

**DEPARTMENT OF REVENUE**  
**FY 2017-18 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Friday, Jan 6, 2017**

**9:00 am – 12:00 pm**

**9:00-9:10        INTRODUCTIONS AND OPENING COMMENTS**

**9:10-9:30        FISCAL YEAR 2017-18 DEPARTMENTAL BUDGET PRIORITIES**

**9:30-9:50        SEVERANCE TAX STAKEHOLDER MEETING UPDATE**

- 1    Provide a comprehensive update on the status of the Severance Tax Stakeholder group.
  
- 2    Discuss what the Department position is on its role in Severance Tax policy discussions.
  
- 3    Provide options to smooth fluctuations in revenue from severance tax, as well as potential legislative actions to change the distribution of funds to stabilize revenue streams for programs supported by severance tax.

**9:50-10:20       DIVISION OF TAXATION**

- 1    Provide an update on the BA1 Income Tax Refund Fraud partially funded in the FY 2016-17 budget cycle.

#### R5 GenTax Maintenance and Support

- 2 Provide a history of funding and expenditures for operating GenTax starting in FY 2012-13. Discuss all items included in the “base” line item funding for CITA Annual Maintenance and Support.
- 3 Discuss how the Department has staffed maintenance and support of GenTax since FY 2012-13, including which agency or company employs each staff person.
- 4 How does the Department manage outside contractor costs?
- 5 What is OIT’s current role in providing support to GenTax. Describe how this has changed since FY 2012-13.
- 6 What process changes has implementation of the GenTax system allowed the Department to make? What efficiencies does GenTax provide over the previous system? What cost savings does GenTax provide to the Department? Discuss the Department’s successes and failures with GenTax.
- 7 Discuss the Department’s decision not to present this budget request to the Joint Technology Committee.

**10:20-10:30 BREAK**

**10:30-11:15 QUESTIONS RELATED TO THE DIVISION OF MOTOR VEHICLES (DMV)**

#### R1 Waitless System Maintenance

- 8 Discuss the Department's plans for Waitless.

#### R4 DMV Leased Space

- 9 Explain the Department's process to select which DMV locations required additional space to meet demand.

#### Colorado Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES)

- 10 Provide a status update on the deployment of DRIVES. Discuss the deployment schedule.

#### Innovative Solutions to Issues within the DMV

- 11 Discuss opportunities the Department identifies as possible novel ways for it to either: (1) deliver DMV services to Colorado residents or (2) reduce the cost to deliver those services. Examples may include, but the discussion should not be limited by, the following:
  - a. Mobile DMV locations;
  - b. Space sharing with other agencies and local governments; or
  - c. Utilization of mobile devices.

#### R2 License Plate and Year Tab Ordering

- 12 Discuss administering the license plate program generally. If possible, discuss how the volume of license plate types available to Coloradans affects costs of administration.
- 13 Explain to what degree the frequent changes to license plate offerings contribute to errors in CSTAR System coding.
- 14 Explain the rationale for including the potential for lockdowns at Colorado Correctional Industries in the lead time for license plate ordering.
- 15 Discuss the Colorado State Titling and Registration (CSTAR) System Committee, include:
  - a. Its origin;
  - b. Its members, both current members and membership requirements;
  - c. Who has power of appointment;
  - d. Its role in budgeting CSTAR Account of the Highway User's Tax Fund;
  - e. Its role in deploying the Colorado Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES) and after its deployment; and

f. Any other information relevant to the Committee's discussion.

- 16 Discuss the CSTAR System Committee's reaction to the Department's proposal to utilize the CSTAR Account as a source of funding for the License Plate Ordering line item.

[Background: The Department provided information that law enforcement received plates at no cost for undercover activities and that counties sometimes exempt products from fees.]

- 17 Provide a discussion of the types of vehicle classes exempted from license plate fees for law enforcement undercover activities.
- 18 Discuss the fee exemptions granted by counties. How often or to what extent are counties engaging in this type of behavior?
- 19 What is the Department's position on legislation related to:
- a. Fee exemptions for undercover law enforcement activities;
  - b. Counties authority to waive fees;
  - c. Whether the clerk-hire fee should be retained for products with no fee; and
  - d. Charging a nominal administration/material fee on non-fee items to cover material costs.
- 20 Discuss the CSTAR glitch discovered in preparing the budget request. Estimate the amount of state revenue diverted to local governments as a result of the glitch.
- 21 Discuss the Department's position on operating the DMV as a TABOR Enterprise.

**11:15-11:25 OTHER QUESTIONS FOR DEPARTMENTAL BUDGET REQUEST**

R3 Liquor Enforcement Division Operating Costs

- 22 Discuss liquor enforcement at multiple-day festival-type events. What changes are driving a need for more enforcement?

R7 Division of Racing Events Staff

- 23 Discuss which activities are driving the need for increasing expenditures in the Division of Racing Events and how it relates to revenue derived from racing activities.

**11:25-12:00 COLORADO ROAD AND COMMUNITY SAFETY ACT (CRCSA) PROGRAM**

- 24 Discuss constraints on the Colorado Road and Community Safety Act that prevent it from reaching 66,000 individuals during the first three years of the program.
- 25 Discuss projected services rendered under the program. Provide the Department estimate when it will reach 66,000 individuals in Colorado.
- 26 Explain the renewal process for individuals unable to prove their lawful presence in the United States. Explain why the program renewal process differs from regular driver's license renewals. Who set the procedures for the renewal process?
- 27 Discuss how will the renewals affect the Department's ability to serve 66,000 individuals.
- 28 What is the Department's position on funding for the CRCSA program?

[Background: Statute requires the Colorado Road and Community Safety Act to completely fund its activities through its fees.]

- 29 Provide a detailed accounting of revenue generated and expenditures by the CRCSA program.

**ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED**

- 1 Provide a 5-year history of total DMV funding by source in a bar chart. Include distinctions between different cash funds, General Fund, reappropriated funds, federal funds, and include a percentage of total DMV funding for each source.

- 2 Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.
- 3 If the Department receives federal funds of any type, please respond to the following:
  - a. Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2016-17.
  - b. Are expecting any changes in federal funding with the passage of the FFY 2016-17 federal budget? If yes, in which programs, and what is the match requirement for each of the programs?
- 4 Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated June 30, 2016 (link below)? What is the department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations?  
  
[http://leg.colorado.gov/sites/default/files/documents/audits/1667s\\_annual\\_report\\_-\\_status\\_of\\_outstanding\\_recommendations\\_1.pdf](http://leg.colorado.gov/sites/default/files/documents/audits/1667s_annual_report_-_status_of_outstanding_recommendations_1.pdf)
- 5 Is the department spending money on public awareness campaigns? What are these campaigns, what is the goal of the messaging, what is the cost of the campaign? Please distinguish between paid media and earned media. Do you have any indications or metrics regarding effectiveness? How is the department working with other state or federal departments to coordinate the campaigns?
- 6 Based on the Department's most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy?
- 7 For FY 2015-16, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2016-17? If yes, in which programs and line items do you anticipate these reversions occurring? How much and in which fund sources do you anticipate the reversion being?
- 8 [Background Information: For FY 2017-18, the Department of Law has submitted a request to change the calculation of legal services appropriations as well as the monthly billing system for legal services provided to state agencies. Specifically, the proposal would: 1) calculate the number of budgeted legal services hours for each agency as the average of actual usage in the prior three years; 2) include a two-year average of "additional litigation costs" such as court reporting, travel for depositions, expert witness costs, etc., in the appropriation for legal services (these costs are not currently included in the appropriation and are often absorbed from other personal services and operating expenses line items); and 3) convert from monthly billing based on the actual hours of

service provided to monthly billing based on twelve equal installments to fully spend each client agency's appropriation.]

Please discuss your agency's position on the Department of Law's proposed changes to the legal services system, including the potential impacts of the changes on your agency budget. That is, does your department support the proposed changes? How would you expect the changes to positively or negatively impact your department? Please explain.

- 9 What is the expected impact of Amendment 70 (minimum wage increase) on Department programs? Please address impacts related to state personnel, contracts, and providers of services.
- 10 Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Cybersecurity Center in the Office of Information Technology?
- 11 Is the SMART Act an effective performance management and improvement tool for your Department? What other tools are you using? Do your performance tools inform your budget requests? If so, in what way?
- 12 Please identify how many rules you have promulgated in the past two years. With respect to these rules, have you done any cost-benefit analysis pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analysis pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.
- 13 What has the department done to decrease red tape and make the department more navigable/easy to access?
- 14 What is the number one customer service complaint the department receives? What is the department doing to address it?



# COLORADO DEPARTMENT OF REVENUE

Joint Budget Committee Hearing  
FY 2017-18

January 6, 2017



**COLORADO**  
Department of Revenue

[www.colorado.gov/revenue](http://www.colorado.gov/revenue)



# Agenda

- Introduction and Opening Comments
- Overview of Budgetary Decision Items
- Severance Tax Update
- Divisional Status on Budget Requests, Strategic Initiatives, and Legislative Items
  - Taxation
  - DMV
  - Enforcement
- CO-Road and Community Safety Act SB13-251 Update

# Most Significant Budget Priorities

Taxation:	R-05 GenTax
DMV :	R-01 Waitless
	R-04 Leased Space
	R-02 License Plate and Year-Tab Ordering
Enforcement:	R-03 Liquor Enforcement Operating Increase
	R-06 Auto Industry Division Staffing
	R-07 Racing Legal Assistant
DOR:	R-08 Amendment 35 Distribution



# SEVERANCE TAX UPDATE



**COLORADO**  
Department of Revenue

# Severance Tax Stakeholder Outreach

## Industry Surveys

- June 2016
- November 2016



## Stakeholder Meetings

- August 2016
- September 2016



## Collaboration

- Discussion
- Written comments provided by stakeholders



Responded to  
Stakeholders with  
Proposed Rule Making  
Timeline



# Severance Tax Evaluation Process

- Evaluated statutory requirements
- Reviewed the BP Opinion which:
  - Stated that “Any = All”
  - Provided direction informed by the Property Tax Administrator (PTA) regulations
- Reviewed exemptions already being taken by the industry and allowed by the Department

# Severance Tax Methodology

The Department's rule will allow for:

- ROI, in concert with the PTA
- NERF deductions, substantially in line with the PTA with the following exceptions:

DOR	PTA
Gathering <u>Not</u> Allowed under Tax statute	Gathering Allowed under PTA statute
Discount to the point of measurable and identifiable = at the meter	Discount to the well head



# Severance Tax

## Next Steps

Emergency Rule	January 15, 2017
Permanent Rule	October 30, 2017



# Severance Tax Update

## Projected Annual Revenue Impact

Allowable Deduction	Range of Annual Reduction to Revenue
ROI	\$6 M- \$10 M
NERF (following proposed rule)	\$15 M - \$20 M
<b>Total Combined Reduction to Revenue</b>	<b>\$21 M - \$30 M</b>





# Severance Tax

## 2015 and Prior Year Returns

- The original estimate for the current impact of \$107 M remains unchanged and includes prior year and current year claims
- Approximately \$50M has already been paid out so far this fiscal year from July through December

