

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2014-15 STAFF BUDGET BRIEFING
DEPARTMENT OF REVENUE**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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DEPARTMENT OF REVENUE

Department Overview

The Department of Revenue regulates, enforces and administers the state's tax laws, issues and maintains records related to driver's licenses, vehicle emission testing stations, registration and titling of motor vehicles, limited stakes gaming, liquor and tobacco retailers, horse racing and pari-mutuel betting, the automobile sales industry, and medical and recreational marijuana retailers, growing facilities, and manufacturing facilities. In addition, the Department operates the State Lottery, including state and multi-state games. The Department is divided into seven divisions/business groups, four of which provide services to the citizens of the State, while the other three provide support for the four service providers.

The *Executive Director's Office* provides overall leadership and administration for the Department, including the Executive Director, a citizens' advocate, the central budget office, accounting and financial services, internal audit, human resources administration, and the Office of Research and Analysis. The *Central Department Operations Division* receives, sorts, processes and manages tax documents, checks, and other documents for the Department. The *Information Technology Division* is responsible for the maintenance and support of the Department's information technology systems that are not maintained and supported by the Governor's Office of Information Technology.

The *Taxation Business Group*:

- Is responsible for the collection, administration, and enforcement of individual and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, and severance taxes, as well as all other taxes collected by the state.
- Provides assistance and information to taxpayers about compliance with Colorado's tax laws.
- Attempts to resolve taxpayer disputes before they reach the court system.
- Administers the cigarette tax rebate and the Amendment 35 distribution of cigarette taxes to the cities and counties.
- Administers the Old Age Heat and Fuel and Property Tax Rebate Program,
- Administers the Commercial Vehicle Enterprise Sales Tax Refund.

The *Division of Motor Vehicles*:

- Licenses drivers, maintains records of licensed drivers, and applies administrative sanctions against drivers who violate traffic laws, including for drunk driving and for excessive points on their licenses.
- Oversees the vehicle emissions testing stations (including mobile testing stations).
- Registers and titles motor vehicles.
- Administers the motor vehicle insurance identification database to prevent the registration of vehicles that are not insured.
- Assists first-time drunk-driving offenders in obtaining ignition interlock devices.

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The *Enforcement Business Group*:

- Regulates and enforces laws related to the limited stakes gaming industry in three historic mining towns.
- Enforces laws regarding liquor and tobacco retailers, including laws against selling those products to minors, and licenses retailers and special events where alcohol is served.
- Regulates horse racing (dog racing is currently inactive) and pari-mutuel betting (including off-track betting).
- Regulates retailers and sales agents in the motor vehicle sales industry.
- Regulates medical and recreational marijuana dispensaries, cultivation, and manufacturing facilities.
- Conducts hearings regarding driver's license suspensions and other issues that affect the licensing rights of citizens.

The *State Lottery Division*:

Operates the State Lottery, which sells scratch ticket games and on-line ticket games such as Lotto and the multi-state lotto games, Power Ball and Mega Millions. The net proceeds of the Lottery benefit the following State funds:

- Conservation Trust Fund.
- Colorado Division of Parks and Outdoors Recreation.
- Great Outdoors Colorado.
- Public schools capital construction fund.

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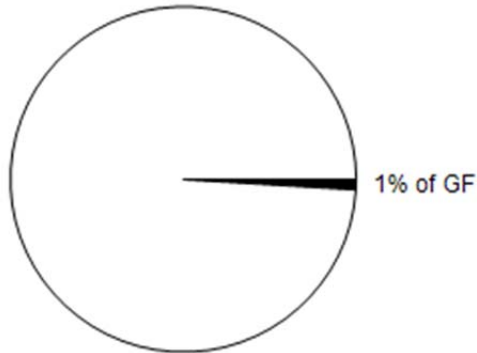
Department Budget: Recent Appropriations

Funding Source	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15 *
General Fund	\$72,744,786	\$73,393,521	\$77,856,804	\$89,482,563
Cash Funds	220,685,036	211,976,517	222,591,688	216,339,833
Reappropriated Funds	1,328,287	1,603,334	5,068,713	5,280,197
Federal Funds	<u>723,701</u>	<u>824,388</u>	<u>824,388</u>	<u>824,388</u>
Total Funds	\$295,481,810	\$287,797,760	\$306,341,593	\$311,926,981
Full Time Equiv. Staff	1,372.3	1,249.1	1,253.2	1,313.0

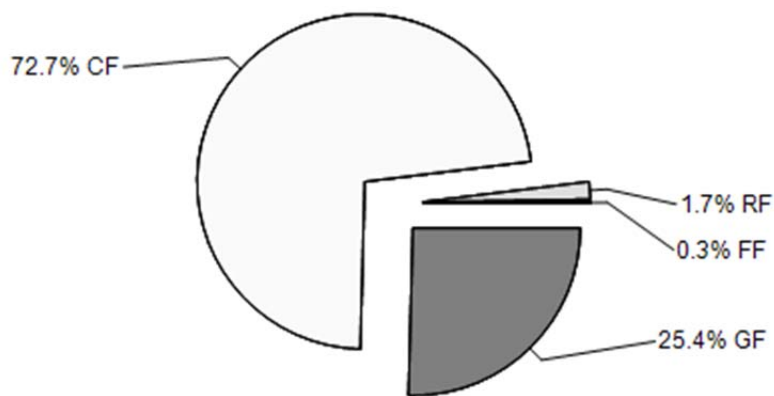
*Requested Appropriation.

Department Budget: Graphic Overview

Department's Share of Statewide General Fund

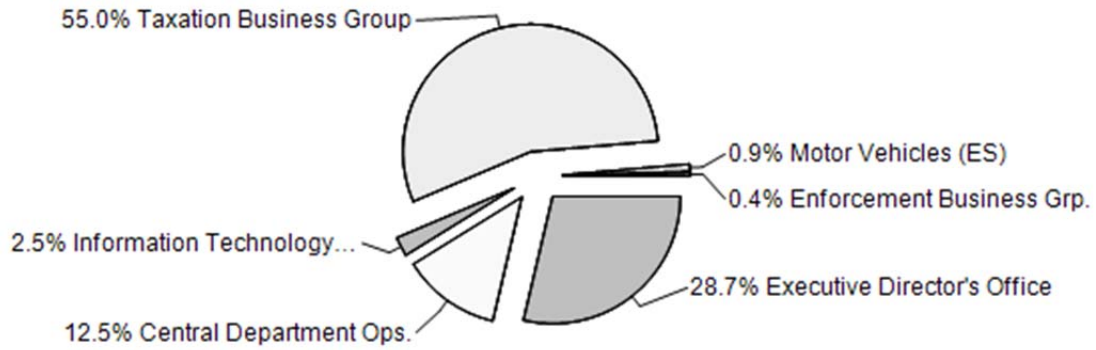


Department Funding Sources

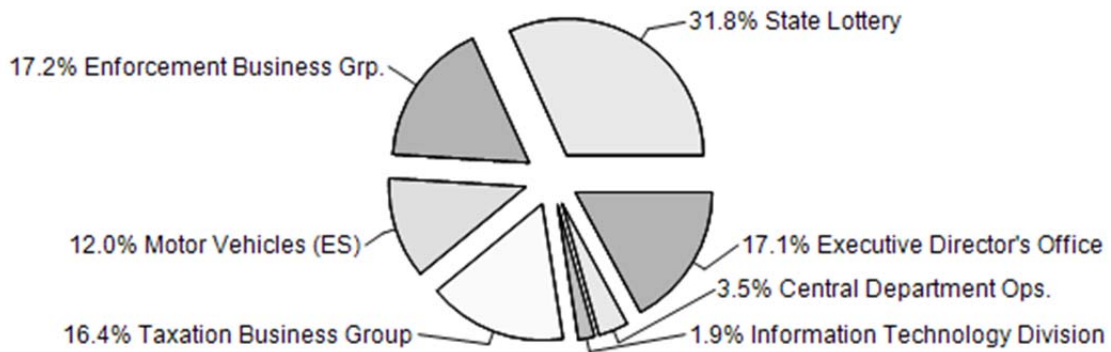


All charts are based on the FY 2013-14 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2013-14 appropriation.

General Factors Driving the Budget

The Department's core functions are divided into four functional groups, Taxation Business Group, the Division of Motor Vehicles, the Enforcement Business Group, and the State Lottery Division. These functional groups are supported by the Executive Director's Office, Central Department Operations Division, and the Information Technology Division.

TAXATION BUSINESS GROUP

The *Taxation Business Group* administers individual and corporate income taxes, motor fuel taxes, severance taxes, estate and transfer taxes, and cigarette, tobacco, and liquor excise taxes. The Group includes an Administration Division, the Taxation and Compliance Division, the Taxpayer Service Division, the Tax Conferee, and a Special Purpose Division.

The primary budget driver for the Taxation Business Group is the number of taxpayers (both individual and business) in the State and the State's tax laws. In addition, there are programs administered by the Department, such as the Cigarette Tax Rebate, the Amendment 35 distribution to local governments, the Old Age Heat and Fuel and Property Tax Rebate Program that statutes require expenditures in the Department of Revenue. These programs have minimal administrative costs and are absorbed within the Taxation Business Group.

Electronic tax filing (e-filing) and electronic funds transfers (EFT) for refunds save the Department significant expense when those methods of filing taxes and mailing refunds are used. The Department encourages taxpayers and filers to use e-filing and EFT when possible.

Taxation and Compliance Division

The Division enforces the State's tax laws and regulations for corporate and individual income taxes, sales taxes, severance taxes, and other state taxes. It conducts audits on individuals and corporations that do business in the State. It maintains six offices around the Country as well as sending Colorado-based auditors to audit the returns of corporations based out-of-state that do business in Colorado.

In the 2010 session, the General Assembly appropriated \$1.1 million General Fund and 3.7 FTE in FY 2010-11 to the Department for five years to address the backlog in resolving disputes regarding gross conservation easements, some of which date back to 2002. Then in the 2011 session, the General Assembly passed H.B. 11-1300, which also address the backlog by authorizing an expedited method of resolution of the disputes.

The Mineral Audit unit audits oil, gas, and mineral rents and royalties; the mill levy from oil and gas production; and severance taxes from federal, state, and private lands. It receives funding from the U.S. Department of the Interior's Minerals Management Service, under a cooperative agreement for delegated authority to audit federal minerals production in Colorado. Federal royalties are shared 50/50 with the State.

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Taxpayer Service Division

This Division assists taxpayers in the process of filing taxes by conducting outreach activities (including seminars for both individual and business taxpayers), staffing a telephone call center that answers both specific and general questions, and maintaining a website to distribute information. The Division handles local sales tax collections for many cities, counties and special districts. The Fuel Tracking System tracks the movement of gasoline and other motor fuels to expedite the collection of excise taxes on those products.

Tax Conferee

The Tax Conferee conducts formal administrative hearings to resolve disputed tax assessments or refund denials. The Tax Conferee acts as an intermediary in the hearing process and an official designee of the Executive Director. If the Tax Conferee cannot resolve the case, then a formal hearing, with the Executive Director presiding, is conducted. If these steps fail to resolve the dispute, either party may move the case to the judicial system.

Special Purpose Division

This Division is responsible for the distribution of moneys for the Cigarette Tax Rebate, Amendment 35 (cigarette tax) moneys to local governments, the Old Age Heat and Fuel and Property Tax Rebate, and the Commercial Vehicle Enterprise Sales Tax Refund. Administrative Costs for these programs are minimal and are absorbed by the Taxpayer Business Group Administration Division. These programs are authorized by constitutional or statutory provision and appropriations are determined by the forecasts of the Legislative Council Staff or the Office of State Planning and Budgeting. Long Bill Appropriations are continuously appropriated and included in the Long Bill for informational purposes, and the General Fund appropriations are exempt from the statutory limits on General Fund appropriations.

The *Cigarette Tax Rebate* distributes a portion of state cigarette taxes to qualified city and county governments to reimburse those governments for the foregone tax revenues on cigarettes. To be eligible for the distribution, the local government may not impose any fees, licenses, or taxes on cigarettes. The *Amendment 35* distribution compensates local governments for the loss of local tax revenues that are the result of the decrease in cigarette taxes due to the increased taxes imposed by Amendment 35. Both distributions are based on the percentage of total state sales tax revenue collected in the local jurisdiction.

The *Old Age Heat and Fuel and Property Tax Program* provides assistance in the payment of property taxes and heat and fuel expenses for Colorado residents who meet income, residency, and age requirements. The grants are available to those who are at least sixty-five years of age and who have lived in their residence for the entire tax year. A couple is jointly eligible if either meets the age and residence requirement. The grants are also available to disabled persons of any age who meet the residency requirement.

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Old Age Heat and Fuel and Property Tax Assistance Grants Income Limitations Specified in Section 39-31-101 and 104, C.R.S.		
Type of Grant	Maximum Grant	Grant Reduction
Property Tax – Individual	\$600	Grant is reduced by 10.0 percent of the amount that the individual’s income exceeds \$6,313 in 2011. No benefits are payable for an income greater than \$12,313. All income figures are adjusted for inflation annually.
Property Tax – Couple	\$600	Grant is reduced by 10.0 percent of the amount that the couple’s income exceeds \$10,205 in 2011. No benefits are payable for an income greater than \$16,205. All income figures are adjusted for inflation annually.
Heat or Fuel Expenses – Individual	\$192	Grant is reduced by 10.0 percent of the amount that the individual’s income exceeds \$6,313 in 2011. No benefits are payable for an income greater than \$12,313. All income figures are adjusted for inflation annually.
Heat or Fuel Expenses – Couple	\$192	Grant is reduced by 10.0 percent of the amount that the couple’s income exceeds \$10,205 in 2011. No benefits are payable for an income greater than \$16,205. All income figures are adjusted for inflation annually.

DIVISION OF MOTOR VEHICLES

This Division is responsible for issuing driver’s licenses and state identification cards, tracking driver records, registering and titling of motor vehicles and issuing license plates, regulating commercial driving schools, administering the International Registration Plan, overseeing the vehicle emissions testing stations and vehicles, overseeing the motorist insurance identification database, and implementing the ignition interlock program.

The primary budget drivers are the number of people obtaining driver’s licenses or identification cards, purchasing, registering, and titling motor vehicles, vehicles needing emissions testing, the number of drivers committing traffic infractions that require the recording of points and the imposition of driving sanctions, and the number of people committing first-time drunk driving violations who require assistance with obtaining ignition interlock devices.

Driver and Vehicle Services

This Section issues driver’s licenses and identification cards, through 36 state operated driver’s license offices and 20 county operated driver’s license offices. It maintains the official driver records of all drivers in the state, records administrative sanctions against drivers, and revokes, when appropriate, driver’s licenses for persons that have received excessive “points”, been convicted of drunk driving or DUI or have refused lawful requests to prove sobriety. The Section oversees the registration of vehicles and the issuance of vehicle license plates. Finally, the Section operates the International Registration Plan, which allows commercial vehicles to register in the home state (or Canadian province) and fees are assessed based on the mileage driven in each state or province.

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DIVISION OF MOTOR VEHICLES DRIVER'S LICENSES & DRIVER CONTROL				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
<u>Type of License Issued /a</u>				
Adult License	446,377	641,791	923,609	933,422
Minor License	84,215	83,156	85,519	83,479
Motorcycle Only	1	1	0	0
Commercial License	35,692	41,736	51,040	44,444
<u>Permits Issued /a</u>				
Adult License	51,247	53,519	54,815	58,135
Minor	72,385	71,292	70,002	73,291
Motorcycle Instruction	7,454	7,611	7,623	6,036
Commercial Vehicle Instruction	<u>10,043</u>	<u>11,094</u>	<u>13,084</u>	<u>12,399</u>
Total Licenses and Permits Issued	707,414	910,200	1,205,692	1,211,206
/a Includes only State offices - excludes county offices				
Total Identification Cards in Force	661,413	651,495	628,775	610,658
Total Permits in Force	112,942	106,548	114,285	119,691
Total Regular Licenses in Force	3,610,553	3,659,765	3,670,574	3,679,267
Total CDL Licenses in Force	132,903	132,950	132,572	131,430
<u>Driver Record Administration</u>				
Total Restraints Issued	241,470	225,689	215,108	209,659
License Reinstatements	85,531	82,261	79,147	48,710
Renewals by Mail	2,434	3,272	5,550	4,308
Renewals on-line	21,138	110,495	159,893	170,978

Vehicle Emissions

This Section conducts inspections of emissions stations (including mobile testing vehicles) to ensure compliance with vehicle emissions testing standards. Staff is responsible for licensing all emissions stations and inspectors, and overseeing station operations to prevent fraud and abuse. All funding for this program is from the AIR Account, a sub-account of the Highway Users Tax Fund (HUTF).

DIVISION OF MOTOR VEHICLES Vehicle Emissions Licensing				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Station Licenses Issued	77	83	75	87
Station Licenses Renewed	39	64	67	81
Mechanic's Licenses Issued	493	579	355	683
Mechanic's Licenses Renewed	182	200	151	245

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Titles

This Section is responsible for the issuance of legal, negotiable certificates of title to prove vehicle ownership and protect the public in transactions involving the purchase of vehicles. Staff reviews all high-risk title applications to verify that the assignment of ownership has been properly made. The Section also assists the public, counties, law enforcement agencies, and other state agencies by responding to other information requests and is responsible for managing and maintaining all records. Funding for this program is provided by the Colorado State Titling and Registration Account, a sub-account of the HUTF.

DIVISION OF MOTOR VEHICLES				
Title Applications Received				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Title Applications Received	1,430,621	1,471,503	1,561,184	1,608,557

Motorist Insurance Identification Database Program

This program helps law enforcement officials verify owner compliance with motor vehicle insurance requirements and prevents registration of vehicles that are uninsured. Funding is provided by the Motorist Insurance Identification Account, a sub-account of the HUTF.

Ignition Interlock Program

This program assists first-time drunk-driving offenders with obtaining and installing an ignition interlock device, which they are required to do in order to reinstate restricted driving privileges. The majority of the funding, which comes from fees charged for reinstating driver’s licenses, goes to assist offenders who are unable to afford the device. Funding is provided by the First-time Drunk Driving Offender Account, a sub-account of the HUTF.

DIVISION OF MOTOR VEHICLES				
Ignition Interlock Program				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Number of persons assisted	56	1,058	2,330	Not Available
Cost of assistance	\$3,491	\$213,424	\$432,287	Not Available

MOTOR CARRIER SERVICES DIVISION

Pursuant to H.B. 12-1019, the Motor Carrier Services Division was abolished and the major portion of its responsibilities, the Ports of Entry, was transferred to the Department of Public Safety, Colorado State Patrol. The International Registration Program remained in the Department of Revenue, but was transferred to the Division of Motor Vehicles, Driver and Vehicle Services Section.

ENFORCEMENT BUSINESS GROUP

The *Enforcement Business Group* regulates the limited gaming industry, liquor and tobacco retailers and special events, the horse racing track and off-track betting establishments, the automobile sales industry, and the medical and recreational marijuana industry (including growing facilities, marijuana infused products manufacturing facilities, and dispensaries). The Hearing Division is located in this Group.

The primary budget drivers are the number of licensed limited gaming establishments and the number of people they employ, the number of liquor and tobacco retailing establishments as well as the number of special events requesting alcohol licenses, the number of racing and off-track betting venues, the number of automobile dealers and sales persons, the number of hearings conducted for license suspensions and revocations, and the number of licensed marijuana facilities. The numbers of these facilities depends on the number of customers served.

Limited Gaming Division

The Limited Gaming Division regulates the limited stakes gaming industry in the Colorado cities of Black Hawk, Central City, and Cripple Creek. In 1991, the voters approved an amendment to the Colorado Constitution to allow limited stakes gaming in those three cities, subject to local voter approval. The Division licenses gaming establishments and their employees and enforces state laws and regulations pertaining to limited gaming.

The Limited Gaming Control Commission approves the Division's annual budget and oversees the regulation of the casinos. Pursuant to Section 9 (5) (b) (I) of Article XVIII of the Colorado Constitution, the Limited Gaming Control Commission adopts the Division's budget and the budget is not subject to the control of the General Assembly. All expenses for the operation of the Division are paid from the Limited Gaming Fund.

Section 9 (5) (b) (II) of Article XVIII of the Colorado Constitution specifies that after payment of the expenses of the Limited Gaming Division, 50.0 percent of the proceeds from the State gaming revenues are transferred to the General Fund, or such other fund or funds as directed by the General Assembly, 28.0 percent shall be transferred to the State Historical Fund, 12.0 percent shall be distributed to Gilpin County and Teller County, and 10.0 percent shall be distributed to the City of Black Hawk, the City of Central, and the City of Cripple Creek. The distributions to the local jurisdictions are made in proportion to the revenues derived from casinos in each of the respective jurisdictions.

In 2008, voters approved Amendment 50, which allowed an increase in the maximum bets, additional games, and an increase in casino hours of operation. After payment of the expenses of the Limited Gaming Division, 78.0 percent of the *additional* revenue from expanded gaming is distributed to the State's community colleges. The remaining 22.0 percent is distributed to the local gaming jurisdictions in the same manner as the original distributions. In FY 2012-13, the community colleges received \$6.5 million.

