improve in order to maintain that status by re-applying for Level 4 certification every 3 years.

Anticipated Outcomes:

The Lottery projects that it will distribute an additional \$7.1M in FY 2021-22 and an additional \$19.6M in FY 2022-23 to its proceed beneficiaries, specifically as a result of offering monitor games and transitioning to an incentive-based model with its scratch ticket vendor.



The results of Sales and Expenses, and resulting Beneficiary Proceeds, with approval of this DI would be: *(the “Base” is the projected results without DI approval)*

		FY 2021-22			FY 2022-23			FY 2023-24	FY 2024-25
		Base (no DI)	w DI	Increase (decrease)	w DI	w DI	w DI	w DI	w DI
Gross Sales Revenue		\$ 739,569,954	\$ 824,301,246	\$ 84,731,292	\$ 910,821,322	\$ 984,776,086	\$ 1,059,179,054		
Direct Costs	Prize Expense	\$ 482,319,523	\$ 540,198,275	\$ 57,878,752	\$ 599,196,965	\$ 650,316,504	\$ 702,337,086		
	Retailer Commissions & Bonuses	\$ 56,790,998	\$ 63,168,848	\$ 6,377,850	\$ 69,783,581	\$ 75,640,681	\$ 81,620,730		
	Vendor Fees	\$ 14,374,879	\$ 28,769,774	\$ 14,394,894	\$ 31,753,701	\$ 34,579,886	\$ 37,549,578		
	Multi-State Lottery Fees	\$ 147,710	\$ 147,710	\$ -	\$ 150,534	\$ 153,356	\$ 155,226		
	Ticket Costs	\$ 3,913,365	\$ -	\$ (3,913,365)	\$ -	\$ -	\$ -		
TOTAL DIRECT COSTS		\$ 557,546,476	\$ 632,284,606	\$ 74,738,131	\$ 700,884,781	\$ 760,690,428	\$ 821,662,620		
Operating Expenses		\$ 31,117,287	\$ 33,867,287	\$ 2,750,000	\$ 32,709,854	\$ 31,303,810	\$ 31,399,174		
Other Revenue		\$ (1,945,000)	\$ (1,945,000)	\$ -	\$ (1,945,000)	\$ (1,945,000)	\$ (1,945,000)		
		\$ 29,172,287	\$ 31,922,287	\$ 2,750,000	\$ 30,764,854	\$ 29,358,810	\$ 29,454,174		
Beneficiary Proceeds		\$ 152,851,191	\$ 160,094,353	\$ 7,243,161	\$ 179,171,687	\$ 194,726,849	\$ 208,062,260		

The changes needed to FY 2020-21 Appropriations are:

	FY 2020-21		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
Long Bill						
(6) State Lottery Division						
Marketing & Communications	\$ -	\$ 14,700,000	\$ -	\$ 17,450,000	\$ -	\$ 2,750,000
Vendor Fees	\$ -	\$ 16,616,629	\$ -	\$ 28,769,774	\$ -	\$ 12,153,145
Retailer Compensation	\$ -	\$ 54,572,160	\$ -	\$ 63,168,848	\$ -	\$ 8,596,688
Ticket Cost*	\$ -	\$ 6,578,000	\$ -	\$ -	\$ -	\$ (6,578,000)
Total	\$ -	\$ 92,466,789	\$ -	\$ 109,388,622	\$ -	\$ 16,921,833

**Under the current appropriation structure, Ticket Costs are a specific appropriation and are paid for on a fixed price by game, per ticket basis. Under the proposed variable cost model, the scratch vendor will be paid on a % of sales basis, which will include not only scratch ticket production, but also game design, inventory management, and enhanced equipment.*

Assumptions and Calculations:

The expansion assumptions are shown below. Calculations are based on data/information gathered from lottery vendors and consultants that operate monitor games in other states.

Monitor Games:

Revenue:

- First year of operation: \$0.15 per capita, per week, increasing to \$0.20 per capita, per week in year two.
- Mature markets are hitting weekly per capita levels of over \$1.00.
- Introduction of monitor game does not cannibalize other games; player base is expanded.
- Monitor games could be scheduled to launch in October of 2021, generating \$34.7M in revenue in FY 2021-22 and additional revenue of \$58.6M in FY 2022-23.

Costs:

- This projection assume the current vendor would charge an additional 0.32% of total net sales, increasing the current rate from 1.84% to 2.16%, through an amendment to the current contract that is in effect through June 30, 2025.
- Increases in marketing & advertising costs and signage and display materials at retailers for initial rollout of new product(s).

Scratch Games Variable Cost Model:

Revenue:

- This model has been successfully employed for over 20 years and is now used by 14 lotteries, 6 of which are among the top 10 lotteries in the United States.
- Lotteries using this model have averaged \$4.11 per week, in per capita scratch sales. Colorado averaged \$1.65 in FY20.
- Over the past 10 years, Colorado has experienced a compound annual growth rate of less than 4%, including three years of negative growth vs. the nearly 11% experienced by lotteries using the variable cost model.
- Retailers in other states have experienced over 40% better sales under this type of arrangement, which would translate into an annual average increase of \$7,500+ in their commissions.

Costs:

These projections are based on the initial quote received from the vendor of 2.2% of scratch sales. Through the negotiation process the lottery hopes to negotiate a lower percentage; however, negotiations cannot commence until the necessary spending authority has been authorized.

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-02 Sales and Use Tax Simplification System Support a

Dept. Approval By: **Lorri Dugan** Digitally signed by Lorri Dugan
Date: 2020.10.21 12:58:25 -06'00'

Supplemental FY 2020-21

OSP Approval By: *Cynthia Kelly*

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$35,038,629	\$0	\$37,908,205	\$2,246,631	\$2,223,116
	FTE	152.2	0.0	159.2	5.0	5.0
Total of All Line Items Impacted by Change Request	GF	\$17,629,920	\$0	\$21,212,377	\$2,246,631	\$2,223,116
	CF	\$17,201,693	\$0	\$16,507,147	\$0	\$0
	RF	\$22,635	\$0	\$12,815	\$0	\$0
	FF	\$184,381	\$0	\$175,866	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$14,806,800	\$0	\$17,495,386	\$39,636	\$39,636
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$3,833,915	\$0	\$6,738,907	\$39,636	\$39,636
Administration and Support - Health, Life, and Dental	CF	\$10,850,714	\$0	\$10,637,162	\$0	\$0
	RF	\$13,065	\$0	\$8,235	\$0	\$0
	FF	\$109,106	\$0	\$111,082	\$0	\$0

	Total	\$161,639	\$0	\$159,187	\$467	\$467
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$61,023	\$0	\$71,866	\$467	\$467
Administration and Support - Short-term Disability	CF	\$99,201	\$0	\$86,233	\$0	\$0
	RF	\$160	\$0	\$72	\$0	\$0
	FF	\$1,255	\$0	\$1,016	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$4,778,411	\$0	\$4,676,092	\$12,280	\$12,280
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	\$12,280	\$12,280
Administration and Support - Amortization	CF	\$2,935,957	\$0	\$2,701,944	\$0	\$0
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$4,778,411	\$0	\$4,676,092	\$12,280	\$12,280
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	\$12,280	\$12,280
Administration and Support - Supplemental Amortization	CF	\$2,935,957	\$0	\$2,701,944	\$0	\$0
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$9,988,240	\$0	\$10,328,966	\$274,703	\$274,703
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	FTE	152.2	0.0	159.2	5.0	5.0
Taxpayer Service Division - Personal Services	GF	\$9,613,579	\$0	\$9,954,305	\$274,703	\$274,703
	CF	\$374,661	\$0	\$374,661	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$525,128	\$0	\$572,482	\$1,907,265	\$1,883,750
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	\$519,925	\$0	\$567,279	\$1,907,265	\$1,883,750
	CF	\$5,203	\$0	\$5,203	\$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



Department Priority: R-02
Sales and Use Tax Simplification System Support and Maintenance

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$45,055,484	\$46,572,390	\$2,246,631	\$2,223,116
FTE	408.6	425.0	5.0	5.0
General Fund	\$42,038,266	\$43,577,902	\$2,246,631	\$2,223,116
Cash Funds	\$1,847,718	\$1,824,988	\$0	\$0
Reappropriated Funds	\$317,368	\$317,368	\$0	\$0
Federal Funds	\$852,132	\$852,132	\$0	\$0

Summary of Request

The Department of Revenue (DOR) requests funding for support and maintenance of the Sales and Use Tax Simplification System (SUTS). Without approval of the funds in this request, SUTS cannot be supported or maintained beginning in FY 2021-22. This request adds 5.0 FTE and \$2,246,631 in General Fund for FY 2021-22, annualizing to 5.0 FTE and \$2,223,116 in General Fund for FY 2022-23 and thereafter, primarily for vendor costs.

SUTS was created during FY 2019-20 through SB 19-006. The project to create SUTS was completed on time and significantly under budget by approximately \$9.1 million, funds that were returned to the General Fund as part of the current year budget. These savings were achieved through aggressive contract negotiations and diligent project management. However, while the Fiscal Note estimated ongoing costs at \$5-8 million annually, SB 19-006 did not fund the ongoing annual support or maintenance costs of SUTS pending DOR's final contract negotiations. By continuing the aggressive contract negotiations started during development and through system design efficiencies, DOR has reduced the ongoing cost by 50-75%.

The primary function of SUTS is to simplify the sales tax filing process for businesses (for primarily online sales) through one central system, rather than requiring businesses to file with the state and up to 72 self-collecting home-rule taxing jurisdictions. The same is true for filing sales tax returns. A properly maintained SUTS system creates huge efficiencies for taxpayers by reducing their tax calculation and filing workload. To maintain jurisdictional accuracy, the GIS matrices must be updated and changed every time one of the 72 special districts, counties, or cities change changes rates or boundaries. To provide accurate and timely taxpayer assistance for filing and other system questions, the system must be adequately supported by customer service representatives. That maintenance and customer service support is the subject of this request.

Without this funding, SUTS will experience breakdowns and inaccuracies, and quickly become inoperable and unsustainable.

Current Program:

The DOR Taxation Division administers, enforces, and collects the State's sales and income tax. The Department also administers local sales taxes for special districts, counties, statutory cities, and a small number of home-rule cities. The Taxation Division is separated into a processing and customer service section known as Taxpayer Service (TPS) and a compliance section called Tax Audit and Compliance (TAC). An important function of TPS is providing assistance to taxpayers who may have questions about how or when to file, how much is owed, when payments are due, and what to do if they cannot pay in full. By answering these questions for its customers, TPS provides customer service and supports the efforts of taxpayers to comply with the tax laws. In this way, TPS facilitates the collection of sales and income taxes for the State. TPS also is the primary point of contact for local government sales tax collection, and directly communicates with third-party income and sales tax filing software vendors to assist taxpayers with their filing requirements. The SUTS system supports the assessment, collection, and distribution of state and local sales and use taxes. It is vitally important to the State and to local governments because it has modernized DOR's collection methods, increasing efficiency for the taxpayers as well as the local jurisdictions and state. However, this system cannot operate without ongoing funding.

Problem or Opportunity:

The SUTS system requires constant updating and maintenance to ensure addresses, rates, and boundaries are kept accurate. For example, State and local sales tax rates can change twice a year, January and July. Speedy and accurate implementation of such changes ensure that the correct amount is collected, that taxpayers understand what the correct amount is, and that taxpayers feel that the tax structure is applied fairly. Having personnel and vendor support dedicated to keeping SUTS up-to-date is essential in order to realize the potential of the large investment in creating SUTS.

Customer service is also a fundamental purpose of DOR and this request serves that goal. Part of this FTE request is for Tax Examiners ("TEs") which serve as the Tier 1 support to answer and resolve taxpayer questions and issues as they arise. The TEs who work in the call center serve on the front line of the Department of Revenue, interacting directly with taxpayers. No section more efficiently disseminates tax information to taxpayers or resolves their tax account or system access issues. Effective resolution of taxpayer problems helps them comply with the complex structure of sales tax laws in Colorado. TEs facilitate compliance by answering questions, giving information about the law, assisting taxpayers with calculating what they owe, handling payment plans, and generally serving the needs of taxpayers, whatever they may be. More compliance results in more revenue and happier taxpayers.