# **DIVISIONAL STATUS**

- **STRATEGIC INITIATIVES**
- **BUDGET REQUESTS**
- **LEGISLATIVE ITEMS**

## **TAXATION DIVISION**



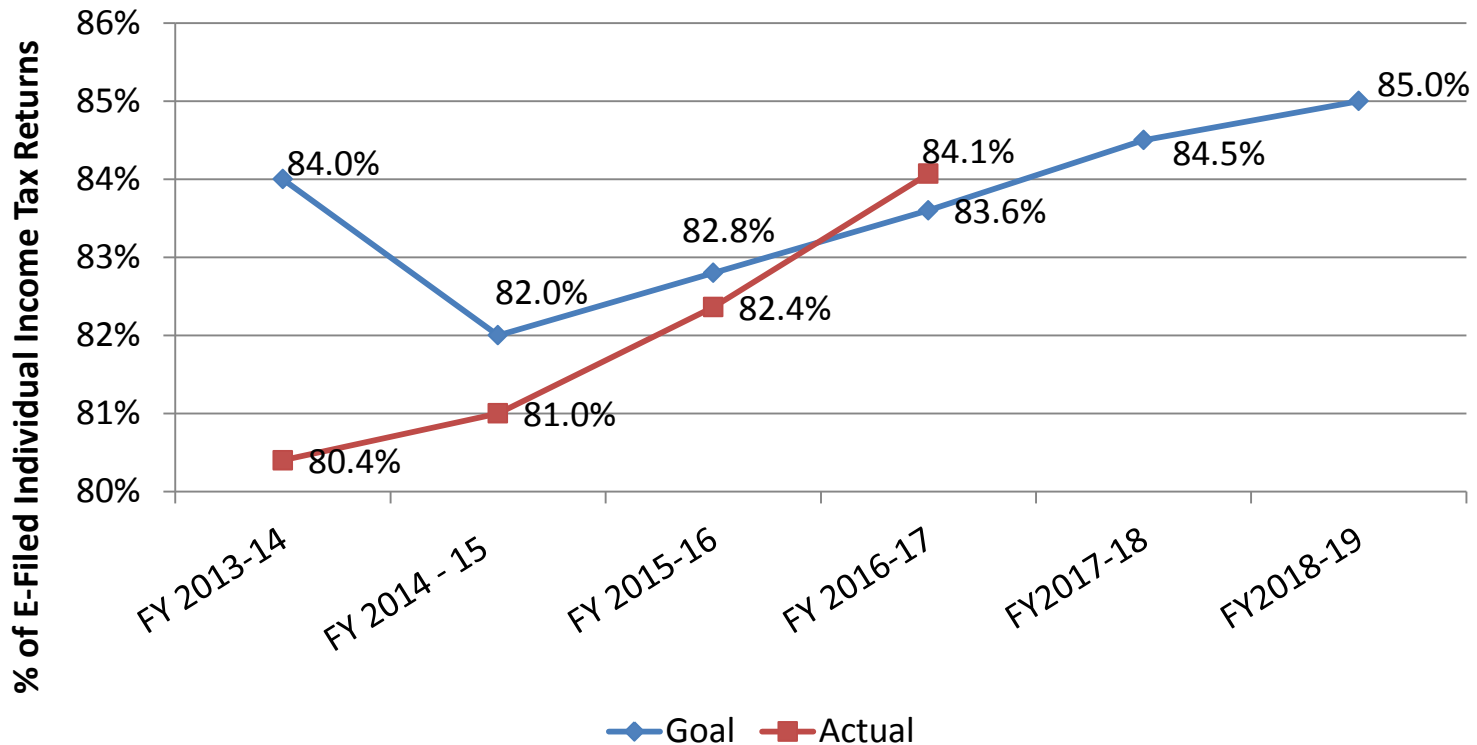
# Taxation Strategic Initiatives:

## Customer Service

1. Continuous improvement of notices and correspondence
2. Decreasing Call Center wait times and blockage rates
3. Increasing electronic service offerings

# Electronic Filing of Income Tax Returns

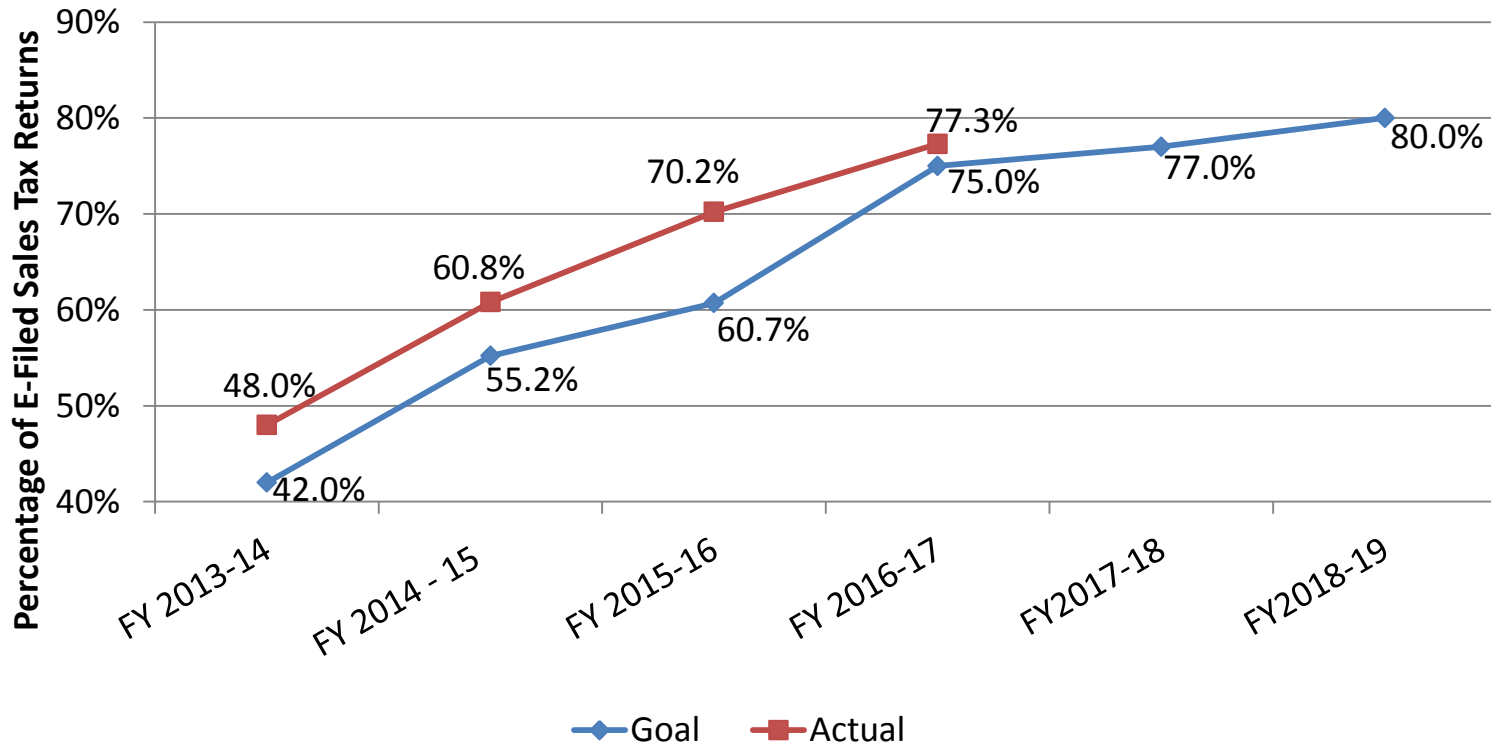
Percentage E-Filed  
Actual vs. Goal



**COLORADO**  
Department of Revenue

# Electronic Filing of Sales Tax Returns

Percent E-Filed  
Actual vs. Goal



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# Taxation Planned Strategic Initiatives: Customer Service

1. Add remaining 50 tax types as electronic filing options in Revenue Online over next 3 years
2. Implement an electronic notice and correspondence system that taxpayers can opt into within next 3 years
3. Continue to decrease Call Center wait times and blockage rates with improved correspondence, and increased electronic service offerings

# Taxation Continuing Strategic Initiatives: Refund Fraud Prevention

Appropriated 6.0 FTE in FY 2016-17 for refund fraud tax examiners.

1. Hired FTE who are in place to do this work
2. Implemented GenTax Fraud Mgr., an industry-standard refund fraud detection software platform used in 20 states
  - Utilized during the Oct. 2016 extension filing season
3. Continuing participation in the nationwide Security Summit Program led by the Federal Tax Administrators (FTA)



# Taxation Continuing Strategic Initiatives: Refund Fraud Prevention

Appropriated \$600K in FY 2016-17 to implement DEX Fraud Services.

- An anti-fraud service leveraging the other GenTax states' data and public records to identify potentially fraudulent returns
- Contract negotiations for this service are currently underway between the Department and the vendor



# Taxation Continuing Strategic Initiatives:

## EITC Refund Fraud Prevention

Appropriated 7.1 FTE in FY 2016-17 for Earned Income Tax Credit (EITC) fraud prevention.

- Hired the FTE who will be reviewing EITC claims
- Utilizing currently available information from the IRS on refund fraud
- 347 K returns for 2015 are claiming nearly \$75 M
- The IRS estimates that 25 percent of EITC claims are potentially fraudulent



# GenTax System

- One of the State's most mission critical systems that processes 10 million tax returns and \$11 billion in revenue each year
- Used by 21 states, 10 international jurisdictions, and 7 local jurisdictions including the cities of Denver and Lakewood
- Developed and supported by Colorado-based FAST Enterprises
- Current contract expires June 30, 2017

# R-05 GenTax

## Hosting, Support, and Maintenance

### Original Request

Three key system components totaling the initial request for \$3.8 M:

1. ~~Hardware/Vendor Hosting - \$1.1 M~~
2. Software Licensing and Support - \$1.7 M
3. System Enhancements - \$1.1 M

This portion of the request is no longer a viable option.

The State and the vendor have been unable to reach mutually acceptable contract terms addressing data security and liability which is preventing the State from moving forward with the vendor hosted solution.

DOR is currently working with OIT to determine a hosting solution.

# R-05 GenTax

## Hosting, Support, and Maintenance

- GenTax is currently HOUSED by OIT, not HOSTED
- A transition to a hosted environment is needed to:
  - Refresh the end-of-life hardware
  - Upgrade the hardware and database platform to current vendor requirements
- The transition to a fully hosted environment will require a significant capital investment

# **R-05 GenTax**

## **Hosting, Support, and Maintenance**

### **Key Component #1 – Hardware and Hosting**

**Possible Transition from  
OIT Housed to OIT Hosted**

**The State purchases necessary  
hardware replacements and  
upgrades**



# **R-05 GenTax**

## **Hosting, Support, and Maintenance**

### **Key Component #2 – Software Licensing and Support**

There are two parts to Key Component #2:

- GenTax Software Licensing: \$474,658
- GenTax Support: \$1,234,109

(Replace the originally dedicated OIT FTE and support with vendor support.)

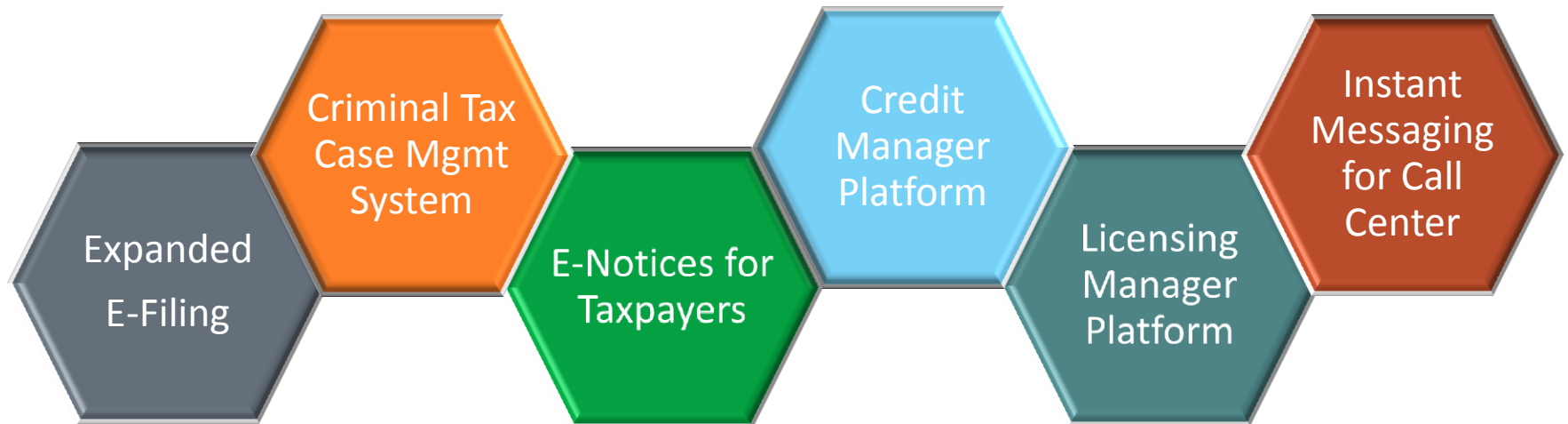
**The Department is requesting \$1,708,767 for  
software licensing and support.**