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ENFORCEMENT BUSINESS GROUP				
Limited Gaming Division Revenues, Expenses and Distributions				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Limited Gaming Revenue	\$110,809,510	\$105,949,859	\$103,557,500	\$104,644,974
Commission/Division Expenses	12,372,539	12,097,096	12,305,062	12,872,721
Distributions				
State General Fund	\$16,200,000	\$20,400,269	\$20,304,942	\$12,102,134
Local Government Gaming Impact Fund	3,772,780	3,600,806	3,314,827	5,000,000
Department of Transportation	0	0	0	0
Tourism Promotion Fund	14,208,015	12,002,686	11,049,424	15,000,000
State Historical Society	24,867,360	24,195,009	23,127,355	23,633,195
State Council on the Arts Cash Fund	1,121,726	0	0	0
Film Incentives Cash Fund	407,997	240,054	220,989	500,000
New Jobs Incentives Cash Fund	1,291,231	0	0	0
Bioscience Discovery Evaluation Grants	5,500,000	4,320,967	3,977,793	5,500,000
Office of Economic Development Film Commission	0	0	0	0
Innovative Higher Ed Research Fund	1,904,251	1,680,376	1,546,920	2,100,000
Creative Industries Cash Fund	0	960,215	883,954	2,000,000
Limited Gaming Counties				
Gilpin County	8,720,983	8,544,294	8,196,996	8,364,125
Teller County	1,936,457	1,824,995	1,714,728	1,764,387
Limited Gaming Cities				
City of Black Hawk	6,516,136	6,352,054	6,048,629	6,174,172
Central City	751,350	768,192	782,200	795,932
City of Cripple Creek	1,613,714	1,520,829	1,428,940	1,470,322
Amendment 50 Distributions				
Limited Gaming Counties	951,648	1,069,993	1,031,963	993,906
Limited Gaming Cities	793,040	891,661	859,969	828,255
Community College System	<u>6,185,713</u>	<u>6,954,952</u>	<u>6,707,757</u>	<u>6,460,388</u>
Total Distributions	\$96,742,401	\$95,327,352	\$91,197,386	\$92,686,816

Liquor and Tobacco Enforcement Division

This Division licenses liquor wholesalers and retailers, enforces laws prohibiting alcohol sales to minors and underage consumption, and enforces laws prohibiting tobacco sales to underage consumers. Starting in FY 2012-13, the liquor and tobacco functions were merged into one division. Funding for the Division is provided by the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Tobacco Education Programs Fund, the General Fund, and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund.

ENFORCEMENT BUSINESS GROUP				
Liquor & Tobacco Enforcement Division - Violations				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
State administrative actions	296	369	278	424
State revocations	0	4	3	0
State suspensions	152	163	51	70
State denials	1	0	1	1

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ENFORCEMENT BUSINESS GROUP				
Liquor & Tobacco Enforcement Division - Violations				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Division-filed court cases	466	784	756	1,042
Division-assisted local hearings	5	6	6	12

Division of Racing Events

The Division promotes and regulates the horse and dog racing industry in Colorado. The only current operating live venue is Arapahoe Park, which offers live racing on Fridays, Saturdays, and Sundays for 13 consecutive weekends in May through August. Arapahoe Park also offers simulcast wagering on out-of-state races during the live racing season. The Division also oversees the seven off-track betting facilities that offer wagering on simulcast horse and greyhound racing from around the Country.

ENFORCEMENT BUSINESS GROUP				
Division of Racing Events				
	CY 2009	CY 2010	CY 2011	CY 2012
Live Racing Days				
Horse Racing	36	39	40	39
Greyhound Racing	0	0	0	0
Pari-mutuel sales /a	\$64,216,527	\$77,435,356	\$79,749,656	\$80,035,020
Pari-mutuel tax collections	\$470,859	\$562,299	\$598,123	\$600,262

/a Includes off-track betting

Motor Vehicle Dealer Licensing Board

The Board is responsible for the licensure and regulation of the automobile sales industry, including dealers and sales persons. In addition to licensing, the Board investigates complaints against dealers and sales persons and can issue civil enforcement actions or refer the case for criminal actions. Funding for the Board is from the Auto Dealers License Fund.

ENFORCEMENT BUSINESS GROUP				
Motor Vehicle Dealer Licensing Board				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Motor Vehicle Case Types				
Dealer Licenses Processed	4,663	4,466	4,493	4,343
Dealer License Collections	\$1,791,261	\$1,255,549	\$1,316,604	\$1,661,306
Salesperson Licenses Processed	13,645	13,186	13,566	14,356
Salesperson License Collections	\$1,633,225	\$1,074,576	\$1,177,800	\$1,544,030

Hearings Division

The Division conducts hearings in a number of areas that affects the licensing rights of citizens. These include driver license suspensions, revocations, cancellation or denial of medical and physical disability, habitual traffic offenders, horse racing license, and other actions that affect the licensing rights of citizens. The Division also provides computer support and data analysis for public awareness program related to traffic safety. Funding for the Division is provided by

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the Driver’s License Administrative Revocation Account, a sub-account of the Highway Users Tax Fund.

ENFORCEMENT BUSINESS GROUP				
Hearings Division Cases				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Motor Vehicle and Driver's License Case				
Types				
Excessive Points	8,275	6,988	6,073	5,556
Express Consent	14,303	12,375	12,167	12,022
DUI Convictions	546	139	141	107
Habitual Traffic Offender	283	73	72	61
Insurance related restraints	467	302	231	219
Ignition Interlock	1,348	1,908	2,267	2,203
CDL Restraints	24	14	28	26
Other	<u>2,078</u>	<u>1,727</u>	<u>1,731</u>	<u>1,673</u>
Total Hearings	27,324	23,526	22,710	21,867
Other Hearings	<u>54</u>	<u>125</u>	<u>119</u>	<u>132</u>
Total	27,378	23,651	22,829	21,999

Marijuana Enforcement Division

In 2000, the voters approved an initiative to amend the Colorado Constitution to authorize the use of marijuana for “debilitating medical conditions”. Due to the recent proliferation of medical marijuana dispensaries opening around the State, the General Assembly enacted H.B. 10-1284 to regulate medical marijuana caregivers, dispensaries, cultivation facilities, and medical marijuana infused-products manufacturing facilities. The Bill created the Medical Marijuana State Licensing Authority in the Department of Revenue to enforce the law and to promulgate and enforce regulations related to medical marijuana facilities. Regulation of caregivers and patients was assigned to the Department of Public Health and Environment. Funding for the Licensing Authority was from the Medical Marijuana License Cash Fund.

House Bill 13-1317 implemented major provisions of Amendment 64, approved by voters in November 2012. Among other things, the bill renamed the Medical Marijuana Enforcement Division (MMED) as the Marijuana Enforcement Division (MED) and gave the authority of the MED to regulate both medical and retail marijuana. The bill re-named the Medical Marijuana License Cash Fund as the Marijuana Cash Fund.

House Bill 13-1318 created an excise tax and special sales tax to be levied on retail marijuana beginning January 1, 2014, and referred a ballot initiative to the voters. The voters approved Proposition AA in November 2013. With the approval of Proposition AA, HB 13-138 appropriated \$4.2 million cash funds and 11.5 FTE to the Department of Revenue for FY 2013-14 to regulate the new tax laws and to re-program the GenTax system to allow for the collection, monitoring, and reporting of both the excise tax and the retail marijuana sales tax.

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ENFORCEMENT BUSINESS GROUP			
Medical Marijuana Enforcement			
	FY 2010-11	FY 2011-12	FY 2012-13
Licensing Activity			
Center Business License Applications Received	819	Not Available	Not Available
Center Business Licenses Issued	0	273	372
Center Business License Applications Revenues	\$6,463,950	Not Available	Not Available
Center Business License Fee Revenues	\$0	\$1,410,250	\$1,612,750
Infused Product Business License Applications Received	325	Not Available	Not Available
Infused Product Business Licenses Issued	0	38	80
Infused Produce Business License Applications Revenues	\$406,650	Not Available	Not Available
Infused Product Business License Fee Revenues	\$0	\$222,750	\$220,000
Cultivation Business License Applications Received	1,241	Not Available	Not Available
Cultivation Business Licenses Issued	0	218	488
Cultivation Business License Applications Revenues	\$1,551,500	Not Available	Not Available
Cultivation Business License Fee Revenues	\$0	\$1,149,500	\$1,342,000
Total Licenses Received/Issued	2,385	529	940
Total License Revenues	\$8,422,100	\$2,782,500	\$3,174,750

STATE LOTTERY DIVISION

The State Lottery Division is responsible for the promotion and operations of the State Lottery, which includes scratch ticket games and jackpot games. The scratch ticket games are scratch-off tickets that provide for instant winnings for tickets (although some games have secondary drawings for additional prizes). Jackpot games, such as Cash-5, Lotto, and the multi-state PowerBall and MegaMillions games are games that have drawings at specified dates and times. The primary budget drivers are the number of lottery retailers and the number of tickets sold. The proceeds of the lottery go primarily for Colorado open-space and recreation purposes. Pursuant to Article XXVII of the Colorado Constitution, proceeds of the lottery are distributed in the following fashion:

- 40 percent to the Conservation Trust Fund;
- 10 percent to the State Division of Parks and Outdoor Recreation; and
- 50 percent to State Board of the Great Outdoors Colorado Trust Fund (except that the 50 percent is capped at \$35 million in 1992 dollars).

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LOTTERY DIVISION				
Revenues by Type and Distribution (\$ Millions)				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Revenues by Type				
Cash 5	\$21.3	\$19.2	\$19.5	\$21.3
Lotto	41.6	39.3	33.3	32.6
Powerball	101.6	70.0	81.9	116.7
Scratch	328.1	344.9	364.2	368.6
Match play	6.2	11.4	9.3	0.0
Mega millions	2.4	25.1	37.1	23.2
Raffle	N/A	9.0	0.0	2.0
Pick 3	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.9</u>
Total	\$501.2	\$518.9	\$545.3	\$566.3
Distributions				
Conservation Trust Fund	\$45.2	\$45.3	\$49.3	\$54.2
Great Outdoors Colorado	56.4	56.0	57.1	59.2
Parks & Outdoor Recreation	11.3	11.3	12.3	13.6
Public School Capital Construction Fund	<u>0.1</u>	<u>0.7</u>	<u>4.6</u>	<u>8.6</u>
Total	\$113.0	\$113.3	\$123.3	\$135.6

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Summary: FY 2013-14 Appropriation & FY 2014-15 Request

Department of Revenue						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$299,057,894	\$76,836,412	\$216,328,381	\$5,068,713	\$824,388	\$1,238
SB 13-251 (Temporary ID)	436,292	436,292	0	0	0	0.0
HB 13-1042 (Income Tax Deduction)	280,000	280,000	0	0	0	0.0
Other legislation	<u>6,567,407</u>	<u>304,100</u>	<u>6,263,307</u>	<u>0</u>	<u>0</u>	<u>15.6</u>
TOTAL	\$306,341,593	\$77,856,804	\$222,591,688	\$5,068,713	\$824,388	1,253.2
FY 2014-15 Requested Appropriation						
FY 2013-14 Appropriation	\$306,341,593	77,856,804	\$222,591,688	\$5,068,713	\$824,388	1,253.2
R1 DMV Funding Deficit	2,300,000	6,200,000	(3,900,000)	0	0	0.0
R2 DMV Customer Service Enhancements	4,168,025	4,168,025	0	0	0	52.0
R3 DMV Driver License Examiner Reclassification	837,502	837,502	0	0	0	0.0
R4 ITD Replace Capitol Annex Cabling	863,218	863,218	0	0	0	0.0
R5 DMV Appropriation Restructure	0	0	0	0	0	(0.0)
R6 Central Department Operations Realignment	(148,136)	0	(148,136)	0	0	0.0
NP1 Re-program Payments to OIT	0	0	0	0	0	0.0
NP2 Annual Fleet Vehicle Request	52,439	24,777	27,662	0	0	0.0
NP3 Secure Colorado - Phase II	170,410	114,582	55,828	0	0	0.0
NP4 Network Resiliency	27,432	18,445	8,987	0	0	0.0
NP5 IT Service Management Eco-System	450,217	302,723	147,494	0	0	0.0
NP6 DTRS Operations Increase	13,547	1,187	12,360	0	0	0.0
NP7 IT Technical Development	36,035	24,230	11,805	0	0	0.0
Centrally Appropriated Line Items	3,599,006	1,621,731	1,953,277	23,998	0	0.0
Annualize Prior Year Funding	911,478	911,478	0	0	0	(13.6)
Annualize Prior Year Legislation	(3,844,654)	(726,440)	(3,118,214)	0	0	21.4
Statewide Information Technology Adjustments	(3,206,228)	(1,662,952)	(1,543,276)	0	0	0.0
OSPB September 2013 Forecast Adjustments	(500,000)	(500,000)	0	0	0	0.0
Indirect Cost Assessment	<u>(144,903)</u>	<u>(572,747)</u>	<u>240,358</u>	<u>187,486</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$311,926,981	\$89,482,563	\$216,339,833	\$5,280,197	\$824,388	1,313.0
Increase/(Decrease)	\$5,585,388	\$11,625,759	(\$6,251,855)	\$211,484	\$0	59.8
Percentage Change	1.8%	14.9%	(2.8%)	4.2%	0.0%	4.8%

Description of Requested Changes

R1 DMV Funding Deficit: The Division of Motor Vehicles requests an increase of \$2.3 million total funds, including an increase of \$6.9 million General Fund and a decrease of \$3.9 million cash funds from the Licensing Services Cash Fund for FY 2014-15. This request aims to fund operations within the Driver Services group as a result of a gap between the appropriation and revenue in the Licensing Services Cash Fund.

R2 DMV Customer Service Enhancements: The Division of Motor Vehicles requests a total of \$4.2 million General Fund and 52.0 FTE, including \$2.7 million and 52.0 FTE for additional driver services personnel and \$1.5 million to fund an expansion of a wait-less queuing and data management technology to 43 driver license offices for FY 2014-15. The requested funding annualizes to \$2.6 million General Fund in FY 2015-16 and beyond.

R3 DMV Driver License Examiner Reclassification: The Division of Motor Vehicles requests \$837,502 General Fund for FY 2014-15 and beyond. The requested funding is intended to re-classify 177.0 positions in the Driver License Examiner class series to Technician and General Professional class series.

R4 ITD Replace Capitol Annex Cabling: The Information Technology Division requests one-time funding totaling \$863,218 General Fund for FY 2014-15 to replace the data network cabling in the Capitol Annex located at 1375 Sherman Street from Category-3 cabling to Category-5 cabling.

R5 DMV Appropriation Restructure: The Division of Motor Vehicles requests a net-zero appropriation re-structure to reduce the Division's sub-divisions from 6 to 3.

R6 Central Department Operations Realignment: The Department requests the elimination of the Central Department Operations Division by moving part of the existing appropriations (\$6.6 million total funds and 44.0 FTE) into the Executive Director's Office and part of the appropriations (\$3.5 million total funds and 23.0 FTE) into the Taxpayer Services Division in the Taxation Business Group. The net impact of this request is a reduction of \$148,136 cash funds.

NP1 Re-program Payments to OIT: This request will be discussed as part of the Briefing for the Governor's Office of Information Technology (OIT).

NP2 Annual Fleet Vehicle Request: This request will be discussed as part of the Briefing for the Department of Personnel.

NP3 Secure Colorado – Phase II: This request will be discussed as part of the Briefing for the Governor's Office of Information Technology (OIT).

NP4 Network Resiliency: This request will be discussed as part of the Briefing for the Governor's Office of Information Technology (OIT).

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NP5 IT Service Management Eco-System: This request will be discussed as part of the Briefing for the Governor's Office of Information Technology (OIT).

NP6 DTRS Operations Increase: This request will be discussed as part of the Briefing for the Governor's Office of Information Technology (OIT).

NP7 IT Technical Development: This request will be discussed as part of the Briefing for the Governor's Office of Information Technology (OIT).

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; workers' compensation; administrative law judge services; payment to risk management and property funds; leased space; and Capitol complex leased space.

Annualize prior year funding: The request includes adjustments related to prior year budget actions.

Annualize prior year legislation: The request includes adjustments related to prior year legislation, including the following: H.B. 12-1240, S.B. 13-001, S.B. 13-004, S.B. 13-060, S.B. 13-120, S.B. 13-170, S.B. 13-221, S.B. 13-224, S.B. 13-251, S.B. 13-280, H.B. 13-1011, H.B. 13-1022, H.B. 13-1042, H.B. 13-1071, H.B. 13-1110, H.B. 13-1119, H.B. 13-1135, H.B. 13-1142, H.B. 13-1153, H.B. 13-1240, H.B. 13-1288.

Statewide Information Technology Adjustments: The request includes adjustments to line items appropriated for: purchase of services from the computer center; Colorado state network; management and administration of the Governor's Office of Information Technology (OIT); communication services payments, and information technology security.

OSPB September 2013 Forecast Adjustments: The request includes adjustments to the Cigarette Tax Rebate line item and the Old Age Heat and Fuel and Property Tax Assistance Grant line item.

Indirect cost assessment: The request includes a net decrease in indirect cost assessment.

Issue: Division of Motor Vehicles Funding and Appropriation Re-structure Requests

The Division of Motor Vehicles is making facing a structural deficit within the Licensing Services Cash Fund. With Request 1, the Department seeks \$6.2 million General Fund to sustain operations within Driver Services for one year. The Department is also requesting \$4.2 million General Fund and 52.0 FTE with Request 2 to enhance customer service in the issuance of driver and identification documents. Request 3 is for \$838,000 General Fund to re-classify driver license examiners. Request 5 is to re-structure the Division of Motor Vehicles' appropriation structure in the operating budget.

SUMMARY:

- The Licensing Services Cash Fund (LSCF) faces a structural deficit; it cannot fully support the funding of Driver Services around the state. The Department proposes a \$6.2 million General Fund one-year stop-gap measure while the General Assembly evaluates a more sustainable long-term funding solution.
- The Division of Motor Vehicles requests \$4.2 million General Fund and 52.0 FTE to enhance customer service in the issuance of driver and identification documents.
- The Division of Motor Vehicles requests \$838,000 General Fund to re-classify 177.0 driver license examiners into higher class series in order to address an above average turnover rate in the driver license examiner series.
- The Division of Motor Vehicles requests reducing and re-organizing the appropriation structure in the Division from 6 sub-divisions to 3 sub-divisions in order to enhance budget management and to align appropriations with the services provided by the Division.

RECOMMENDATION:

Staff recommends that the Joint Budget Committee discuss the various proposals that the Division of Motor Vehicles has put forth for FY 2014-15 and beyond and how the budget proposals will help the Division meet its strategic objectives.

DISCUSSION:

For FY 2014-15, the Department submitted four separate change requests in the Division of Motor Vehicles (DMV):

- R1 to address a Licensing Services Cash Fund (LSCF) deficit;
- R2 to provide funding for 52.0 FTE additional staff and technology for customer service enhancements;
- R3 to re-classify driver license examiners into higher work group classifications in order to minimize high turnover rates among examiners; and

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- R5 to re-structure the appropriation structure of the DMV within the budget bill.

Throughout the different DMV change requests, the Department stated that the requests not only support a financing plan to provide adequate resources to implement these initiatives, but also support the DMV's strategic plan to streamline operations and increase effectiveness in serving customers in the most efficient manner possible in order to achieve an elegant experience for both customers and employees. The Department also stated that the DMV has developed a five-year strategic plan that provides a roadmap for the division to achieve higher levels of performance and attain a vision of having a high performing team with dedicated employees driving toward excellence in customer service, identity security, and public safety. The Department states that the four requests will help align with the five DMV goals of customer service, fiduciary responsibility, statutory responsibility, employees, and public confidence.

R1 DMV Funding Deficit

The Division of Motor Vehicles (DMV) requests a one-time increase of \$2.3 million total funds; including an increase of \$6.9 million General Fund and a decrease of \$3.9 million cash funds from the Licensing Services Cash Fund for FY 2014-15. This request aims to fund operations within the Driver Services group as a result of a gap between the appropriation and revenue in the Licensing Services Cash Fund and also requests \$2.3 million General Fund for approximately one month of expenditures in reserve.

Historical Funding of Driver and Vehicle Services

Prior to the 2007 legislative session, Driver and Vehicle Services were funded with General Fund. The following bills changed the financing structure of Driver and Vehicle Services:

- *Senate Bill 95-047* - Prior to FY 1995-96, the expenses of driver's license office operations were funded by the Highway Users Tax Fund (HUTF). Since fees imposed on applicants for driver's licenses were deposited into the HUTF as well, there was an obvious connection between the fees driver's license applicants paid appropriations were made from the HUTF off-the-top moneys, since the issuance of driver's license is an essential element of highway and driver supervision.