Proposed Solution:

When SB 19-006 was passed by the General Assembly, it was recognized that additional resources would be needed to support SUTS after its creation, estimated at the time to be \$5-8 million. However, the legislature did not appropriate funds beyond those initial implementation costs. The following request will allow the SUTS system to continue to be accurate and to be of great service to the State's taxpayers:

YEAR ONE PERSONNEL TABLE

Requested FTE	FTE Description	Job Description	Yearly Salary	Operating	Benefits	TOTALS
1.0	SUTS Product Owner	Responsible party to maintain and advise on SUTS system	\$80,000	\$5,653	\$25,559	\$111,212
4.0	Tax Examiner I	Tier 1 troubleshooting support to answers calls and questions to provide taxpayer support	\$165,600	\$22,612	\$68,207	\$256,419
5.0 FTE		TOTALS	\$245,600	\$28,265	\$93,766	\$367,631

OUT YEAR PERSONNEL TABLE

Requested FTE	FTE Description	Job Description	Yearly Salary	Operating	Benefits	TOTALS
1.0	SUTS Product Owner	Responsible party to maintain and advise on SUTS system	\$80,000	\$950	\$25,559	\$106,509
4.0	Tax Examiner I	Tier 1 troubleshooting support to answers calls and questions to provide taxpayer support	\$165,600	\$3,800	\$68,207	\$237,607
5.0 FTE		TOTALS	\$245,600	\$4,750	\$93,766	\$344,116

TOTAL REQUEST TABLE

Item	FY 2021-22	FY 2022-23
Vendor #1 Support	\$855,000	\$855,000
Vendor #2 Support GIS	\$500,000	\$500,000
Vendor #2 Hosting GIS	\$464,000	\$464,000
State IT Support (OIT)	\$60,000	\$60,000
State User Support (DOR)	\$339,366	\$339,366
Other Operating	\$28,265	\$4,750
TOTALS	\$2,246,631	\$2,223,116

Anticipated Outcomes:

If the request is approved, a system vital to the Department's mission will be adequately maintained. This, in turn, will ensure the continuation of the accuracy and integrity of SUTS. SUTS is a valuable resource for taxpayers in the State because they can rely on it to provide accurate sales tax bills, information, and refunds statewide. It also minimizes the filing burden for businesses and provides additional revenue to local jurisdictions. Maintaining such system performance is the goal and anticipated outcome of this request.

<i>Assumptions and Calculations:</i>

This request makes the following assumptions:

1. That each requested FTE will be assigned to the job duties as described herein.
2. Operating expenses are \$5,653 per FTE for Year 1.
3. Operating expenses are \$950 in out-years.
4. All benefits are calculated using the DPA FTE benefits calculation workbook.

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-03 Information Technology Reorg & Streamlining

Dept. Approval By: **Lorri Dugan** Digitally signed by Lorri Dugan
Date: 2020.10.21 12:57:44
+06'00'

Supplemental FY 2020-21

OSPB Approval By: *Cynthia Kelly*

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$7,195,835	\$0	\$7,211,545	(\$703,479)	(\$703,479)
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,818,237	\$0	\$2,824,887	(\$370,548)	(\$370,548)
	CF	\$4,377,598	\$0	\$4,386,658	(\$332,931)	(\$332,931)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$2,342,449	\$0	\$2,358,159	\$1,245,942	\$1,245,942
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,608,261	\$0	\$1,614,911	\$839,428	\$839,428
Administration and Support - Operating Expenses	CF	\$734,188	\$0	\$743,248	\$406,514	\$406,514
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$111,131	\$0	\$111,131	(\$111,131)	(\$111,131)
	FTE	0.0	0.0	0.0	0.0	0.0
02. Information Technology Division, (A)	GF	\$100,000	\$0	\$100,000	(\$100,000)	(\$100,000)
Systems Support, (1)	CF	\$11,131	\$0	\$11,131	(\$11,131)	(\$11,131)
Systems Support - Personal Services	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$1,516,490	\$0	\$1,516,490	(\$1,516,490)	(\$1,516,490)
	FTE	0.0	0.0	0.0	0.0	0.0
02. Information Technology Division, (A)	GF	\$1,109,976	\$0	\$1,109,976	(\$1,109,976)	(\$1,109,976)
Systems Support, (1)	CF	\$406,514	\$0	\$406,514	(\$406,514)	(\$406,514)
Operating Expenses	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$2,617,535	\$0	\$2,617,535	(\$2,617,535)	(\$261,000)
	FTE	0.0	0.0	0.0	0.0	0.0
02. Information Technology Division, (B)	GF	\$0	\$0	\$0	\$0	\$0
DMV IT System	CF	\$2,617,535	\$0	\$2,617,535	(\$2,617,535)	(\$261,000)
(DRIVES) Support, (1)	RF	\$0	\$0	\$0	\$0	\$0
DMV IT System	FF	\$0	\$0	\$0	\$0	\$0
(DRIVES) Support - Operating Expenses						
	Total	\$568,230	\$0	\$568,230	(\$568,230)	(\$56,800)
	FTE	0.0	0.0	0.0	0.0	0.0
02. Information Technology Division, (B)	GF	\$0	\$0	\$0	\$0	\$0
DMV IT System	CF	\$568,230	\$0	\$568,230	(\$568,230)	(\$56,800)
(DRIVES) Support, (1)	RF	\$0	\$0	\$0	\$0	\$0
DMV IT System	FF	\$0	\$0	\$0	\$0	\$0
(DRIVES) Support - County Office Asset Maintenance						
	Total	\$40,000	\$0	\$40,000	(\$40,000)	(\$4,000)
	FTE	0.0	0.0	0.0	0.0	0.0
02. Information Technology Division, (B)	GF	\$0	\$0	\$0	\$0	\$0
DMV IT System	CF	\$40,000	\$0	\$40,000	(\$40,000)	(\$4,000)
(DRIVES) Support, (1)	RF	\$0	\$0	\$0	\$0	\$0
DMV IT System	FF	\$0	\$0	\$0	\$0	\$0
(DRIVES) Support - County Office Improvements						
	Total	\$0	\$0	\$0	\$2,356,535	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (D) County Support Services, (D)	GF	\$0	\$0	\$0	\$0	\$0
County Support	CF	\$0	\$0	\$0	\$2,356,535	\$0
Services - Operating Expense	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$0	\$0	\$0	\$511,430	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (D) County Support Services, (D)	GF	\$0	\$0	\$0	\$0	\$0
County Support	CF	\$0	\$0	\$0	\$511,430	\$0
Services - County Office	RF	\$0	\$0	\$0	\$0	\$0
Asset Maintenance	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$0	\$0	\$0	\$36,000	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (D) County Support Services, (D)	GF	\$0	\$0	\$0	\$0	\$0
County Support	CF	\$0	\$0	\$0	\$36,000	\$0
Services - County Office	RF	\$0	\$0	\$0	\$0	\$0
Improvements	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



Department Priority: R-03
Request Detail: Information Technology Reorganization and Streamlining

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$4,853,386	\$4,853,386	(\$703,479)	(\$703,479)
FTE	0.0	0.0	0.0	0.0
General Fund	\$1,209,976	\$1,209,976	(\$370,548)	(\$370,548)
Cash Funds	\$3,643,410	\$3,643,410	(\$332,931)	(\$332,931)
Reappropriated Funds	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0

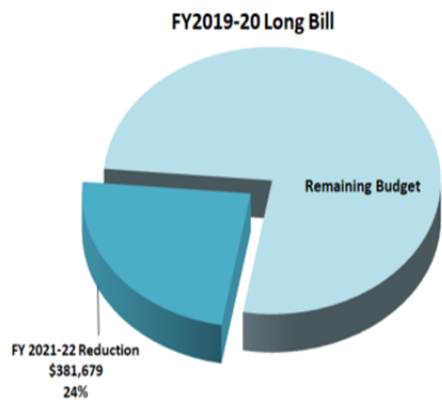
Summary of Request

The Department of Revenue (DOR) requests the following permanent reductions and the dissolution of the Information Technology Division:

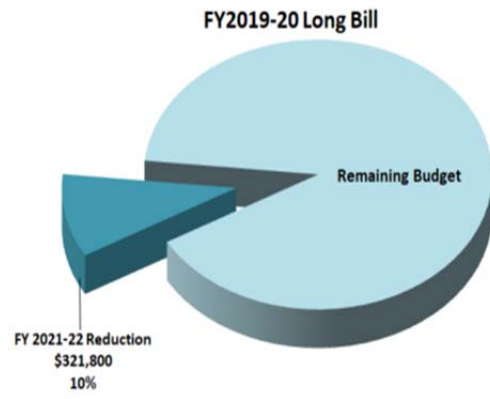
1. A permanent cash fund spending authority reduction in FY 2021-22 and in subsequent years of \$321,800 from the ITD (B) DRIVES System Support line. This reduction removes funding from Operating Expenses, County Office Asset Maintenance, and County Office Improvements.
2. A permanent reduction in both General Fund appropriation and cash fund spending authority in FY 2021-22 and in subsequent years of \$381,679 from the ITD (A) Systems Support Lines. These reductions impact funding for contracted personal services and operating expenses in the Division which is utilized to support technology across all of DOR.
3. A permanent dissolution and realignment of the remaining appropriations after reductions of ITD (A) and ITD (B) to other locations in the Long Bill to streamline management and match long-standing operational management of these appropriations. This realignment will simplify the management of these appropriations and provide for more clarity and transparency.

FROM	TO
(2) Information Technology Division (ITD)	(1) Executive Director's Office (EDO)
(A) Systems Support	(A) Administration and Support Operating Expenses
(B) DMV IT System (DRIVES) Support	(4) Division of Motor Vehicles as a new subunit (D) County Support Services.

Information Technology Division-Systems Support



Information Technology Division-DMV IT System Support



Current Program:

The Information Technology Division (ITD) is currently divided into two parts; (A) Systems Support which will be referred to as ITD (A) and (B) DMV IT System (DRIVES) Support which will be referred to as ITD (B).

ITD (A) is the funding source for numerous information-technology-related costs for the entire Department, including telecom charges, computer replacement, server and network maintenance, licensing, and production printing costs.

ITD (B) provides resources to assist both State and County users of the DRIVES system. It pays for costs such as computer and scanner hardware replacement, IT maintenance, technology infrastructure, consumables such as specialty vehicle registration and title paper, supplies, training, and other materials as needed by all who use the DRIVES system to provide services to the residents of Colorado.

Problem or Opportunity:

The standard structure across state agencies is for department-wide costs to be appropriated within the Executive Director's Office, which is responsible for the administration of the entire Department. DOR has had a rare and residual carve-out for department-wide technology support in this IT division. There is no operational, financial, or managerial reason for these funds to be appropriated separately from the rest of EDO operational appropriations. Other agencies underwent this consolidation at the time of the Information Technology centralization and the formation of the Office of Information Technology (OIT). Simplification of these appropriations within EDO will create a clear management structure, will result in additional efficiencies with the use of these funds, and will enable EDO to better support the information technology needs of the entire Department.

ITD (B) is currently appropriated as a separate division, but the management of the funds is the responsibility of the Division of Motor Vehicles. This mismatch adds an extra unnecessary layer of administration and workflow in order to manage this appropriation.

Proposed Solution:

DOR ITD-(A) is offering a total reduction of \$381,679, consisting of \$370,548 in General Fund and \$11,131 in cash funds within the current personal services and operating appropriations. This reduction completely eliminates all personnel appropriations which were previously used for project management and consulting costs related to IT implementations. It also eliminates a material amount, over 34%, from the operating appropriation. Much of this reduction is being managed by eliminating telecom costs across the Department. Desk phones will be eliminated as DOR shifts to a teleworking model, whereby entire office buildings are being vacated. Additionally, cell phones have been reassessed and will only be authorized for a small number of DOR employees based on their specific job duties. Other operating cuts beyond telecom will be necessary to operate within the lower appropriation total and will impact projects, licensing, and infrastructure maintenance.

Long Bill	Current		Proposed		Change	
	General Fund	Cash Funds	General Fund	Cash Funds	General Fund	Cash Funds
(2) Information Technology Division						
(A) Systems Support						
Personal Services	\$ 100,000	\$ 11,131	\$ -	\$ -	\$ (100,000)	\$ (11,131)
Operating Expenses	\$ 1,109,976	\$ 406,514	\$ 839,428	\$ 406,514	\$ (270,548)	\$ -
Total	\$ 1,209,976	\$ 417,645	\$ 839,428	\$ 406,514	\$ (370,548)	\$ (11,131)

DOR ITD-(B) is offering a total reduction of \$321,800 in cash fund spending authority. Most of this reduction comes from supplies, such as specialty vehicle registration and title paper. 10% of this reduction will come from asset maintenance for county DMV offices. These reductions could result in some minor deferment of county office asset replacement as well as other strategic initiatives, however county offices will still be able to meet the customer demand for titles and registration processing.