# R-05 GenTax

## Hosting, Support, and Maintenance

### Key Component #3 - System Enhancements

**Benefits to the citizens of Colorado include:**



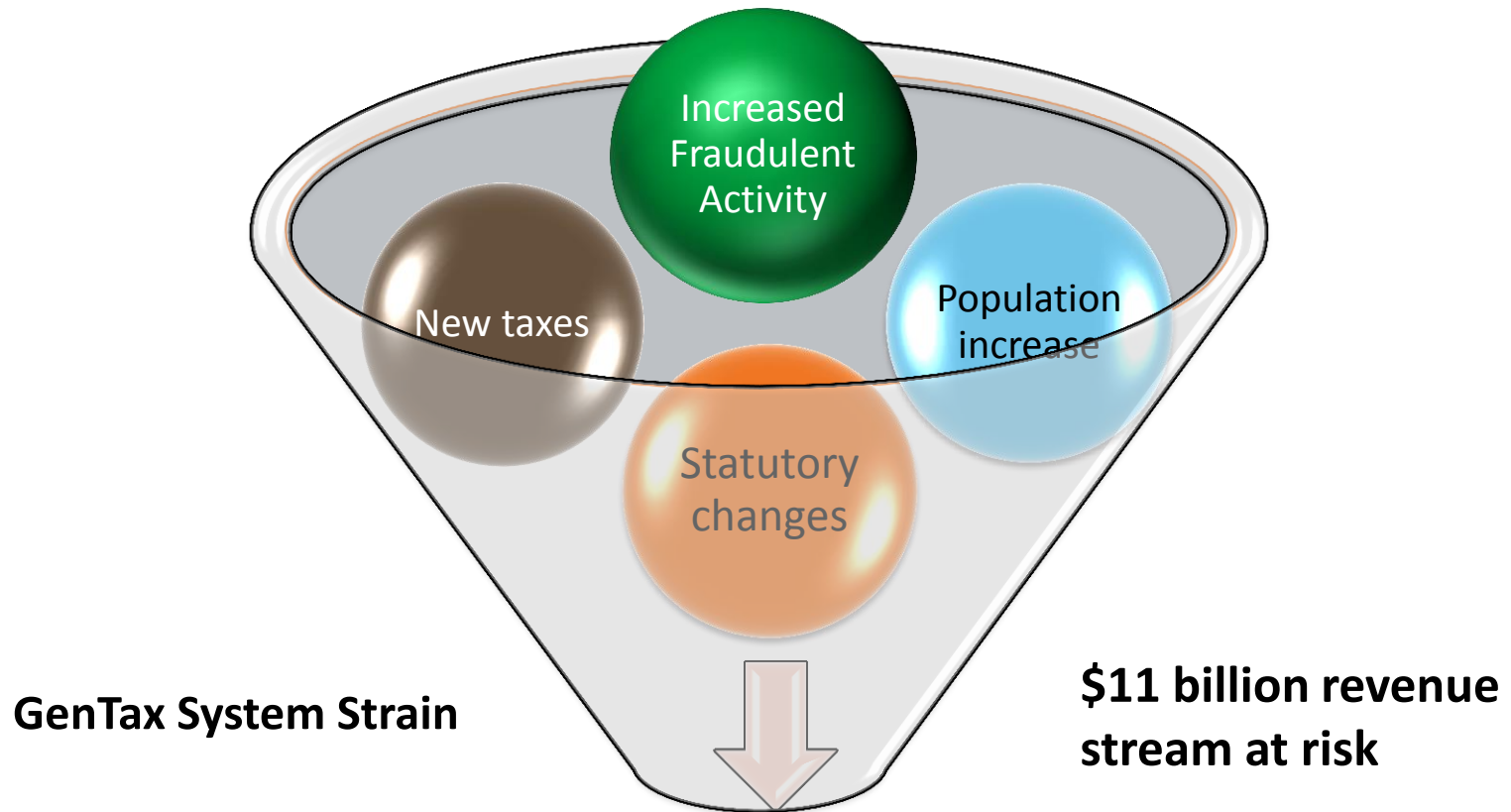
**The Department is requesting \$1,080,000 for strategic system enhancements which will have a tangible positive effect on customer service.**



# R-05 GenTax

## Hosting, Support, and Maintenance

### Contributing Factors





# R-05 GenTax

## Hosting, Support, and Maintenance

### Revised Decision Item Summary

**Two** key system components totaling the request for **\$2.8 M**:

1. Software Licensing and Support - \$1.7 M
2. System Enhancements - \$1.1 M

# 2017 Taxation Legislative Initiative

## Modification to Penalty & Interest in Refund Statute

C.R.S. 39-22-622 (Refund Penalty & Interest) requires the Department to meet certain timeframes for the issuance of refunds.

If these timeframes are not met, the state pays a 5% penalty on the refund amount, plus daily interest, until the refund is issued.

# 2017 Taxation Legislative Initiative

## Modification to Penalty & Interest in Refund Statute

The statute contains five existing exceptions.

The Department would like to add a 6<sup>th</sup> exception - *Any return where there is suspicion of ID-theft or other refund related fraud.*

- To allow the Department to conduct necessary due diligence in its administration of the tax code
- To prevent fraud and protecting state resources in a time of increasing fraudulent refund activity



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## **DIVISION OF MOTOR VEHICLES**



# DRIVES Project Overview

- Part of a comprehensive, multi-year strategic plan to reduce wait times
- Joint DOR and OIT project
- Fast Enterprises Commercial Off The Shelf (COTS) / Software as a Service (SaaS) solution best met business, operational, and technical requirements
- Three-year implementation schedule
  - Replace Driver License System (DLS) February 21, 2017
  - Replace Colorado State Titling & Registration system (CSTARS) August 6, 2018
- Executive Level Governance – Steering Committee and Sponsors

# DRIVES Project Status (1 of 2)

- R1 is 89% complete with on schedule deployment in 49 days
- 139 State employees at the project site – Backfills a success!
- Project Management Team – DOR / OIT / FAST
- 3 of 9 phases 100% complete with remaining on schedule
- 10,318 test scenarios with 9,122 fully tested
- 6 million records converted from multiple existing systems into DRIVES

# DRIVES Project Status (2 of 2)

- 63 interfaces and 240 organizations with access to DRIVES
- Over 1,300 individuals across the State to be provided functional and job specific training
- Network evaluation and upgrade of offices state-wide
- Change management working well; project staff are certified
- Independent Verification and Validation has been effective tool
- Colorado DRIVES County Governance Committee

# DMV Customer Service Improvements

## FY 2012-13

- Waitless System deployed to 13 Driver License Offices
- DMV Strategic Plan - February 20, 2013
- Driver License Office Lean Project

## FY 2013-14

- Credit Cards - 2014
- Automated Knowledge Testing System
- Expanded Waitless System
- Implemented Colorado Road & Community Safety Program

## FY 2014-15

- Driver Services Fully Funded and 52 Customer Enhancement FTE - July 1, 2015
- Two Driver License Offices established with Corrections
- Expanded Exceptions Processing
- Two consecutive online renewals

## FY 2015-16

- Colorado DRIVES project started
- New Colorado Driver License card
- New temporary tag
- Waitless System upgraded and expanded for total of 31 offices
- First in Line Online Renewal Marketing Campaign





# DMV Decision Items

- R-01 Waitless Maintenance
- R-04 DMV Leased Space
- R-02 License Plate and Tab Ordering  
(legislative component)

# R-01 Waitless Maintenance

- Request additional **\$183,042** in DMV Driver Services Operating and equivalent spending authority increase in the *Licensing Services Cash Fund* in FY 2017-18 and thereafter
- For maintenance of the hardware, software license fees, and paper
- Waitless system is deployed at 31 State-operated driver license offices
- Provides customer queuing and online appointment scheduling along with office management tools
- System measures customer wait times
- Evaluate further expansion following DRIVES implementation

# R-04 DMV Leased Space

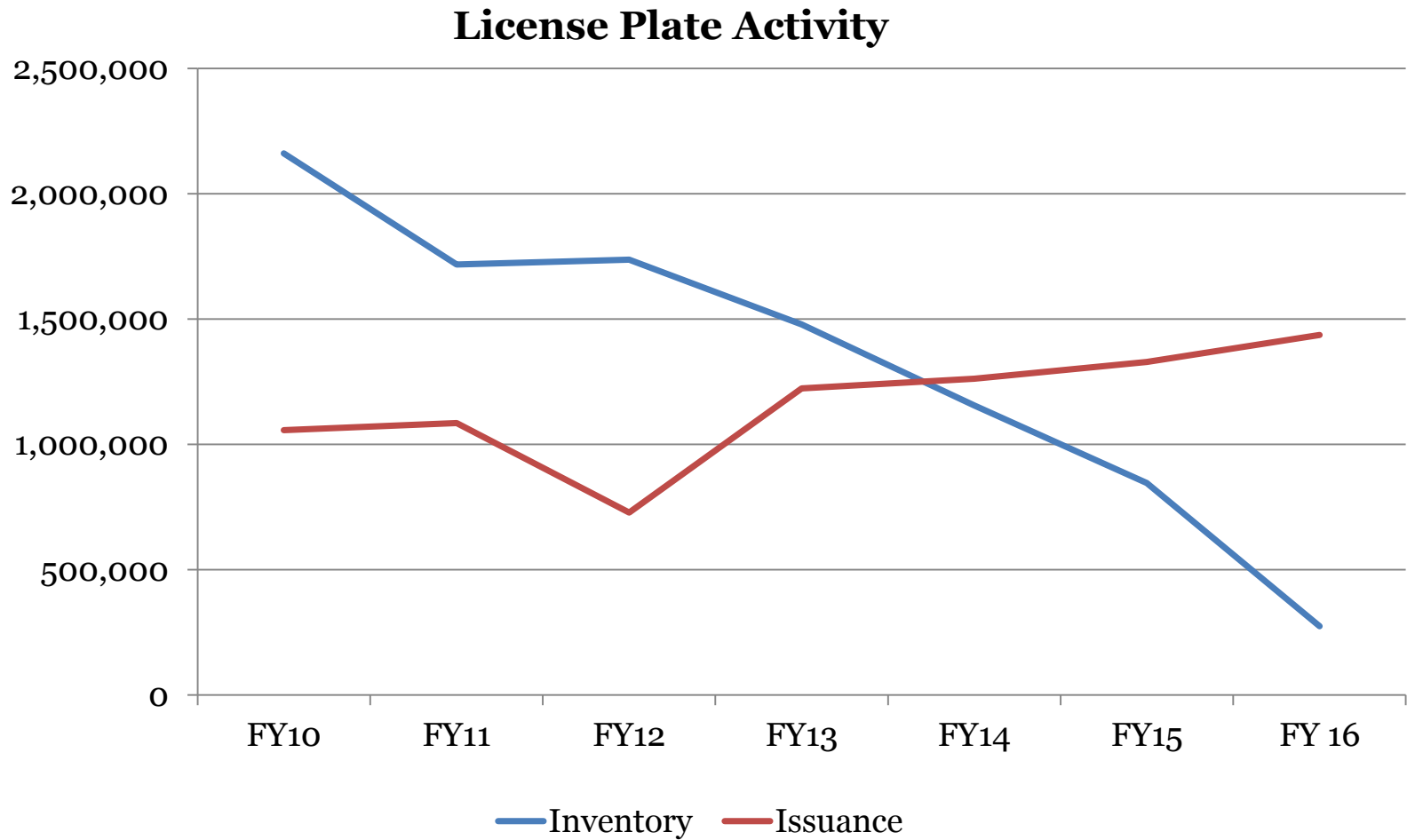
- Requesting additional **\$1,090,106** in spending authority in the *Licensing Services Cash Fund* in FY 2017-18
- To expand or move Colorado Springs, Northglenn, and Fort Morgan Driver License offices
- One-time expense of \$911,000 to implement expansion or move
- Annualizes to \$179,106 in the Leased Space line in FY 2018-19 and thereafter
- Customer demand at Colorado Springs and Northglenn offices requires more space
- Lease line has not significantly increased for the DMV in at least ten years

# R-02 License Plate and Tab Ordering

## Underlying Causes Leading to the Decision Item Request

- A 14% increase in issuance of license plates and month and year-tabs since FY 2013-14, and ongoing volatility of customer demand
- Inventory levels have been depleted
- Structural imbalances within the License Plate Cash Fund will result in a negative fund balance at the end of FY 2016-17

# R-02 License Plate and Tab Ordering



# R-02 License Plate and Tab Ordering

The Department requests:

1. **\$209,642** in General Fund appropriation FY 2017-18 and thereafter
2. **\$3,847,078** in Cash Fund spending authority FY 2017-18 annualizing to \$2,713,078 in FY 2018-19 and thereafter
3. Statutory language change to allow for the purchase of license plates and product from the CSTAR account
4. Continuous appropriation for the License Plate Ordering Long Bill line item
5. Revision to the Long Bill Letternote

Unless this request is funded, the Department will run out of license plates and month and year-tabs, compromising both customer service and public safety.