Senate Bill 95-047, established the current structure of the HUTF "off-the-top" funding by restricting the uses of the HUTF that are appropriated by the General Assembly for the supervision of highways to the Colorado State Patrol in the Department of Public Safety and the Port of Entry in the Department of Revenue (which was later moved to the State Patrol), as well as capital construction for those functions.

What S.B. 95-047 also did was sever the link between the fees collected from driver's license applicants and the use of those funds, which now went primarily to the construction and maintenance of highways.

- During the early 2000s downturn, because driver's license offices were funded from the General Fund, and the severe reductions in the General Fund, funding for driver's license offices was reduced from \$23.1 million in FY 2001-02 to \$15.8 million in FY 2003-04. Even though General Fund in Driver's License Operations was augmented during that

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period with HUTF, during that period, the Department reduced its driver's license office branches from 69 to 39, and reduced staffing from 226.5 FTE to 180.5 FTE. These cutbacks, even as issuance of driver's license and other documents was increasing, meant that long lines at driver's license offices became an issue to the public.

- *Senate Bill 05-047* – Reduced the term of adult driver's licenses and identification cards from 10 years to 5 years. The bill also eliminated a scheduled increase in the fee from an adult driver's license from \$15.00 to \$30.00 that would otherwise have taken effect on July 1, 2006 (S.B. 00-011 had doubled the term of driver's license and ID cards from 5 years to 10 years effective July 1, 2001 and doubled the fees from \$15.00 to \$30.00 and from \$3.50 to \$7.00 for ID cards, but delayed the fee increase for years).
- *Senate Bill 07-241* – Created the Licensing Services Cash Fund (LSCF) and allowed a portion of the license issuance and other driver's license fees to be credited to the LSCF. Of the \$20.40 new license/renewal fee, \$15.00 is deposited in the Highway Users Tax Fund (HUTF) and \$5.40 is deposited in the LSCF. Additionally, the bill mandated that a \$25.00 surcharge on special license plates be deposited in the LSCF. This new source of funding allowed the Department to open three new driver's license offices on the Front Range (Northeast Denver, Golden, and Loveland), as well as increase staffing at other locations. The table below summarizes the fee increases and the estimated impact contained in S.B. 07-241.

Estimated Revenue from S.B. 07-241 and Fee Impact on Individuals, Families or Businesses					
Type of Fee	Current Fee*	Proposed Fee	Fee Change	Number	Total Impact
Special License Plate Fee	\$25.00	\$50.00	\$25.00	119,539	\$2,988,475
Driver's License/Document State Issuance					
New Driver's License/Renewal	\$15.00	\$20.40	\$5.40	288,167	\$1,556,102
Minor License/Renewal	\$15.00	\$20.40	\$5.40	93,642	\$505,669
Minor Instruction Permit	\$10.00	\$13.40	\$3.40	86,657	\$295,063
Commercial Driver's License (CDL)/Renewal	\$25.00	\$34.40	\$9.40	54,098	\$508,529
CDL Instruction Permit	\$10.00	\$13.40	\$3.40	13,595	\$46,291
ID Card	\$7.00	\$9.90	\$2.90	105,607	\$306,738
Instruction Permits	\$10.00	\$13.40	\$3.40	56,244	\$191,507
Replacement of Lost Stolen Destroyed Licenses	\$5.00	\$6.90	\$1.90	55,996	<u>\$106,387</u>
					\$3,516,286
County Clerk Issuance					\$270,260
Grand Total					\$6,775,021

* excludes \$0.60 identification security surcharge

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- *Senate Bill 09-274* – When the current downtown started in 2008, to avoid further reductions in the number of driver's license offices and staffing, the General Assembly passed S.B. 09-274, which reduced General Fund appropriations for the operations of driver's license offices by \$16.2 million. The General Fund was replaced by the diversion of all fees (\$12.9 million) for driver's licenses to the Licensing Services Cash Fund, and an appropriation of \$4.1 million from the HUTF off-the-top for use in driver's license offices (staff was able to track a total of \$7.4 million in direct HUTF off-the-top appropriations to the DMV in FY 2010-11 and FY 2011-12). This still left approximately \$3.0 million General Fund in centrally appropriated expenses for driver's license offices in the Executive Director's Office.
- *Senate Bill 09-279* – To augment General Fund revenues for FY 2009-10, S.B. 09-279 transferred \$2,589,894 from the LSCF to the General Fund on June 15, 2010.
- *House Bill 10-1387* - In the 2010 session, the General Assembly passed H.B. 10-1387, which continued the diversion driver's license fees to the LSCF for two years and continued the authorization to use HUTF off-the-top moneys in driver's license office operations for one year. These actions replaced \$20.0 million in General Fund, eliminating all General Fund (including centrally appropriated expenses) in the operation of driver's license offices for both FY 2010-11 and FY 2011-12. In addition, the bill mandated that at the end of each fiscal year the LSCF balance in excess of 16.5 percent of the total appropriation be swept to the HUTF.
- *House Bill 12-1216* – Extended the cash financing of the DMV for three more years: FY 2012-13, FY 2013-14, and FY 2014-15.

Licensing Services Cash Fund (LSCF) Analysis

The table below shows a five-year cash flow analysis of the LSCF. The LSCF went into negative cash flow at the end of FY 2012-13 and is projected to remain negative for the projection period. The fund balance is projected to be in deficit at the end of FY 2013-14 and continue for the projection period.

Department of Revenue Licensing Services Cash Fund					
Cash Flow Summary Report					
	Actual	Actual	Appropriated	Request	Projected
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
<u>Revenues</u>					
Driver's License Document Fees	\$22,960,722	\$23,367,008	\$22,795,373	\$22,854,872	\$23,257,723
Refunds	0	(4,987)	0	0	0
Motor Vehicle Registrations	2,492,948	2,742,430	2,912,722	3,029,230	3,089,815
Interest	87,021	56,741	32,152	32,152	32,152
Additional Driver's License Fee	0	138,111	0	0	0
Miscellaneous Revenues	<u>3060</u>	<u>40,610</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	25,543,751	26,339,913	25,740,247	25,916,254	26,379,690

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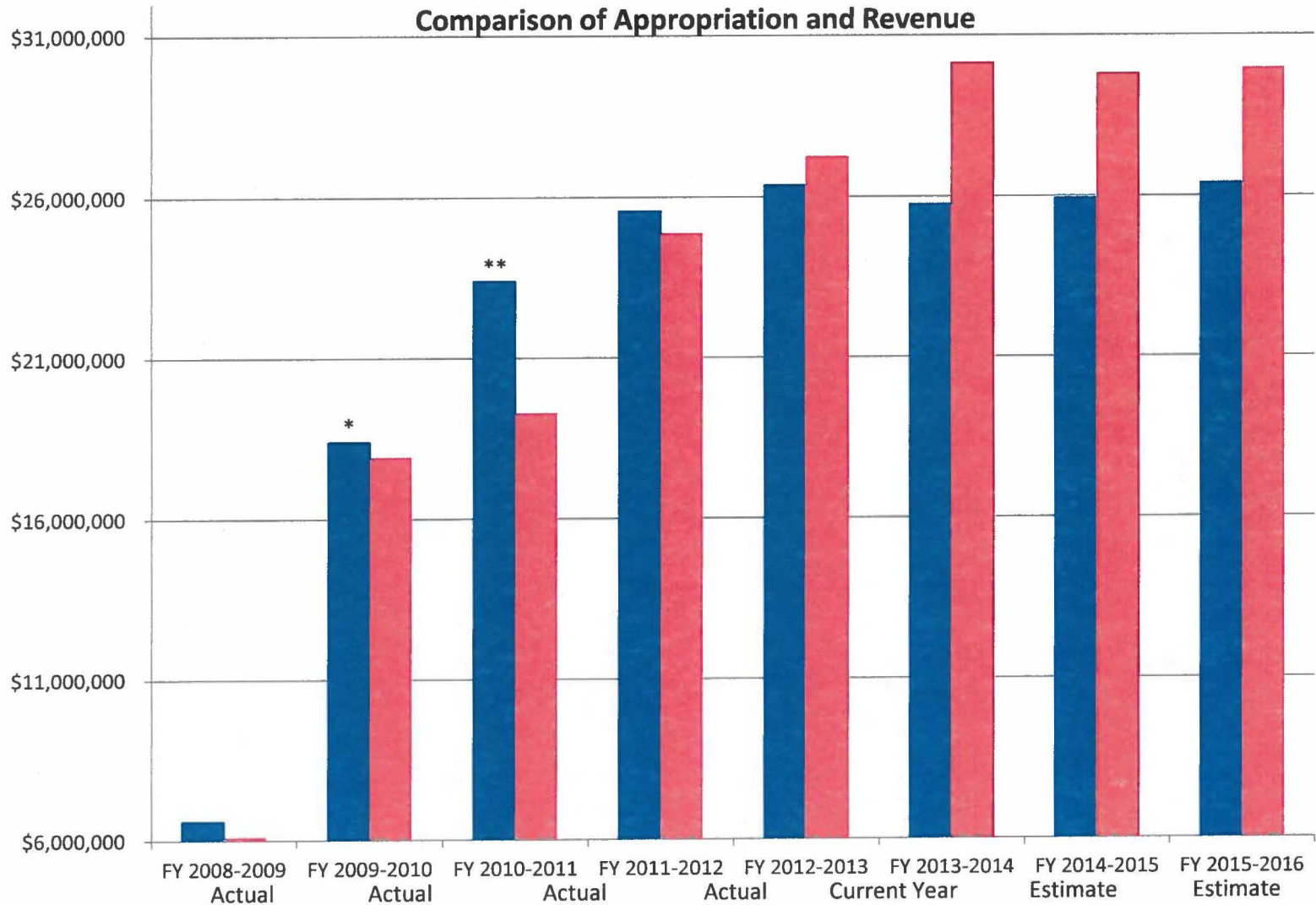
Department of Revenue Licensing Services Cash Fund					
Cash Flow Summary Report					
	Actual	Actual	Appropriated	Request	Projected
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Expenses					
Program Costs (Personal Services)	10,588,441	12,918,449	12,904,150	13,470,381	13,470,381
Program Costs (Operating)	4,633,774	4,548,422	4,879,409	4,879,409	4,879,409
Common Policies (Personal Services)	2,800,156	2,945,634	4,228,279	4,138,897	4,188,225
Common Policies (Operating)	2,419,790	2,461,099	2,799,517	2,793,651	2,793,651
Common Policies (IT)	1,782,151	2,104,874	2,784,097	2,017,508	2,017,508
Indirect Costs	1,911,004	2,237,211	2,399,331	2,599,732	2,599,732
Other Costs	728,986	0	125,000	(125,000)	0
Total Expenses	24,864,302	27,215,689	30,119,783	29,774,578	29,948,906
Net Cash Flow	679,449	(875,776)	(4,379,536)	(3,858,324)	(3,569,216)
Ending Fund Balance	6,375,006	3,403,501	(976,035)	(4,834,359)	(8,403,575)
Target Fund Balance (16.5 Percent of Total Expenses)	4,102,610	4,490,589	4,969,764	4,912,805	4,941,569
Over/(Under) Target Balance	\$2,272,396	(\$1,087,088)	(\$5,945,799)	(\$9,747,164)	(\$13,345,144)

Senate Bill 05-047 changed the renewal cycle for a driver's license from 10 years to 5 years. As the graph below shows (Appendix provided by Department), revenues increased significantly in FY 2009-10 to reflect the impact of S.B. 09-274 and the shift from a 10-year to a 5-year license renewal cycle. The residual revenue generated from changing the renewal cycle occurs through FY 2011-12, then revenues begin to stabilize. The Department states that the increase in appropriations is mainly due to personnel and information technology-related costs.

The Department anticipates that with the \$3.9 million General Fund re-finance, the DMV will be able to fill all of its authorized positions, implement plans to upgrade driver license offices, and invest in technological enhancements. With the additional \$2.3 million, the Department anticipates being able to address the fund balance deficit that is projected at the end of FY 2013-14 and to meet other unexpected expenditures or emergencies.

The current financing structure of the DMV expires on June 30, 2015. The Department states in its request that at that time a more permanent financing solution would be necessary.

Appendix A
Licensing Services Cash Fund
Comparison of Appropriation and Revenue



* \$2,589,894 swept to General Fund

** \$2,095,728 swept to HUTF; balance over reserve in FY11

■ Revenue ■ Appropriation

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R2 DMV Customer Service Enhancements

The Division of Motor Vehicles requests a total of \$4.2 million General Fund and 52.0 FTE, including \$2.7 million and 52.0 FTE for additional driver services personnel and \$1.5 million to fund an expansion of a wait-less queuing and data management technology to 43 driver license offices for FY 2014-15. The requested funding annualizes to \$2.6 million General Fund in FY 2015-16 and beyond.

R2 Customer Service Enhancements		
	Amount	FTE
Customer Demand Coverage	\$786,889	18.0
Driver License Advisors	\$655,740	15.0
Regional Office Staffing	\$480,876	11.0
Training Enhancements	\$262,826	4.0
Office Hours Expansion	\$195,635	4.0
Total Personal Services	\$2,381,966	52.0
Operating Expenses	\$293,956	0.0
Wait Less Expansion	\$1,492,103	0.0
Total	\$4,168,025	52.0

The Department states that there are 226 Driver License Examiner (DLE) positions to staff 36 state-operated driver license offices. Of these, 15 offices issued 69.9 percent of all documents issued in FY 2012-13. On average, 65 percent of customers visiting a driver license office experience a service time in excess of one hour. This includes wait time and transaction time.

The goal of the initiatives listed in the table above is to enhance customer service by reducing wait times in driver license offices. Currently, 35 percent of all customers visiting a driver license office experience a service time in excess of one hour, where service includes wait time and transaction time. In total, these initiatives are estimated to reduce customer wait times by nearly 20 minutes and reduce the percentage of customers experiencing a service time of more than one hour to 25 percent.

DMV Lean Process Improvement

The DMV participated in a Lean process improvement event during the first quarter of 2013. The purpose of this event was to review current business processes, identify inefficiencies, enhance customer service, and provide recommendations for improving service delivery. The objective was to streamline and standardize operating policies and procedures to improve customer service while still maintaining compliance with state and federal regulations, enhance fraud detection, decrease customer wait times, and reduce re-work and issues that negatively impact customers and employees.

As a result of the Lean event, key recommendations were identified. Recommendations were submitted for implementation addressing quick wins, near-term improvements, and long-term changes. While many of the quick and near-term recommendations resulted in changing internal

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processes to reduce processing times and enhance the customer experience, the long-term recommendations required investments in personnel and technology.

Proposed Solution

The Department requests \$2,675,922 General Fund in FY 2014-15, of which \$2,381,966 is for personal services to fund 52.0 FTE and \$293,956 is for operating expenses to support the additional employees with telephones, computers, work space, and supplies. This request annualizes to \$2,445,247 General Fund.

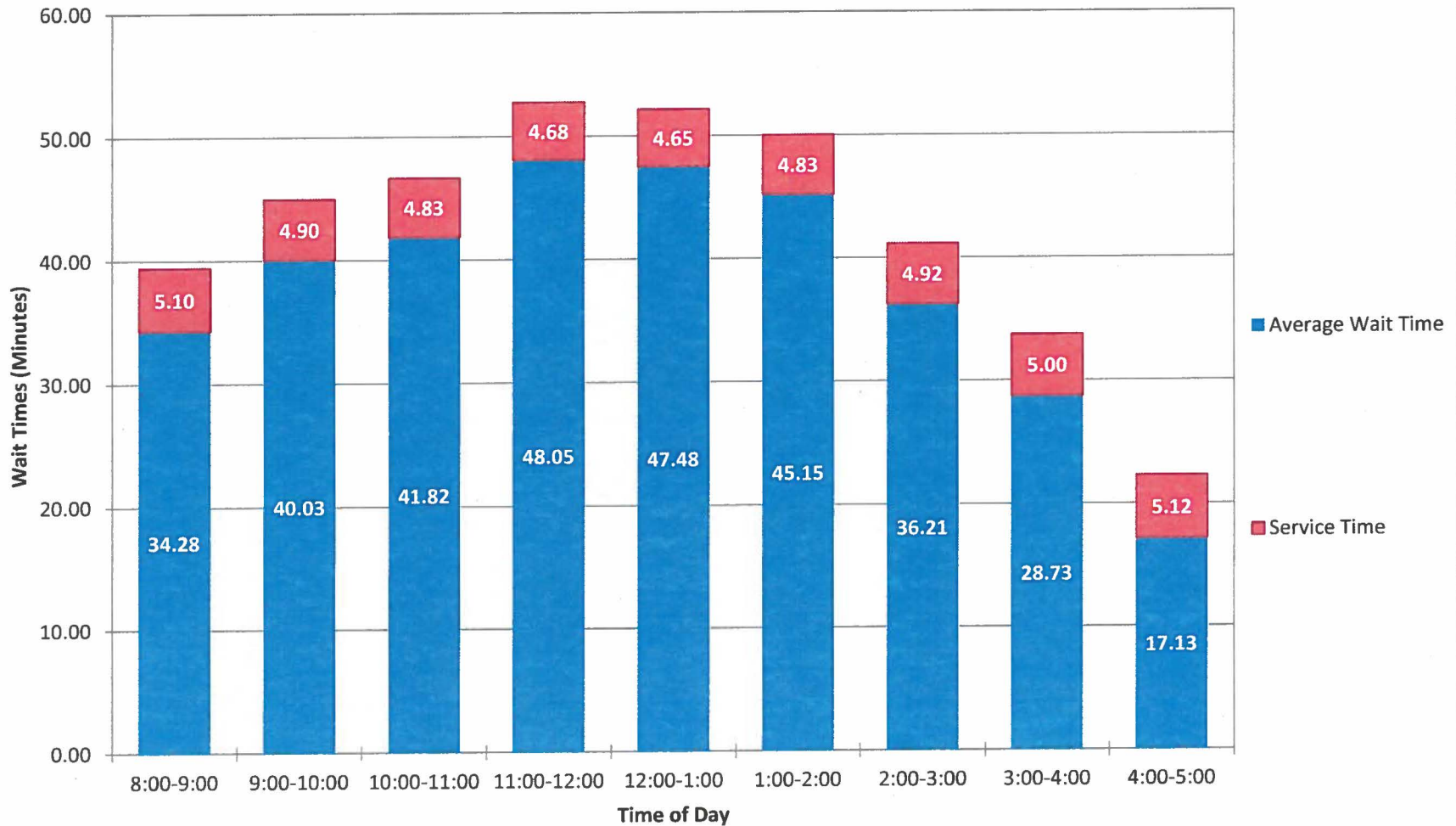
Additionally, the Department requests \$1,492,103 General Fund in FY 2014-15 in operating expenses to purchase and install 86 kiosks to expand the Wait Less queuing and data management technology to 43 driver license offices statewide. This request annualizes to \$158,638 General Fund for ongoing costs to support the Wait Less technology.

Customer Service in Driver License Offices

Below are descriptions provided by the Department for each of the requested enhancement personnel:

- **Customer Demand Coverage:** This initiative, which was identified in the Lean event, provides an additional \$786,889 in personal services to support 18.0 FTE to provide coverage during high volume business hours to help manage workload and reduce wait times for customers. This request provides 48 additional part-time Driver License Examiners I positions at 16 offices to work from 11 AM to 2 PM Monday through Friday. Currently, the offices employ a staggered shift schedule during the lunch period in order to ensure DLEs are available to service the public. However, there is insufficient staff to keep all the work stations operational during this period of time. Consequently, wait times during business hours gradually increase from the time the office opens to the lunch period, with peak wait times occurring between 11:00 AM and 1:00 PM. After this time, wait times gradually decrease until closing. The Department states that assigning additional staff during high volume business hours would help to ensure a consistent staffing level to service customers throughout the work day. The graph below (Appendix provided by Department) shows average wait and service times in those driver license offices with Wait Less technology.