Long Bill	Current		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
(2) Information Technology Division						
(B) DMV IT System (DRIVES) Support						
Operating Expenses	\$ -	\$ 2,617,535	\$ -	\$ 2,356,535	\$ -	\$ (261,000)
County Office Asset Maintenance	\$ -	\$ 568,230	\$ -	\$ 511,430	\$ -	\$ (56,800)
County Office Improvements	\$ -	\$ 40,000	\$ -	\$ 36,000	\$ -	\$ (4,000)
Total	\$ -	\$ 3,225,765	\$ -	\$ 2,903,965	\$ -	\$ (321,800)

DOR created the Business Innovation Group (BIG), a centralized technology management structure within the EDO that is charged with providing innovation and technology solutions across all of the Department's divisions. BIG's goal is to increase technological enhancements to improve processes, overall operations, and customer service. The BIG team manages the strategic planning of information technology across DOR. This includes being tasked with reducing overall information technology costs and better utilizing existing resources and technology tools.

The Department of Revenue proposes that the ITD-(A) appropriations, personal services and operating expense be moved in their entirety to EDO personal services and operating expense, respectively.

The Department proposes that the ITD-(B) operating expense appropriations be moved in their entirety to a newly created subunit of (4) Division of Motor Vehicles; (D) County Support Services, which is in line with the utilization of these appropriations.

These moves will result in no additional change to funds available for various purposes as they currently exist.

Long Bill	Current		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
(1) Executive Director's Office						
Personal Services	\$ 5,858,777	\$ 698,384	\$ 5,958,777	\$ 709,515	\$ 100,000	\$ 11,131
Operating Expenses	\$ 1,608,261	\$ 734,188	\$ 2,718,237	\$ 1,140,702	\$ 1,109,976	\$ 406,514
(2) Information Technology Division						
(A) Systems Support						
Personal Services	\$ 100,000	\$ 11,131			\$ (100,000)	\$ (11,131)
Operating Expenses	\$ 1,109,976	\$ 406,514			\$ (1,109,976)	\$ (406,514)
(2) Information Technology Division						
(B) DMV IT System (DRIVES) Support						
Operating Expenses		\$ 2,617,535				\$(2,617,535)
County Office Asset Maintenance		\$ 568,230				\$ (568,230)
County Office Improvement		\$ 40,000				\$ (40,000)
(4) DMV						
(D) County Support Services (<i>new subunit</i>)						
Operating Expenses				\$ 2,617,535		\$ 2,617,535
County Office Asset Maintenance				\$ 568,230		\$ 568,230
County Office Improvement				\$ 40,000		\$ 40,000
Total	\$8,677,014	\$5,075,982	\$8,677,014	\$5,075,982	\$ -	\$ -

Anticipated Outcomes:

BIG leads DOR's departmental IT strategy for planning, utilization, and spending. Moving this ITD-(A) appropriation will allow the Department to maximize the effectiveness and efficiency in support of IT infrastructure and innovation.

The realignment of the ITD-(B) appropriations will allow the DMV more visibility and enable more effective and efficient financial management.

Assumptions and Calculations:

This request is for a \$703,479 reduction to the Department of Revenue's existing appropriation. There are no additional FTE or new funds associated with this request.

Reductions

Long Bill	Current		Proposed		Change	
	General Fund	Cash Funds	General Fund	Cash Funds	General Fund	Cash Funds
(2) Information Technology Division						
(A) Systems Support						
Personal Services	\$ 100,000	\$ 11,131	\$ -	\$ -	\$ (100,000)	\$ (11,131)
Operating Expenses	\$ 1,109,976	\$ 406,514	\$ 839,428	\$ 406,514	\$ (270,548)	\$ -
Total	\$ 1,209,976	\$ 417,645	\$ 839,428	\$ 406,514	\$ (370,548)	\$ (11,131)

Long Bill	Current		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
(2) Information Technology Division						
(B) DMV IT System (DRIVES) Support						
Operating Expenses	\$ -	\$ 2,617,535	\$ -	\$ 2,356,535	\$ -	\$ (261,000)
County Office Asset Maintenance	\$ -	\$ 568,230	\$ -	\$ 511,430	\$ -	\$ (56,800)
County Office Improvements	\$ -	\$ 40,000	\$ -	\$ 36,000	\$ -	\$ (4,000)
Total	\$ -	\$ 3,225,765	\$ -	\$ 2,903,965	\$ -	\$ (321,800)

Consolidation (amounts shown are current and prior to any reductions)

Long Bill	Current		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
(1) Executive Director's Office						
Personal Services	\$ 5,858,777	\$ 698,384	\$ 5,958,777	\$ 709,515	\$ 100,000	\$ 11,131
Operating Expenses	\$ 1,608,261	\$ 734,188	\$ 2,718,237	\$ 1,140,702	\$ 1,109,976	\$ 406,514
(2) Information Technology Division						
(A) Systems Support						
Personal Services	\$ 100,000	\$ 11,131			\$ (100,000)	\$ (11,131)
Operating Expenses	\$ 1,109,976	\$ 406,514			\$ (1,109,976)	\$ (406,514)
(2) Information Technology Division						
(B) DMV IT System (DRIVES) Support						
Operating Expenses		\$ 2,617,535				\$ (2,617,535)
County Office Asset Maintenance		\$ 568,230				\$ (568,230)
County Office Improvement		\$ 40,000				\$ (40,000)
(4) DMV						
(D) County Support Services (<i>new subunit</i>)						
Operating Expenses				\$ 2,617,535		\$ 2,617,535
County Office Asset Maintenance				\$ 568,230		\$ 568,230
County Office Improvement				\$ 40,000		\$ 40,000
Total	\$8,677,014	\$5,075,982	\$8,677,014	\$5,075,982	\$ -	\$ -

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-04 Savings from Adopting Virtual Government

Dept. Approval By: Lorri Dugan Digitally signed by Lorri Dugan
Date: 2020.10.21 12:57:44
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Supplemental FY 2020-21

OSPB Approval By: Cynthia Kelly

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$52,532,933	\$0	\$55,291,447	(\$803,477)	(\$803,477)
	FTE	172.3	0.0	181.3	(5.0)	(5.0)
Total of All Line Items Impacted by Change Request	GF	\$18,263,191	\$0	\$20,292,136	(\$611,854)	(\$611,854)
	CF	\$28,014,602	\$0	\$27,302,054	(\$191,623)	(\$191,623)
	RF	\$6,070,759	\$0	\$7,521,391	\$0	\$0
	FF	\$184,381	\$0	\$175,866	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$12,605,285	\$0	\$13,371,575	(\$268,227)	(\$268,227)
01. Executive Director's Office, (A)	FTE	138.8	0.0	147.0	(4.0)	(4.0)
Administration and Support, (1)	GF	\$5,858,777	\$0	\$5,048,606	(\$268,103)	(\$268,103)
Administration and Support - Personal Services	CF	\$698,384	\$0	\$814,393	(\$124)	(\$124)
	RF	\$6,048,124	\$0	\$7,508,576	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$14,806,800	\$0	\$17,495,386	(\$32,501)	(\$32,501)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$3,833,915	\$0	\$6,738,907	(\$32,501)	(\$32,501)
Administration and Support - Health, Life, and Dental	CF	\$10,850,714	\$0	\$10,637,162	\$0	\$0
	RF	\$13,065	\$0	\$8,235	\$0	\$0
	FF	\$109,106	\$0	\$111,082	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$161,639	\$0	\$159,187	(\$392)	(\$392)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$61,023	\$0	\$71,866	(\$392)	(\$392)
Administration and Support - Short-term Disability	CF	\$99,201	\$0	\$86,233	\$0	\$0
	RF	\$160	\$0	\$72	\$0	\$0
	FF	\$1,255	\$0	\$1,016	\$0	\$0
	Total	\$4,778,411	\$0	\$4,676,092	(\$10,304)	(\$10,304)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	(\$10,304)	(\$10,304)
Administration and Support - Amortization	CF	\$2,935,957	\$0	\$2,701,944	\$0	\$0
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$4,778,411	\$0	\$4,676,092	(\$10,304)	(\$10,304)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	(\$10,304)	(\$10,304)
Administration and Support - Supplemental Amortization	CF	\$2,935,957	\$0	\$2,701,944	\$0	\$0
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$3,224,512	\$0	\$3,255,067	(\$68,795)	(\$68,795)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$2,848,606	\$0	\$2,848,606	(\$50,000)	(\$50,000)
Administration and Support - Postage	CF	\$375,906	\$0	\$406,461	(\$18,795)	(\$18,795)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$809,138	\$0	\$825,908	(\$40,250)	(\$40,250)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$159,087	\$0	\$159,087	(\$40,250)	(\$40,250)
Administration and Support - Vehicle Lease Payments	CF	\$650,051	\$0	\$666,821	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$6,351,437	\$0	\$7,173,403	(\$200,000)	(\$200,000)
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A)	GF	\$1,036,802	\$0	\$1,216,711	(\$200,000)	(\$200,000)
Administration and Support, (1)	CF	\$5,314,635	\$0	\$5,956,692	\$0	\$0
Administration and Support - Leased Space	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$2,316,838	\$0	\$898,482	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A)	GF	\$863,503	\$0	\$328,333	\$0	\$0
Administration and Support, (1)	CF	\$1,453,335	\$0	\$570,149	\$0	\$0
Administration and Support - Capitol Complex Leased Space	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$143,703	\$0	\$143,703	(\$60,000)	(\$60,000)
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A)	GF	\$0	\$0	\$0	\$0	\$0
Administration and Support, (1)	CF	\$143,703	\$0	\$143,703	(\$60,000)	(\$60,000)
Administration and Support - Utilities	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$2,556,759	\$0	\$2,616,552	(\$112,704)	(\$112,704)
	FTE	33.5	0.0	34.3	(1.0)	(1.0)
01. Executive Director's Office, (B) Hearing Division, (1) Hearing Division - Personal Services	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$2,556,759	\$0	\$2,616,552	(\$112,704)	(\$112,704)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

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



Department Priority: R-04
Request Detail: Savings from Adopting Virtual Government

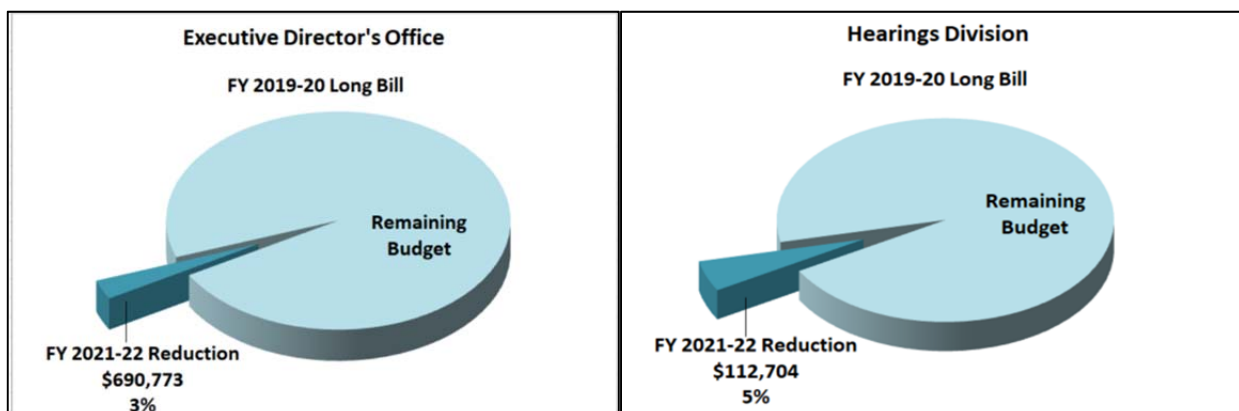
Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$85,432,305	\$86,559,526	(\$803,477)	(\$803,477)
FTE	170.8	172.0	(5.0)	(5.0)
General Fund	\$36,642,702	\$36,680,699	(\$611,854)*	(\$611,854)*
Cash Funds	\$42,532,348	\$43,621,572	(\$191,623)	(\$191,623)
Reappropriated Funds	\$6,072,874	\$6,072,874	\$0	\$0
Federal Funds	\$184,381	\$184,381	\$0	\$0

**DOR has vacated the Annex Capitol Complex which generated \$1.4M in savings. These savings are captured via the DPA Common Policy Adjustments but are not reflected in the table above.*

Summary of Request

The Department of Revenue (DOR) requests in FY 2021-22 an ongoing reduction of 4.0 FTE, \$611,854 General Fund and \$78,919 cash funds from the Executive Director's Office (EDO) Personal Services and Operating Expenses, and 1.0 FTE and \$112,704 from the Hearings division Personal Services. These reductions are possible due to a reevaluation of workflow and the permanent elimination of vacant positions.