# R-02 License Plate and Tab Ordering

## *Results from funding this request:*

1. Provide adequate inventory of license plates and tabs to the Counties to meet increased customer demand
2. Reduce impact of exempted license plates, tabs, and placards on the License Plate Cash Fund
3. Utilize existing fund balance from the Colorado State Titling and Registration cash fund to cover this expense
4. Continuous appropriation to allow the Department to keep pace with increased demand by allowing the purchase of all the license plates required in a given year / supported by the collected revenue

# **DIVISIONAL STATUS**

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## **ENFORCEMENT**





# SB 16-197 – Update from the Liquor Division

- **Stakeholder Engagement**
  - SB 16-197 Statutory Working Group – 5 meetings since August
  - Rulemaking Working Group – 7 meetings over the summer
- **Outreach**
  - The Liquor Enforcement Division (LED) hosted 15 educational classes around the state of Colorado with more than 500 attendees
  - Interactive Q&A sessions with LED Director plus 40 questions submitted online to the Division

# Liquor Enforcement Division

- 25 percent decrease in new liquor license applications, which account for more than 60 percent of operating revenue
- The liquor fund was projected to end the fiscal year with \$952k operating loss and a negative fund balance of \$649k
- Cost reduction measures have been implemented including holding vacant positions
- New liquor license application fee will be increased from \$920 to \$1,950 beginning in January 2017. This revenue increase will not impact TABOR because the fee increase is intended to restore revenue levels to those originally contained in the FY 2017 budget
- The Division is exploring long-term solutions, including statutory changes to authorize the state licensing authority to establish and set fees related to renewal license applications

# Online Licensing Strategic Initiative

- 6 DOR Agencies utilize the same licensing software
- E-Gov Module will enable agencies to process license applications using online platform
- Improved customer experience and greater accessibility
- Improved efficiency of license processing
- Controlled, phased approach starting with renewal
- Application processing for occupational licenses
- Target date for rollout in early FY 2018

# MED 2016 Legislation Implementation

1. Ownership, Retail Sunset, Medical MJ Advertising, Enticing Shaped Edibles, Multi-serving Liquid Edibles, MJ Transporter License
  - 4 Rulemaking work groups, 5 meetings
  - Rules Effective November 30, 2016
2. Edibles Marking and Universal Symbol
  - Rules passed in 2015 for edibles marking and universal symbol
  - Edibles Mfg deadline of October 1, 2016
  - Store deadline of December 1, 2016



# Enforcement Decision Items

- R-03      Liquor Enforcement Operating Increase
- R-06      Auto Industry Division Staffing
- R-07      Division of Racing Legal Assistant

# R-03 Liquor Enforcement Division Operating Increase

- The Department requests **\$52,884** in cash fund spending authority for the *Liquor Enforcement Division and State Licensing Authority Cash Fund* in FY 2017-18 and thereafter for operating expenses
- The LED monitors compliance through education, outreach, licensing, inspections, enforcement, and training
- The LED also works special events at the request of local law enforcement agencies

# R-03 Liquor Enforcement Division

## Operating Increase

Without this additional funding LED will not be able to sufficiently:

1. Conduct compliance checks and prevent underage drinking in remote locations
2. Provide enforcement at events such as Country Jam, X Games, and Bands in the Backyard
3. Prevent an increase in sales to minors and minors-in-possession as the industry and public become aware that fewer enforcement efforts are in place

# R-06 Auto Industry Division Regulatory Staff Increase

- The Department requests **\$361,682** in cash fund spending authority for the *Auto Dealers License Fund* in FY 2017-18 for 4.0 FTE and associated expenses
- Amount annualizes to \$328,500 in spending authority in FY 2018-19 and thereafter



# R-06 Auto Industry Division

## Regulatory Staff Increase

- The AID is a statewide regulatory agency that issues 19,000 licenses annually for motor vehicle dealers, manufacturers, and related salespersons and;
- Investigates 1,300 cases each year related to consumer harm and unlicensed sales activities.
- Current staffing levels are insufficient to:
  - Manage the existing caseload
  - Reinstate previously eliminated but essential, proactive enforcement measures and programs which will strengthen consumer protection (Programs were eliminated following the 2008 economic downturn)



## R-07 Division of Racing Events Staff Increase

- The Department requests **\$31,989** in cash fund spending authority for the *Racing Cash Fund* in FY 2017-18 for the conversion of a temporary employee to 1.0 FTE with associated expenses
- Amount annualizes to \$27,286 in FY 2018-19 and thereafter

# R-07 Division of Racing Events Staff Increase

- The RAC is a statewide regulatory agency that issues licenses, enforces regulations, collects pari-mutuel taxes, and safeguards the health and safety of racing animals
- The temporary legal assistant works nine months of the year which leads to a detrimental three month break in service and necessitates hiring and training annually
- The Legal Assistant works with the disciplinary and investigatory processes generating legal documents, attending hearings, providing paralegal support, serving as the Rules Manager for annual Rulebook changes, and ensuring compliance with state statutes, policies and procedures

# 2017 Enforcement Legislative Initiative

Create an MED operator license under the medical code.

- This change will align the medical code with the retail code which created an operator license type during 2016
- An operator license permits a management company to receive a license that permits them to operate other licensed businesses under a management agreement
- More efficient for addressing management agreements

# R-08 Amendment 35 Distribution

- Amendment 35 to the Colorado Constitution increased the tax on cigarettes
- Pursuant to CRS 39-22-623 (1) (B) (c) the Department is statutorily required to distribute 30% of these moneys to local and county governments
- The appropriation in this line is based on current economic forecasts authored by the Office of State Planning and Budgeting
- The March 2015 revenue forecast triggered a reduction in the FY 2015-16 appropriation of \$414,900

# R-08 Amendment 35 Distribution

- The Department requests an informational (I) annotation for the Amendment 35 Distribution to Local Governments line item for FY 2017-18 and thereafter to provide adequate spending authority for the Department to distribute the tobacco tax cash funds to local and county governments
- Pursuant to CRS 39-22-623 (1) (a) (II) (B) “Moneys apportioned pursuant to this subparagraph (II) shall be included for informational purposes in the general appropriation bill or in supplemental appropriation bills for the purpose of complying with the limitation on state fiscal spending imposed by section 20 of article X of the state constitution and section 24-77-103, C.R.S.”
- If the (I) annotation is not added to this line item, then the Long Bill will not agree with state statute

# Colorado Road and Community Safety Act (CO-RCSA) SB 13-251 Topics

1. Initial assumptions upon which the program was based
2. Program funding and operational history
3. Long Bill Footnote 87
4. Renewals

# CO-RCSA SB 13-251

## Initial Program Assumptions

Summary of the estimated of population and participation during the development of the 251 program

- The population estimate provided by the PEW Hispanic Center was 180,000 in 2010 plus an annual 2.6 percent for population growth
- There were differing assumptions for the participation rate
  - DOR used an average of the UT and NM rates – ~57 percent – 112,000
  - LCS used the lower of the two rates which was from UT – ~33 percent – 66,000
- Ultimately, by using the lower number, the customer base was underestimated.



# CO-RCSA SB 13-251

## Funding and Operational History

- Funded in FY 2014-15 for 5 work units (at that time there was one work unit at each of 5 office locations) serving 155 appts./day
- Funding for the original 5 work units ended February 2015
  - Submitted a supplemental funding request for the rest of FY 2014-15 to sustain the 5 original work units AND expand to a total of 10 work units.
  - Forced to reduce to 1 work unit serving 31 appts./day in February 2015 while awaiting the decision on the supplemental funding request
- The supplemental request was partially approved and resources were appropriated to increase from 1 work unit up to 3 work units serving 93 appts./day with a Footnote in the Long Bill related to a cap of 60,000

# CO-RCSA SB 13-251

## Long Bill Footnote 87

- 3 Offices currently – Denver Central, Colorado Springs, Grand Junction
- 93 Appointments/day
- Expect to reach 60,000 appointments served in October 2017

*“The initial fiscal note estimated a total of 66,000 individuals would request an appointment for a S.B. 13-251 document. Continued operations for this program at more than one office are premised on the need to handle the up-front surge of applicants. It is the intent of the General Assembly that once the annual appointments made available for individuals who are not lawfully present in the United States fall below 5,000 per year or the total appointments served reaches 60,000 the Division will reduce the offices that provide the service to one location.”*

# CO-RCSA SB 13-251

## Renewal Process

- Statute requires an NLP customer renewing a CO-RCSA document to present:
  - Proof of Identity
    - CO-RCSA document
    - Passport from Country of Origin
    - Consular Identification card from Country of Origin
    - Military Identification card from Country of Origin (with photo)
  - Proof of Residency
    - Sign an affidavit and present proof that the applicant is currently a resident of Colorado and present proof of Colorado tax filing for the preceding year; OR
    - Sign an affidavit and present proof of residency that the applicant has continuously been a resident in Colorado for the preceding 24 months
- CO-RCSA services will continue to be administered within the appropriation authorized by the General Assembly



# Summary of all DOR Budget Requests

	FY 2017-18	FY 2018-19
R-05 GenTax	\$2,788,767	\$2,788,767
R-01 DMV Waitless	\$183,042	\$183,042
R-04 DMV Leased Space	\$1,090,106	\$179,106
R-02 DMV License Plate and Year-Tab Ordering	\$4,056,720	\$2,713,078
R-03 Liquor Enforcement Operating Increase	\$52,884	\$52,884
R-06 Auto Industry Dealers	\$361,682	\$328,500
R-07 Racing Legal Assistant	\$31,989	\$27,286
R-08 Amendment 35 Distribution	\$-	\$-

# Thank You!

**DEPARTMENT OF REVENUE**  
**FY 2017-18 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Friday, January 6, 2017**

**9:00 am – 12:00 pm**

**9:00-9:10**        **INTRODUCTIONS AND OPENING COMMENTS**

**9:10-9:30**        **FISCAL YEAR 2017-18 DEPARTMENTAL BUDGET PRIORITIES**

9:30-9:50        Severance Tax Stakeholder Meeting Update

- 1     Provide a comprehensive update on the status of the Severance Tax Stakeholder group.

**Stakeholder Outreach and activities:**

- Industry surveys were conducted in June and November 2016;
- Stakeholder meetings held on August 23 and September 26, 2016 to solicit input;
- The Department sent a follow-up letter to the stakeholder group and the JBC with the anticipated timeline for the rulemaking process.

<b>ACTION</b>	<b>DATE</b>
Promulgation of emergency rule	January 15, 2017
Dissemination of draft rule	March 13, 2017
Deadline for comments on draft rule	April 7, 2017
Revision of draft rule based upon comments	April 28, 2017
Informal consultation with the Attorney General's Office	May 12, 2017
Submission of revised draft rule to the Secretary of State	May 26, 2017
Notice of formal rulemaking	June 10, 2017
Rulemaking hearing	July 12, 2017
Department adoption of final rule	September 1, 2017
Attorney General's formal opinion	September 21, 2017
Filing of final rule with the Secretary of State	September 21, 2017
Publication of final rule by the Secretary of State	October 10, 2017
Effective date of rule	October 30, 2017

- 2 Discuss what the Department position is on its role in Severance Tax policy discussions.  
The Department's role is to implement the policies adopted by the legislature and to advise the legislature when appropriate on administrative impacts of policy decisions.
- 3 Provide options to smooth fluctuations in revenue from severance tax, as well as potential legislative actions to change the distribution of funds to stabilize revenue streams for programs supported by severance tax.  
The largest factors that influence the fluctuations in the current severance tax are the commodity market price and the existence and timing of the property tax ad valorem credits. One way to address the variability introduced by price would be to move away from a tax based on net income (i.e. price) and towards a tax based on volume or some other less volatile measure. One way to address the volatility introduced by the timing of the ad valorem credit would be to synchronize the credit with the production year. However, such a change is likely to reduce overall severance tax revenue. The Department of Revenue recently completed a rigorous stakeholder process to enable it to develop rules to comply with the result of the BP America ruling. No additional ideas came to the Department's attention during that process.

**9:50-10:20      DIVISION OF TAXATION**

- 1 Provide an update on the BA1 Income Tax Refund Fraud partially funded in the FY 2016-17 budget cycle.  
The BA1 request appropriated 6.0 FTE in FY 2016-17 for refund fraud tax examiners. The Department:
  1. Hired the FTE who are in place to perform this work;
  2. Implemented an industry-standard refund fraud detection software platform in FY 2015-16, which was utilized during the Oct. 2016 extension filing season; and
  3. Continued participation in the nationwide Security Summit Program led by the Federal Tax Administrators (FTA).

The BA1 request also appropriated \$600,000 in FY 2016-17 to implement DEX Fraud Services that included:

1. An anti-fraud service leveraging the other GenTax states' data and public records to identify potentially fraudulent returns.

Contract negotiations for this service between the Department and the vendor are currently underway.

## R5 GenTax Maintenance and Support

- 2 Provide a history of funding and expenditures for operating GenTax starting in FY 2012-13. Discuss all items included in the “base” line item funding for CITA Annual Maintenance and Support.