Appendix A: Average Wait and Service Times for Wait Less Implemented Driver's License Offices



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- **Driver License Advisors:** This initiative provides \$655,740 in personal services and 15.0 FTE to provide concierge-type service and direct customer assistance in the 15 largest driver license offices. These positions would be Driver License Examiner I positions. Currently, there is insufficient staff to consistently assign an advisor without adversely impacting customer wait times. The role of this position is to provide customers with assistance when using the kiosks, validate documents needed to successfully complete transactions, answer questions, and assist with online renewal of driver licenses, when appropriate. In responding through feedback cards, customers have indicated that when available this type of service was extremely helpful during their visits to a driver license office. This initiative was also identified for implementation during the Lean event.
- **Regional Office Staffing:** This initiative provides \$480,876 in personal services and 11.0 FTE to increase the number of Driver License Examiner I positions in regional offices. The four regional offices support the Front Range (Denver Central), northern plains (Fort Collins), southern plains (Colorado Springs), and the western slope (Grand Junction) regions of Colorado. The purpose of this request is to proactively manage staffing levels through a "floating rapid response" capability to fill planned and unplanned absences and vacancies in order to ensure consistent customer service. Having the ability to access this additional staff enables the Regional Managers to immediately respond to staffing shortages more efficiently and effectively and to address high turnover of DLE positions. Over the last three years, the DLE annual turnover rate is 21.09 percent or 47 positions. The assignment of staff would be based on customer volumes within each region.
- **Training Enhancements:** This request provides \$262,826 in personal services and 4.0 FTE to hire Program Assistant II positions as trainers to provide support to each Regional Manager. These positions would provide the necessary training management and oversight to ensure standardized processes and procedures across all driver license offices. Currently, it takes six months of on the job training for a new DLE position. Given the average number of DLE positions that turn over on an annual basis of 47, it takes 282 months to train 47 new OLE positions each year. This initiative would allow the Regional Managers to spend more time servicing the public and less time supporting the daily training needs of the staff.
- **Office Hours Expansion:** This request as identified in the Lean event provides \$195,635 in personal services and 4.0 FTE to support the expansion of office hours in one driver license office in the Denver metropolitan area. The purpose of this request is to spread the current demand for driver services across more hours of operation in order to reduce customer wait times. The Department plans to conduct an analysis of the impact of this initiative on resources and customer wait times and determine what funds are needed to implement this project in other driver license offices. This request would be addressed through the annual budget process as appropriate.
- **Wait Less Expansion:** This request provides \$1,492,103 in operating expenses in FY 2014-15 and \$158,638 each year thereafter to expand the Wait Less queuing and data management technology to 43 driver license offices including 23 state and 20 county-operated offices at a cost of \$34,700 per office. This includes purchasing and installing two kiosks, two media players, and two tablets per office. The purpose of this system is to reduce customer wait times by providing an office management system to measure and manage the efficiency and effectiveness of driver license operations. The system collects

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vital data regarding wait times and transaction times, provides statistical information to improve office procedures, and provides on-line appointment scheduling. Currently, this system is installed in 13 Front-range offices including Aurora, Boulder, Colorado Springs, Denver Central, Denver NE, Fort Collins, Golden, Greeley, Lakewood, Littleton, Longmont, Northglenn, and Parker.

Item	Wait-Less Project Costs*			Total*	Ongoing
	Cost	Quantity	Office		
Office Configuration	\$10,250	1	43	\$440,750	\$0
Kiosks	\$4,556	2	43	\$391,816	\$0
LCD Televisions	\$870	2	43	\$74,820	\$0
Media Players	\$685	1	43	\$29,455	\$0
Tablet PCs	\$745	2	43	\$64,070	\$0
Switches	\$213	1	43	\$9,159	\$0
Kiosk Brackets	\$52	2	43	\$4,472	\$0
Tablet Cables	\$17	2	43	\$1,462	\$0
Kiosk Paper	\$5	730	43	\$156,950	\$156,950
VGA	\$920	2	43	\$79,120	\$0
Cabling	\$1,418	1	43	\$60,974	\$0
Equipment Install	\$3,576	1	43	\$153,768	\$0
Software	\$757	1	43	\$32,551	\$0
Total				\$1,499,367	\$156,950

* The total does not sum to the Department request due to rounding.

R3 DMV Driver License Examiner Reclassification

The Division of Motor Vehicles requests \$837,502 General Fund for FY 2014-15 and beyond. The requested funding is intended to re-classify 177.0 positions in the Driver License Examiner (DLE) class series to Technician and General Professional class series.

The Department states that of the 226 DLE positions, only those with salaries that fall below the respective pay ranges for the Technician and General Professional Y series will be eligible for an increase. The Department estimates that 177 DLE positions will receive an average monthly increase of \$394.

The Division of Motor Vehicles (DMV) has 226 positions in the DLE class series. These positions perform analytical duties, which include examination and investigation of documents and determining the legitimacy of documents per federal and state requirements for issuing a valid driver's license or identification card.

The Department states that the DMV has historically experienced high turnover rates in the DLE class series. The graph below (Appendix provided by Department) shows the number of DLE positions that turnover on an annual basis since FY 2008-09 and the average DLE turnover rate for the last five years. This turnover rate is compared to the classified state workforce and the Department of Revenue average turnover rate for the same period of time per the Annual Workforce Report published by the Department of Personnel (DPA). As shown, the DLE average turnover rate is 17.61 percent or 40 positions for the last five years. This rate is nearly double the classified state workforce average turnover rate of 9.17 percent or 20 positions and

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the Department's average turnover rate of 8.90 percent or 19 positions. This problem is even more pronounced in the last three years as the average DLE turnover rate is 21.09 percent or 47 positions.

The Department states that excessive turnover rates have a negative impact on customer service. Driver license examiners service the public in the issuance of driver licenses and identification cards. Consequently, high turnover directly contributes to the increase in wait times at driver license offices. Additionally, the Department states that high turnover impacts the Department's Human Resource Office. Of the 129 vacancies in the Department (per the Annual Workforce Report), 48 or 37.21 percent were DLE positions thereby consuming a substantial amount of staff resources. The Department states that it takes approximately six months of on the job training to adequately train a new OLE position. Based on the three-year average annual turnover of 47 DLE positions, this is equivalent to 282 months of training on an annual basis. According to the Department, significant resources are required to conduct training and to provide management and oversight diverting staff from performing customer service related activities.

DPA System Maintenance Study

In 2009, a system maintenance study of the Driver License Examiner class series was performed by DPA per the request of the Department. Prior to 2009 the last study of the D LE series was conducted in 1993-94 as part of a system-wide study that evaluated all classes in the state's system. The 2009 study resulted only in the realignment of pay grades for the OLE Intern and DLE I. Since that time, the number of DLE positions turning over increased 74.07 percent and has averaged 47 positions each year over the last three years.

In the last year, the Department reengaged DPA to revisit the Driver License Examiner class series due to changes in the work environment, namely the Federal Real ID Act requirements, and persistent recruitment and retention problems. Both Departments agreed that the most prudent option was to take the recommendations of the 2009 study and compare the effectiveness of the results. DPA agreed that the DLE class series should be abolished. Additionally they recommended the Department update job descriptions, reallocate DLE positions to appropriately reflect their current assignments, and agreed that the Technician class series was the most appropriate for DLE I, II, III, and IV positions. The Department states that the Technician series reflects higher levels of decision making, more complex work requiring advanced analytical and problem solving skills, and enhanced technical and communications skills.

The Department believes that the General Professional V classification is the most appropriate for the DLE V positions. The DLE V positions are regional managers and responsible for overseeing multiple driver license offices to ensure compliance with federal and state laws for the testing and licensing of qualified drivers and identification card applicants. Additionally, staff is responsible for the performance and productivity of each office, assessing training needs of staff, managing staffing levels to ensure maximum coverage, assisting in the recruitment and hiring of new staff, ensuring uniformity of policies and procedures and the application of state and federal laws, conducting audits to ensure document integrity and the deterrence of fraud, resolving customer complaints, addressing facility issues, and monitoring procedures for the accounting of funds.

R5 DMV Appropriation Restructure

The Division of Motor Vehicles requests a net-zero appropriation re-structure to reduce the Division's sub-divisions from 6 to 3.

The Department states that over time, the appropriation structure of the Division of Motor Vehicles has stopped aligning appropriations with programs, is needlessly complex, and does not provide maximum budget transparency. The Department anticipates that through a line item restructuring there will be a better alignment between appropriations and the current organization and programmatic structure of the DMV. The Department believes that streamlining the number of subgroups from six to three would enhance budget management by minimizing tracking and accounting of activities and aligning appropriations with the services provided.

Department Proposed Solution

The DMV **Administration subgroup** would include the Senior Director, Deputy Director, administrative support staff, division financial staff, and the Investigations Unit. This subgroup would support the administrative and financial management of all DMV operations. The Investigations Unit, which was previously funded through the (B) Driver and Vehicle Services subgroup, would be funded in the DMV Administration subgroup to reflect division wide responsibilities for driver and vehicle services. The Investigations Unit is responsible for conducting investigations on both driver and vehicle records. This unit is accountable for preserving and protecting the integrity of motor vehicle records by investigating and preventing fraud, ensuring statutory compliance, and providing victim advocacy. The unit is also responsible for all Exception Processing for Colorado residents who cannot meet the established requirements for driver licenses or identification cards.

The new **Driver Services subgroup** would include three programs: Driver License, Driver Control, and Ignition Interlock. The purpose of this change is to merge all driver-related services in one subgroup. Currently, both the Driver License Program and the Driver Control Program are funded through (B) Driver and Vehicle Services subgroup in the Long Bill while Ignition Interlock is funded through (F) Ignition Interlock Program subgroup. Although the Ignition Interlock Program would be merged in the new Driver Services subgroup, the identity of the program would be retained in a separate line item. The purpose of this change is to more accurately reflect how the program aligns with the Driver Control Program both administratively and programmatically. Additionally, the Driver License Documents line item would also be retained and appropriated in the Driver Services subgroup.

The Driver License Program is responsible for issuing driver licenses, instruction permits, identification cards, and commercial driver licenses to the citizens of Colorado. Additionally, this section also issues copies of driving records, oversees the curriculum and training of commercial driving schools, and licenses and oversees third-party testers who administer driving and motorcycle skill tests. The Driver Control Program is responsible for collecting, maintaining, analyzing, and producing all driver records for the state. It receives and processes penalty assessment citations and processes fine payments and administers driver license sanctions by imposing license suspensions and revocations in accordance with the law. The Driver Control Program also supports law enforcement with a 24/7 communications center that provides information on drivers and vehicles and supports prosecutors and courts with the production of

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evidence packets. This section also monitors drive log data on interlock restricted drivers and imposes restraints. The Ignition Interlock Program oversees the leasing and data reporting functions of various contractors who install and monitor blood alcohol ignition interlock devices in the vehicles of drivers required to have such devices under the state's drunken driving laws. The program provides financial support for indigent drivers required to have the devices by making subsidy payments to contractors that reduce the drivers' costs.

The Commercial Driver License Program (CDL) and the International Registration Program (IRP) are both currently funded in the (B) Driver and Vehicle Services subgroup. However, CDL is administratively and programmatically aligned with the Driver License Program while IRP operates alongside the vehicle registration program. Consequently, this request would provide appropriations for the CDL program in the new Driver Services subgroup and the IRP in the new Vehicle Services subgroup.

The new **Vehicle Services subgroup** would include the following programs: Titles, Registrations, Motor Insurance Identification Database (MIIDB), and Vehicle Emissions. The purpose of this change is to merge all vehicle-related services in one subgroup unlike the current structure whereby these services are appropriated across four different subgroups. Currently, Titles, MIIDB, and Vehicle Emissions each have their own subgroup in the Long Bill. The Registration Program is funded through (B) Driver and Vehicle Services in the Long Bill. Although MIIDB and Vehicle Emissions would be merged in the new Vehicle Services subgroup, each program would be retained on a separate line item. Additionally, the License Plate Ordering line item would also be retained and appropriated in the Vehicle Services subgroup.

The *Titles Program* oversees titling of vehicles by the Department's authorized agents, the county clerks in each county in the state. It also maintains an inventory of license plates and is the agency that orders and distributes license plates to the counties. The *Registration Program* is operationally managed alongside the Titles Program, but is funded in the (B) Driver and Vehicles Services subgroup in the Long Bill. This program coordinates vehicle registration and license plate issuance activities through the 64 county clerks throughout the state and orders and monitors inventory of license plates and related products. The *MIIDB Program* ensures that Colorado drivers possess adequate liability insurance as mandated by the state's financial responsibility statutes. The MIIDB Program is funded through a 10-cent fee assessed on every vehicle registration. *Vehicle Emissions Program* oversees the daily operations of the state's vehicle emissions inspection program and conducts licensing, quality assurance, audits, and enforcement actions pertaining to contract inspectors, stations, and facilities to ensure compliance with federal emissions testing standards.

The two tables below summarize the proposed re-structuring of the appropriation structure of the Division of Motor Vehicles contained in Request 5 and also show how Request 1, Request 2, and Request 3 would fit under the proposed new appropriation structure.

**Request-5.
Division of Motor Vehicles.
Line Item Restructure.**

1) Current Line Items	FY 13-14 Base Request	FTE	2) Change Request R-5	Incremental Change Request	FTE	3) Proposed New Long Bill Format	Adjusted Base Request	FTE
(5) Division of Motor Vehicles			(5) Division of Motor Vehicles			(5) Division of Motor Vehicles		
(A) Administration			(A) Administration			(A) Administration		
Personal Services	\$ 933,151	9.5	Personal Services	\$ 520,129	7.4	Personal Services	\$ 1,453,280	16.9
Operating Expenses	52,350	0.0	Operating Expenses	27,684	0.0	Operating Expenses	80,034	0.0
	985,501	9.5		547,813	7.4		1,533,314	16.9
(B) Driver and Vehicle Services			(B) Driver and Vehicle Services			(B) Driver Services		
Personal Services	17,626,964	359.8	Personal Services	(17,626,964)	(359.8)	Personal Services	16,345,427	336.8
Operating Expenses	1,720,826	0.0	Operating Expenses	(1,720,826)	0.0	Operating Expenses	1,556,028	0.0
Drivers License Documents	4,467,378	0.0	Drivers License Documents	(4,467,378)	0.0	Drivers License Documents	4,467,378	0.0
License Plate Ordering	5,380,012	0.0	License Plate Ordering	(5,380,012)	0.0	Ignition Interlock Program	1,151,930	5.0
Indirect Cost Assessment	1,967,570	0.0	Indirect Cost Assessment	(1,967,570)	0.0	Indirect Cost Assessment	1,829,996	0.0
	31,162,750	359.8		(31,162,750)	(359.8)		25,350,759	341.8
(C) Vehicle Emissions			(C) Vehicle Emissions			(C) Vehicle Services		
Personal Services	1,114,509	15.0	Personal Services	(1,114,509)	(15.0)	Personal Services	2,501,034	49.2
Operating Expenses	86,825	0.0	Operating Expenses	(86,825)	0.0	Operating Expenses	454,034	0.0
Indirect Cost Assessment	152,913	0.0	Indirect Cost Assessment	(152,913)	0.0	License Plate Ordering	5,380,012	0.0
	1,354,247	15.0		(1,354,247)	(15.0)	Motorist Insurance Identification Database Program	331,618	1.0
(D) Titles			(D) Titles			(D) Titles		
Personal Services	1,739,626	33.6	Personal Services	(1,739,626)	(33.6)	Emissions Program	1,201,334	15.0
Operating Expenses	316,920	0.0	Operating Expenses	(316,920)	0.0	Indirect Cost Assessment	633,529	0.0
Indirect Cost Assessment	290,942	0.0	Indirect Cost Assessment	(290,942)	0.0		10,501,561	65.2
	2,347,488	33.6		(2,347,488)	(33.6)			
(E) Motorist Insurance Identification Database Program			(E) Motorist Insurance Identification Database Program			(E) Motorist Insurance Identification Database Program		
Motorist Ins. Ident. Database Program	331,618	1.0	Motorist Ins. Ident. Database Program	(331,618)	(1.0)			
(F) Ignition Interlock Program			(F) Ignition Interlock Program			(F) Ignition Interlock Program		
Personal Services	217,088	5.0	Personal Services	(217,088)	(5.0)			
Operating Expenses	934,842	0.0	Operating Expenses	(934,842)	0.0			
Indirect Cost Assessment	52,100	0.0	Indirect Cost Assessment	(52,100)	0.0			
	1,204,030	5.0		(1,204,030)	(5.0)			
Total:	\$ 37,385,634	423.9	Total:	\$ (35,852,320)	(407.0)	Total:	\$ 37,385,634	423.9

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This issue relates to the Department goal to complete driver license customer transactions within an average of 60 minutes 65 percent of the time on an annual basis in driver license offices where Wait-Less is deployed.

This issue relates to the Division of Motor Vehicle's customer service goals to provide processes that are clear, simple, timely, and convenient for and respectful of the customer. The issue also relates to the Division's employee goals to recruit, develop, retain, and value a high quality, diverse workforce in an environment that promotes collaboration, professional development, and employee innovation.

Issue: Department of Revenue 2014 Legislative Agenda

As part of the Department 2014 legislative agenda, the Department is requesting that the Joint Budget Committee sponsor legislation to make several statutory changes related to Division of Motor Vehicles cash funds.

SUMMARY:

- The Department requests that the Joint Budget Committee sponsor legislation to change the funding mechanism for several Division of Motor Vehicle funds and processes including: the Identification Security Fund; the Motorist Insurance Identification Account; the License Services Cash Fund; the License Plate Cash Fund; the First Time Drunk Driving Offender Account; the Driver's License Administrative Revocation Account; and the Driver's License Electronic Renewal.
- The Department is requesting that the Licensing Services Cash Fund and the License Plate Cash Fund be allowed to retain their fund balances and not sweep any fund balance in excess of 16.5 percent to the HUTF. The Department is presenting this request as part of its package of requests aimed at improving the funding for the Division of Motor Vehicles.
- The Driver's License Administrative Revocation Account (DLARA) of the Highway Users Tax Fund (HUTF) is funded through part of the fee (\$60 of the total \$95 fee) for the reinstatement of a driver's license. The First Time Drunk Driving Offender Account (FTDDOA) of the HUTF is funded by the remainder of the fee (\$35 of the total \$95 fee) for the reinstatement of a driver's license. The Department is proposing allowing changing the fee allocation and allowing the DLARA to receive \$73 of the fee and the FTDDOA to receive \$22 for a period of time until the fund balance in the FTDDOA is exhausted.

RECOMMENDATION:

Staff recommends that the Joint Budget Committee discuss the various components of the Department request for the Committee to sponsor legislation. In particular, staff recommends that the Committee ask the following questions of the Department:

1. Provide a detailed analysis showing the impact of the proposed legislation on the Licensing Services Cash Fund (LSCF). In particular, provide a fund balance and cash flow analysis of the LSCF as a result of allowing the fund keep its fund balance rather than sweeping it into the HUTF.
2. Provide an analysis of how the LSCF legislative proposal interacts with Department Request 1, Request 2, and Request 3. In other words, if the proposed legislation is adopted, what impact will it have on the Department's need to fund FY 2014-15 change requests R1, R2, and R3 with General Fund versus LSCF revenues.
3. Provide an analysis of what additional measures would need to be taken for Driver and Vehicle Services to be completely cash funded without needing a General Fund subsidy.

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4. Why is the Department proposing a short-term fix for funding the shortfall in the Driver's License Administrative Revocation Account (DLARA)?

DISCUSSION:

The Department provided to JBC staff a legislative bill initiative that is part of the Department's 2014 legislative agenda. The initiative is titled "**Division of Motor Vehicles Modernization Bill**" and the Department has requested that the Joint Budget Committee consider sponsoring the legislation. The Department provided the details of the legislation to JBC staff on Friday, December 13, 2013, as such, JBC staff has not had a chance to analyze the comprehensive impact of the proposed legislation but instead has tried to summarize the different aspects of the proposed bill and flush out issues the deem further discussion between the JBC and the Department.

Division of Motor Vehicles Modernization Bill

The Department states that this legislative proposal in conjunction with the Department's FY 2014-15 budget request supports the DMV Financing Plan. The proposal impacts the six funding sources listed below.

1. Identification Security Fund
2. Motorist Insurance Identification Account
3. Licensing Services Cash Fund
4. License Plate Cash Fund
5. Reinstatement Fee Distribution
6. Driver's License Electronic Renewal

The table below attempts to show the impact and interaction of the different components of this proposal. However, the Department did not provide enough information or analysis to be able to understand the impact of each proposal individually, as well as the whole proposal as a whole, on the various DMV fund sources and funding mechanisms.

Division of Motor Vehicles Modernization Bill	
Summary of Fund Impacts	
	Appropriated FY 2013-14
Identification Security Fund (ISF)	
Fund Balance	366,668
(1) Abolish ISF and Balance to LSCF	<u>(366,668)</u>
New Fund Balance	<u>(\$366,668)</u>
Motorist Insurance Identification Account (MIIA)	
Fund Balance	65,419
(2) Abolish MIIA and Balance to CSTARs	<u>(65,419)</u>
New Fund Balance	\$0
Licensing Services Cash Fund (LSCF)	
Fund Balance	<u>(976,035)</u>
(1) Abolish ISF and Balance to LSCF	366,668
(3) Allow LSCF to keep balances above 16.5 percent	unknown

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Division of Motor Vehicles Modernization Bill	
Summary of Fund Impacts	
	Appropriated FY 2013-14
(6) Driver's License Electronic Renewal (no revenue impact)	<u>0</u>
New Fund Balance	(\$609,367)
License Plate Cash Fund (LPCF)	
Fund Balance	0
(4) Allow LPCF to keep balances above 16.5 percent	<u>unknown</u>
New Fund Balance	\$0
Driver's License Admin. Revocation Acct. (DLARA)	
Fund Balance (subsidized by HUTF)	0
(5) Increase fee to DLARA from \$60 to \$73 and decrease fee to FTDDOA from \$35 to \$22	<u>unknown</u>
New Fund Balance	\$0
Driver's License Electronic Renewal (DLER)	
(6) No revenue impact	<u>0</u>
New Fund Balance	\$0
Colorado State Titling and Registration Account (CSTARS)	
Fund Balance	7,478,206
(2) Abolish MIIA and Balance to CSTARS	<u>65,419</u>
New Fund Balance	\$7,543,625

Two changes in this proposal merit further discussion. The first is the impact of the proposed legislation on the fiscal health of the Licensing Services Cash Fund (LSCF). The second is the proposal to fix the funding shortfall in the Driver's License Administrative Revocation Account (DLARA).