Not included in the overall request are the savings realized in DPA's common policy adjustment for DOR's vacating of the Annex Capitol Complex which resulted in \$1,418,356 of savings via common policy. However, for this common policy adjustment to occur, DOR is requesting JBC sponsor legislation to allow tax hearings to be conducted in locations besides the City and County of Denver and virtually. This change would only apply to administrative hearings (CRS 39-21-103) and not district court appeals (CRS 39-21-105). The Department does not anticipate that there will be an expenditure impact or workload burden associated with this request.



Current Program:

The EDO is made up of the Administrative Offices Division (AOD), Office of Budget and Financial Services (OBFS), and the Executive Director's Office (EDO), which includes: Legislative Liaison, Office of Communications, Internal Audit, and the Human Resources. Each section under the EDO strives to assist the Divisions to deliver efficient, effective and quality services for the people of Colorado. The EDO also includes department-wide expenses, such as personal services benefits, leased space, Capitol Complex, variable vehicle, utilities, and postage.

The Hearings Division's purpose is to provide due process to individuals or businesses that were not granted, may lose, or have lost the privilege of a license.

The Hearings Division conducts administrative hearings on issues related to individual licenses and business licenses granted, denied or revoked by the DOR. Hearings can be requested from one of the following Divisions: Division of Motor Vehicles (DMV), Taxation Business Group (Tax), Liquor Enforcement Division (LED), Marijuana Enforcement Division (MED), and the Auto Industry Division (DMV).

The Taxation Business Group, Taxation and Compliance Division (TAC), enforces the State's income and sales tax laws. For taxpayers unwilling to accept DOR's administrative decisions on their tax matters, like the taxpayer's non-compliance with a request to pay taxes DOR has calculated are due, DOR holds hearings on the tax issue with the taxpayer. These hearings are administrative in nature, but resemble court hearings, with findings of fact, arguments about the facts' relationship to the law, and an order from an administrative authority. Formerly, DOR held these hearings in the Annex building in the Capitol Complex located in the City and County of Denver, Colorado. Statute requires that the hearings only be held in the City and County of Denver and that they must be live and in-person.

Problem or Opportunity:

As part of the "reimagining government" initiative, DOR has embraced the new work-from-home opportunities and vacated the Annex building. DOR no longer has real estate in the City and County of Denver in which to hold hearings, as currently required by statute, nor does statute provide for DOR to hold hearings virtually. Without a statutory change, the Department would need to find a location in Denver to simply hold hearings which in turn will cause delays to customers. The current number of hearings the Department conducts that is required to be held in the City and County of Denver ranges from 6-12 per year. All tax hearings previously required to be held in Denver can be conducted virtually or outside Denver. With the low volumes of hearings that fall under this statute, it is not necessarily a concern of cost, but rather the customer service impacts that are caused due to needing to be in the City and County of Denver.

Proposed Solution:

DOR is offering a total reduction of 4.0 FTE, \$611,854 General Fund and \$78,919 cash funds within the current personal services and operating expense appropriation for the Executive Director's Office. DOR is also offering a total reduction of 1.0 FTE and \$112,704 Cash Funds within the current personal services appropriation for the Hearings Division. These reductions are possible due to a reevaluation of workflow and the permanent elimination of vacant positions.

In addition, DOR requests a modification to statute, which would allow for tax hearings to be held in the Denver *metro area* and to allow for virtual hearings. DOR is only requesting to change the venue for administrative hearings in CRS 39-21-103 and not seek to change the venue provisions for the district court appeal in CRS 39-21-105. By changing statute to allow for hearings within the Denver metro area, the Department can use existing leased space in its other rented buildings located in Lakewood or Glendale to hold required hearings. By allowing virtual hearings, taxpayers from distant locations, or those who can't attend in person, may still attend administrative hearings without having to travel to Denver, including those taxpayers from out of State. Additionally, the Department could save TAC personnel's travel time and mileage reimbursements.

By expanding the potential location of hearings and by allowing those hearings to be virtual, customer service to taxpayers will be greatly improved. Taxpayers will have options as to whether they should travel to the metro area for the hearing or attend it virtually, and those located in the metro area will have access to a physical hearing location nearby.

Anticipated Outcomes:

The State's tax hearings system will be more flexible and more convenient for taxpayers and the Department. Funds will be saved if DOR is not required to contract additional leased space within the City and County of Denver. It is anticipated that virtual hearings will take the place of many in-person hearings, which would save both the State and taxpayers in the long run.

Assumptions and Calculations:

This request assumes that holding hearings virtually will be less costly than holding them in-person. This request also assumes that there is virtually no difference in the procedure and outcomes between an in-person hearing and a virtual one.

The reduction in the EDO Administration, OBFS, and AOD, include full-time positions and temporary staff funding. The DOR will also implement reductions in the other Department-wide expenditures such as utilities, Capitol Complex, variable vehicle, leased space, and postage expenditures. The department-wide expense reductions are based on implemented operational changes and will not severely impact the delivery of services.

Long Bill	FY 2019-20		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
(1) Executive Director's Office						
Personal Services	\$ 4,670,555	\$ 521,836	\$ 4,402,452	\$ 521,712	\$ (268,103)	\$ (124)
Health, Life, and Dental	\$ 5,275,428	\$ 7,813,467	\$ 5,242,927	\$ 7,813,467	\$ (32,501)	\$ -
Short-term Disability	\$ 57,479	\$ 86,848	\$ 57,087	\$ 86,848	\$ (392)	\$ -
Amortization Equalization Disbursement	\$ 1,695,426	\$ 2,580,350	\$ 1,685,122	\$ 2,580,350	\$ (10,304)	\$ -
Supplemental Amortization Equalization Disbursement	\$ 1,695,426	\$ 2,580,350	\$ 1,685,122	\$ 2,580,350	\$ (10,304)	\$ -
Postage	\$ 2,848,606	\$ 342,559	\$ 2,798,606	\$ 323,764	\$ (50,000)	\$ (18,795)
Vehicle Lease Payments	\$ 161,389	\$ 493,754	\$ 121,139	\$ 493,754	\$ (40,250)	\$ -
Lease Space	\$ 987,428	\$ 7,006,632	\$ 787,428	\$ 7,006,632	\$ (200,000)	\$ -
Capitol Complex Leased Space*	\$ 1,497,525	\$ 658,764	\$ 304,726	\$ 658,764	\$ - *	\$ -
Utilities	\$ -	\$ 143,703	\$ -	\$ 83,703	\$ -	\$ (60,000)
Total	\$ 18,889,262	\$ 22,228,263	\$ 17,084,609	\$ 22,149,344	\$ (611,854)	\$ (78,919)

*DOR has vacated the Annex Capitol Complex which generated \$1.4M in savings. These savings are captured via the DPA Common Policy Adjustments

Long Bill	FY 2019-20		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
(1) Executive Director's Office						
(B) Hearings Division						
Personal Services	\$ -	\$ 2,234,729	\$ -	\$ 2,122,025	\$ -	\$ (112,704)
Operating Expenses	\$ -	\$ 95,457	\$ -	\$ 95,457	\$ -	\$ -
Indirect Cost Assessment	\$ -	\$ 188,991	\$ -	\$ 188,991	\$ -	\$ -
Total	\$ -	\$ 2,519,177	\$ -	\$ 2,406,473	\$ -	\$ (112,704)

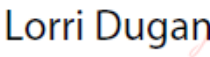
Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-05 Align Spending With Revenue at DMV

Dept. Approval By:  Digitally signed by Lorri Dugan
Date: 2020.10.21 12:57:44 -06'00'

Supplemental FY 2020-21

OSPB Approval By: 

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$78,643,523	\$0	\$81,474,329	(\$6,851,411)	(\$6,851,411)
	FTE	558.4	0.0	558.4	(16.1)	(16.1)
Total of All Line Items Impacted by Change Request	GF	\$11,733,593	\$0	\$15,028,433	\$0	\$0
	CF	\$66,517,025	\$0	\$66,071,326	(\$6,851,411)	(\$6,851,411)
	RF	\$208,524	\$0	\$198,704	\$0	\$0
	FF	\$184,381	\$0	\$175,866	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$14,806,800	\$0	\$17,495,386	(\$142,689)	(\$142,689)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$3,833,915	\$0	\$6,738,907	\$0	\$0
Administration and Support - Health, Life, and Dental	CF	\$10,850,714	\$0	\$10,637,162	(\$142,689)	(\$142,689)
	RF	\$13,065	\$0	\$8,235	\$0	\$0
	FF	\$109,106	\$0	\$111,082	\$0	\$0

	Total	\$161,639	\$0	\$159,187	(\$1,441)	(\$1,441)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$61,023	\$0	\$71,866	\$0	\$0
Administration and Support - Short-term Disability	CF	\$99,201	\$0	\$86,233	(\$1,441)	(\$1,441)
	RF	\$160	\$0	\$72	\$0	\$0
	FF	\$1,255	\$0	\$1,016	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$4,778,411	\$0	\$4,676,092	(\$37,940)	(\$37,940)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	\$0	\$0
Administration and Support - Amortization	CF	\$2,935,957	\$0	\$2,701,944	(\$37,940)	(\$37,940)
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$4,778,411	\$0	\$4,676,092	(\$37,940)	(\$37,940)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	\$0	\$0
Administration and Support - Supplemental Amortization	CF	\$2,935,957	\$0	\$2,701,944	(\$37,940)	(\$37,940)
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$4,136,626	\$0	\$4,136,626	(\$146,712)	(\$146,712)
	FTE	49.9	0.0	49.9	(1.0)	(1.0)
04. Division of Motor Vehicles, (A)	GF	\$370,437	\$0	\$470,851	\$0	\$0
Administration , (1)	CF	\$3,714,679	\$0	\$3,614,265	(\$146,712)	(\$146,712)
Administration - Personal Services	RF	\$51,510	\$0	\$51,510	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$555,904	\$0	\$555,904	(\$5,313)	(\$5,313)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (A)	GF	\$63,633	\$0	\$63,682	\$0	\$0
Administration , (1)	CF	\$488,881	\$0	\$488,832	(\$5,313)	(\$5,313)
Administration - Operating Expenses	RF	\$3,390	\$0	\$3,390	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$24,497,274	\$0	\$24,497,274	(\$702,004)	(\$702,004)
	FTE	438.7	0.0	438.7	(12.1)	(12.1)
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Personal Services	GF	\$2,647,300	\$0	\$2,647,300	\$0	\$0
	CF	\$21,729,155	\$0	\$21,729,155	(\$702,004)	(\$702,004)
	RF	\$120,819	\$0	\$120,819	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$2,637,124	\$0	\$2,637,124	(\$285,550)	(\$285,550)
	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	\$2,215,799	\$0	\$2,215,799	(\$285,550)	(\$285,550)
	RF	\$10,170	\$0	\$10,170	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$8,334,660	\$0	\$8,712,457	(\$2,300,000)	(\$2,300,000)
	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	\$8,334,660	\$0	\$8,712,457	(\$2,300,000)	(\$2,300,000)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$1,269,106	\$0	\$1,269,106	(\$600,000)	(\$600,000)
	FTE	6.9	0.0	6.9	0.0	0.0
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Ignition Interlock Program	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$1,269,106	\$0	\$1,269,106	(\$600,000)	(\$600,000)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$2,625,463	\$0	\$2,625,463	(\$200,000)	(\$200,000)
	FTE	47.9	0.0	47.9	(3.0)	(3.0)
04. Division of Motor Vehicles, (C) Vehicle Services, (1) Vehicle Services - Personal Services	GF	\$502,180	\$0	\$502,180	\$0	\$0
	CF	\$2,123,283	\$0	\$2,123,283	(\$200,000)	(\$200,000)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$403,520	\$0	\$403,520	(\$25,775)	(\$25,775)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (C) Vehicle Services, (1) Vehicle Services - Operating Expenses	GF	\$26,157	\$0	\$26,157	\$0	\$0
	CF	\$377,363	\$0	\$377,363	(\$25,775)	(\$25,775)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$8,320,277	\$0	\$8,291,790	(\$2,200,000)	(\$2,200,000)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (C) Vehicle	GF	\$216,315	\$0	\$216,315	\$0	\$0
Services, (1) Vehicle	CF	\$8,103,962	\$0	\$8,075,475	(\$2,200,000)	(\$2,200,000)
Services - License Plate	RF	\$0	\$0	\$0	\$0	\$0
Ordering	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$1,338,308	\$0	\$1,338,308	(\$166,047)	(\$166,047)
	FTE	15.0	0.0	15.0	0.0	0.0
04. Division of Motor Vehicles, (C) Vehicle	GF	\$0	\$0	\$0	\$0	\$0
Services, (1) Vehicle	CF	\$1,338,308	\$0	\$1,338,308	(\$166,047)	(\$166,047)
Services - Emissions	RF	\$0	\$0	\$0	\$0	\$0
Program	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



Department Priority:R-05
Align Spending with Revenue at DMV

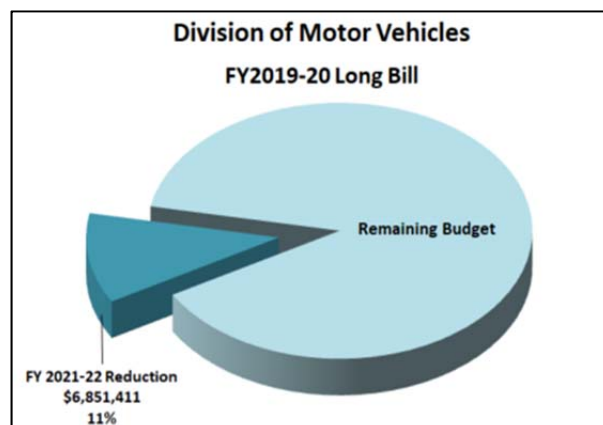
Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$64,525,683	\$65,765,771	(\$6,851,411)	(\$6,851,411)
FTE	559.4	559.4	(16.1)	(16.1)
General Fund	\$4,255,177	\$4,466,784	\$0	\$0
Cash Funds	\$60,084,617	\$61,113,098	(\$6,851,411)	(\$6,851,411)
Reappropriated Funds	\$185,889	\$185,889	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0

Summary of Request

The Department of Revenue (DOR) requests a permanent reduction in FY 2021-22 and in subsequent years of 16.1 FTE and \$6,851,411 in cash fund spending authority from the Division of Motor Vehicles (DMV) personal services and operating expenses. \$4.5 million of this change is attributable to the Joint Budget Committee (JBC) providing DOR the authority to change the Driver License Documents and the License Plate Ordering appropriations through technical adjustments, thereby providing a much more accurate assessment of the actual costs associated with these demand-driven expenditures.