To initially fund the operation of the CITA system, the Department submitted the FY 2013-14 funding request entitled *Colorado Integrated Tax Architecture Annual Maintenance and Support*, for a half year allocation of \$1,500,000.

In FY 2013-14, the passage of adult-use marijuana required the addition of a second, rate-tier for sales tax on the purchase of the adult products. A significant rewrite of the CITA system, \$3,400,000, was funded via special bill appropriation from the Marijuana Cash Fund. The actual expenditure for the additional programming was \$1,587,600. A Budget Amendment rolling forward \$1,840,000 remaining appropriation was included in the Long Bill for FY 2014-15. It was reverted in FY 2014-15 because no additional programming was required.

The table below summarizes the funding mechanisms and actual expenditures for the operation of the GenTax system. The base funding covers the payments related to the Department’s contract with the vendor for support and maintenance of the system.

**Table 1: CITA Base Funding (Funding Requests), Special Bills, and Expenditures by Fiscal Year**

<b>Funding Source</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Long Bill	\$1,500,000	\$5,495,000	\$3,831,650	\$4,601,313
Supplementals	\$0	\$0	\$300,000	\$0
Special Bills	\$2,132,200	\$401,516	\$110,540	\$55,438
<b>Total Funding</b>	<b>\$3,632,200</b>	<b>\$5,896,516</b>	<b>\$4,242,190</b>	<b>\$4,656,751</b>
<b>Actual Expenditure*</b>	<b>\$2,917,000</b>	<b>\$3,715,658</b>	<b>\$4,206,750</b>	<b>\$4,478,330</b>

\*FY 2016-17 Projected Actual expenditure



- 3 Discuss how the Department has staffed maintenance and support of GenTax since FY 2012-13, including which agency or company employs each staff person.

In the original GenTax funding request in 2012, the Department, OIT, and FAST enterprises (the contractor), anticipated that staffing levels would consist of:

- 10 to 12 FAST contractor personnel to perform tasks associated with performance metrics; and
- 6 to 8 OIT personnel to oversee the network, servers, and storage and to perform development work

Since FY 2012-13, Fast Enterprises staffing levels were determined by contractual obligations. OIT staffing levels are determined by OIT's statewide allocation of resources.

- 4 How does the Department manage outside contractor costs?

The Department manages outside contractor costs according to the specific contract terms and conditions.

- 5 What is OIT's current role in providing support to GenTax. Describe how this has changed since FY 2012-13.

In FY 2012-13, OIT provided 6 FTE to provide developer support to augment the Fast Enterprises maintenance and support contract. Additionally, OIT provided 3 FTE from infrastructure support services in the database and data center operations areas. Currently, OIT provides 6-8 FTE for infrastructure support and no developer support for GenTax based on shifting priorities.

- 6 What process changes has implementation of the GenTax system allowed the Department to make? What efficiencies does GenTax provide over the previous system? What cost savings does GenTax provide to the Department? Discuss the Department's successes and failures with GenTax.

The GenTax system has provided many functionality and efficiency improvements. GenTax provides a single, consolidated, consistent taxpayer-centric structure consolidated from multiple disparate legacy tax systems. GenTax provides a more robust e-filing platform for taxpayers, resulting in higher electronic filing rates for both individual and business taxpayers. In addition, GenTax systems allow taxpayers to view their own tax account information online. GenTax also provides efficiencies in implementing legislative policy changes and annual tax form changes stemming from the actions of the federal government or national standards organizations. GenTax provides for increased automation of many tax administration processes including the automation of processes that provide for the more efficient and effective processing of tax returns based on federal tax information.

The Department has not attempted to analyze the direct cost savings attributed to the conversion from the prior legacy systems to the GenTax platform. However, the transition has been successful. The original project and all subsequent projects have been implemented on time and under budget. For example, the implementation of the retail marijuana special sales and excise taxes was implemented on time and significantly under budget.

A few of the significant successes include:

- Implementation of retail marijuana special sales and excise taxes in less than three months and significantly under budget as mentioned above;
- Increasing e-filing tax rates for both individual income (84%) and sales tax (77%) as mentioned above;
- Implementation of TABOR and EITC Refunds;
- Implementation of a Master Intercept System to intercept debt on behalf of other state agencies;
- Gaming Casino EZ File System; and
- GenTax Fraud Manager Platform.

- 7 Discuss the Department's decision not to present this budget request to the Joint Technology Committee.

The Department received the same information that the Committee received during the Briefing in regards to review by JTC. Since this is not a new Capital Construction request to develop and implement a new system and this request is for annual maintenance of an existing system from an operating appropriation, it was not referred to the JTC. The Department welcomes any direction to work with JTC regarding this request.

**10:20-10:30 BREAK**

**10:30-11:15 QUESTIONS RELATED TO THE DIVISION OF MOTOR VEHICLES (DMV)**

R1 Waitless System Maintenance

- 8 Discuss the Department's plans for Waitless.

The system was expanded to 16 additional offices on June 30, 2016. There are now 31 of the 36 state offices equipped with the Waitless system. The remaining state offices do not warrant this system due to small size and low customer volume. Several counties have implemented queuing systems independently. After the full implementation of the Colorado DRIVES system, the department will complete an assessment of whether and what would be required to implement a queuing system state-wide.

#### R4 DMV Leased Space

- 9 Explain the Department's process to select which DMV locations required additional space to meet demand.

The DMV has been actively managing its facilities to improve customer service. Within the Long Bill for the department is an appropriation for leases. This line has not seen a significant increase for the DMV in at least ten years. As a result, the appropriation has only been sufficient for maintaining existing lease expenses and covering increased costs in renewing existing leases. The current appropriation is insufficient to address expansion of existing leases or moves. Both offices in Colorado Springs and Northglenn are too small for the number of customers currently using and expected to use these facilities. These regions of the Front Range are experiencing rapid growth and the two offices must be expanded or moved to provide an appropriate level of service. The Fort Morgan office has been operating from its current site since 1959. It does not meet the requirements to provide good customer service.

#### Colorado Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES)

- 10 Provide a status update on the deployment of DRIVES. Discuss the deployment schedule.
- The first roll-out of the Colorado DRIVES project is 89% complete. It is on schedule to replace the Driver License System (DLS) and supporting IT systems on February 21, 2017. The second roll-out of the project is planned to begin April 3, 2017 and deploy on August 6, 2018. This second part of the project will replace the Colorado State Titling and Registration System (CSTARS) and supporting IT systems. Until August 6, 2018, the State and Counties will continue to use the CSTARS for motor vehicle titling and registration activities.

#### Innovative Solutions to Issues within the DMV

- 11 Discuss opportunities the Department identifies as possible novel ways for it to either: (1) deliver DMV services to Colorado residents or (2) reduce the cost to deliver those services. Examples may include, but the discussion should not be limited by, the following:
- Mobile DMV locations;
  - Space sharing with other agencies and local governments; or
  - Utilization of mobile devices.

The Department has adopted a strategy to encourage expanded use of online services as an alternative to improve customer service and reduce the requirement for increased staffing due to a growing population. A marketing campaign with the slogan 'You're always first in line, when you renew online' was initiated last year combining all DMV online services into

one message. Partnering with the Statewide Internet Portal Authority and Donor Alliance, the DMV is implementing additional advertising activities this year.

When the first roll-out of Colorado DRIVES is completed on February 21, 2017, a *MyDMV* online application will be deployed offering customers significantly more services than what is available today. *MyDMV* will offer 12 more services than the 3 available today. In addition, the *MyDMV* site is mobile device friendly.

Mobile DMV services will be possible for driver services in the future. After technical challenges in operating this capability remotely are resolved, the Department will begin to pilot this new capability. Remote rural areas and Senior Citizen Centers will be part of the pilot.

The Department has already been working with other State Agencies to co-locate offices and the DMV has and continues, whenever possible, to co-locate its offices within County facilities.

Arapahoe County is leading a pilot project offering self-service kiosks for motor vehicle registration renewals. The Department is a full partner and will expand the program pending a successful pilot.

Finally, after the full deployment of the Colorado DRIVES system, the Department will assess additional means of providing its services.

#### R2 License Plate and Year Tab Ordering

- 12 Discuss administering the license plate program generally. If possible, discuss how the volume of license plate types available to Coloradans affects costs of administration.

The Department administers the purchase of license plates and related materials from Colorado Correctional Industries (CCI) and the distribution of license plate inventory to the county offices. There are two processes in the issuance of license plates.

High-demand license plates (e.g., green and white passenger plates) are maintained as inventory at offices to provide customers with plates as part of their transactions. The goal is to have 6 months of inventory of high-demand license plates at each county at the beginning of each quarter. Orders are timed to be delivered to the counties at the beginning of each quarter with the objective of stocking 6 months of supply. Using this methodology, inventory levels at counties should not go below 3 months of supply before the next quarterly order is delivered.

A State-developed Plate Inventory Management System (PIMS) is used by the Department to track available inventory and issuance at each of the counties. Issuance data for PIMS is transmitted from the counties to CSTARs. Those files can be delayed due to the batching process and are sometimes inaccurate due to transaction issues with the CSTARs application. The information from PIMS is then manually transferred into an Excel spreadsheet and combined with additional data to calculate the number of plates that need to be ordered to meet 6 months of supply. In addition, the Department audits as many as 20 counties each year to verify on-hand inventories.

Low-issuance license plates (e.g., group special license plates such as the Bronze Star, Carbon Fund, etc.) are issued via a Print-On-Demand process and are not maintained in county inventory. During the transaction, the customer is issued a temporary tag, and a license plate is sent via mail from CCI. Each night, Print-On-Demand transactions are transmitted to CCI who manufactures the license plates and mails the plate to the customer the next day.

The Print-On-Demand process reduces the administrative burden of managing 174 plate types (378 inventory types) and reduces the amount of money tied up in inventory.

- 13 Explain to what degree the frequent changes to license plate offerings contribute to errors in CSTAR System coding.

As of the 2016 session, there are 174 license plate types (i.e., Broncos Charities, Passenger Regular, etc.) resulting in 378 license plate inventory types (i.e., Motorcycle Broncos Charities, Passenger Broncos Charities, Personalized Motorcycle Broncos Charities, Personalized Passenger Broncos Charities, etc.) and 44 registration product types (Year Validation Tabs, Temporary Registration Permit Mounting Boards, etc.) that the Department must maintain to meet the statutory requirements for registering and plating vehicles in Colorado in 64 counties with 106 offices and 1 state office that is solely funded by the License Plate Cash Fund. Since the implementation of the Print-On-Demand process, the Department does not believe the variety of license plates is the cause of shortages to the License Plate Cash Fund.

- 14 Explain the rationale for including the potential for lockdowns at Colorado Correctional Industries in the lead time for license plate ordering.

The primary issue with the License Plate Cash Fund is that the fund is structurally imbalanced for the following reasons:

1. Colorado Revised Statutes allow for some license plates and tabs as well as placards to be issued free of charge. This creates a negative balance in the License Plate Cash Fund as there is no revenue from which to use to purchase replacement inventory.

2. Colorado Revised Statutes only authorizes the charge of a fee to the customer equal to the cost of purchasing the plates and products from CCI. There is no revenue authorized to address the issuance of items issued without charge or for items lost or damaged.
3. Counties are exempting some items for various reasons further explained in question 18 below.
4. Programming errors have been identified within the legacy CSTARS system resulting in incorrect revenue collections and distributions.

Lockdowns at the correctional institution are not the cause of the situation regarding the lack of inventory of license plates. However, when license plate inventories are low, a delay in production for any reason can result in shortages across the State. Maintaining sufficient inventory on-hand eliminates the impact of short-term loss of production due to lockdowns.

15 Discuss the Colorado State Titling and Registration (CSTAR) System Committee, include:

- a. Its origin;  
The CSTARS Committee was established January 1, 1984 under C.R.S. 42-1-211(4).

- b. Its members, both current members and membership requirements;  
The Committee members are appointed by the Executive Director of DOR and must meet the specified composition in accordance with statute C.R.S. 42-1-211 (4) (a). The required composition is comprised of seven authorized agents who must be county clerk and recorders, the clerk and recorder in the city and county of Broomfield, or the manager of revenue for the city and county of Denver or such other official of the city and county of Denver as may be appointed by the mayor to perform functions related to the registration of motor vehicles, and shall be appointed by the executive director of the department.