Impact of Proposed Legislation on the Licensing Services Cash Fund (LSCF)

Staff is concerned that the portion of the department proposed legislation that impacts the LSCF is not adequately analyzed and laid out in a way to provide a clear understanding of the anticipated impacts of the legislation on the fund balance of the LSCF.

Impact of Proposed Legislation on the Driver's License Administrative Revocation Account (DLARA) and the First Time Drunk Driving Offender Account (FTDDOA)

Within the Department of Revenue, the Driver's License Administration Revocation Account (DLARA) has a funding shortfall, estimated at \$1.2 million in FY 2013-14, while the First Time Drunk Driving Offender Account (FTDDOA) has accumulated a surplus that is almost two times larger than annual appropriations. Both Accounts are sub-accounts of the Highway Users Tax Fund (HUTF) and are funded by a fee for the reinstatement of driver's licenses. Of the \$95 fee for reinstatement, \$60 is credited to the DLARA and \$35 is credited to the FTDDOA.

Statutes (Section 42-2-132 (4) (b), C.R.S.) establishes the fee for the reinstatement of a suspended driver's license. The fee for is \$95, with \$60 of the fee credited to the Driver's

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License Administration Revocation Account (DLARA), a subaccount of the HUTF, and \$35 of the fee credited to the First Time Drunk Driving Offender Account (FTDDOA), also a subaccount of the HUTF. The fee credited to the DLARA was last increased in S.B. 03-192, while the fee credited to the FTDDOA was established in H.B. 08-1194.

The DLARA provides the funding for the driver control functions in the Division of Motor Vehicles, Driver and Vehicle Services, and the Hearings Division in the Enforcement Business Group. Driver Control is responsible for maintaining the records of all licensed drivers in the State, issuing points for traffic violations, administratively suspending or revoking licenses for violations, and reinstatements of licenses. The moneys in the DLARA also fund the Hearings Division in the Enforcement Business Group. The Hearings Division primarily hears cases involving excessive points, express consent, DUI conviction, habitual traffic offenders, and other cases related to driving, though it hears small numbers of other cases regarding the issuance, suspension, denial, or revocation of licenses such as liquor and tobacco, racing, some tax hearings, and other hearings.

The FTDDOA provides funding to the Department of Revenue for the operation of the Ignition Interlock program, which provides ignition interlock devices for applicants who qualify. In addition, Section 42-2-132(4)(b)(II)(B), C.R.S., provides \$2 million to the Department of Transportation from the First Time Drunk Driving Offenders Account (FTDD Account), subject to an annual appropriation. Further, Section 43-4-901, C.R.S., directs CDOT to utilize these funds to perform twelve high-visibility drunken driving law enforcement episodes. These episodes include the familiar “The Heat is On” campaign. House Bill 08-1194, which created the FTDDOA, required the Department of Transportation to increase the number of drunken driving enforcement episodes to twelve from the seven that were run prior to enactment. The funding for these episodes from the FTDDOA was increased from \$1.0 million to \$1.5 million for FY 2012-13 and FY 2013-14, as funding from other sources, such as the Law Enforcement Assistance Fund, has declined.

For FY 2014-15, there seems to be a misunderstanding between CDOT and the Department of Revenue. CDOT has requested a \$2.0 million appropriation out of the FTDDOA, whereas, the Department of Revenue has reflected a \$1.5 million appropriation in its fund tracking schedules. Whatever amount the General Assembly appropriates to CDOT for high-visibility drunken driving law enforcement, it will interact with the proposed statutory change that the Department of Revenue has included as part of its "Division of Motor Vehicles Modernization Bill".

During the FY 2013-14 budget cycle, JBC staff brought the DLARA funding deficit issue to the JBC's attention and recommended that the JBC sponsor a bill to remedy the deficit. The JBC in turn requested that the Department of Revenue submit a proposal to fix the DLARA account deficit.

The table below shows the Department proposal that reduces the fee going to the FTDDOA account from \$35 to \$22 and increases the fee going to the DLARA account from \$60 to \$73. The Department also present two options for transfers to CDOT. Option 1 continues with the \$1.5 million annual transfer and depletes the account before the end of FY 2018-19. Option 2 transfers \$2.0 million per year to CDOT and depletes the account before the end of FY 2017-18.

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The Department did not provide an analysis of impact of the \$13 increased fee going to the DLARA account, but the Department states that this increase is sufficient to fund the account for the upcoming years.

Staff notes that the Department solution is temporary and provides anywhere between 4 and five years before the General Assembly would need to consider another measure at that time to balance the accounts.

Department Proposal to Alter Statutory Distributions to the First Time Drunk Driving Offender Account (FTDDOA) and the Driver's License Administrative Revocation Account (DLARA)			
Options For Reduced Revenues to the FTDDOA and Distributions to CDOT			
	Status Quo	Option 1	Option 2
	\$35 Fee, \$1.5 million transfer	\$22 Fee, \$1.5 million transfer	\$22 Fee, \$2.0 million transfer
FY 15 Beginning Cash Balance	\$4,987,302	\$4,987,302	\$4,987,302
Revenue	2,848,328	1,812,307	1,812,307
Reinstatement Fee Revenue	2,789,288	1,753,267	1,753,267
Interest Income	59,040	59,040	59,040
Expenditures	(2,809,268)	(2,809,268)	(3,309,268)
FY 15 Ending Cash Balance	5,026,362	3,990,341	3,490,341
Cash Flow	(19,980)	(1,056,001)	(1,556,001)
FY 16 Beginning Cash Balance	5,026,362	3,990,341	3,490,341
Revenue	2,826,747	1,798,742	1,798,742
Reinstatement Fee Revenue	2,767,707	1,739,702	1,739,702
Interest Income	59,040	59,040	59,040
Expenditures	(2,820,571)	(2,820,571)	(3,320,571)
FY 16 Ending Cash Balance	5,032,538	2,968,512	1,968,512
Cash Flow	(52,864)	(1,080,869)	(1,580,869)
FY 17 Beginning Cash Balance	5,032,538	2,968,512	1,968,512
Revenue	2,805,167	1,785,213	1,785,213
Reinstatement Fee Revenue	2,746,127	1,726,173	1,726,173
Interest Income	59,040	59,040	59,040
Expenditures	(2,820,571)	(2,820,571)	(3,320,571)
FY 17 Ending Cash Balance	5,017,134	1,933,154	433,154
Cash Flow	(74,444)	(1,094,398)	(1,594,398)
FY 18 Beginning Cash Balance	5,017,134	1,933,154	433,154
Revenue	2,783,586	1,771,612	1,771,612
Reinstatement Fee Revenue	2,724,546	1,712,572	1,712,572
Interest Income	59,040	59,040	59,040
Expenditures	(2,820,571)	(2,820,571)	(3,320,571)
FY 18 Ending Cash Balance	4,980,149	884,195	(1,115,805)
Cash Flow	(96,025)	(1,107,999)	(1,607,999)
FY 19 Beginning Cash Balance	4,980,149	884,195	(1,115,805)

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Department Proposal to Alter Statutory Distributions to the First Time Drunk Driving Offender Account (FTDDOA) and the Driver's License Administrative Revocation Account (DLARA)			
Options For Reduced Revenues to the FTDDOA and Distributions to CDOT			
	Status Quo	Option 1	Option 2
Revenue	2,762,005	1,758,047	1,758,047
Reinstatement Fee Revenue	2,702,965	1,699,007	1,699,007
Interest Income	59,040	59,040	59,040
Expenditures	(2,820,571)	(2,820,571)	(3,320,571)
FY 19 Ending Cash Balance	4,921,583	<i>(178,329)</i>	<i>(2,678,329)</i>
Cash Flow	(117,606)	(1,121,564)	(1,621,564)
FY 20 Beginning Cash Balance	4,921,583	<i>(178,329)</i>	<i>(2,678,329)</i>
Revenue	2,740,424	1,744,481	1,744,481
Reinstatement Fee Revenue	2,681,384	1,685,441	1,685,441
Interest Income	59,040	59,040	59,040
Expenditures	(2,820,571)	(2,820,571)	(3,320,571)
FY 20 Ending Cash Balance	4,841,436	<i>(1,254,419)</i>	<i>(4,254,419)</i>
Cash Flow	(139,187)	(1,135,130)	(1,635,130)

Description of Department Request

The Department of Revenue requests several statutory changes to accomplish the following:

- (1) Re-align fees with services;
- (2) Consolidate cash funds to maximize efficiencies;
- (3) Remove statutory requirements for cash fund balances to be swept to the HUTF; and
- (4) Extend electronic renewal of driver’s licenses to two consecutive renewal periods.

The Department states that the purpose of the DMV Bill is to increase budget transparency, simplify the sources of funding for the DMV, better align fees with services provided, retain cash fund balances to support DMV operations, and provide customer service enhancements.

The Department is seeking six statutory changes. The following includes an explanation of each change, affected statute (full language of proposed statutory changes is listed later on in this issue brief), fiscal and economic impact, impact on other Executive Agencies, and consequences if denied.

1. Identification Security Fund

This statutory change eliminates the Identification Security Fund (IDSF) and transfers the fund balance upon the signature of the Governor or June 1, 2014, whichever comes first, to the Licensing Services Cash Fund (LSCF). The \$0.60 imposed on a driver’s license for the purpose of enhancing security of driver’s licenses and identification cards would remain unchanged, but instead be credited to the LSCF rather than to the IDSF. In addition, the statutory change clarifies that the \$0.60 fee be imposed on a commercial driver’s license, learner’s permit, and duplicate documents. The purpose of this change is to reflect the full cost of issuance including security costs in the price of a driver’s license and identification card. Further the cost of issuance is more appropriately charged to the LSCF, which currently covers all costs associated with the operation of driver license offices and the maintenance of driver records.

Fiscal and Economic Impact: The total cost of a driver’s license remains unchanged under this proposed statutory change. Currently, the cost of a driver’s license is \$21.00 of which \$20.40 is deposited in the LSCF and \$0.60 is deposited in the IDSF. This statutory change deposits the full \$21.00 in the LSCF. The IDSF is projected to have a fund balance of approximately \$315,500 by the end of FY 2013-14, which will be transferred to the LSCF under this proposed change.

Potential Sponsors: JBC-sponsored bill.

Consequences if Denied: If this statutory change is denied, the Department will be unable to consolidate cash funds and maximize efficiencies in the management of these funds. The Department currently manages 14 different cash funds that support DMV operations.

2. Motorist Insurance Identification Account

This statutory change eliminates the Motorist Insurance Identification Account (MIIA) and credits the \$0.10 motorist insurance identification fee to the CSTARS Account rather than to the MIIA on a permanent basis. This fee, which will remain unchanged under this proposal,

covers the cost of administration and enforcement of the motorist insurance identification database program and is paid at the time of registration. Any excess fees over the appropriated amount are currently deposited into the CSTAR Account through FY 2014-15. This program more appropriately aligns with registration activities supported by the CSTAR Account.

Fiscal and Economic Impact: The MIA is funded by a \$0.10 fee assessed on every vehicle registration, except for commercial vehicles. Under this proposed statutory change, the motor insurance identification fee remains unchanged, but would be deposited directly into the CSTAR Account instead of the MIA on a permanent basis. In FY 2010-11, FY 2011-12, and FY 2012-13 funds in the MIA in excess of the appropriation were transferred to the CSTAR Account totaling \$196,258 for an average of \$65,419 per year.

Impact on other Executive Agencies: HB 12-1216 extended the transfer of excess fees over the appropriation to the CSTAR Account for three additional fiscal years through FY 2014-15. However, commencing with FY 2015-16, the excess funds in the MIA transfers to the HUTF. This statutory change would eliminate the transfer to the HUTF, thereby impacting CDOT if a fund transfer is projected to occur.

Potential Sponsors: JBC-sponsored bill.

Consequences if Denied: If this statutory change is denied, the Department will be unable to consolidate cash funds and maximize efficiencies in the management of these funds. The Department currently manages 14 different cash funds that support DMV operations.

3. Licensing Services Cash Fund

This statutory change deletes the provision that requires a sweep of the Licensing Services Cash Fund balance less 16.5% of the appropriation to the HUTF. However, this fund is not a subaccount of the HUTF. The purpose of this request is for the LSCF to retain fees collected to support the services provided. Maintaining a fund balance in excess of the reserve requirement may be necessary in order to make longer-term investments in technology, facilities, and in personnel to enhance the provision of services to the public and to maintain operations during times of decreased revenue. Most of the Department-managed cash funds do not have statutory provisions requiring a sweep of fund balances over the reserve requirement. If fund balances are in excess of reserve requirements, the Department is required to develop a plan to reduce the excess fund balance and report to the Office of the State Auditor on an annual basis.

Fiscal and Economic Impact: Since the inception of the LSCF, \$2.1 million was swept to the HUTF in FY 2010-11. Additionally, on June 15, 2010, \$2,589,894 was transferred to the General Fund per SB 09-279. If the fund balance is in excess of the reserve requirement, the DMV would not be able to utilize the funds generated from the issuance of driver's licenses and identification cards to support driver service operations.

Impact on other Executive Agencies: CDOT—only if a fund transfer to the HUTF of excess funds over the reserve requirement is projected to occur.

Potential Sponsors: JBC-sponsored bill.

Consequences if Denied: Failure to maintain a fund balance in excess of the reserve requirement prohibits the DMV from making longer-term investments in technology, facilities, and personnel to enhance the provision of services to the public and to maintain driver service operations during times of decreased revenue.

4. License Plate Cash Fund

This statutory change deletes the provision that requires a sweep of the License Plate Cash Fund (LPCF) balance to the HUTF. This fund is not a subaccount of the HUTF and there is no reserve requirement. The purpose of this request is for the LPCF to retain fees collected to support the services provided. The fund pays the full costs of producing and distributing license plates and tags and receives revenue to fully offset these costs when the license plates and tags are sold. Typically, this revenue is generated approximately 6-9 months after the costs are incurred. Since the LPCF pays for these costs up front, any diversion of revenue creates a shortfall in cash flow and in the fund balance over time. This problem is exacerbated when license plate inventory is low.

Fiscal and Economic Impact: From 2008-09 through 2011-12, the LPCF reverted nearly \$4.7 million to the HUTF although the annual reversion amount has decreased significantly over time. During this time, license plate inventory was high so the reversions did not negatively impact cash flow and the ability to pay for the production and distribution of license plates and tabs. Over the last two years, due to successful inventory management and an increase in vehicle registrations, the inventory has been significantly reduced causing a shortfall in cash flow in the fourth quarter. This unintended consequence has caused a reduction in inventory to only two months by the end of the year whereby up to six months of inventory is the goal. The difference in inventory is valued at \$1.5 million. Consequently, the LPCF does not have sufficient cash flow to support the production and distribution of license plates and tabs. This situation has been exacerbated due to approximately \$200,000 in annual unrecovered costs associated with exempt license plates, temporary registration permits, dealer stubs, and emergency vehicle stickers.

Impact on other Executive Agencies: CDOT—only if a fund transfer to the HUTF is projected to occur.

Potential Sponsors: JBC-sponsored bill.

Consequences if Denied: Since the LPCF pays for the production and distribution of license plates and tabs, these costs need to be offset by revenue generated from their sale. If the fund balance is swept at the end of each fiscal year, a portion of the total costs is not being recovered. Over time, this situation has created significant cash flow problems in the LPCF due to low levels of inventory and unrecovered costs. Consequently, there has been insufficient revenue to pay for license plate production and distribution costs, causing some delays in the issuance of license plates and tabs to the motoring public.

5. Reinstatement Fee Distribution

This statutory change modifies the distribution of the \$95 reinstatement fee. Of the \$95 reinstatement fee, \$60 is credited to the Driver License Administrative Revocation Account (DLARA). This fee pays for the direct and indirect costs of administering driver's license restraints (suspensions, cancellations, and revocations), including, but not limited to, providing administrative hearings. The remaining \$35 is credited to the First Time Drunk Driving Offender Account (FTDDOA). This account pays for oversight of the Ignition Interlock Program including interlock installation services for qualifying low-income applicants. In addition, \$1.5 million is allocated to CDOT to pay for high-visibility drunken driving law enforcement activities. Over the last five years, expenditures have exceeded revenues in the DLARA triggering a fund transfer from the HUTF totaling nearly \$1.3 million. The DLARA is a subaccount of the HUTF. At the same time the FTDDOA has a fund balance nearly two times higher annual expenditures. At the end of FY 2012-13, the FTDDOA had a fund balance of nearly \$5.1 million. While the total reinstatement fee would remain unchanged under this proposal, the fee credited to the DLARA would increase from \$60 to \$73 and the fee credited to the FTDDOA would decrease from \$35 to \$22. The purpose of this change is to hold the HUTF harmless from shortfalls in the DLARA while spending down the fund balance in the FTDDOA over a four year period. After four years, the fee structure would need to be revisited to ensure the reinstatement fee and its distribution is adequate to support both programs.

Fiscal and Economic Impact: Based on the current distribution of the reinstatement fee, DLARA has incurred deficits each year over the last five years for a total of nearly \$1.3 million or an annual average of \$259,000. Because the DLARA is a subaccount of the HUTF, these deficits are covered by the HUTF. Although the reinstatement fee would remain unchanged at \$95 under this proposal, the distribution of the fee would be modified to offset the annual deficits of the DLARA and to reduce the fund balance in the FTDDOA. However, after FY 2017-18, the reinstatement fee would need to be analyzed to determine whether the fee and its distribution are sufficient to fund the activities supported by both the DLARA and the FTDDOA.

Impact on other Executive Agencies: This proposal would eliminate the annual deficits incurred by the DLARA and, therefore, annual transfers from the HUTF, benefiting CDOT. The fund balance in the FTDDOA would be reduced over a four-year period, but it would maintain the annual allocation of \$1.5 million to CDOT for high-visibility drunken driving enforcement over this period of time.

Potential Sponsors: JBC-sponsored bill.

Consequences if Denied: At the Department's JBC Hearing last year, the JBC asked the Department to resolve the deficits incurred by the DLARA. This proposal resolves annual DLARA deficits by changing the distribution of the reinstatement fee for the next four years. If the proposal is denied, the DLARA would continue incurring deficits, thereby impacting the HUTF. In order to avoid the deficits, the costs associated with DLARA activities could be reduced. However, this would affect the Department's ability to administer driver license restraints negatively impacting the legal status of drivers and the safety of the motoring public.

6. Driver’s License Electronic Renewal

This statutory change modifies the electronic renewal of driver’s licenses to be available for two consecutive renewal periods (10 years) as opposed to every other renewal period. This proposal complies with requirements of the federal Real ID Act that photographs not be more than sixteen years old. The purpose of this change is to enhance customer service by allowing qualified drivers to renew online for two consecutive periods thereby avoiding visits to driver license offices. Further, this change should have a positive impact on wait times as more people choose to renew online.

Fiscal and Economic Impact: There is no impact on revenue generated from the electronic renewal of driver licenses for two consecutive renewal periods as the fees remain unchanged under this proposal. However, the DMV anticipates this change would enhance customer service, reduce wait times at driver license offices, and provide customer convenience. Any savings incurred due to fewer customers at driver’s license offices could be reallocated to provide enhanced driver services to the public.

Potential Sponsors: JBC-sponsored bill.

Consequences if Denied: If this statutory change is denied, electronic renewal of driver’s licenses would be available only every other renewal period. This would require customers to visit driver’s license offices every 10 years negatively impacting customer convenience, wait times, and program costs.