Additionally, the DMV has reevaluated the need and deployment of personnel at DMV offices to align with the changing demand for DMV services. Based on demographic patterns that predict a smaller percentage of Coloradans maintaining drivers' licenses and vehicles, DMV is being proactive in meeting these changes. While these changes revealed themselves last year in departmental cash flow analysis, DMV also anticipates an accelerated impact from the COVID inspired economic slowdown. DMV expects document issuance will mirror the slowdown observed during the Great Recession, where DMV revenues declined 10% in a single year.

Finally, DMV is anticipating more customers will take advantage of existing and enhanced (see R-08) options for DMV services as we recover from the pandemic shutdowns, further contributing to a shifting of demand at office locations.



Current Program:

The DMV provides services used by nearly every citizen of the State. Colorado citizens utilize identification, driver, and vehicle services at State and County offices to obtain identification cards, driver licenses, vehicle registrations, titles, and other related services. Additionally, the DMV licenses and provides oversight of private businesses and government organizations that provide driver and emission testing services. Finally, the division works closely with other state agencies and programs to provide information and education to serve the public and encourage voluntary compliance.

Problem or Opportunity:

The current economic slowdown is impacting many departmental operations, including the DMV. Prior to the spring, DMV had witnessed a slowdown in revenues that was attributed to both the cyclical impact of the Great Recession, as well as a demographic shift that has seen fewer Coloradans engaging with DMV services. These issues were compounded by the necessary shutdowns caused by the public health orders. This resulted in the DMV cash funds ending the fiscal year with a severely diminished cash fund balance. The Great Recession taught us that the DMV cannot anticipate fee revenue to rebound quickly, but to see diminished demand for services for at least two years to come.

Additionally, DMV is anticipating that the changes hastily implemented to respond to COVID (a much heavier reliance on online service delivery) will become expected by our customers going forward.

These two realities combined require DMV to begin making changes, both in how we deliver services (see R-08) and how much money we spend delivering those services.

Proposed Solution:

DOR is offering a total reduction of 16.1 FTE and \$6,851,411 cash fund spending authority within the current personal services and operating expense appropriations for the DMV. The 16.1 FTE consists of central operations and customer facing staff. While the majority of this reduction is attributed to greater flexibility in adjusting appropriations to meet expenditures (for ID and plate manufacturing) this reduction could contribute to customer service impacts and increased wait times in the immediate term. However, DMV expects our current and expanded (see R-08) online options to take up the slack quickly. Finally, DMV must be responsible stewards of the fees our customers pay, and not overcommit our financial resources to services that the current fee level cannot sustain.

Anticipated Outcomes:

DOR will implement these reductions by adjusting workload and reducing service level expectations in response to this reduced budget capacity. These reductions will be spread judiciously across all locations and targeted where the immediate impact will be the lowest. These reductions will be achieved through eliminating vacant positions and (where necessary) transferring employees to alternative locations or positions.

Assumptions and Calculations:

The \$6,851,411 reduction in the DMV impacts Administration, Driver Services, Vehicle Services, and the Executive Director's Office for centrally allocated benefits. These reductions will impact the DMV services due to reduced funding in Driver License Documents, License Plate Ordering, Personal Services, and general Operating expenses.

Long Bill	FY 2019-20		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
(1) Executive Director's Office						
Health, Life, and Dental	\$ 5,275,428	\$ 7,813,467	\$ 5,275,428	\$ 7,670,778	\$ -	\$ (142,689)
Short-term Disability	\$ 57,479	\$ 86,848	\$ 57,479	\$ 85,407	\$ -	\$ (1,441)
S.B. 04-257 Amortization Equalization Disbursement	\$ 1,695,426	\$ 2,580,350	\$ 1,695,426	\$ 2,542,410	\$ -	\$ (37,940)
S.B. 06-235 Supplemental Amortization Equalization Disbursement	\$ 1,695,426	\$ 2,580,350	\$ 1,695,426	\$ 2,542,410	\$ -	\$ (37,940)
(4) Division of Motor Vehicles						
(A) Administration						
Personal Services	\$ 369,059	\$ 2,209,744	\$ 369,059	\$ 2,063,032	\$ -	\$ (146,712)
Operating Expenses	\$ 65,317	\$ 372,273	\$ 65,317	\$ 366,960	\$ -	\$ (5,313)
(B) Driver Services						
Personal Services	\$ 3,264,481	\$ 19,830,970	\$ 3,264,481	\$ 19,128,966	\$ -	\$ (702,004)
Operating Expenses	\$ 411,155	\$ 2,415,114	\$ 411,155	\$ 2,129,564	\$ -	\$ (285,550)
Drivers License Documents	\$ -	\$ 7,808,018	\$ -	\$ 5,508,018	\$ -	\$ (2,300,000)
Ignition Interlock Program	\$ -	\$ 1,253,319	\$ -	\$ 653,319	\$ -	\$ (600,000)
(C) Vehicle Services						
Personal Services	\$ 483,164	\$ 2,647,025	\$ 483,164	\$ 2,447,025	\$ -	\$ (200,000)
Operating Expenses	\$ 26,157	\$ 432,595	\$ 26,157	\$ 406,820	\$ -	\$ (25,775)
License Plate Ordering	\$ 216,315	\$ 9,993,146	\$ 216,315	\$ 7,793,146	\$ -	\$ (2,200,000)
Emissions Program	\$ -	\$ 1,303,989	\$ -	\$ 1,137,942	\$ -	\$ (166,047)
Total	\$ 13,559,407	\$ 61,327,208	\$ 13,559,407	\$ 54,475,797	\$ -	\$ (6,851,411)

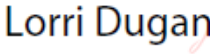
Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-06 Align Spending with Revenue at SBG

Dept. Approval By:  Digitally signed by Lorri Dugan
Date: 2020.10.21 12:57:44 -06'00'

Supplemental FY 2020-21

OSPБ Approval By: 

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$44,464,066	\$0	\$47,410,661	(\$1,196,200)	(\$1,196,200)
	FTE	193.2	0.0	200.1	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$7,676,755	\$0	\$10,871,132	\$0	\$0
	CF	\$36,575,357	\$0	\$36,345,910	(\$1,196,200)	(\$1,196,200)
	RF	\$27,573	\$0	\$17,753	\$0	\$0
	FF	\$184,381	\$0	\$175,866	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$14,806,800	\$0	\$17,495,386	(\$103,054)	(\$103,054)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$3,833,915	\$0	\$6,738,907	\$0	\$0
Administration and Support - Health, Life, and Dental	CF	\$10,850,714	\$0	\$10,637,162	(\$103,054)	(\$103,054)
	RF	\$13,065	\$0	\$8,235	\$0	\$0
	FF	\$109,106	\$0	\$111,082	\$0	\$0

	Total	\$161,639	\$0	\$159,187	(\$1,485)	(\$1,485)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$61,023	\$0	\$71,866	\$0	\$0
Administration and Support - Short-term Disability	CF	\$99,201	\$0	\$86,233	(\$1,485)	(\$1,485)
	RF	\$160	\$0	\$72	\$0	\$0
	FF	\$1,255	\$0	\$1,016	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$4,778,411	\$0	\$4,676,092	(\$39,095)	(\$39,095)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	\$0	\$0
Administration and Support - Amortization	CF	\$2,935,957	\$0	\$2,701,944	(\$39,095)	(\$39,095)
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$4,778,411	\$0	\$4,676,092	(\$39,095)	(\$39,095)
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	\$0	\$0
Administration and Support - Supplemental Amortization	CF	\$2,935,957	\$0	\$2,701,944	(\$39,095)	(\$39,095)
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0
	Total	\$15,630	\$0	\$15,630	(\$1,696)	(\$1,696)
	FTE	0.0	0.0	0.0	0.0	0.0
05. Specialized Business Group, (A)	GF	\$111	\$0	\$111	\$0	\$0
Administration , (1)	CF	\$10,581	\$0	\$10,581	(\$1,696)	(\$1,696)
Administration - Operating Expenses	RF	\$4,938	\$0	\$4,938	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$4,100,678	\$0	\$4,203,610	(\$223,702)	(\$223,702)
05. Specialized Business Group, (C)	FTE	49.9	0.0	51.5	0.0	0.0
Liquor and Tobacco Enforcement Division, (1) Liquor and Tobacco Enforcement Division - Personal Services	GF	\$180,228	\$0	\$180,228	\$0	\$0
	CF	\$3,920,450	\$0	\$4,023,382	(\$223,702)	(\$223,702)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$220,721	\$0	\$220,721	(\$18,401)	(\$18,401)
	FTE	0.0	0.0	0.0	0.0	0.0
05. Specialized Business Group, (D)	GF	\$0	\$0	\$0	\$0	\$0
Division of Racing Events, (1) Division of Racing Events - Operating Expenses	CF	\$220,721	\$0	\$220,721	(\$18,401)	(\$18,401)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$338,691	\$0	\$338,691	(\$12,804)	(\$12,804)
	FTE	0.0	0.0	0.0	0.0	0.0
05. Specialized	GF	\$0	\$0	\$0	\$0	\$0
Business Group, (E)	CF	\$338,691	\$0	\$338,691	(\$12,804)	(\$12,804)
Auto Industry Division, -	RF	\$0	\$0	\$0	\$0	\$0
Operating Expenses	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$15,263,085	\$0	\$15,625,252	(\$756,868)	(\$756,868)
	FTE	143.3	0.0	148.6	0.0	0.0
05. Specialized	GF	\$0	\$0	\$0	\$0	\$0
Business Group, (F)	CF	\$15,263,085	\$0	\$15,625,252	(\$756,868)	(\$756,868)
Marijuana Enforcement,	RF	\$0	\$0	\$0	\$0	\$0
(1) Marijuana	FF	\$0	\$0	\$0	\$0	\$0
Enforcement - Marijuana						
Enforcement						

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



Department Priority:R-06
Align Spending with Revenue at Specialized Business Group

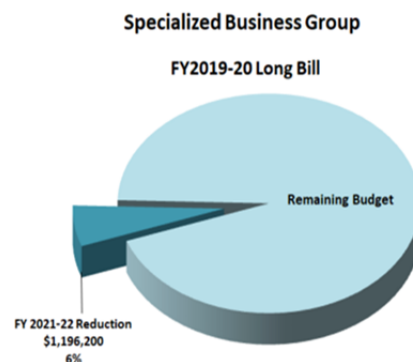
Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$66,974,380	\$67,244,003	(\$1,196,200)	(\$1,196,200)
FTE	332.8	339.7	0.0	0.0
General Fund	\$194,998	\$194,998	\$0	\$0
Cash Funds	\$66,444,815	\$66,714,438	(\$1,196,200)	(\$1,196,200)
Reappropriated Funds	\$334,567	\$334,567	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0

Summary of Request

The Department of Revenue (DOR) requests a permanent reduction in FY 2021-22 and in subsequent years of \$1,196,200 from the Specialized Business Group's (SBG) cash fund spending authority. \$980,570 of this request impact funding at the Liquor Enforcement Division and the Marijuana Enforcement Division for personal services and operating expenses. All of these reductions are in response to the current economic recession and the resulting budget constraints imposed on fee-reliant services.