The current County Clerk and Recorder members are:

Shelia Reiner (Chair) – Representing Mesa County  
 Matt Crane – Representing Arapahoe County  
 Sara Rosene – Representing Grand County  
 Krystal Brown – Representing Teller County  
 Jean Alberico – Representing Garfield County  
 Gilbert Ortiz – Representing Pueblo County  
 Garland Wald – Representing Washington County

- c. Who has power of appointment;  
The Committee members are appointed by the Executive Director of DOR and must meet the specified composition in accordance with statute C.R.S. 42-1-211 (4) (a).

- d. Its role in budgeting CSTAR Account of the Highway User's Tax Fund;  
This account is managed by DOR with oversight provided by the CSTARS Committee per C.R.S. 42-1-211.
- e. Its role in deploying the Colorado Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES) and after its deployment; and  
The Department has worked with the CSTARS Committee and the Colorado County Clerks Association to establish a County DRIVES Governance Committee. This committee provides recommendations on behalf of the 64 counties regarding procedural and programming changes that will be necessary with the implementation of Colorado DRIVES. The committee also established working groups to complete analysis necessary in support of the Colorado DRIVES project.
- f. Any other information relevant to the Committee's discussion.  
None

- 16 Discuss the CSTAR System Committee's reaction to the Department's proposal to utilize the CSTAR Account as a source of funding for the License Plate Ordering line item.  
The CSTARS Committee agreed with the Department's proposal.

[Background: The Department provided information that law enforcement received plates at no cost for undercover activities and that counties sometimes exempt products from fees.]

- 17 Provide a discussion of the types of vehicle classes exempted from license plate fees for law enforcement undercover activities.
- A. The Department allows passenger, light truck, motorcycle, and trailer plates to be exempted for law enforcement undercover activities. There are currently 5,550 license plates issued to law enforcement agencies by the department for undercover activities.
  - B. Undercover license plates are issued by the Department to Federal, State, County, and City law enforcement agencies that have satisfied the requirements contained in the Undercover License Plate Application (DR 2429). Vehicles enrolled in this program must already be registered as government vehicles. The Department is able to ensure the protection of law enforcement is maintained using this process. Vehicle registration information under this program is only accessible by selected Department staff.
  - C. By procedure, Counties are not authorized to issue plates to law enforcement for undercover activities. There is no process in place within CSTARS to allow covert plates to be issued by the Counties.
  - D. The Department program for the issuance of undercover plates to law enforcement agencies is described below:
    - 1. Agency applies for undercover plates to the Department.



2. In addition to a Department application, the agency is required to submit a formal written request on their official letterhead signed by the Chief of Police, Sheriff, or the agency director.
3. A review of the application and formal written request is completed by the Department to ensure the agency is performing undercover covert operations before undercover license plates are issued.
4. The agency agrees to the following:
  - i. The undercover plates will be used for official police business on vehicles that are involved in sensitive government business.
  - ii. The undercover plates issued to law enforcement or government agencies will not be used for personal gain.
  - iii. The valid non-undercover registration card and license plates will be carried in the vehicle at all times.
  - iv. When there is no longer a need for the undercover plates, they will be returned to the Department for destruction.
  - v. The requesting agency assumes all liability for the issuance of these plates and compliance with the mandatory insurance and emissions requirements.

- 18 Discuss the fee exemptions granted by counties. How often or to what extent are counties engaging in this type of behavior?

Earlier last year, the Department identified additional loss of revenue to the License Plate Cash Fund from transactions at counties that were not clearly identifiable as no-fee transactions. Analysis was conducted to determine the cause and extent of the problem and there were significant issues in completing the work due to a lack of information readily available in CSTARS. In order to create reports to aide Counties in managing exemptions a report was created and deployed in October. Due to the limited time the report has been in place, there is not sufficient data from which to make a determination as to the cause of the exemptions. However, system limitations and good customer service were frequently cited as reasons for some of these exemptions.

The statutes do allow for certain exemptions to be completed by the counties. The following is a summary of the allowable exemption activity:

- 15,167 Qualified military exempt license plates and tabs issued annually
  - 41,102 currently registered
- 186,334 Persons with Disability Placards and tabs issued annually
  - 558,299 currently registered



- 6,519 Government license plates issued annually
  - 56,665 currently registered

19 What is the Department's position on legislation related to:

- a. Fee exemptions for undercover law enforcement activities;  
The Department requests that any proposed legislation would take into account the structural imbalance of the LPCF.
- b. Counties authority to waive fees;  
The Department requests that any proposed legislation would take into account the structural imbalance of the LPCF.
- c. Whether the clerk-hire fee should be retained for products with no fee; and  
According to C.R.S. 42-1-210 (1) (a) "...shall retain for the purpose of defraying such expenses, including mailing, a sum equal to four dollars per paid motor vehicle registration and registration requiring a metallic plate, plates, individual temporary registration number plates, or validation tab or sticker as provided in section 42-3-201. This fee of four dollars shall apply to every registration of a motor vehicle that is designed primarily to be operated or drawn on any highway of this state, except such vehicles as are specifically exempted from payment of any registration fee by the provisions of article 3 of this title, and shall be in addition to the annual registration fee prescribed by law for such vehicle. The fee of four dollars, when collected by the department, shall be credited to the same fund as registration fees collected by the department."

The Department agrees that the current statute should be followed. However, the current legacy system, CSTARS, may improperly allow for this fee to be retained even in the cases of a no-cost transaction. Phase 2 of the DRIVES project will implement this requirement as intended per statute.

- d. Charging a nominal administration/material fee on non-fee items to cover material costs.  
As previously discussed, the Department is only allowed to charge a fee equal to the cost of the product. Any fee collected that is less than the full cost of the product will result in the same deficit position for the fund. If the full cost of the product is collected then all free plates and products are essentially being eliminated.

20 Discuss the CSTAR glitch discovered in preparing the budget request. Estimate the amount of state revenue diverted to local governments as a result of the glitch.

This issue was not discovered during the preparation of this budget request. The Department identified the revenue issues starting during last fiscal year, which then led to the need for the Decision Item.

Errors have been discovered in CSTARs that were diverting fees incorrectly (an example is year tab material fees diverted to HUTF that was corrected in FY 2015-16) or allowing that fee to be retained by the county performing the transaction. The Department is currently working with the OIT to estimate the amount of state revenue that has been diverted incorrectly. DRIVES will ensure proper distribution of revenue.

- 21 Discuss the Department's position on operating the DMV as a TABOR Enterprise.  
The criteria defined in Article X Section 20 (d) states that *"Enterprise" means a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined.* This means that the DMV could not ever get any more than 10 percent of its funding from the General Fund. Fee-setting authority is currently limited to no more than a five percent increase annually. The combined effect of these two factors essentially prohibits DOR from establishing a sustainable funding model for the DMV. In order for the Enterprise classification to work, the Department would have to be given full and complete fee setting authority in order to ensure adequate revenue to fund the operations.

**11:15-11:25 OTHER QUESTIONS FOR DEPARTMENTAL BUDGET REQUEST**

R3 Liquor Enforcement Division Operating Costs

- 22 Discuss liquor enforcement at multiple-day festival-type events. What changes are driving a need for more enforcement?  
The compliance checks are performed at many events, often at the request of the local law enforcement agencies. They serve to prevent underage drinking in remote locations, provide enforcement at events such as Country Jam, X Games, and Bands in the Backyard, and prevent an increase in sales to minors and minors-in-possession if the industry and public become aware that enforcement efforts are in place. These remote locations cause agents to incur travel costs to attend these events. Routine inspections of licensed premises in outlying areas are also challenging to complete due to the limited operating budget to cover expenses associated with travel for enforcement staff.

R7 Division of Racing Events Staff

- 23 Discuss which activities are driving the need for increasing expenditures in the Division of Racing Events and how it relates to revenue derived from racing activities.  
The Division of Racing currently utilizes a temporary position to serve as its legal assistant. Using temporary services for the ongoing business needs of the Division is inefficient.

Temporary employees can only work for a period of 9 months, which creates a gap in service that would not exist with a full-time legal assistant. The gap in service can lead to a backlog in work for the Division or require using additional legal services of the Attorney General's office for routine research, drafting of legal documents and regulatory agenda management. Each time a new temporary employee is hired, the Division spends time and resources to train the new temporary employee on the regulatory framework and processes of the Division and the racing industry in Colorado.

**11:25-12:00 COLORADO ROAD AND COMMUNITY SAFETY ACT (CRCSA) PROGRAM**

- 24 Discuss constraints on the Colorado Road and Community Safety Act that prevent it from reaching 66,000 individuals during the first three years of the program.  
Based on the resources appropriated over the past three years, there have only been a certain number of appointments offered at the three office locations. This has capped the number of customers that can be served. When appointment times are released (made available to the public) appointment times are typically reserved within minutes.
- 25 Discuss projected services rendered under the program. Provide the Department estimate when it will reach 66,000 individuals in Colorado.  
To be clear, the Long Bill footnote reads, "The initial fiscal note estimated a total of 66,000 individuals would request an appointment for a S.B. 13-251 document. Continued operations for this program at more than one office are premised on the need to handle the up-front surge of applicants. It is the intent of the General Assembly that once the annual appointments made available for individuals who are not lawfully present in the United States fall below 5,000 per year or the total appointments served reaches 60,000 the Division will reduce the offices that provide the service to one location." The Department anticipates reaching 60,000 by October 2017, if there are no changes to the program.
- 26 Explain the renewal process for individuals unable to prove their lawful presence in the United States. Explain why the program renewal process differs from regular driver's license renewals. Who set the procedures for the renewal process?

There are two types of Driver Licenses/IDs:

- 1) The Real-ID compliant DL/ID is provided to individuals who can demonstrate US citizenship or permanent lawful presence (PLP)
- 2) The 251 DL/ID is not Real-ID compliant and is provided to individuals who can demonstrate temporary lawful presence (TLP) and those who cannot demonstrate lawful presence (NLP).

- TLPs can walk into a DMV office and utilize the processes that are used by US Citizens and PLPs.
- NLPs must utilize the appointment process in order to comply with the requirements to present residency and identity documents.

The statute requires the individual to present residency, identity, and other required documents for a renewed document to be issued. The Department is following the requirements as instructed by statute. Below is a detailed outline of the renewal process including the requirements.

### **SB13-251 (CO-RCSA) Renewal Process**

For individuals who are unable to demonstrate lawful presence, the Department has developed the following process (driver license, instruction permit, or identification card):

1. Make an appointment\* at one of the three driver license offices that offer this service:
  - A. Denver Central: 1865 W. Mississippi Ave, Denver
  - B. Colorado Springs: 2447 N. Union Blvd, Colorado Springs
  - C. Grand Junction: 222 S. 6<sup>th</sup> St, #111, Grand Junction
2. At this appointment, the applicant must present the following:
  - A. The previously issued CO-RCSA issued document (driver license, instruction permit, or identification card) **NOTE:** If the driver license has been expired for more than one year, the person will need to retake the written and drive tests
  - B. Proof of residency
    - Option 1: Sign an affidavit that the applicant is currently a resident of Colorado, present proof of return Colorado tax filing for the immediately preceding year, and proof of current residency in Colorado; or
    - Option 2: Sign an affidavit that the applicant has continuously been a resident in Colorado for the immediately preceding twenty-four months and presents proof of residency in Colorado for the immediately preceding twenty-four months (3 documents required)
      - A document from the current year (date on the document must not be older than one year from date of application). This document must have your current Colorado address.
      - A second document to show Colorado residency from one year prior (date on the document must be between 12 and 24 months prior to application)

- A third document to show Colorado residency from two years prior (date on the document must be between 24 and 30 months prior)
- C. If the applicant had a name change, the applicant will need to provide an approved name change document:
- Certified Divorce Decree; Certified Court Ordered Name Change; Certified Adoption Court Order; or Certified Marriage Certificate/Civil Union Certificate (This is the same process for all customers who are requesting a name change.)

\*Applicants who cannot demonstrate lawful presence are required by statute to provide their proof of residency documents at renewal. This requirement is driven by the statutory requirement that applicants for this program present proof of tax return filing for the immediately preceding year or proof of residency in Colorado for the preceding 24 months. Due to the requirement that identity and residency documents must be presented and verified, renewals must be done via in-person appointments at an office location. No online renewal process is available. This also allows for accurate tracking of revenue and cost related to the specific appropriation for CO-RCSA.