Below you will find the full proposed statutory language changes provided by the Department:

1. Identification Security Fund

Affected Statutes: 42-1-220. Identification security fund – repeal

~~(1) There is hereby created a special purpose account in the highway users tax fund for the purpose of enhancing the security of drivers' licenses and identification cards. Moneys received from the fees imposed in sections 42-2-114 (2) (a) (I) (F) and 42-2-306 (1) (a) (V) shall be transmitted to the state treasurer, who shall credit the same to such special account within the highway users tax fund, to be known as the identification security fund. All interest derived from the deposit and investment of moneys in the identification security fund shall be credited to the fund. Moneys in the identification security fund shall be used, subject to appropriation by the general assembly, to cover the costs of driver's license and identification card security enhancements required by sections 42-2-106 (2) (b), 42-2-107 (1) (a) (II), 42-2-114 (1) (a), 42-2-302 (5), and 42-2-303 (3). At the end of any fiscal year, UPON SIGNATURE OF THE GOVERNOR OR BY JUNE 1, 2014, WHICHEVER COMES FIRST all unexpended and unencumbered moneys in the identification security fund shall BE TRANSFERRED TO THE LICENSING SERVICES CASH FUND remain in the fund and shall not revert to the general fund or any other fund.~~

~~(2) On or before July 1, 2008, the state auditor shall submit a report to the transportation legislation review committee, created in section 43-2-145, C.R.S., concerning the effectiveness of the security features that are part of the driver's license system in reducing the incidence of issuance of fraudulent drivers' licenses and identification cards.~~

~~(3) This section is repealed, effective July 1, 2014.~~

~~42-2-114 (2) (a) (I) (F) In addition to the fees imposed in sub-subparagraphs (A) to (D) of this subparagraph (I), the fee for the issuance of a minor driver's or driver's license shall include a sixty-cent surcharge. The moneys collected pursuant to the surcharge shall be forwarded to the department for transmission to the state treasurer, who shall credit the same to the identification security fund created in section 42-1-220. This sub-subparagraph (F) is repealed, effective July 1, 2014.~~

~~42-2-306 (1) (a) (V) In addition to the fees imposed in subparagraphs (II) and (III) of this paragraph (a), the fee for the issuance of an identification card shall include a sixty-cent surcharge. Such surcharge shall be forwarded to the department for transmission to the state treasurer, who shall credit the same to the identification security fund created in section 42-1-220.~~

~~(B) This subparagraph (V) is repealed, effective July 1, 2014.~~

42-2-114 (2) (a) (I) Except as provided in subsection (3) of this section:

(A) The fee for the issuance of a driver's license to a person twenty-one years of age or older and sixty years of age or younger is twenty-ONE dollars and forty cents, which license expires on the

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birthday of the applicant in the fifth year after the issuance of the license. The department shall transfer the fee to the state treasurer, who shall credit ~~fifteen dollars to the highway users tax fund and five dollars and forty cents to the~~ THE FEE TO THE licensing services cash fund created in section 42-2-114.5. In the case of a driver's license issued by the office of the county clerk and recorder in each county, the office of the county clerk and recorder shall retain the sum of eight dollars and forward the remainder of the fee to the department for transmission to the state treasurer, who shall credit ~~three~~ FOUR dollars ~~and forty cents~~ to the licensing services cash fund and nine dollars to the highway users tax fund; except that, for fiscal years 2012-13 through 2014-15, the state treasurer shall credit the amount to the licensing services cash fund. The general assembly shall make appropriations from the licensing services cash fund for the expenses of the administration of this part 1 and part 2 of this article; except that eight dollars and fifty cents of each fee is allocated in accordance with section 43-4-205 (6) (b), C.R.S., other than during fiscal years 2012-13 through 2014-15.

(D) The fee for the issuance of a driver's license to a person sixty-one years of age or older is twenty-ONE dollars ~~and forty cents~~, which license shall expire on the birthday of the applicant in the fifth year after the issuance of the license. The department shall transfer the fee to the state treasurer, who shall credit fifteen dollars to the highway users tax fund and ~~five~~ SIX dollars ~~and forty cents~~ to the licensing services cash fund created in section 42-2-114.5; except that, for fiscal years 2012-13 through 2014-15, the state treasurer shall credit the fee to the licensing services cash fund created in section 42-2-114.5. In the case of a driver's license issued by the office of the county clerk and recorder in each county, the office of the county clerk and recorder shall retain the sum of eight dollars and forward the remainder to the department for transmission to the state treasurer, who shall credit ~~three~~ FOUR dollars ~~and forty cents~~ to the licensing services cash fund and nine dollars to the highway users tax fund; except that, for the fiscal years 2012-13 through 2014-15, the state treasurer shall credit the amount to the licensing services cash fund. The general assembly shall make appropriations from the licensing services cash fund for the expenses of the administration of this part 1 and part 2 of this article; except that eight dollars and fifty cents of each fee is allocated in accordance with section 43-4-205 (6) (b), C.R.S., other than during fiscal years 2012-13 through 2014-15.

42-2-114(4) (a) The fee for the issuance of a minor driver's license is twenty-ONE dollars ~~and forty cents~~, which license expires twenty days after the twenty-first birthday of the licensee. The department shall transfer the fee to the state treasurer, who shall credit fifteen dollars to the highway users tax fund and ~~five~~ SIX dollars ~~and forty cents~~ to the licensing services cash fund created in section 42-2-114.5; except that, for fiscal years 2012-13 through 2014-15, the state treasurer shall credit the fee to the licensing services cash fund created in section 42-2-114.5. In the case of the issuance of any minor driver's license by the office of the county clerk and recorder, the fee for the minor driver's license is apportioned in the same manner as for the issuance of a driver's license in accordance with paragraph (a) of subsection (2) of this section.

42-2-306. Fees - disposition – repeal

(1) The department shall charge and collect the following fees:

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(II) Except as provided in subparagraphs (III) ~~and (III.5)~~ of this paragraph (a), a fee of ~~nine~~TEN dollars and ~~ninety~~FIFTY cents at the time of application for an identification card or renewal of an identification card.

~~(IV) On or before July 1, 2005, the department shall submit a report to the transportation legislation review committee, created in section 43-2-145, C.R.S., concerning the effect of extending the expiration of identification cards on the fee revenue of the department, and the advisability of continuing the fees imposed in subparagraph (V) of this paragraph (a) and the identification security fund created in section 42-1-220 that is funded through such fees.~~

42-2-406. Fees – rules. (1) (1) The fee for the issuance of a commercial driver's license is thirty-four FIVE dollars and ~~forty cents~~. The department shall cause the fee to be transferred to the state treasurer, who shall credit twenty-five dollars to the highway users tax fund and ~~nine~~ TEN dollars and ~~forty cents~~ to the licensing services cash fund created in section 42-2-114.5; except that, for fiscal years 2012-13 through 2014-15, the state treasurer shall credit the fee to the licensing services cash fund created in section 42-2-114.5. The license expires on the birthday of the applicant in the fourth year after its issuance. When issuing a commercial driver's license, the office of the county clerk and recorder shall retain eight dollars and shall forward the remainder to the department for transmission to the state treasurer, who shall credit nineteen dollars to the highway users tax fund and ~~seven~~ EIGHT dollars and ~~forty cents~~ to the licensing services cash fund; except that, for fiscal years 2012-13 through 2014-15, the state treasurer shall credit the amount to the licensing services cash fund. The general assembly shall make annual appropriations from the licensing services cash fund for the expenses of the administration of parts 1 and 2 of this article and this part 4; except that eight dollars and fifty cents of each commercial driver's license fee shall be allocated in accordance with section 43-4-205 (6) (b), C.R.S., other than during fiscal years 2012-13 through 2014-15.

(2) Notwithstanding any other provision of law, the fee for a person eighteen years of age or older for issuance of a minor driver's license that authorizes operation of a commercial motor vehicle upon the highways is thirty-four dollars and forty cents. The department shall cause the fee to be transferred to the state treasurer, who shall credit twenty-five dollars to the highway users tax fund and ~~nine~~TEN dollars and ~~forty cents~~ to the licensing services cash fund created in section 42-2-114.5; except that, for fiscal years 2012-13 through 2014-15, the state treasurer shall credit the fee to the licensing services cash fund created in section 42-2-114.5. When issuing a minor driver's license, the office of the county clerk and recorder shall retain eight dollars and shall forward the remainder to the department for transmission to the state treasurer, who shall credit nineteen dollars to the highway users tax fund and ~~seven~~ EIGHT dollars and ~~forty cents~~ to the licensing services cash fund; except that, for fiscal years 2012-13 through 2014-15, the state treasurer shall credit the amount to the licensing services cash fund created in section 42-2-114.5. The general assembly shall make annual appropriations from the licensing services cash fund for the expenses of the administration of parts 1 and 2 of this article and this part 4; except that eight dollars and fifty cents of each minor driver's license fee is allocated in accordance with section 43-4-205 (6) (b), C.R.S., other than during fiscal years 2012-13 through 2014-15.

2. Motorist Insurance Identification Account

Affected Statutes: 42-1-211(2) There is hereby created a special purpose account in the highway users tax fund, which shall be known as the Colorado state titling and registration account, for the purpose of providing funds for the development and operation of the Colorado state titling and registration system, including operations performed under article 6 of this title AND TO COVER THE COSTS OF ADMINISTRATION AND ENFORCEMENT OF THE MOTORIST INSURANCE IDENTIFICATION DATABASE PROGRAM CREATED IN SECTION 42-7-604. Moneys received from the fees imposed by section 38-29-138(1), (2), (4), and (5), C.R.S., and sections 42-1-206(2) (a), 42-3-107(22), 42-3-213 (1) (b), ~~and 42-6-137 (1), (2), (4), (5), and (6),~~ AND 42-3-304 (18) (d), as well as any moneys received through gifts, grants, and donations to the account from private or public sources for the purposes of this section shall be credited to and used for the same purpose as other moneys in said account. The general assembly shall appropriate annually the moneys in the special purpose account for the purposes of this subsection (2). Any unexpended and unencumbered moneys remaining in the account at the end of any fiscal year shall remain in the account and shall not be transferred to the general fund or any other fund.

42-3-304(18)(d)(I) In addition to any other fee imposed by this section, the owner shall pay, at the time of registering a motor vehicle or low-power scooter, a motorist insurance identification fee. The fee shall be adjusted annually by the department, based upon moneys appropriated by the general assembly for the operation of the motorist insurance identification database program. In no event shall the fee exceed 10 cents. The department shall transmit the fee to the state treasurer, who shall credit it to ~~a special account within the highway users tax fund, to be known as the motorist insurance identification account, which is hereby created~~ THE COLORADO STATE TITLING AND REGISTRATION ACCOUNT CREATED IN SECTION 42-1-211(2). ~~The department shall use moneys in the motorist insurance identification account, subject to appropriation by the general assembly, to cover the costs of administration and enforcement of the motorist insurance identification database program created in section 42-7-604 and for state fiscal years 2010-11 and 2011-12, for expenses incurred in connection with the administration of article 2 of this title; except that:~~

~~(A) For fiscal years 2012-13 through 2014-15, the state treasurer shall transfer moneys in the account in the excess of the amount of moneys appropriated from the account to the Colorado state titling and registration account in the highway users tax fund for allocation and expenditure as required by section 42-1-211(2). This sub-subparagraph (A) is repealed, effective July 1, 2015.~~

~~(B) For the fiscal year commencing July 1, 2015, the state treasurer shall transfer moneys in the account in excess of the amount of moneys appropriated from the account to the highway users tax fund for allocation and expenditure as specified in section 43-4-205(5.5)(c), C.R.S.~~

3. **Licensing Services Cash Fund**

Affected Statutes: 42-2-114.5. Licensing services cash fund

(1) The licensing services cash fund is hereby created in the state treasury. Moneys in the fund shall be appropriated by the general assembly to the department for the cost of personal services and operating expenses incurred in the operation of driver's license offices. AT THE END OF EACH FISCAL YEAR, ANY UNEXPENDED AND UNENCUMBERED MONEYS SHALL REMAIN IN THE FUND ~~At the end of each fiscal year, the state treasurer shall credit the money in the fund, less sixteen and one-half percent of the amount appropriated from the fund for such operation in the fiscal year, to the highway users tax fund.~~

(2) ~~Notwithstanding any provision of subsection (1) of this section to the contrary, on June 15, 2010, the state treasurer shall deduct two million five hundred eighty-nine thousand eight hundred ninety-four dollars from the licensing services cash fund and transfer such sum to the general fund.~~

4. **License Plate Cash Fund**

Affected Statutes: 42-3-301. License plate cash fund – license plate fees

At the end of each fiscal year, any unexpended and unencumbered moneys SHALL REMAIN IN THE FUND ~~remaining in the fund shall revert to the highway users tax fund created in section 43-4-201 (1) (a), C.R.S., and shall be allocated and expended as specified in section 43-4-205 (5.5) (b), C.R.S.~~

5. **Reinstatement Fee Distribution**

Affected Statutes: 42-2-132. Period of suspension of revocation.

(4)(b) All restoration fees collected pursuant to this subsection (4) shall be transmitted to the state treasurer, who shall credit:

(I)(A) ~~Sixty~~ SEVENTY-THREE dollars to the driver's license administrative revocation account in the highway users tax fund, which account is hereby created and referred to in this subparagraph (I) as the "account".

(B) The moneys in the account shall be subject to annual appropriation by the general assembly for the direct and indirect costs incurred by the department in the administration of driver's license restraints pursuant to either this article or article 4 or article 7 of this title, including, but not limited to, the direct and indirect costs of providing administrative hearings under this title, without the use of moneys from the general fund. At the end of each fiscal year, any unexpended and unencumbered moneys remaining in the account shall be transferred out of the account, credited to the highway users tax fund, and allocated and expended as specified in section 43-4-205(5.5)(c), C.R.S.; and

(II)(A) ~~Thirty-five~~ TWENTY-TWO dollars to the first time drunk driving offender account in the highway users tax fund, which account is hereby created and referred to in this subparagraph (II) as the "account".

(B) The moneys in the account shall be subject to annual appropriation by the general assembly on or after January 1, 2009, first to the department of revenue to pay its costs associated with the implementation of House Bill 08-1194, as enacted at the section regular portion of the costs in the ignition interlock device as described by section 42-2-132.5(4)(a)(II)(C) for the first time drunk driving offender who is unable to pay the costs of the device; and then to provide two million dollars to the department of transportation for high end visibility drunk driving enforcement pursuant to section 43-4-901, C.R.S. Any moneys in that account not expended for these purposes may be invested by the state treasurer as provided by law. All interest and income derived from the investment and deposit of moneys in the account shall be credited to the account. At the end of each fiscal year, any unexpended and unencumbered moneys remaining in the account shall remain in the account and shall not be credited or transferred to the general fund, the highway users tax fund, or another fund.

6. Driver's License Electronic Renewal

Affected Statutes: 42-2-118 Renewal of license in person or by mail

(1.5) (a) The department may, in its discretion, allow renewal of a driver's license issued under section 42-2-114 by electronic means subject to the following requirements:

(I) Electronic renewal shall be available only to drivers twenty-one years of age or older and less than sixty-six years of age;

(II) Electronic renewal shall be available only ~~every other~~ FOR TWO CONSECUTIVE driver's license renewal ~~period~~ PERIODS as provided in section 42-2-114 (2) (a) and (3);

(III) A person renewing electronically shall attest under penalty of law that he or she has had an eye examination by an optometrist or ophthalmologist within three years before the renewal; and

(IV) A person renewing electronically who requires vision correction shall attest under penalty of law to his or her prescription for vision correction.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This issue relates to the Department goal to complete driver license customer transactions within an average of 60 minutes 65 percent of the time on an annual basis in driver license offices where Wait-Less is deployed.

This issue indirectly relates to the Division of Motor Vehicle's customer service goals to provide processes that are clear, simple, timely, and convenient for and respectful of the customer. The issue also relates to the Division's employee goals to recruit, develop, retain, and value a high quality, diverse workforce in an environment that promotes collaboration, professional development, and employee innovation.

Issue: Division of Motor Vehicles Capital Construction Request to Replace the Driver License System (DLS) and Colorado State Titling and Registration System (CSTARS)

The Department of Revenue and the Governor's Office of Information Technology have submitted a FY 2014-15 capital construction request to replace the Division of Motor Vehicles Driver License System (DLS) and the Colorado State Titling and Registration System (CSTARS) at a total two-year cost of \$93,372,000 General Fund.

SUMMARY:

- The Department of Revenue and the Governor's Office of Information Technology propose replacing two outdated systems in the Division of Motor Vehicles, the Driver License System (DLS) and the Colorado State Titling and Registration System (CSTARS), at a total two-year cost of \$93,372,000 General Fund.
- The Department cites various system failures causing the DLS to be available on average 92.2 percent of the time and the CSTARS to be available on average 84.4 percent of the time. In addition, the Department cites various security concerns with the old systems as well as customer service delays.

RECOMMENDATION:

Staff recommends that the Joint Budget Committee discuss the Department's Capital Construction request. In particular, how the request fits within the various Department initiatives to improve the funding for the Division of Motor Vehicles and its focus on improving customer service.

DISCUSSION:

The Department of Revenue (DOR) and the Governor's Office of Information Technology (OIT) request \$41,021,167 in FY 2014-15 and \$52,350,833 in FY 2015-16 General Fund to replace the Driver License System (DLS), Colorado State Titling and Registration System (CSTARS), and supporting systems. The cost of this project reflects an OIT -managed vendor-provided solution in a state-hosted environment with a three-year implementation schedule.

Background

The Driver License System is mainframe-based and was installed in 1995. Driver license documents are processed from 36 state and 20 county offices throughout the State of Colorado. Over 5.1 million records including driver licenses, permits, identification cards, and commercial driver licenses are processed annually. The Department provides all hardware, software, technical support, and communication links for both state and county operated offices. DLS is a system with over 50 distinct processing modules that support over 50 distinct business processes

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for driver services, driver records, and driver licensing. The system operates on the state provisioned Mainframe and utilizes various other servers that serve as subsystems to support the functions and data in DLS.

In 1982, the Distributed Data Processing (DDP) System was created under C.R.S. 42-1-211 to support titling and registration processes. The current version of CSTARS initially was developed and implemented between 1983 and 1988 and consists of two major subsystems, the county DDP system and the statewide vehicle data warehouse system. CSTARS services the title and registration needs of 64 counties and one Department-operated office in 106 locations across the State of Colorado. There are over 5.2 million registered vehicles in the state. The Department of Revenue and OIT provides all hardware, software, technical support staff, communication links, and supplies associated with the motor vehicle title and registration application.

The DLS has a number of stakeholders that require access to this system for driver information. The DLS interfaces with 36 state and 20 county offices that issue driver license and identification documents. It also interfaces with at least 10 other governmental agencies. Some of these include the Secretary of State for motor vehicle registration information, Colorado Bureau of Investigation for law enforcement driver inquiries, Colorado Benefits Management System and Department of Labor and Employment for lawful presence verification, Colorado Courts for driver citation and conviction information, Colorado Department of Public Health and Environment for death record transfers, and Department of Defense for selective service registration information.

CSTARS services the title and registration needs of 64 counties and one DOR office in 108 locations as well as numerous municipalities and special taxing districts. Some of these stakeholders include Colorado Bureau of Investigation for stolen vehicle information, Regional Transportation District for registration inquiries, Port of Entry for registration and permit issuance, Envirotec for emission test compliance information, various law enforcement agencies for parking and traffic enforcement registration inquiries, and the National Motor Vehicle Titling Information System for nationwide registration information.

Motor Vehicle Infrastructure Analysis (MVIA)

The DMV embarked on an infrastructure analysis that included three steps critical for successful planning to replace both the DLS and CSTARS. The following includes a summary of each step.

Step I - MVIA Conclusions:

(a) Customer Service.

- Frequent application down time impacting customer wait times and staff productivity.
 - In 2012 DLS application was available 92.2% of the time, which equates to 419 hours of unplanned down time;
 - CSTARS application was available 84.4% of the time, which equates to 1,689 hours of unplanned down time.
- Lack of data exchanges in real-time with the public and other end users.
- Limited functionality, scalability, and flexibility.

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- Extremely complex to navigate increasing customer transaction times.

(b) Technology.

- Diverse and disparate systems—DLS and CSTARTS do not interface.
- Lacks integration of user interfaces.
- Operates on multiple different platforms.
- Obsolete technology and costly to support.
- Not efficient for application development.
- Lack of technical skills to provide support and make updates and changes.

(c) DMV Administration.

- Lacks real-time data analysis and reporting capabilities.
- Lacks financial reporting and auditing capabilities.
- Lacks scalability and flexibility in creating business rules to streamline processes and procedures.
- Labor intensive, time consuming, and costly to implement legislative programming changes.

(d) Security.