Just like their customers (bars and restaurants), the Liquor Enforcement Division (LED) has been hit particularly hard in the last 7 months. Revenues from new licensees, which composes 65-70% of the division's total revenue, has dropped by as much as 80%. During this time, new services such as curbside pickup permitting and expanded outdoor seating regulations have swelled the work performed by the division. LED has performed admirably in meeting these new needs but recognizes that a new normal will be in place for some time. LED is requesting an 8% reduction in Personal Services and Operating expenses to align with an expected reduced revenue for the coming fiscal year.

The Marijuana Enforcement Division has had an excess fund balance waiver for several years while they have been defect-spending to reduce their fund balance as a division. This process is now coming to an end, and this reduction is in response to a compliant fund balance and will better match spending at the division with annual fee revenues.



Current Program:

The Specialized Business Group consists of six divisions: Administration, Auto Industry, Division of Gaming, Liquor Enforcement Division, Marijuana Enforcement Division, and Division of Racing, which respectively are responsible for the regulation, enforcement, and compliance of applicable laws, and to promote the integrity of the industries and public safety.

Problem or Opportunity:

COVID has impacted revenues to fee funded programs, and fee funded services must respond to this new normal by adjusting their operations to match revenues.

Proposed Solution:

DOR is offering a total reduction of \$1,196,200 in cash fund spending authority from the Specialized Business Group's divisions, which includes both personal services and operating expenses.

Anticipated Outcomes:

DOR will implement these reductions by adjusting workload and reducing service level expectations in response to this reduced budget capacity. This includes less outreach from the MED, reduced training, reduced travel, and delays in project implementation.

Assumptions and Calculations:

The \$1,196,200 reduction in the Specialized Business Group is in Administration, Liquor and Tobacco Enforcement Division, Division of Racing, Auto Industry Division, Marijuana Enforcement Division, and in the Executive Director's Office for centrally allocated benefits.

Long Bill	FY 2019-20		Proposed		Change	
	General Fund	Cash Fund	General Fund	Cash Fund	General Fund	Cash Fund
(1) Executive Director's Office						
Health, Life, and Dental	\$ 5,275,428	\$ 7,813,467	\$ 5,275,428	\$ 7,710,413	\$ -	\$ (103,054)
Short-term Disability	\$ 57,479	\$ 86,848	\$ 57,479	\$ 85,363	\$ -	\$ (1,485)
S.B. 04-257 Amortization Equalization Disbursement	\$ 1,695,426	\$ 2,580,350	\$ 1,695,426	\$ 2,541,255	\$ -	\$ (39,095)
S.B. 06-235 Supplemental Amortization Equalization Disbursement	\$ 1,695,426	\$ 2,580,350	\$ 1,695,426	\$ 2,541,255	\$ -	\$ (39,095)
(5) Specialized Business Group						
(A) Administration						
Personal Services	\$ 7,524	\$ 658,983	\$ 7,524	\$ 658,983	\$ -	\$ -
Operating Expenses	\$ 111	\$ 9,631	\$ 111	\$ 7,935	\$ -	\$ (1,696)
(C) Liquor and Tobacco Enforcement Division						
Personal Services	\$ 175,694	\$ 2,645,423	\$ 175,694	\$ 2,421,721	\$ -	\$ (223,702)
Operating Expenses	\$ 6,965	\$ 148,063	\$ 6,965	\$ 148,063	\$ -	\$ -
(D) Division of Racing Events						
Operating Expenses	\$ -	\$ 220,721	\$ -	\$ 202,320	\$ -	\$ (18,401)
(E) Auto Industry Division						
Operating Expenses	\$ -	\$ 138,691	\$ -	\$ 125,887	\$ -	\$ (12,804)
(F) Marijuana Enforcement						
Marijuana Enforcement	\$ -	\$ 12,163,489	\$ -	\$ 11,406,621	\$ -	\$ (756,868)
Total	\$ 8,914,053	\$ 29,046,016	\$ 8,914,053	\$ 27,849,816	\$ -	\$ (1,196,200)

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-07 Budget Savings-Taxation Business Group

Dept. Approval By:

Lorri Dugan Digitally signed by Lorri Dugan
Date: 2020.10.21 12:57:44
-06'00'

Supplemental FY 2020-21

OSPB Approval By:

Cynthia Kelly

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$42,949,852	\$0	\$43,352,458	(\$420,722)	(\$420,722)
	FTE	389.9	0.0	399.3	(0.0)	(0.0)
Total of All Line Items Impacted by Change Request	GF	\$40,039,343	\$0	\$40,463,766	(\$420,722)	(\$420,722)
	CF	\$1,838,292	\$0	\$1,816,475	\$0	\$0
	RF	\$220,085	\$0	\$220,085	\$0	\$0
	FF	\$852,132	\$0	\$852,132	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$6,240,304	\$0	\$6,389,672	(\$420,722)	(\$420,722)
03. Taxation Business Group, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration , (1)	GF	\$6,199,682	\$0	\$6,371,780	(\$420,722)	(\$420,722)
Administration - Tax	CF	\$40,622	\$0	\$17,892	\$0	\$0
Administration IT	RF	\$0	\$0	\$0	\$0	\$0
System (GenTax)	FF	\$0	\$0	\$0	\$0	\$0
Support						

	Total	\$18,373,276	\$0	\$18,481,078	(\$18,481,078)	(\$18,481,078)
03. Taxation Business Group, (B) Taxation and Compliance Division, (1)	FTE	226.0	0.0	228.4	(228.4)	(228.4)
Taxation and Compliance Division - Personal Services	GF	\$17,365,104	\$0	\$17,472,906	(\$17,472,906)	(\$17,472,906)
	CF	\$854,087	\$0	\$854,087	(\$854,087)	(\$854,087)
	RF	\$154,085	\$0	\$154,085	(\$154,085)	(\$154,085)
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$1,067,697	\$0	\$1,086,997	(\$980,752)	(\$980,752)
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (B) Taxation and Compliance Division, (1)	GF	\$1,053,967	\$0	\$1,073,267	(\$967,022)	(\$967,022)
Taxation and Compliance Division - Operating Expenses	CF	\$13,730	\$0	\$13,730	(\$13,730)	(\$13,730)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$131,244	\$0	\$131,244	(\$131,244)	(\$131,244)
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (B) Taxation and Compliance Division, (1)	GF	\$131,244	\$0	\$131,244	(\$131,244)	(\$131,244)
Taxation and Compliance Division - Joint Audit Program	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$918,132	\$0	\$918,132	(\$918,132)	(\$918,132)
	FTE	10.2	0.0	10.2	(10.2)	(10.2)
03. Taxation Business Group, (B) Taxation and Compliance Division, (1)	GF	\$0	\$0	\$0	\$0	\$0
Taxation and Compliance Division - Mineral Audit Program	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$66,000	\$0	\$66,000	(\$66,000)	(\$66,000)
	FF	\$852,132	\$0	\$852,132	(\$852,132)	(\$852,132)
	Total	\$9,988,240	\$0	\$10,328,966	(\$10,603,669)	(\$10,603,669)
	FTE	152.2	0.0	159.2	(164.2)	(164.2)
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	GF	\$9,613,579	\$0	\$9,954,305	(\$10,229,008)	(\$10,229,008)
Taxpayer Service Division - Personal Services	CF	\$374,661	\$0	\$374,661	(\$374,661)	(\$374,661)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$525,128	\$0	\$572,482	(\$2,337,588)	(\$2,337,588)
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	GF	\$519,925	\$0	\$567,279	(\$2,332,385)	(\$2,332,385)
Taxpayer Service Division - Operating Expenses	CF	\$5,203	\$0	\$5,203	(\$5,203)	(\$5,203)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$296,391	\$0	\$296,391	(\$296,391)	(\$296,391)
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (C) Taxpayer Service Division, (1) Taxpayer Service Division - Seasonal Tax Processing	GF	\$296,391	\$0	\$296,391	(\$296,391)	(\$296,391)
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$4,895,551	\$0	\$4,634,987	(\$4,634,987)	(\$4,634,987)
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (C) Taxpayer Service Division, (1) Taxpayer Service Division - Document Management	GF	\$4,857,032	\$0	\$4,596,468	(\$4,596,468)	(\$4,596,468)
	CF	\$38,519	\$0	\$38,519	(\$38,519)	(\$38,519)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$503,438	\$0	\$501,145	(\$501,145)	(\$501,145)
	FTE	1.5	0.0	1.5	(1.5)	(1.5)
03. Taxation Business Group, (C) Taxpayer Service Division, (1) Taxpayer Service Division - Fuel Tracking System	GF	\$2,419	\$0	\$126	(\$126)	(\$126)
	CF	\$501,019	\$0	\$501,019	(\$501,019)	(\$501,019)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$10,451	\$0	\$11,364	(\$11,364)	(\$11,364)
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business Group, (C) Taxpayer Service Division, (1) Taxpayer Service Division - Indirect Cost Assessment	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$10,451	\$0	\$11,364	(\$11,364)	(\$11,364)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$0	\$0	\$0	\$29,381,138	\$29,381,138
	FTE	0.0	0.0	0.0	392.6	392.6
03. Taxation Business Group, (F) Taxation Services, (F) Taxation Services - Taxation Services - Personal Services	GF	\$0	\$0	\$0	\$27,998,305	\$27,998,305
	CF	\$0	\$0	\$0	\$1,228,748	\$1,228,748
	RF	\$0	\$0	\$0	\$154,085	\$154,085
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$0	\$0	\$0	\$3,318,340	\$3,318,340
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business						
Group, (F) Taxation	GF	\$0	\$0	\$0	\$3,299,407	\$3,299,407
Services, (F) Taxation	CF	\$0	\$0	\$0	\$18,933	\$18,933
Services - Taxation	RF	\$0	\$0	\$0	\$0	\$0
Services - Operating	FF	\$0	\$0	\$0	\$0	\$0
Expenses						
	Total	\$0	\$0	\$0	\$131,244	\$131,244
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business						
Group, (F) Taxation	GF	\$0	\$0	\$0	\$131,244	\$131,244
Services, (F) Taxation	CF	\$0	\$0	\$0	\$0	\$0
Services - Taxation	RF	\$0	\$0	\$0	\$0	\$0
Services - Joint Audit	FF	\$0	\$0	\$0	\$0	\$0
Program						
	Total	\$0	\$0	\$0	\$918,132	\$918,132
	FTE	0.0	0.0	0.0	10.2	10.2
03. Taxation Business						
Group, (F) Taxation	GF	\$0	\$0	\$0	\$0	\$0
Services, (F) Taxation	CF	\$0	\$0	\$0	\$0	\$0
Services - Taxation	RF	\$0	\$0	\$0	\$66,000	\$66,000
Services - Mineral Audit	FF	\$0	\$0	\$0	\$852,132	\$852,132
Program						
	Total	\$0	\$0	\$0	\$4,634,987	\$4,634,987
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business						
Group, (F) Taxation	GF	\$0	\$0	\$0	\$4,596,468	\$4,596,468
Services, (F) Taxation	CF	\$0	\$0	\$0	\$38,519	\$38,519
Services - Taxation	RF	\$0	\$0	\$0	\$0	\$0
Services - Document	FF	\$0	\$0	\$0	\$0	\$0
Management						
	Total	\$0	\$0	\$0	\$501,145	\$501,145
	FTE	0.0	0.0	0.0	1.5	1.5
03. Taxation Business						
Group, (F) Taxation	GF	\$0	\$0	\$0	\$126	\$126
Services, (F) Taxation	CF	\$0	\$0	\$0	\$501,019	\$501,019
Services - Taxation	RF	\$0	\$0	\$0	\$0	\$0
Services - Fuel Tracking	FF	\$0	\$0	\$0	\$0	\$0
System						

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$0	\$0	\$0	\$11,364	\$11,364
	FTE	0.0	0.0	0.0	0.0	0.0
03. Taxation Business						
Group, (F) Taxation	GF	\$0	\$0	\$0	\$0	\$0
Services, (F) Taxation						
Services - Taxation	CF	\$0	\$0	\$0	\$11,364	\$11,364
Services - Indirect Cost						
Assesment	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



Department Priority: R-07
Budget Savings – Taxation Business Group

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$ 45,055,484	\$46,572,390	(\$420,722)	(\$420,722)
FTE	408.6	425.0	0.0	0.0
General Fund	\$ 42,038,266	\$43,577,902	(\$420,722)	(\$420,722)
Cash Funds	\$ 1,847,718	\$ 1,824,988	\$0	\$0
Reappropriated Funds	\$ 317,368	\$ 317,368	\$0	\$0
Federal Funds	\$ 852,132	\$ 852,132	\$0	\$0

Summary of Request:

The Department of Revenue (DOR) requests a permanent reduction in FY 2021-22 and in subsequent years of \$420,722 from the GenTax Support General Fund appropriation at the Taxation Business Group (Tax). Additionally, DOR requests a consolidation of Tax in order to simplify the management of these appropriations and allow for a more efficient use of available resources by minimizing management layers and freeing up more resourced for better customer support and efficient tax administration.