- 27 Discuss how will the renewals affect the Department's ability to serve 66,000 individuals. Individuals seeking a renewal will have an impact on the ability to serve 66,000 individuals. As there are a limited number of appointments per day, and both new customers and those seeking a renewal need appointments, both of these groups will be filling these appointments. Because of the high demand for appointments, the Department anticipates that some individual's licenses may be expired more than one year and they will be required to retake the written and drive tests at their renewal appointment. The Department implemented HB16-1415 on June 15, 2016. This bill required the Department to provide services under specific circumstances to some customers without appointments. These customers are provided service in between appointments, as time allows.
- 28 What is the Department's position on funding for the CRCSA program? This program initially began with an appropriation to provide resources adequate to serve 155 appointments each day (at 5 locations). During the first year, it became clear that the appropriation would not be sufficient for the entire year, and a supplemental request was submitted to increase the appropriation to sustain the number of resources in place. While the supplemental was under consideration, the Department reached a point that it had to discontinue the services at most of the locations to stay within the existing appropriation. Only a single work unit supporting 31 appointments per day remained active. The supplemental request further asked for an increase in the appropriation to expand the services. Ultimately, the appropriation that was approved allowed for three work units to be

sustained which supported 93 appointments per day. This remains the current level of resources today.

The Department will implement the full extent of the program for which the General Assembly grants the appropriation.

[Background: Statute requires the Colorado Road and Community Safety Act to completely fund its activities through its fees.]

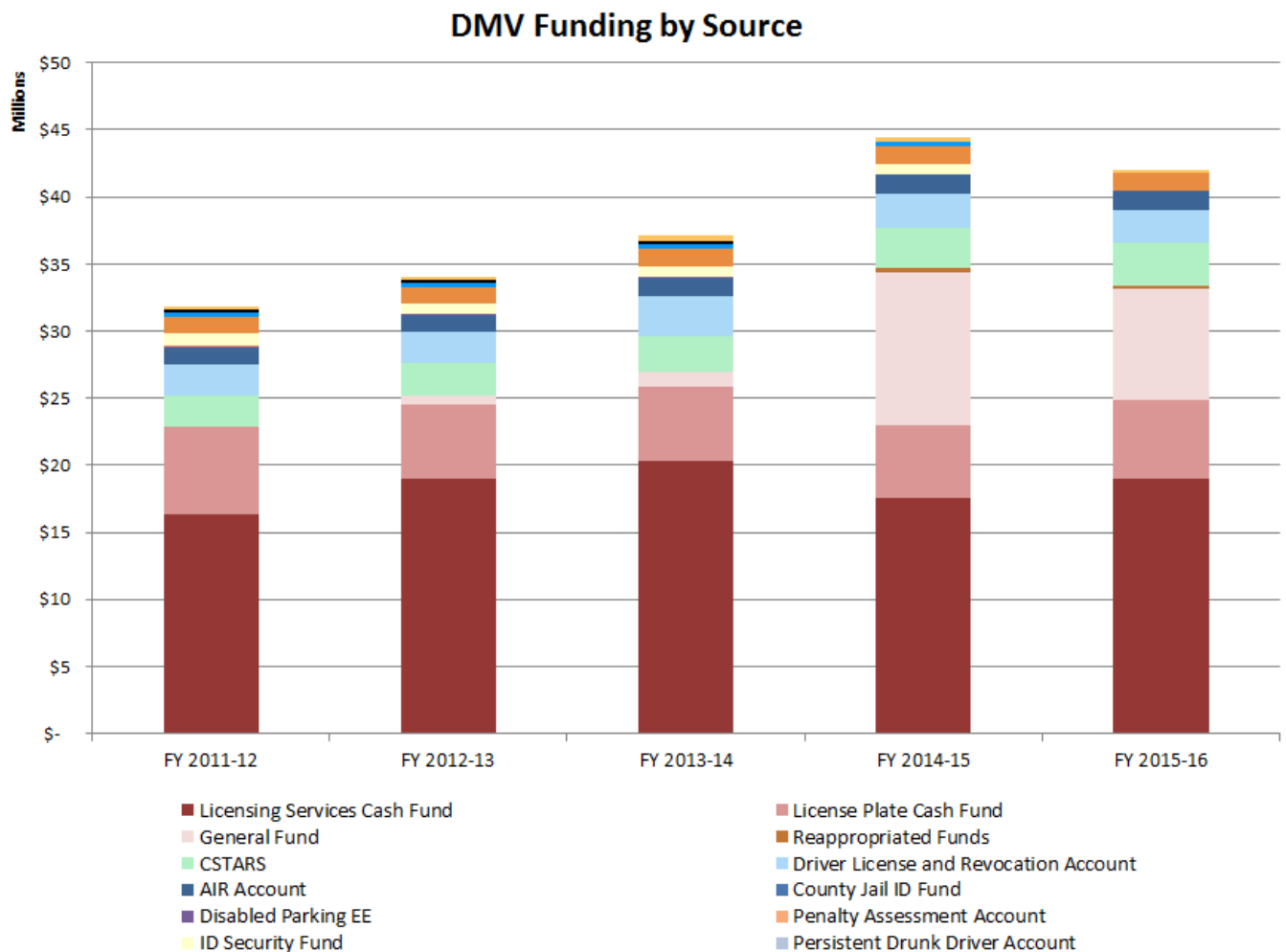
- 29 Provide a detailed accounting of revenue generated and expenditures by the CRCSA program.

Document issuance costs for different types of documents are not accounted for separately in the financial system. The following table summarizes estimated costs for NLP document issuance based on the direct costs for specified offices providing this service including labor costs of assigned FTE and direct document production costs, in addition to a proportionate distribution of indirect costs.

	FY 2013-14	FY 2014-15	FY 2015-16
<b>Revenue</b>			
Drivers License	\$0	\$578,781	\$929,634
Permits	\$0	\$161,476	\$546,508
ID Cards	\$0	\$27,188	\$32,724
<b>Total Revenue</b>	<b>\$0</b>	<b>\$767,445</b>	<b>\$1,508,866</b>
<b>Estimated Expenditures</b>			
Personal Services	\$19,971	\$426,853	\$422,211
Operating Expenses	\$0	\$15,845	\$3,183
DL/ID Production Costs	\$0	\$78,801	\$89,853
Indirect Costs	\$0	\$252,468	\$252,468
<b>Total Est. Expenditures</b>	<b>\$19,971</b>	<b>\$773,967</b>	<b>\$767,715</b>

**ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED**

- 1 Provide a 5-year history of total DMV funding by source in a bar chart. Include distinctions between different cash funds, General Fund, reappropriated funds, federal funds, and include a percentage of total DMV funding for each source.



	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
General Fund	0.00%	1.96%	2.89%	25.78%	19.73%
HUTF	7.31%	0.00%	0.00%	0.00%	0.00%
ADLF	0.01%	0.01%	0.01%	0.01%	0.01%
AIR Account	3.43%	3.57%	3.66%	3.17%	3.28%
County Jail ID Fund	0.18%	0.00%	0.00%	0.00%	0.00%
CSTARS	6.78%	7.16%	7.38%	6.85%	7.83%
Defensive Driving School	0.68%	0.69%	0.63%	0.00%	0.00%
Disabled Parking EE	0.16%	0.05%	0.05%	0.01%	0.01%
DLAR	6.76%	6.96%	7.99%	5.64%	5.72%
FTDDA	3.36%	3.40%	3.46%	2.92%	3.03%
ID Security Fund	2.81%	2.21%	2.03%	1.76%	0.00%
LPCF	19.21%	16.24%	14.93%	12.16%	14.14%
LSCF	47.46%	55.89%	54.73%	39.57%	45.08%
MIIDB	0.97%	0.97%	0.90%	0.75%	0.00%
OJW	0.65%	0.64%	1.09%	0.62%	0.53%
PAA	0.23%	0.24%	0.22%	0.19%	0.20%
PDD	0.01%	0.01%	0.01%	0.00%	0.00%
Reappropriated Funds	0.00%	0.00%	0.00%	0.57%	0.41%

- 2 Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

All 2016 legislation or portions of legislation with an implementation date of 12/31/16 or prior have been implemented. The Department continues its work to implement all other bills within the statutorily required implementation time frames.

- 3 If the Department receives federal funds of any type, please respond to the following:
- Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2016-17.
  - Are expecting any changes in federal funding with the passage of the FFY 2016-17 federal budget? If yes, in which programs, and what is the match requirement for each of the programs?



The Department is not aware of any federal sanctions or potential sanctions of federal funds the Department receives. The Department is not expecting any changes in federal funding with the passage of the FY 2016-17 federal budget.

- 4 Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated June 30, 2016 (link below)? What is the department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations?

[http://leg.colorado.gov/sites/default/files/documents/audits/1667s\\_annual\\_report\\_-\\_status\\_of\\_outstanding\\_recommendations\\_1.pdf](http://leg.colorado.gov/sites/default/files/documents/audits/1667s_annual_report_-_status_of_outstanding_recommendations_1.pdf)

The DOR has one outstanding high priority recommendation: "The Department of Revenue should maximize its use of Central Services for outgoing mail processing and warrant printing, and reallocate or eliminate staff that is currently performing this work." This recommendation was originally made in September, 2011, and will be reevaluated by DOR in May of 2017. This recommendation is documented as phase 4 of the DPA and DOR Pipeline Lean project. To date, the agencies have evaluated the cost-benefit calculations and business requirements. The Department will reevaluate implementation of Phase 4 at the end of the next tax season, in order to resolve process and technical issues as well as significant cost overruns experienced with implementation of Phase 3 of the Pipeline Lean project (front-end imaging of paper tax files).

- 5 Is the department spending money on public awareness campaigns? What are these campaigns, what is the goal of the messaging, what is the cost of the campaign? Please distinguish between paid media and earned media. Do you have any indications or metrics regarding effectiveness? How is the department working with other state or federal departments to coordinate the campaigns?

**The Taxation Division** did not engage in any paid advertising campaigns this year. The Office of Public Information and Education (PIE) creates and executes campaigns related to income tax season (annually) which includes any new filing season updates or tax law changes; sales tax requirements for businesses; tax fraud and how we assist customers who may be affected; and Revenue Online (the Department's online tax filing and account maintenance system). For each of these campaigns, we use many of our no-cost tools PIE already has in place. These tools include: Taxation website, [www.Colorado.gov/Tax](http://www.Colorado.gov/Tax), Press Releases, Media Guide, Best Practices Guide for CPAs, Videos (created in-house) and posted to the Division's YouTube channel, Free tax classes (live and online) for new businesses and tax professionals Blog, <https://cotaxinfo.wordpress.com/>

We also work with the IRS to disseminate information related to Tax Fraud annually. For example in 2016, we created multiple web pages that related specifically to tax fraud

messages, including steps customers could take to protect themselves. We used the same information for a news media campaign.

**The Enforcement Division** engages in widespread efforts to proactively inform licensees and consumers with hopes of serving a more informed consumer base, decreasing regulatory violations and burdens, and ensuring public safety. This year, the Liquor Enforcement Division focused on educational training regarding SB-197 (Liquor-licensed drugstores). The outreach plan included a series of educational trainings across the state of Colorado (15 classes in total) for all liquor industry stakeholders and the general public.

The Division of Gaming and Division of Racing both contribute to the Problem Gambling Coalition of Colorado, to increase awareness and advocate treatment on problem gambling.

These campaigns are executed through division budgets and consist of free and traditional media channels including DOR website, emails, press releases, industry bulletins, direct communication/engagements with stakeholders, etc.

**The Division of Motor Vehicles (DMV)** strategic plan to improve customer service and reduce office visit wait times is reliant upon increased adoption of online renewal services. Partner agencies have provided marketing support for online services in the past, but support has decreased in the past several years.

Last year, and continuing into the current fiscal year, the DMV initiated a new marketing strategy to increase the awareness and use of online services for the purpose of decreasing the number of Colorado residents that have to visit DMV offices. The marketing campaign expanded from only driver services to both driver and vehicles services. A few of the online services highlighted included online driver license and motor vehicle registration renewal, appointment scheduling, address changes and International Registration Program (IRP).

In an effort to improve management of the marketing effort, the DMV established a marketing planning group involving our key web partners – the Colorado State Internet Portal Authority (SIPA), Colorado Interactive (CI) and Donor Alliance. The group decided on a primary tagline of “You’re always first in line” for primary marketing pieces.

The campaign has utilized both unpaid and paid marketing techniques. Unpaid techniques include a redesign of the Colorado.gov/dmv homepage to make online services more prominent, posting on partner social media sites and updating the online vehicle registration renewal and address change applications to make them mobile-responsive and cohesive with the campaign. Paid marketing techniques include RTD ads, a 9News traffic sponsorship and search engine optimization and marketing. The cost of the FY 2015-16 campaign was \$98,500.

Last year the DMV experienced a 31.2 percent increase in online driver license and identification card renewals and 11 percent increase in online vehicle registrations. Further, with the increased use of online services and other improvements, customer wait times in driver license offices decreased by an average of 18.9 minutes this past year.