- Lack of online transaction logs and user tracking.
- Lack of flexibility with access levels and assignments.
- Lack of internal system controls.
- No registration control

Step II- Environmental Scan Conclusions:

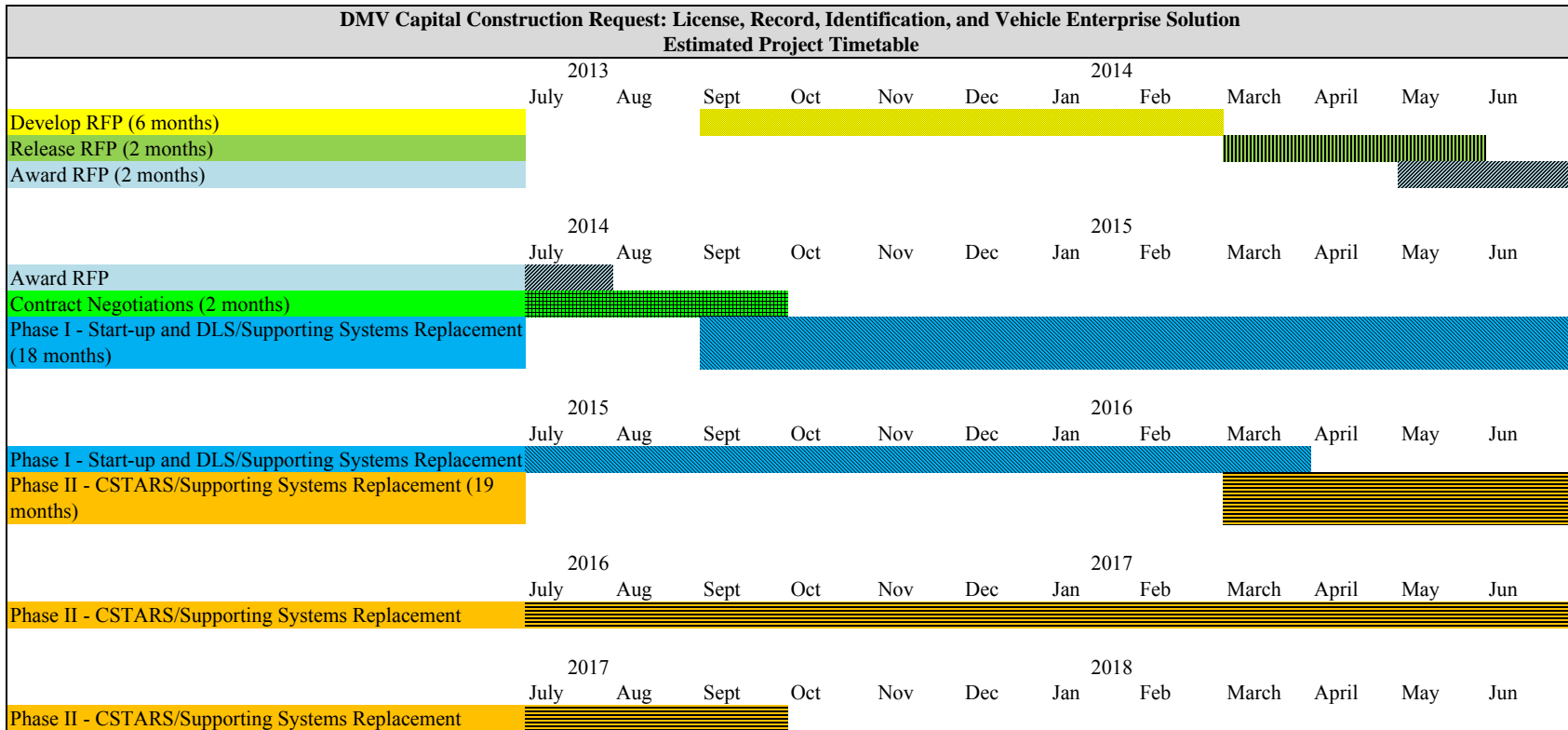
- Chose option to replace both DLS and CSTARTS because it met business, technical, and operational goals, despite implementation risk and large capital cost.

Step III – Process Improvements:

- DMV Five-year Strategic Plan completed in 2013.
- DMV conducted rapid improvement events in 2013.
- Department experience with Colorado Integrated Tax Architecture (CITA) project implementation.
- Created a DMV Technology Steering Committee with stakeholders from Department of Revenue, Governor's Office of IT, and representative from counties and SIPA.
- Created Business Process and Technical Committee with stakeholders from Department of Revenue, Governor's Office of IT, counties, SIPA, and SMEs

Project Plan Time-Table

The table below shows the planned time table for completion of the project. The Department anticipates awarding the contract by July 2014 and completing the project by September 2017.



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Assumptions for Calculations

- Total Project Cost: \$93,372,000 General Fund over two years (FY 2014-15 and FY 2015-16).

Department of Revenue/OIT Capital Construction Request			
Division of Motor Vehicle-Driver License, Record, Identification, and			
Vehicle Enterprise Solution			
	FY 2014-15	FY 2015-16	FTE
Contract/Professional Services	\$7,035,000	\$5,150,000	
Consultants/Contractors	2,400,000	0	
Independent Verification and Validation (IV&V)	750,000	1,500,000	
Training	200,000	0	
Leased Space	1,085,000	850,000	
System Monitoring	2,600,000	2,800,000	
OIT Staff Backfill (Help Desk, Tester, Trainers, Administrators, etc.)	1,662,333	8,311,667	17.5
DOR/DMV Staff Backfill (PMs, various staff)	611,833	3,059,167	39.0
Software Acquisition	15,211,000	30,000,000	
Equipment	16,501,021	1,489,979	
Project Contingency (5 percent of total cost)	0	4,340,000	
Total Costs	\$41,021,187	\$52,350,813	56.5

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This issue relates to the Department goals of customer service, fiduciary responsibility, and public confidence.

Issue: Marijuana Enforcement Division – Impact of Proposition AA Concerning Retail Marijuana Taxes on the Marijuana Enforcement Group

In November 2013 voters approved Proposition AA, which imposed a 15.0 percent state excise tax on the average wholesale price of retail marijuana and imposed a 10.0 percent state sales tax on retail marijuana and retail marijuana products. The Department estimates that the Marijuana Cash Fund will receive \$39.3 million in additional sales tax revenues from the taxation of retail marijuana in FY 2013-14. The Department projections currently estimate that the Marijuana Cash Fund will have a fund balance in excess of \$260.0 million at the end of FY 2015-16.

SUMMARY:

- In November 2013 voters approved Proposition AA, which imposed a 15.0 percent state excise tax on the average wholesale price of retail marijuana and imposed a 10.0 percent state sales tax on retail marijuana and retail marijuana products.
- The Department estimates that the Marijuana Cash Fund will receive \$39.3 million in additional state sales tax revenues from the taxation of retail marijuana in FY 2013-14.
- The Department projections currently estimate that the Marijuana Cash Fund will have a fund balance in excess of \$260.0 million at the end of FY 2015-16.

RECOMMENDATION:

Staff recommends that the Joint Budget Committee ask the Department to provide a comprehensive update on Marijuana Enforcement activities, including:

1. Provide an update on the implementation of the Marijuana Enforcement staffing plan, where does the Department currently stand?
2. Provide an updated cash fund report for the Marijuana Cash Fund showing the Department's analysis of revenues, expenditures, fund balance, and target reserve.
3. The Department's Marijuana Cash Fund report projects that the Marijuana Cash Fund will receive \$39.3 million in additional state sales tax revenues from the taxation of retail marijuana in FY 2013-14. Provide an analysis of the updated Department assumptions that show higher revenues to the Marijuana Cash Fund than during the writing of the November 2013 Ballot Initiative.
4. What is the Department plan for spending down the fund balance in the Marijuana Cash Fund?

DISCUSSION:

Background

Amendment 64, passed by the voters in November 2012, allows for an adult 21 years or older to consume or possess up to 1 ounce of marijuana and requires that a regulatory structure be established. Beginning January 1, 2014, the cultivation, processing, and retail sale of marijuana are allowed in Colorado.

In November 2013, Colorado voters approved Proposition AA that:

- Imposed a 15 percent state excise tax on the average wholesale price of retail marijuana when the product is first sold or transferred by a retail marijuana cultivation facility, with public school construction receiving the first \$40 million of any annual tax revenues collected;
- Imposed a 10 percent state sales tax on retail marijuana and retail marijuana products, in addition to the existing 2.9 percent state sales tax, to increase funding for the regulation and enforcement of the retail marijuana industry and to fund related health, education, and public safety costs;
- Directs 15 percent of the revenue collected from the 10 percent state sales tax to cities and counties where retail marijuana sales occur; and
- Allows the state legislature to increase or decrease the excise and sales taxes on retail marijuana so long as the rate of either tax does not exceed 15 percent.

Excise Tax

Under Amendment 64, the state excise tax is limited to 15 percent until January 1, 2017, and the state legislature can seek voter approval through another ballot measure to raise the excise tax rate above 15 percent to be effective on or after that date. Each year, the first \$40 million in revenue raised by the excise tax will be credited to the Building Excellent Schools Today program for constructing public schools. If the amount collected is greater than \$40 million, the excess will be used for marijuana regulation.

Sales Tax

The measure also adds a state sales tax to be applied when a consumer purchases retail marijuana or retail marijuana products at a licensed retail marijuana store. The sales tax rate is initially set at 10 percent. The state legislature can raise or lower the tax rate at any time through legislation, but cannot increase it above 15 percent without further voter approval. The 10 percent state sales tax on retail marijuana is in addition to current state and local sales taxes, which are applied to most retail purchases. All sales taxes will be applied to the retail price paid by the consumer, which includes the 15 percent state excise tax created by the measure. Medical marijuana is not subject to the additional sales tax created by the measure, but remains subject to the existing 2.9 percent state sales tax.

Amendment 64 permits cities and counties to ban retail marijuana cultivation, processing, and sales. However, cities and counties that allow retail marijuana sales to consumers will receive 15 percent of the revenue collected from the 10 percent state sales tax on retail marijuana. The proceeds will be divided according to the percentage of retail marijuana sales within each

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jurisdiction. The measure is silent on the use of this revenue by cities and counties. Beginning on or before April 1, 2014, and annually through April 1, 2016, the state legislature is required to determine if the percentage of revenue allocated to cities and counties is set at the appropriate level.

Estimated State Revenues from Proposition AA for Calendar Year 2014

The table below shows the most recent estimate of revenues provided by Legislative Council within the ballot book narrative.

	Wholesale Sales Subject to Excise Tax	Retail Sales Subject to Excise Tax
Average price per ounce	\$93.75	\$201.56
Total sales	\$183.5*	\$394.6*
Tax rate	15%	10%
Total taxes	\$27.5*	\$39.5*
Excise taxes to Building Excellent Schools Today Program	\$27.5*	
Sales taxes to state government (85%)		\$33.5*
Sales taxes to local governments (15%)		\$6.0*

*In millions.

Marijuana Cash Fund

As the table below shows, the Marijuana Enforcement group is projecting a substantial increase in revenues starting with FY 2013-14. As the table below shows, the Department is projecting receiving an additional \$39.3 million from the sale of retail marijuana in FY 2013.14.

As the table below shows, the retail and medical marijuana revenues credited to the Marijuana Cash Fund are projected to increase significantly for FY 2014-15 and FY 2015-16, with a projected fund balance of over \$260.0 million at the end of FY 2015-16.

Department of Revenue - Marijuana Cash Fund					
Cash Flow and Fund Balance Summary Report					
	Actual FY 2011-12	Actual FY 2012-13	Appropriated FY 2013-14	Request FY 2014-15	Projected FY 2015-16
<u>Revenues</u>					
Retail Marijuana Revenues					
2.9 percent sales tax	\$0	\$0	\$8,537,034	\$19,127,267	\$21,646,258
10.0 percent additional sales tax	0	0	29,438,034	65,956,091	74,642,270
15.0 percent excise tax (in excess of \$40 million)	0	0	0	6,015,878	12,076,003
Background checks	0	0	73,789	88,454	81,122
Fees	0	0	1,289,000	1,618,899	1,453,950
Other revenues	<u>0</u>	<u>0</u>	<u>(9,656)</u>	<u>(11,169)</u>	<u>(10,412)</u>
Total Retail Marijuana Revenues	\$0	\$0	\$39,328,201	\$92,795,420	\$109,889,191
Medical Marijuana Revenues					

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Department of Revenue - Marijuana Cash Fund					
Cash Flow and Fund Balance Summary Report					
	Actual	Actual	Appropriated	Request	Projected
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
2.9 percent sales tax	\$0	\$0	\$10,472,984	\$10,545,248	\$12,374,401
Background checks	200,376	60,904	122,703	164,518	205,360
Fees	3,611,422	4,056,906	4,977,926	5,682,787	6,321,811
Other revenues	<u>(32,673)</u>	<u>(1,657)</u>	<u>(44,827)</u>	<u>(52,123)</u>	<u>(68,837)</u>
Total Medical Marijuana Revenues	3,779,125	4,116,153	15,528,786	16,340,430	18,832,735
Total Marijuana Revenues	\$3,779,125	\$4,116,153	\$54,856,987	\$109,135,850	\$128,721,926
Expenses					
Program Costs	3,929,098	1,389,019	5,655,846	5,769,440	5,769,440
Common Policies (Personal Services)	328,575	195,676	605,413	562,800	576,764
Common Policies (Operating)	826,949	498,802	741,967	1,154,826	1,154,826
Common Policies (IT)	0	0	0	0	0
Indirect Costs	177,398	19,844	497,436	730,320	730,320
Legislation	<u>0</u>	<u>0</u>	<u>5,473,116</u>	<u>2,276,569</u>	<u>2,236,720</u>
Total Expenses	5,262,020	2,103,341	12,973,778	10,493,955	10,468,070
Net Cash Flow	(1,482,895)	2,012,812	41,883,209	98,641,895	118,253,856
Ending Fund Balance	2,370,508	4,383,320	46,266,529	144,908,424	263,162,277
Target Fund Balance (16.5 Percent of Total Expenses)	868,233	347,051	2,140,673	1,731,503	1,727,232
Over/(Under) Target Fund Balance	\$1,502,275	\$4,036,269	\$44,125,856	\$143,176,921	\$261,435,045

Marijuana Enforcement Staffing Plan

In early 2013, the Department issued a staffing plan that aims to have Marijuana Enforcement at full staffing, or 55.2 FTE, by the end of FY 2013-14. The Department has reported that as of December 12, 2013, staffing levels have increased to 27.0 FTE from a low of 15.0 FTE in early 2013.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This briefing issue relates to the Marijuana Enforcement group's goal of approving and issuing/renewing of business licenses, or issuing a notice of proposed denial for 100 percent completed license applications within 90 days of receipt on an annual basis beginning in FY 2013-14.

Informational Issue: 2013 Performance Audit of the Department of Revenue – Medical Marijuana Regulatory System. Part I

The Department of Revenue is responsible for the regulation of the marijuana industry pursuant to the Colorado Constitution and state statutes. In March 2013, the Office of the State Auditor (OSA) released a performance audit that included an evaluation of how effectively the Department of Revenue's Medical Marijuana enforcement group has licensed and regulated medical marijuana businesses.

SUMMARY:

- The Office of the State Auditor (OSA) conducted a performance audit of the Department of Revenue with regard to assess how effectively the Medical Marijuana Enforcement Division has licensed and regulated medical marijuana businesses.
- The Auditor made 13 specific recommendations. The Department of Revenue agreed with all recommendations and provided implementation dates ranging from May 2013 through June 2014.

DISCUSSION:

Purpose

The Office of the State Auditor (OSA) conducted a performance audit of the Department of Revenue and the Department of Public Health and Environment with regard to assess how effectively the Medical Marijuana Enforcement Division (the Division) has licensed and regulated medical marijuana businesses. As the audit relates to the Department of Revenue, the audit's primary objective was to assess how effectively the Division has licensed and regulated medical marijuana businesses. Specifically, the report evaluated:

- The efficiency of the Division's business licensing process and whether the Division licenses only eligible individuals and medical marijuana businesses.
- The adequacy of the Division's enforcement activities to help ensure that medical marijuana does not enter the black market and vice versa.
- The Division's fee-setting and financial management practices.
- The adequacy of Revenue's processes for ensuring that medical marijuana businesses pay sales tax.
- The security and integrity of medical marijuana business licensing data contained in the Division's My License Office system.

Audit Recommendations

The Department of Revenue should ensure that the Division:

- Only licenses eligible medical marijuana business applicants and improves the timeliness of its licensing processes.
- Evaluates discontinuing its occupational licensing program.
- Improves its monitoring activities.
- Improves its processes for seizing and disposing of unauthorized marijuana from medical marijuana businesses.
- Improves its fee-setting practices.
- Improves controls over expenses and staff use of state vehicles.
- Develops a comprehensive strategic plan.

Audit Concern

The Division has not adequately defined the oversight activities it must perform or determined the resources it needs to implement the regulatory system envisioned by the General Assembly to oversee Colorado’s emerging medical marijuana industry.

Audit Findings

The Auditor made 13 specific recommendations. The Department of Revenue agreed with all recommendations and provided implementation dates ranging from May 2013 through June 2014.

Key Findings

- The Division has taken an average of about 23 months to issue final licensing decisions on applications submitted by August 1, 2010, the effective date of a 2-year moratorium on new medical marijuana businesses. The shortest approval time was 436 days, while the longest approval time was 807 days.
- Of the original business license applications the Division received by August 1, 2010, 41 percent were still pending as of October 2012 and have not received final licensing decisions.
- For 13 (37 percent) of 35 new business application files we reviewed, we found evidence of potentially disqualifying information about the applicants. Ten licenses were issued, however four were questionable based on this evidence.
- At the time of our audit, the Division had not taken new occupational licensing appointments in the previous 6 months, which creates a burden because individuals cannot legally work at a medical marijuana business without a license.
- The envisioned “seed-to-sale” model for regulating Colorado’s medical marijuana industry does not currently exist. The Division planned to develop a marijuana plant tracking system, spent about \$1.1 million in Fiscal Years 2011 and 2012, but was unable

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to pay the remaining \$400,000 and implement the system due to financial difficulties. The Division reports that it will implement the system by the end of Calendar Year 2013.

- The Division does not use the prescribed statutory process when taking marijuana related to disciplinary actions against medical marijuana businesses. Additionally, the Division has inadequate controls to ensure that seized marijuana is destroyed properly.
- The Division has not developed a systematic process for setting fees that correspond to its costs of providing regulatory oversight.
- The Division laid off a majority of its staff in Fiscal Year 2012 due to revenue shortfalls. Specifically, in Fiscal Years 2011 and 2012, the Division experienced 19 consecutive months of net losses, including a loss of about \$2.3 million in June 2011 because of large capital purchases, such as furniture, computer equipment, and software for a marijuana plant tracking system. Weaknesses in the Division's fee-setting, strategic planning, and expense controls contributed to its funding problems.
- The Department of Revenue did not identify all medical marijuana businesses in its sales tax system and underreported sales tax revenue generated by 56 dispensaries by about \$760,000 for Fiscal Years 2011 and 2012 combined.

Department of Revenue June 24, 2013 Updated Status Report

On June 24, 2013, the Department of Revenue provided an updated status report and cover letter to the State Auditor regarding the Department progress in implanting the audit recommendations. Below is the cover letter to that report.

STATE OF COLORADO

DEPARTMENT OF REVENUE

State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
Phone (303) 866-3091
FAX (303) 866-2400



John W. Hickenlooper
Governor

Barbara J. Brohl
Executive Director

June 24, 2013

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
200 East 14th Avenue, 2nd Floor
Denver, CO 80203

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the Medical Marijuana Regulatory System, Part I Performance Audit. The attached report provides a brief explanation of the actions taken by the Department of Revenue to implement each recommendation.

Below is the summary of actions taken by Department of Revenue (Department) to address the challenges encountered by the Medical Marijuana Enforcement Division (MMED; Division). We also provided similar information to the Joint Select Committee members' at a hearing on HB 13-1317 in March 2013:

- Laura Harris was appointed to the role of Division Director, who is a highly qualified professional with 25 years of experience in Liquor Enforcement. Laura Harris received criminal investigator training at the Federal Law Enforcement Training Center.
- Ron Kammerzell was appointed into the leadership position overseeing the entire Enforcement Division. Ron has 20 years of experience with the Division of Gaming and extensive background in complex criminal and financial investigations, auditing, internal controls, gaming regulation and public administration. Ron is a Colorado POST certified peace officer and served as a sworn agent of CBI on a year-long assignment to investigate government corruption.
- The Department identified opportunities for decreasing expenditures of the Division and curtailing operations in the wake of a shortage of revenues being collected, and evaluated methods for increasing revenues.

- The Department pursued legislation in the 2012 session to de-couple the state and local licensing approval process in the hopes of improving the ability of the Division to approve licenses and renewals to establish a predictable revenue stream to support operations. The legislation also contemplated using some of the funds collected by the Colorado Department of Public Health and Environment (CDPHE) as emergency funding to keep the Division operating at the level of 37 FTE. As this legislation was not successful, the Division immediately initiated measures to reduce its costs, including the implementation of a layoff plan, freezing or eliminating contract obligations and the elimination of discretionary expenditures. All of these measures were necessary to keep the Division operating.

- The Division also eliminated its excess vehicle fleet and specifically targeted vehicles that had the most costly lease payments. We contacted State Fleet Management in April 2012, and within 60 days, the Division eliminated 25 vehicles by transferring them to other state agencies. The Division also identified other recurring costs that could be eliminated, such as contract obligations, and quickly acted to control these expenses. Most notably, the Division had to place the contract for the development of an inventory system on hold. The Division has continued to extend this contract and is now in negotiations with the vendor to finalize contract amendments and to complete the development of this system for the implementation of Amendment 64.

- The Division initiated its layoff plan beginning in May 2012 and the Department worked diligently to transfer 20 employees to other Department agencies. Additionally, an operating budget of \$2.4 million was established with the assistance of the Department's Office of Budget and Financial Services. The Division has operated within that budget since the beginning of FY 2013 (July 2012).

- The original management team made a policy decision to not collect license fees at the time of application for licensure. This practice has been abandoned and license fees are now collected at the time of application along with application fees. The Division has since collected approximately \$4.8 million from these applications. This influx of license fees has permitted the Division to continue operations and remain solvent.