As a result to preserve General Fund dollars during this economic slowdown, DOR contacted FAST Enterprises and negotiated a one-time forbearance of the annual inflationary contract escalator clause allocated in FY 2020-21. Additionally, DOR is reprioritizing planned work and deferring other GenTax programming and improvements. This allows the department to request a permanent reduction in FY 2021-22 and subsequent years of \$420,722 from the GenTax Support General Fund appropriation.

In addition, DOR requests a permanent consolidation of the (B) Taxation and Compliance Division (TAC) subunit; and the (C) Taxpayer Services Division (TPS) subunit into one new subunit called Taxation Services effective in FY 2021-22. This request also includes the relocation of the remaining discreet appropriations into the same new Taxation Services subunit:

- 1) From TAC to Taxation Services: Joint Audit Program and Mineral Audit Program, and
- 2) From TPS to Taxation Services: Document Management, Fuel Tracking System and Indirect Cost Assessment.

Current Program:

The Taxation Business Group is made up of the Administrative Office, Taxpayer Services (TPS), Taxation Audit and Compliance (TAC), and Tax Conferee.

TPS is responsible for processing all income tax returns including individual, corporate, partnership, and fiduciary, along with severance, sales and use, withholding, and excise taxes including those assessed on alcohol, marijuana, cigarette, tobacco, and fuel. Additionally TPS assesses and processes various fees and issues the associated refunds and bills. TPS operates a call center devoted to resolving taxpayer concerns for all tax types, technical issues with payments, website assistance, and general taxpayer information. TPS operates five walk-in customer service centers for taxpayer assistance, which are located in Denver, Ft. Collins, Colorado Springs, Pueblo, and Grand Junction.

TAC is the collections and audit arm of the Taxation Business Group. TAC audits or examines Colorado tax returns both as a department through its Discovery program and at business locations through its Field Audit program. Once assessed and the proper amount is determined, TAC utilizes various methods to assist in the collection of monies due the State such as: filing bankruptcy claims; recording and releasing tax liens and judgments; garnishment of wages and bank accounts; income tax distraint warrants; resolution of taxpayer disputes; and the utilization of private collection agencies.

The Tax Conferee is an internal office that hears informal taxpayer appeals in a non-judicial context, with an eye towards avoiding litigation which is costly for both taxpayers and the State. The Tax Conferee also manages litigation of tax disputes in conjunction with the Attorney General's Office.

The Tax Conferee section receives, and attempts to resolve, tax protests involving tax adjustments made by the various taxing divisions within the Department of Revenue. If the pre-hearing steps fail to result in a settlement, the Tax Conferees will request, coordinate, and augment legal representation by the Attorney General in formal Hearings, trials, and appellate actions. Settlements may be negotiated at any of these litigation stages.

Problem or Opportunity:

The mission of the Taxation Division is to promote voluntary compliance with all Colorado state tax laws through information, education, assistance and customer service. The Division strives to provide its services to the taxpayers of Colorado in a manner that is efficient, effective and elegant, which eliminates redundancy, and ensures integrity in its processes and data.

The Tax Audit and Compliance (TAC) subunit and the Taxpayer Services (TPS) subunit naturally fit together operationally as they both are involved in the full process of the tax return and both report up to one Senior Director of the Taxation Business Group Division. By combining the TAC and TPS sections into Taxation Services, the newly combined team will be able to more seamlessly manage its operations, allowing for more cross-training and the ability to pivot quickly in response to customer needs. This realignment will simplify the management of these appropriations and result in a more efficient use of available resources.

The past decade witnessed a shift in tax administration philosophy: moving away from strict enforcement to upfront education and resolution of tax issues closer to the time of filing. This change in philosophy requires the Department, from time to time, to implement a proactive approach and allocate resources to processing returns, reviewing tax credits, and educating the public in TPS rather than waiting until after taxpayers make errors for that review to happen a year or two after the filing deadline in TAC.

For example, in income tax administration, the Department works closely with several other state agencies to identify eligible income taxpayers who may claim certain credits such as enterprise zone credits, the remediation of contaminated land credit, and the preservation of historic structures credit. The work done up front helps to make processing these credits easier, helps to provide assurance to taxpayers that they will not be contacted by the Department in the future, and helps issue more accurate refunds or bills. This replaces work traditionally done during audits years after the fact; however, working with these agencies to ensure their records are accurately reflected in GenTax takes time and human resources. Consequently, the Department occasionally has a business need to move resources between sections as philosophical shifts in tax administration are implemented.

The COVID-19 pandemic required the Department to quickly respond to changes in tax administration through extensions in filing deadlines and reprieves in collections and audit activity. These changes necessitated shifts in staffing to customer service areas as taxpayers had many questions about filing deadlines, potential penalties, and other emerging concerns.

Tax administration is complex and dynamic, constantly evolving through new state and federal legislation as well as economic and market changes. These changes create tax administration issues to which the Department needs to react quickly. By combining the subunits, Taxation Services will be able to align resources where it will have the most benefit to the state, the customer, and allow for efficient tax administration.

Proposed Solution:

DOR requests a permanent reduction in FY 2021-22 and in subsequent years of \$420,722 from the GenTax Support General Fund appropriation from the Taxation Business Group as a result of a one-time forbearance in contract escalation expenses appropriated in FY 2020-21.

In addition, the DOR requests the consolidation of the TAC and TPS subunits into a new Taxation Services section to align resources where it will have the most benefit to the state, the customer, and allow for efficient tax administration, as shown below. This request results in no change to the existing appropriations. It is a simple way to increase efficiency and create better customer service at no additional cost.

	Current				Proposed				Change			
	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE
(B) TAC – Personal Services	\$ 17,331,924	226.1	\$ 854,087						\$ (17,331,924)		\$ (854,087)	
(B) TAC – Operating Expenses	\$ 1,053,967		\$ 13,730						\$ (1,053,967)		\$ (13,730)	
(C) TPS – Personal Services	\$ 9,607,657	152.2	\$ 374,661						\$ (9,607,657)		\$ (374,661)	
(C) TPS – Operating Expenses	\$ 519,925		\$ 5,203						\$ (519,925)		\$ (5,203)	
(C) Seasonal Tax Processing	\$ 296,391								\$ (296,391)			
(C) Document Management	\$ 4,857,032		\$ 38,519		\$ 4,857,032		\$ 38,519					
(C) Fuel Tracking System			\$ 501,019	1.5			\$ 501,019	1.5				
(C) Indirect Cost Assessment			\$ 10,451				\$ 10,451					
(B) Joint Audit Program	\$ 131,244				\$ 131,244							
(B) Mineral Audit Program			\$ 66,000				\$ 66,000					
Taxation Services – Personal Services (new)					\$ 27,235,972	378.3	\$ 1,228,748		\$ 27,235,972		\$ 1,228,748	
Taxation Services – Operating Expenses (new)					\$ 1,573,892		\$ 18,933		\$ 1,573,892		\$ 18,933	
Total	\$33,798,140	378.3	\$1,797,670	1.5	\$33,798,140	378.3	\$1,797,670	1.5	\$ -	\$ -	\$ -	\$ -

Anticipated Outcomes:

By combining these appropriations into one new Taxation Services section, the Division will be able to make the best use of operational spending which will allow for the maximum customer support.

Assumptions and Calculations:

The reduction in the Taxation Business Group of \$420,722 impacts the GenTax Support appropriation.

Exhibit 1:R-07 Budget reductions (FY 2021-22) summary of ongoing reduction

Long Bill	FY 2019-20		Proposed		Change	
	General Fund	Cash Funds	General Fund	Cash Funds	General Fund	Cash Funds
(1) EXECUTIVE DIRECTOR'S OFFICE						
(3) TAXATION BUSINESS GROUP						
<i>(A)Administration</i>						
Personal Services	\$ 527,497	\$ 28,959	\$ 527,497	\$ 28,959	\$ -	\$ -
Operating Expenses	\$ 12,543	\$ -	\$ 12,543	\$ -	\$ -	\$ -
GenTax Support	\$ 5,895,460	\$ 190,000	\$ 5,474,738	\$ 190,000	\$ (420,722)	\$ -
<i>(B)Taxation & Compliance Division</i>						
Personal Services	\$ 17,236,846	\$ 1,128,795	\$ 17,236,846	\$ 1,128,795	\$ -	\$ -
Operating Expenses	\$ 1,049,876	\$ 24,196	\$ 1,049,876	\$ 24,196	\$ -	\$ -
<i>(C)Taxpayer Service Division</i>						
Personal Services	\$ 9,372,677	\$ 402,706	\$ 9,372,677	\$ 402,706	\$ -	\$ -
Operating Expenses	\$ 532,366	\$ 14,068	\$ 532,366	\$ 14,068	\$ -	\$ -
<i>(D)Tax Conferee</i>						
Personal Services	\$ 1,646,272	\$ -	\$ 1,646,272	\$ -	\$ -	\$ -
Operating Expenses	\$ 60,905		\$ 60,905	\$ -	\$ -	\$ -
Total	\$ 45,058,201	\$ 14,849,739	\$ 44,637,479	\$ 14,849,739	\$ (420,722)	\$ -

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-08: DMV Digital Transformation

Dept. Approval By: _____

Lorri Dugan Digitally signed by Lorri Dugan
Date: 2020.10.21 12:58:25 -06'00'

Supplemental FY 2020-21

OSPB Approval By: _____

Cynthia Kelly

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$37,181,228	\$0	\$37,186,328	\$5,040,000	\$0
	FTE	486.6	0.0	486.6	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$3,604,792	\$0	\$3,604,792	\$5,040,000	\$0
	CF	\$33,445,447	\$0	\$33,450,547	\$0	\$0
	RF	\$130,989	\$0	\$130,989	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$7,017,847	\$0	\$7,022,947	\$1,341,000	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (A)	GF	\$18,000	\$0	\$18,000	\$1,341,000	\$0
Administration , (1)	CF	\$6,999,847	\$0	\$7,004,947	\$0	\$0
Administration - DRIVES	RF	\$0	\$0	\$0	\$0	\$0
Maintenance and Support	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$24,497,274	\$0	\$24,497,274	\$520,000	\$0
	FTE	438.7	0.0	438.7	0.0	0.0
04. Division of Motor Vehicles, (B) Driver Services, (1) Driver Services - Personal Services	GF	\$2,647,300	\$0	\$2,647,300	\$520,000	\$0
	CF	\$21,729,155	\$0	\$21,729,155	\$0	\$0
	RF	\$120,819	\$0	\$120,819	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$2,637,124	\$0	\$2,637,124	\$1,947,648	\$0
	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	\$1,947,648	\$0
	CF	\$2,215,799	\$0	\$2,215,799	\$0	\$0
	RF	\$10,170	\$0	\$10,170	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$2,625,463	\$0	\$2,625,463	\$297,658	\$0
	FTE	47.9	0.0	47.9	0.0	0.0
04. Division of Motor Vehicles, (C) Vehicle Services, (1) Vehicle Services - Personal Services	GF	\$502,180	\$0	\$502,180	\$297,658	\$0
	CF	\$2,123,283	\$0	\$2,123,283	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$403,520	\$0	\$403,520	\$933,694	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
04. Division of Motor Vehicles, (C) Vehicle Services, (1) Vehicle Services - Operating Expenses	GF	\$26,157	\$0	\$26,157	\$933,694	\$0
	CF	\$377,363	\$0	\$377,363	\$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

**R-08: DMV Digital Transformation**

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$64,525,683	\$64,880,093	\$5,040,000	\$0
FTE	559.4	559.4	-	-
General Fund	\$4,255,177	\$4,255,177	\$5,040,000	\$0
Cash Funds	\$60,084,617	\$60,440,027	\$0	\$0
Reappropriated Funds	\$185,889	\$185,889	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0

Summary of Request

The Department of Revenue (DOR) requests a one-time \$5.0 million General Fund appropriation, with no ongoing expenses, to support a DMV Digital Transformation which includes expanding digital DMV services and establishing a Mobile Driver License Office (Mobile DLO) program in FY 2021-22. This digital transformation effort builds upon FY 2020-21's wildly important goal of increasing online DMV customer-facing state driver and vehicle services from 35% to 100%.