**The Lottery Division** contributes \$15,000 annually to the Problem Gaming Coalition of Colorado. The PGCC heads up various initiatives throughout the year to raise awareness. The goal is to raise awareness state-wide and to provide resources for problem gaming habits.

There is a Scholarship Contest for high school students that the PGCC promotes and decides on a winner in February every year. (Earned Media)

The PGCC participates in the Addictive Disorders, Behavioral Health and Mental Health Symposium by sponsoring a booth every year. (Paid)

On the back of all Lottery products, the 24 Hour Helpline is provided. The PGCC contracts with Rocky Mountain Crisis Services to provide this service. (Paid)

March is Problem Gambling Awareness Month. This is where the \$15,000 is mainly spent. (Earned)

PGCC is planning a two-day educational series for service providers in March to raise awareness of services available and network. (Paid)

- 6 Based on the Department's most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy?

The Department of Revenue had a vacancy rate of 6 percent in FY 2015-16. This equated to 81.8 vacant FTE. The following tables outline the vacancy rate by division and the turnover rate by Agency for the Department of Revenue.

<b>Table 1: Vacancy Rate by Division</b>				
	Budgeted FTE	Actual FTE	Vacancies	Vacancy Rate
EDO	124.0	117.4	6.6	5%
Tax Business Group	381.9	353.7	28.2	7%
DMV	490.1	470.9	19.2	4%
Enforcement	254.0	233.8	20.3	8%
Lottery	117.1	109.6	7.6	6%
Total	1,367.1	1,285.3	81.8	6%

The Division with the highest vacancy rate is Enforcement which is attributable primarily to the newly appropriated FTE in the Marijuana Enforcement Division. The Division is filling these positions and plans to have all available FTE filled by the end of FY 2016-17. The Marijuana Division faces challenges recruiting qualified applicants to fill their investigator positions due to the complexity and unique challenges of the industry. The vacancy rate in the tax division is also higher than the Department average due to the measured addition of TAC Field Audit FTE related to the enforcement of Marijuana Taxes. This program will expand as the industry matures and the need for additional auditing becomes necessary.

Department of Revenue: Summary of Classified Staff Turnover for FY 2015-16 by Agency										
FY 2015-16 Separations by Agency				Separation Type			Employees in Quartile of Class Salary Range			
Agency	Separations	Employees in Class	Turnover Rate	Voluntary	Involuntary	Retire	1st	2nd	3rd	4th
REVENUE - ADMINISTRATION	174	1305	13.3%	115	19	40	139	17	6	12
REVENUE - GAMING	9	97	9.3%	5	1	3	3	4	1	1
LOTTERY	11	121	9.1%	4	0	7	4	1	4	2
<b>Department Total</b>	<b>194</b>	<b>1,523</b>	<b>12.7%</b>	<b>124</b>	<b>20</b>	<b>50</b>	<b>146</b>	<b>22</b>	<b>11</b>	<b>15</b>
<b>Department Percentages</b>				<b>63.9%</b>	<b>10.3%</b>	<b>25.8%</b>	<b>75.3%</b>	<b>11.3%</b>	<b>5.7%</b>	<b>7.7%</b>

\*The "Employees in Class" count is based on the number of unique employee/Department combinations plus Additional Separations for employees separating multiple times from a Department.

The Department's turnover rate of 12.7 percent is in line with the statewide average turnover rate of 11.9 percent. The majority of turnover is experienced in the first quartile of the class salary range. The DMV and Taxation divisions experience turnover related to the challenging working conditions of a high-pressure and fast-paced customer-service-oriented environment, especially in the call centers.

- 7 For FY 2015-16, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2016-17? If yes, in which programs and line items do you anticipate these reversions occurring? How much and in which fund sources do you anticipate the reversion being?

FY 2015-16 reversions by line item are included in the Department's Budget Submission on the Schedule 3.

The Department reverted \$1.2 M or 1.1 percent of General Fund appropriation in FY 2015-16. In addition, the Department transferred \$2.7 M to the State Employee Reserve Fund (SERF) from General Fund savings. Over half of this transfer is related to General Fund appropriation in the Tax Conferee personal services line item for appropriation for Gross

Conservation Easement. The majority of the remaining transfer is related to vacancy and turnover savings in the Taxation and Compliance and Taxpayer Services Divisions.

Cash Funds underspent their total spending authority by \$71.2 M or 24 percent in FY 2015-16. The majority of this total (\$61.1 M) is related to the Lottery Division whose spending fluctuates with sales. The remaining amount in the cash funds is approximately 5 percent which is due to managing spending according to resource availability in addition to newly appropriated FTE in the Marijuana Division.

In FY 2016-17 the Department anticipates minimal levels of reversions in a handful of line items due to vacancy savings, lower than appropriated usage, and limits on cash fund resource availability. The Marijuana Enforcement Division is expected to have a moderate reversion due to temporary vacancy savings as the program continues to fill newly appropriated FTE and expects to have these positions filled by the end of the fiscal year.

- 8 [Background Information: For FY 2017-18, the Department of Law has submitted a request to change the calculation of legal services appropriations as well as the monthly billing system for legal services provided to state agencies. Specifically, the proposal would: 1) calculate the number of budgeted legal services hours for each agency as the average of actual usage in the prior three years; 2) include a two-year average of “additional litigation costs” such as court reporting, travel for depositions, expert witness costs, etc., in the appropriation for legal services (these costs are not currently included in the appropriation and are often absorbed from other personal services and operating expenses line items); and 3) convert from monthly billing based on the actual hours of service provided to monthly billing based on twelve equal installments to fully spend each client agency’s appropriation.]

Please discuss your agency’s position on the Department of Law’s proposed changes to the legal services system, including the potential impacts of the changes on your agency budget. That is, does your department support the proposed changes? How would you expect the changes to positively or negatively impact your department? Please explain.

The Department of Revenue (DOR) understands the changes to the legal services system that are being proposed by the Department of Law (DOL). Based on the information provided and the follow-up discussion with DOL, DOR does not have any outstanding issues or concerns at this time. DOR supports the change and expects to see the benefit of more predictability for financial planning purposes by moving to the 1/12 billing structure. This will be especially helpful for the several very small cash funds that do not have adequate margins for variability and have in the past had difficulty adjusting to fluctuating monthly costs.

- 9 What is the expected impact of Amendment 70 (minimum wage increase) on Department programs? Please address impacts related to state personnel, contracts, and providers of services.

There is no impact to current employees, at either the 2017 or at the 2020 minimum pay rates. There is no impact to current contracts that the Department has with vendors. When contracts are renegotiated, the increase in the minimum wage may have an impact on what can be negotiated with vendors.

- 10 Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Cybersecurity Center in the Office of Information Technology?

The Office of Information Security, within OIT, provides security governance, security architecture, risk management, compliance assessment support, and security operations functions for the Department of Revenue. The Office of Information Security has input into the 5-year plans for the Department, and has worked to prioritize projects benefiting the Department such as the Enterprise Firewall Refresh project, new quarterly security awareness training, and an enterprise security log collection and correlation engine.

Additionally, the Office of Information Security, within OIT, produces a quarterly risk report card in which they measure risk for the Department, and have specific goals set for reducing risk.

- 11 Is the SMART Act an effective performance management and improvement tool for your Department? What other tools are you using? Do your performance tools inform your budget requests? If so, in what way?

The SMART Act has proven to be an effective performance management and improvement tool for our department. The guidance received each year from OSPB provides a solid foundation for each of our mission divisions to begin the development of their goals and measures. In addition to the SMART Act, each of our divisions develops and executes strategic plans that include not only the SMART Act SPI's, but also additional goals at the operational level. Together these tools are monitored on a monthly basis to ensure any downward trends are addresses and upward trends are positively recognized.

Our performance metrics inform the goals in our operational plans and determine which processes and procedures need to be modified or updated. In the event those updated processes and procedures or technological needs require additional funding, a budget request would be prepared and submitted.

- 12 Please identify how many rules you have promulgated in the past two years. With respect to these rules, have you done any cost-benefit analysis pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analysis pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you

conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.

Over the last two years, the department repealed 20 rules, promulgated 41 new rules and amended 140 existing rules. The department engages in a robust and diverse stakeholder process which ensures opportunity to receive input from all points of view affected by rule-making. All input is considered before a final rule is promulgated. We are confident this process ensures appropriate analysis for impacts on all stakeholders.

- 13 What has the department done to decrease red tape and make the department more navigable/easy to access?

**The Taxation Division** annually reviews the instructions on tax forms and taxpayer correspondence to improve clarity and reduce the use of technical language. The Public Information and Education team offers free sales tax classes around the state, as well as via our online sales tax law fundamentals class that launched this past summer.

We use Google Analytics to monitor the website traffic, which help determine how the public navigates the site. We use this information to make decisions about where to place materials within the website and whether we need to better promote important information. We make changes when needed, including adding information to address frequently asked questions received by the Citizens' Advocate, call center service centers, and website feedback surveys. PIE has created two website feedback surveys for customers to comment on the division's website ([www.Colorado.gov/Tax](http://www.Colorado.gov/Tax)) and Revenue Online ([www.Colorado.gov/RevenueOnline](http://www.Colorado.gov/RevenueOnline)). We monitor the feedback daily to learn where customers are having difficulties.

The Department has increased recurring communication and contacts with constituent groups, including, but not limited to, the Colorado Society of CPAs, the Colorado Municipal League, Colorado Counties, Inc., Colorado Association of Commerce & Industry, among others, to solicit industry and practitioner input on contemporary tax topics, to respond to requests for information and to provide a forum for questions those constituents may have.

**The Enforcement Division** reviews rules and regulations on an annual basis (i.e. 20%) to update rules that are obsolete and to seek input from the industry when making changes to rules. This process ensures that the Enforcement Division is aligned with the public's interest, while balancing the needs of industry stakeholders. The Enforcement Division has subscribed to an email listserv database, enabling stakeholders to opt-in to receive updates from the division/department.

The Liquor Enforcement Division dedicated two days a week for applicants to meet with staff and talk through their business plan prior to submitting a license application.



The Liquor Enforcement Division created a live survey for stakeholders to ask questions about recent liquor changes brought about by SB-197. The Director directly responded to all questions and published the document online.

All in all, the Enforcement Division looks toward technology to decrease red tape, increase access to the division and implement best business practices.

**The Division of Motor Vehicles** upgraded its website and supporting platform within the past two years. Since then, it monitors website access to assess necessary improvements to make it more accessible and easier to navigate. The DMV also uses customer comment cards to help determine what additional information may be needed or what changes are necessary to further improve accessibility on the DMV website. One major change made this past year to the DMV website was to make online services information more prominent.

The Division of Motor Vehicles worked with the Joint ID Task Force to identify changes to improve the customer service experience for customers needing access to Exception Processing services. This collaboration resulted in decreased in service time from an average of 14 to seven days and eliminated the need for an additional trip to the DMV to capture the photograph, fingerprint and signature required upon approval. Other positive outcomes were more effective staff training and improved communication to our customers which has increased the number of approvals for first time applicants and reduced the customers returning to DMV multiple times.

- 14 What is the number one customer service complaint the department receives? What is the department doing to address it?

**The Taxation Division** number one complaint is the difficulty of creating a login or getting a password reset in Revenue Online. This is due to additional security measures implemented because of the threat of identity theft. The Public Information and Education section has created instructional videos, print brochures, quick answer webpages and other informational materials to help address this issue.

**The Enforcement Division** number one complaint is licensing turnaround times. Staff works diligently to streamline the licensing process, and performance measures remain focused on business needs. The division is also looking to implement online licensing in 2017 to further increase accessibility and improve efficiency.

**The Division of Motor Vehicles** receives regular complaints about the limited availability of the services related to the Colorado Road and Community Safety Act (CO-RCSA) in SB13-251. The DMV is constantly evaluating all facets of the driver license issuance



process, including the SB13-251 program. The number of available appointments and offices serving SB13-251 customers is dependent on spending authority authorized by the legislature for this program. The Division is focused on improving access to the program within its current allocation and ensuring that we serve all applicants in the best way possible. There are 93 appointments available each day through the SB13-251 program; 31 each at the Denver Central, Colorado Springs and Grand Junction offices. Appointments are released four times per day: at 8am, noon, 4pm and 8pm. These limited appointments do fill up quickly and there is no way to expedite the appointment.

**The Lottery Division** receives the most complaints regarding players not winning enough. Lottery staff reports the prize payout structure to the Lottery Commission on a regular basis. The Lottery Commission has statutory authority, 24-35-208 (2) (c) C.R.S to modify prize payouts as necessary.