COVID has exposed the limitations of the current DMV structure, and shown the need to think boldly about solutions that reimagine how services are delivered. DOR and the DMV recognize that we can never go back to the way things were pre-COVID, as we have all been forced to embrace technological solutions that governments have often been slow to adopt. Coloradans expect their government to be agile, and this proposal will allow the DMV to meet that expectation.

This Digital Transformation request includes: expansion of DMV services on self-service kiosks already deployed in the state, implementation of artificial intelligence (AI) in call centers, implementation of 3rd party vehicle titling and registration services, and execution of a state-wide marketing effort to increase adoption of online and virtual services.

Current Program:

The Colorado Division of Motor Vehicles provides driver license, identification card, driver record management, vehicle title, and vehicle registration services to the residents of Colorado. These services are offered via state and county offices, online, self-service kiosks (currently limited to vehicle registration renewals), and the myColorado App. County Clerks are the authorized agents of the Department for motor vehicle titling and registration services.

Last year, the DMV issued 1.38 million driver and identification credentials with 48% being completed online. 16,612,846 vehicle transactions were completed last year with 35% being completed online and 1.4% being completed at one of the 41 self-service kiosks in 13 counties. Also last year, DMV call centers answered 755,174 calls but an estimated 370,000 calls were not answered due to manual processing of phone calls and limited numbers of FTE available. Both the State and counties have revenues that are constrained, preventing the ongoing costs of hiring additional staff or requiring alternate methods of providing DMV services. Customer adoption of online and virtual services has been an important factor in meeting customer service time goals in offices and is essential to creating a fully virtual DMV.

In addition, for many residents, there is expectation that services be offered remotely at their convenience and to avoid visiting an office. Further, some residents have extreme challenges visiting an office and the DMV has extremely limited capability to provide direct mobile driver and identification services.

Problem or Opportunity:

This proposal would fund a tremendous opportunity to dramatically expand online and self-service DMV driver and vehicle services across Colorado to protect the residents of Colorado from unnecessary exposure to COVID-19 and provide more convenient methods of obtaining these services. The proposal builds upon previous and ongoing efforts to update DRIVES with more online services leveraging technology to provide expanded services on kiosks, improved call center services, and introduce a mobile DMV driver and identification services to meet the needs of Coloradans unable to travel to an office.

Proposed Solution:

The DMV Digital Transformation solution includes the expansion of DMV services on self-service kiosks deployed in the state, implementation of artificial intelligence (AI) in call centers, implementation of 3rd party vehicle titling and registration services, and execution of a state-wide marketing effort to increase adoption of online and virtual services. In addition, the solution includes the creation of a Mobile Driver License Office program.

Self-Service Kiosk Services Expanded

The Department has a kiosk program that offers limited services to residents of the State. Recent legislation increases the services offered on this platform to a total of seven services by June 30, 2021 to include: Request a duplicate title, Request a duplicate registration card, Replace tabs, Add/change a vehicle address, Check a title status, Renew a driver license /ID, Renew a vehicle registration (currently programmed and allowed on kiosks)

Developing and implementing an additional 15 new transaction types on the current kiosk platform to include services currently offered online. These additional services would include: First-time vehicle registration, Report release of liability, Replace tabs, Request license plates, Apply for a Placard, Manage Placard, Apply for a driver license/ID, Add/Change a driver license/ID address, Pay citations, Pay a reinstatement fee, Downgrade a driver license, Request a driving record, Request a credential date expiration extension, Check the status of a driver license/ID credential, Update emergency contact, and Apply for an emissions waiver. This implementation is estimated to cost \$900,000.

Advanced Technologies in Call Centers

The department will build, and implement to the greatest extent possible, cloud-based virtual call centers with artificial chatbot technology. This department-wide effort will begin with the DMV at a cost of \$520,000 for 2 professionals for 1/2 year at \$250/hr. and \$60,000 in operating expenses. The benefit will be a single call center platform to support both in-office and teleworking call center employees long term, increase customer ability for self-service around the clock with chatbots and artificial intelligence, the opportunity for consolidated call center operations within each division, increase call center efficiencies to include reduction of wait times, and reduction of overall costs to the department. Any ongoing expenses would then be absorbed by redeploying existing cash-funded resources to support the software. Without this implementation, call centers will remain on fragmented platforms that do not provide all of the necessary features to serve employees and the public long term.

Expanding Vehicle Titling and Registration Services to Third Parties

HB 18-1299 created the statutory authority for DOR to license third party vendors to perform titling and registration functions. However, implementation was contingent upon funding being secured from non-fee revenues (gifts, grants, and donations). Funding was not secured to implement HB18-1299 in the form of a gift, grant and or donation.

This process would allow vendors to establish services for auto dealers, vehicle auctions, rental companies and other stakeholders to title and register vehicles in CO. This eliminates the customers' need to visit the county offices, therefore taking burden off the counties and providing convenience to the customer. Additionally, this provides convenience to the vehicle owner as their new plates will be delivered directly to their home without an additional trip to the DMV.

Additional DRIVES programmers would be needed to modify the system to allow this to happen. This programming and implementation cost will be \$1,672,352.

Implementing a State-Wide DMV Online Services Marketing Campaign

Customer adoption and knowledge of DMV online services is critical to the success of DMV's digital transformation. While a bare-bones education effort has been hurriedly implemented by both State and county offices during COVID public health shutdowns, there has not been any funding to ensure statewide saturation or a unified messaging strategy. The DMV intends to hire an advertising agency to assist with development of content and media buys for radio, television, and events over the course of 12 to 18 months to increase the adoption rate for these new services. This is estimated to cost \$331,227.

Establishing a Mobile Driver License Office program

The DMV Driver License Mobile Office (Mobile DLO) is designed to bring state credential services to Coloradans that have limited or impeded access to existing state office locations. The bulk of services provided at state Driver License Office (DLO) locations would be accessible through a Mobile DLO, to include State IDs, Driver Licenses, and certain Reinstatement services. These units send a team of DLO customer service representatives out into communities to operate by using space in community centers, schools, shopping centers, or parking lots with a cellular phone service puck (WiFi Hotspot).

This proposal would expand five mobile units to 10 mobile units and add a fleet of vehicles for each of the mobile unit teams to utilize for everyday issuance and schedules is estimated to cost \$1,556,421. Currently, DMV does not have funding to operationalize any of its five current units. Purchasing seven SUVs and three RVs similar to blood donor RVs would provide the DMV the necessary equipment to mobilize these mobile units.

Anticipated Outcomes:

The anticipated outcomes of the DMV Digital Transformation solution is increased and more convenient access to DMV driver and vehicle services across Colorado, by maintaining high quality services with no increased FTE to meet a changing population.

Self-Service Kiosk Services Expanded

Expansion of self-service kiosks services and devices across the State will provide residents a convenient alternative to visiting an office to complete some of the higher volume routine transactions such as changing of an address, requesting a driver record, paying citations and downgrading driver licenses. Expanding the current program, which currently offers only online vehicle renewals, to include 15 additional services will reduce the need for residents to visit an office. As resident utilization of this expanded service, combined with other online service at a personal computer or smartphone, will ultimately reduce the need for some offices across the state.

Advanced Technologies in Call Centers

Implementing advanced technologies in department call centers will provide residents improved service by reducing the number of dropped calls during high call volume periods without the need to add additional FTE or leased space. In addition, while the goal is to help DMV customers, this technology could be deployed department-wide and create a consistent customer experience across all division call centers (Liquor, Marijuana, and Tax customers being the other large beneficiaries). It will build the required underlying technologies including call center routing logic, recorded messages and option trees, artificial intelligence bots, and potential artificial intelligence integrations with other systems (GENTAX/DRIVES) to self-serve customers and make payments over the phone. The benefit will be a single call center platform to support both in-office and teleworking call center employees long term, increase customer ability for self-service around the clock with chatbots and artificial intelligence, the opportunity for consolidated call center operations within each division, increase call center efficiencies to include reduction of wait times, and reduce overall costs to the department. Without this implementation, call centers will remain on fragmented platforms that lack the needed sophistication to provide all of the necessary features to serve employees and the public long term.

Expanding Vehicle Titling and Registration Services to Third Parties

The benefit of implementing third party vehicle titling and registration services will not only increase the opportunity for private industry in our economy but will all also reduce the need for the State and counties to increase FTE to meet a changing population. This program, created under HB18-1299, is expected to move an estimated 10.5% of vehicle transactions to being processed outside of county offices. Over 16 million vehicle transactions were processed last year in Colorado and we anticipate 1.6 million transactions will be processed utilizing third party agents. This significantly benefits registrants in Colorado as well as frees up resources in county offices to process transactions more efficiently.

Implementing a State-Wide DMV Online Services Marketing Campaign

The DMV's goal is for 85% of its customers to use online services. Current online adoption rates are between 35% for vehicle services and 48% for driver services, indicating there is a significant opportunity to increase online adoption. Building customer awareness of newly added and existing online services will be a key strategy to support this program. Customer adoption of online services will help modernize the way the DMV provides services in an increasing digital world.

Establishing a Mobile Driver License Office program

The Mobile DLO will be used to better support Colorado residents at locations where there is not an existing state DLO or County Driver License Office. Potential populations that could benefit from the Mobile DLO include geographically remote populations not in close proximity to existing offices, sick or elderly populations in long-term care facilities, residents of retirement communities, indigent and/or homeless populations, students at university and college campuses, service members on military bases, etc.

Additionally, the Mobile DLO could be used to both issue Colorado identification documents and raise public awareness of the DMVs suite of online services at special events, such as county fairs, sporting events or designated commonly used locations – e.g., libraries, community centers, Denver International Airport, etc.

Assumptions and Calculations:

Assumptions for Mobile Unit Plan:

Employing the Mobile DLO program will require extensive coordination and scheduling by the program manager and assistant manager, as well as communication with the general public. A mobile unit is similar to a combination unit, where it is equivalent to one workstation, and is manned by one employee. A mobile unit can process, on average up to 25 documents during an 8 hour shift. The Mobile unit teams utilizing an SUV (7) will be able to process up to 25 customers a day. The RV mobile unit teams (3) will have a mobile unit, and up to 3 laptops outfitted in the RV to allow for first time and online services. The RV can process up to 25 customers a day with the mobile unit, and up to 20 e-service or written test customers a day with per unit for a total of 85 customers a day served in an RV (25 of the 85 being issued via the mobile unit). An example of the deployment of this program would be to schedule a mobile work unit to be at a specific remote location twice per month, such as the municipal building in Rangely, Colorado. Another example would allow an organization to request a mobile for a specific date and location – e.g., assisted living home, sporting event, or high school.

Our communications team will establish protocols to promote the arrival of the DLMO at scheduled and/or requested locations. Examples include: social media messaging, flyers/posters, scripted announcements, lists of contacts for local media outlets, published schedules on the DMV website www.colorado.gov/dmv.

The SUV and RV vehicles will be purchased outright and maintained under existing appropriations.

Calculations for Driver License Mobile Unit Plan:

Equipment, Miscellaneous Expenses	Units	Unit Cost	Monthly Cost	Annual Cost (covered under existing appropriations)
Vision Screener	5	950.95		\$4,755
Mobile phone	10		62.64	\$7,517

MIFI Wireless Solution	5		50	\$3,000
Folding equipment tables/chairs	10	250		\$2,500
Miscellaneous office-related supplies	1		100	\$1,200
Branded uniforms	10	400		\$4,000
Total Equipment, Miscellaneous Expenses				\$22,970
Travel (lodging & meals for mobile FTEs)				
10 FTE for (\$120/room/night - lodging)	125 nights annually			\$150,000
10FTE for (\$63.40/day - per diem)	125 nights annually			\$79,250
Total Travel / Meals				\$229,250
Vehicles				
State Fleet SUV (fixed and variable costs)	7	35000/245,000	100	\$253,400
RV	3	200,000/600,000	300	\$610,800
Customization/Outfitting for Mobile Units Estimate (SUV)	7	20,000		\$140,000
Customization Estimate /Outfitting for Mobile Units Estimate (RV)	3	100,000		\$300,000
Total Vehicles				\$1,304,200
Grand Total				\$1,556,420

Assumptions for Department of Revenue Call Center Transformation Calculations:

The department will analyze call center operations and digital opportunities during FY21 to determine how artificial intelligence can be integrated to best serve the public. Amazon Connect professional services will be hired on or after July 1, 2021, to begin development and construction. The DMV will begin transitioning to the new platform as soon as each call center

is completed and call centers will migrate to the new solution prior to the expiration of the current CenturyLink contract (April, 2022).

Description	Units	Unit Cost	Monthly Cost	Annual Cost
Amazon Connect Professional Services	2	250	\$86,667	\$520,000
Operating Expenses	1	\$60,000	\$5,000	\$60,000
Total				\$580,000