- Since the beginning of the third quarter of FY 2012 (April 2012), the Department has instituted additional accounting and budgetary controls to include monthly budget meetings involving the Senior Director of Enforcement, the Department's Chief Financial Officer, the Director and other staff. The Division has also implemented strict expenditure controls for all expenses of the Division. Further, the Department created a controller position for the Enforcement Business Group and filled the position in the second quarter of FY 2013 (Fall of 2012). All of these measures were undertaken to ensure that the Department and the Division meet their fiduciary duties to the State.

- The Division has performed a critical assessment of its licensing process for medical marijuana businesses and has streamlined its procedures. This includes developing procedures

for the processing, reviewing and approval of these licenses. This has resulted in a dramatic reduction in the time it takes the Division to conduct a background investigation of a business and conduct a pre-license inspection. The Division has also taken immediate steps to implement a risk-based approach for determining the need for pre-license inspections, as recommended by the Office of the State Auditor (OSA). All of these corrective measures taken by the Division will also improve the licensing process for Amendment 64 implementation.

- The Division has closely worked with local government licensing authorities to improve the collaboration and communication between them and the state regarding licensing approvals. While this has resulted in some improvement in local licensing authority approval notifications, this continues to be an area that delays the issuance of licenses by the state licensing authority. As a result, the Department has worked diligently and been successful in obtaining legislation this session to de-couple the state and local government licensing processes (HB-1238). The Division is actively working on establishing many of the recommendations contained in the OSA Performance Audit Report of the Division. As previously mentioned, the Division is already implementing a risk-based approach for assessing whether or not a pending business requires a pre-licensing inspection prior to receiving licensing approval from the state licensing authority. Additionally, the Division is planning to develop written procedures and policies for critical areas highlighted in the audit report. Furthermore, the Division is actively engaged in the development of a strategic plan and appropriate performance measures to assess our effectiveness in regulating the industry.

- The Division is actively working toward the elimination of its backlog of pending MMED business license applications by the end of the current fiscal year. We have received additional resources from the Attorney General's office that will permit us to resolve the 138 problem applications. Because the Division was successful in getting the abovementioned legislation passed, the Division will move forward with issuing conditional licenses, pending local authority approval. All of these measures will permit the Division to eliminate the MMED licensing backlog and allow the Division to focus on implementation of Amendment 64.

- The Division has developed a comprehensive business and staffing plan for the implementation of Amendment 64. This includes the identification of critical action items, timelines and resources needed for effective implementation. Additionally, the Department has assembled an Amendment 64 Implementation Team comprised of key Divisions within the Department to ensure proper support and resources are allocated for successful implementation. Some of the critical tasks that have been incorporated into this plan include:

- Fee Setting for both MMED and Amendment 64
- Fiscal Resource Analysis
- Implementation of Inventory Tracking System
- Promulgation of Amendment 64 Regulations
- Revision of MMED Regulations
- Augmentation of Licensing System for Amendment 64 and MMED
- Implementation of OSA Audit Recommendations

- Policy and Procedure Development
- Development of Infrastructure
- Licensing Strategies
- Enforcement Strategies
- Law Enforcement Interaction Strategies
- Local Licensing Authority Interaction Strategies
- Identification of Constitutional and Statutory Mandates

At the LAC Committee hearing in March 2013, LAC members raised several specific questions to which we provide the following responses:

The number of repeat applicants that have applied for licenses with the Division. There are twenty-one (21) repeat applications, in that the application was originally filed in August 2010 but not issued, and the re-submitted after July 1, 2012. Nineteen (19) applications are within the City of Fort Collins where a local ban of medical marijuana businesses caused the withdrawal of a 2010 application, and subsequent submission after the ban had been lifted in 2012. Two (2) applications are within the City of Northglenn.

The number of renewal applications that have been received by the Division. From September 1, 2012 (the first date that a renewal could have been filed) through March 31, 2013, the Division has received one-hundred (100) medical marijuana business renewal applications.

The Division's comprehensive strategic plan. The Division advised the Committee that it would be developing a comprehensive strategic plan as described above. The Division has provided the LAC with a copy of this strategic plan along with our other responses to the audit.

If you have any questions, please do not hesitate to contact me at 303-866-5610 or by email at Barbara.Brohl@state.co.us.

Sincerely,



Barbara J. Brohl
Executive Director
Department of Revenue

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For more information about the audit, a copy can be obtained for the Office of the State Auditor or on-line at:

[http://www.leg.state.co.us/OSA/coauditor1.nsf/All/1BB1CBF38E313A1587257B320079E543/\\$FILE/2194A%20MedicalMarijuanaRegSys%20031813.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/1BB1CBF38E313A1587257B320079E543/$FILE/2194A%20MedicalMarijuanaRegSys%20031813.pdf)

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This issue relates to the Department of Revenue's performance plan by addressing four of the Department's five main goals: customer service; Fiduciary Responsibility; Statutory Responsibility; and Public Confidence. The efficient and effective regulation of the marijuana industry is integral to the Department's mission, goals, and objectives.

Informational Issue: 2013 Performance Audit of the Department of Revenue – Property Tax, Rent, and Heat Rebate Program

The Department of Revenue is responsible for the administration of the Property Tax, Rent, and Heat Rebate (PTC) Program, including application controls and Program outreach. In August 2013, the Office of the State Auditor (OSA) released a performance audit that included an evaluation of how the Department manages the PTC when it comes to controls, outreach, and efficiency.

SUMMARY:

- The Office of the State Auditor conducted a performance audit of the Department of Revenue's administration of the Property Tax, Rent, and Heat Rebate (PTC) program and found that the Department needs to improve its controls to determine Program eligibility and calculate rebate payments and should coordinate with the Department of Human Services to improve Program outreach and administration.

DISCUSSION:

Purpose

The Office of the State Auditor (OSA) conducted a performance audit of the Department of Revenue's administration of the Property Tax, Rent, and Heat Rebate (PTC) Program, including application controls and Program outreach. The key objectives of the audit were to assess the Department's:

- Controls to ensure only eligible applicants are approved for rebates and that rebates are paid according to requirements found in statute and rule.
- Outreach for the PTC Program to ensure that potentially eligible people are aware of the Program.
- Efficiency and effectiveness of Program administration. Because the Department does not administer other public benefits programs, this objective included an assessment of whether moving some or all of the Department's responsibilities for the PTC Program to DHS would better serve participants and improve the efficiency of the Program.

Audit Recommendations

The Department should:

- Properly update its system each year to ensure accurate payments and eligibility determinations and pay participants who were underpaid and applicants who were improperly denied rebates.
- Eliminate system controls that deny applications for reasons not supported by statute.
- Ensure that it has adequate information to confirm applicants' disability status.

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The Department and Department of Human Services (DHS) should:

- Improve Program outreach through increased coordination between agencies.
- Consider the benefits and costs of moving the Program to DHS and work with the General Assembly on legislative change if the determination is made that moving the
- Program would be beneficial.

Audit Concern

The Department needs to improve its controls to determine Program eligibility and calculate rebate payments and should coordinate with the Department of Human Services to improve Program outreach and administration.

Audit Findings

The Auditor made five specific recommendations. The Department of Revenue generally agreed with these recommendations. The report also made two recommendations for the Department of Human Services.

Key Findings

- The Department did not properly update the system it uses to determine Program eligibility and calculate rebate payments. As a result, about 7,000 (40 percent) of the 17,713 Program participants we reviewed were underpaid, 120 eligible applicants were denied rebates, and 483 ineligible applicants were allowed to participate in the Program.
- The Department denied 321 applicants for eligibility reasons that were not support by statute or Program rules. In addition, Department staff responsible for assisting in person applicants erroneously disallowed applicants from claiming rebates for heat sources other than gas (e.g. electricity, propane).
- The Department does not have adequate controls to verify that applicants are disabled, as required by statute and Program rules. We found that for eight (29 percent) of 28 sampled participants who qualified based on a disability the Department did not have adequate disability information on file.
- The Department has not provided counties with PTC Program information for distribution to Old Age Pension recipients on an annual basis as required by statute. In addition, there may be opportunities for the Department to improve Program outreach through increased coordination with DHS.
- Since its inception, the PTC Program has been expanded to cover a broader segment of the population and now serves a similar population as other benefit programs administered by DHS. As a result, the State may be able to improve outreach and provide better service to participants by moving the PTC Program, in whole or in part, to DHS. However, moving the Program could result in significant initial costs.

For more information about the audit, a copy can be obtained for the Office of the State Auditor or on-line at:

[http://www.leg.state.co.us/OSA/coauditor1.nsf/All/CD22C4F58468DE6687257BCC00606E6A/\\$FILE/2204PropTaxRentPerfAuditAug2013.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/CD22C4F58468DE6687257BCC00606E6A/$FILE/2204PropTaxRentPerfAuditAug2013.pdf)

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This issue relates to the Department of Revenue's strategic plan by addressing three of the Department's five main goals: Fiduciary Responsibility; Statutory Responsibility; and Public Confidence. The efficient and effective distribution of rebates as required by state statutes is integral to the Department's mission, goals, and objectives.

Informational Issue: 2013 Performance Audit of the Department of Revenue – State Lottery Division

The Department of Revenue is responsible for the administration of the State Lottery Division. In August 2013, the Office of the State Auditor (OSA) released a performance audit that included an analysis and evaluation of the State Lottery Division's management of sales revenue, expenses, and proceeds available to beneficiaries; the integrity and public image of its operations; and significant high-dollar contracts.

SUMMARY:

- The OSA concluded that the Lottery may be able to realize efficiencies and cost savings, and increase the amount of proceeds available for beneficiary agencies, through full use of the auto-reorder system, and analysis and modification to sales staff bonuses, retailer compensation, and prize payouts.

DISCUSSION:

Purpose

Section 24-35-218 (1)(b), C.R.S., requires the Office of the State Auditor (OSA) to conduct "an analysis and evaluation of the performance" of the Lottery at least once every 5 years. The last performance audit of the Lottery was released in 2008. The overall objectives of the audit were to analyze and evaluate the Lottery's management of:

- Sales revenue, expenses, and proceeds available to beneficiaries.
- The integrity and public image of the Lottery operations.
- Significant, high-dollar contracts critical to administering games.

Audit Recommendations

The Lottery should improve its operations and maximize the proceeds paid to beneficiary agencies by:

- Fully implementing controls that would increase the efficiencies of the scratch ticket auto-reorder system.
- Ensuring sales staff bonuses are designed to incentivize staff performance and thereby increase sales.
- Evaluating the impact that prize payout percentages have on total sales in Colorado.
- Working with the Commission to ensure that retailer compensation properly incentivizes retailers to increase sales of Lottery products.
- Working with the Commission to ensure that communication about significant Lottery activities is optimal for both parties.
- Establishing comprehensive policies and procedures, supervisory review, and staff training processes for all types of security investigations utilized.

Audit Concern

The Lottery may be able to realize efficiencies and cost savings, and increase the amount of proceeds available for beneficiary agencies, through full use of the auto-reorder system, and analysis and modification to sales staff bonuses, retailer compensation, and prize payouts.

Audit Findings

The OSA made six specific recommendations to the Colorado Lottery, two of which were also directed toward the Colorado Lottery Commission. The Colorado Lottery and the Colorado Lottery Commission agreed with all six recommendations and provided implementation dates between August 2013 and December 2014.

Key Findings

- The Lottery has not implemented the scratch ticket auto-reorder and courier system to realize efficiencies that would result in administrative cost savings as intended. Specifically:
 - Lottery sales staff do not always allow the auto-reorder system to operate as designed for optimal sales.
 - The Lottery has made limited changes to its sales force structure to reflect efficiencies gained through the system’s implementation.
 - The Lottery has not significantly reduced vehicle fleet costs.
- The Lottery has not always calculated its sales staff bonus incentives with actual sales data, as described in the approved plan.
- The Lottery has not ensured that all sales staff bonus incentives are designed specifically to reward individual sales achievements.
- The Lottery may be paying more in prize payouts than is needed to achieve optimal sales, thereby lessening the proceeds available for beneficiary agencies.
- The most recent data available in a national study showed that in Fiscal Year 2011 Colorado’s prize payout percentage was 63 percent, 2 percentage points higher than the national average of 61 percent. The 2 percentage point difference equated to about \$10.4 million.
- Lottery retailers are eligible for four different types of compensation, and the rates of retailer compensation in Colorado are higher than in most other states.
- Lottery staff have not always provided the Commission with complete and timely information prior to Commission decisions on new product development.
- The Lottery did not conduct annual background rechecks for a majority of vendor employees, including those employees who have access to the Lottery’s gaming systems and terminals.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

This issue relates to the Department of Revenue's strategic plan by addressing three of the Department's five main goals: Fiduciary Responsibility; Statutory Responsibility; and Public Confidence. The efficient and effective maximization of revenues from lottery game sales in order to support its beneficiary agencies as required by the Colorado Constitution and state statutes is integral to the Department's mission, goals, and objectives.

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Appendix A: Number Pages

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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DEPARTMENT OF REVENUE
Barbara Brohl, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

Provides administrative, accounting, budgeting, human resource management, internal auditing, planning, and research and analysis. The Office receives various cash funds sources for the direct and indirect costs of administering the programs through the Department. The reappropriated funds sources are for the indirect costs of administering Departmentwide functions.

Personal Services	<u>3,721,549</u>	<u>3,769,921</u>	<u>5,767,108</u>	<u>8,494,537</u> *
FTE	44.3	41.4	68.1	112.6
General Fund	921,345	750,563	1,749,738	3,845,760
Cash Funds	2,265,334	2,285,338	273,973	406,745
Reappropriated Funds	534,870	734,020	3,743,397	4,242,032
Health, Life, and Dental	<u>7,383,247</u>	<u>7,870,131</u>	<u>8,697,950</u>	<u>9,560,282</u> *
General Fund	2,342,712	3,120,652	3,196,136	3,789,112
Cash Funds	5,040,535	4,749,479	5,290,380	5,462,539
Reappropriated Funds	0	0	211,434	308,631
Short-term Disability	<u>119,500</u>	<u>104,868</u>	<u>124,678</u>	<u>154,284</u> *
General Fund	46,128	50,078	49,027	59,974
Cash Funds	73,372	54,790	71,747	87,955
Reappropriated Funds	0	0	3,904	6,355
S.B. 04-257 Amortization Equalization Disbursement	<u>1,879,736</u>	<u>1,901,992</u>	<u>2,371,750</u>	<u>2,834,921</u> *
General Fund	726,794	900,566	925,665	1,106,078
Cash Funds	1,152,942	1,001,426	1,371,622	1,613,304
Reappropriated Funds	0	0	74,463	115,539

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>1,505,862</u>	<u>1,631,897</u>	<u>2,137,964</u>	<u>2,657,740</u>	*
General Fund	580,357	768,377	832,729	1,036,950	
Cash Funds	925,505	863,520	1,238,270	1,512,473	
Reappropriated Funds	0	0	66,965	108,317	
Salary Survey	<u>0</u>	<u>0</u>	<u>1,579,832</u>	<u>1,055,695</u>	
General Fund	0	0	593,035	426,884	
Cash Funds	0	0	986,797	628,811	
Merit Pay	<u>0</u>	<u>0</u>	<u>913,775</u>	<u>940,136</u>	
General Fund	0	0	371,263	409,037	
Cash Funds	0	0	542,512	531,099	
Shift Differential	<u>175,327</u>	<u>0</u>	<u>35,690</u>	<u>123,439</u>	
General Fund	3,743	0	3,743	3,988	
Cash Funds	171,584	0	31,947	119,451	
Workers' Compensation	<u>717,073</u>	<u>770,411</u>	<u>792,798</u>	<u>956,594</u>	
General Fund	253,645	319,286	321,756	363,580	
Cash Funds	463,428	451,125	471,042	593,014	
Operating Expenses	<u>1,186,232</u>	<u>1,078,413</u>	<u>1,195,578</u>	<u>2,173,621</u>	*
General Fund	448,972	469,181	527,569	1,523,851	
Cash Funds	737,260	609,232	668,009	649,770	
Postage	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,995,393</u>	*
General Fund	0	0	0	2,657,783	
Cash Funds	0	0	0	337,610	

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Legal Services	<u>2,863,636</u>	<u>2,737,718</u>	<u>3,616,138</u>	<u>3,626,180</u>	
General Fund	2,157,451	2,006,432	2,381,816	2,374,091	
Cash Funds	706,185	731,286	1,234,322	1,252,089	
Administrative Law Judge Services	<u>3,798</u>	<u>14,200</u>	<u>16,777</u>	<u>9,652</u>	
Cash Funds	3,798	14,200	16,777	9,652	
Purchase of Services from Computer Center	<u>9,142,106</u>	<u>9,642,423</u>	<u>13,372,039</u>	<u>0</u> *	
General Fund	5,310,325	5,759,188	8,285,427	0	
Cash Funds	3,461,851	3,480,817	5,086,612	0	
Reappropriated Funds	369,930	402,418	0	0	
Colorado State Network	<u>3,098,197</u>	<u>4,074,495</u>	<u>3,791,850</u>	<u>0</u> *	
General Fund	369,370	982,917	539,476	0	
Cash Funds	2,702,421	3,058,734	3,252,374	0	
Reappropriated Funds	26,406	32,844	0	0	
Management and Administration of OIT	<u>1,047,473</u>	<u>546,549</u>	<u>605,439</u>	<u>0</u> *	
General Fund	759,437	406,147	120,546	0	
Cash Funds	257,629	124,180	484,893	0	
Reappropriated Funds	30,407	16,222	0	0	
Payment to Risk Management and Property Funds	<u>161,458</u>	<u>239,245</u>	<u>217,867</u>	<u>247,303</u>	
General Fund	52,585	90,479	82,739	95,334	
Cash Funds	108,873	148,766	135,128	151,969	
Vehicle Lease Payments	<u>573,239</u>	<u>491,506</u>	<u>577,363</u>	<u>639,759</u> *	
General Fund	87,991	118,041	138,954	163,731	
Cash Funds	485,248	373,465	438,409	476,028	

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Leased Space	<u>3,327,058</u>	<u>3,286,126</u>	<u>3,752,145</u>	<u>3,776,641</u>	
General Fund	477,045	556,685	676,560	663,360	
Cash Funds	2,850,013	2,729,441	3,075,585	3,113,281	
Capitol Complex Leased Space	<u>1,723,674</u>	<u>1,683,593</u>	<u>2,150,284</u>	<u>1,914,700</u>	
General Fund	1,105,765	1,091,129	1,375,688	1,260,818	
Cash Funds	617,909	592,464	774,596	653,882	
Communication Services Payments	<u>70,501</u>	<u>69,144</u>	<u>82,173</u>	<u>0</u> *	
General Fund	11,689	12,975	14,066	0	
Cash Funds	58,812	56,169	68,107	0	
COFRS Modernization	<u>0</u>	<u>299,967</u>	<u>313,372</u>	<u>313,372</u>	
General Fund	0	67,250	80,654	80,654	
Cash Funds	0	232,717	232,718	232,718	
Information Technology Security	<u>0</u>	<u>0</u>	<u>151,186</u>	<u>0</u> *	
General Fund	0	0	71,081	0	
Cash Funds	0	0	80,105	0	
Payments to OIT	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,494,100</u> *	
General Fund	0	0	0	7,828,811	
Cash Funds	0	0	0	7,665,289	
Utilities	<u>187,536</u>	<u>75,262</u>	<u>143,703</u>	<u>143,703</u>	
General Fund	0	0	0	0	
Cash Funds	187,536	75,262	143,703	143,703	

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
TOTAL - (1) Executive Director's Office	38,887,202	40,287,861	52,407,459	58,112,052	10.9%
<i>FTE</i>	<u>44.3</u>	<u>41.4</u>	<u>68.1</u>	<u>112.6</u>	<u>65.3%</u>
General Fund	15,655,354	17,469,946	22,337,668	27,689,796	24.0%
Cash Funds	22,270,235	21,632,411	25,969,628	25,641,382	(1.3%)
Reappropriated Funds	961,613	1,185,504	4,100,163	4,780,874	16.6%

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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(2) CENTRAL DEPARTMENT OPERATIONS DIVISION

This division maintains documents and records transactions for taxes, licensing, and other fee payments; deposits tax remittances; processes tax documents; issues income tax refunds; and handles a variety of incoming and outgoing mail. Through Request - 6, the Department is requesting that appropriations for this division be moved to the Executive Director's Office and the Taxation Business Group starting with FY 2014-15.

Personal Services	<u>5,015,821</u>	<u>5,022,357</u>	<u>4,235,808</u>	<u>0</u> *
FTE	96.3	88.0	80.6	0.0
General Fund	4,432,690	4,525,973	3,677,946	0
Cash Funds	498,181	423,219	89,013	0
Reappropriated Funds	84,950	73,165	468,849	0
Seasonal Tax Processing	<u>330,643</u>	<u>312,787</u>	<u>296,391</u>	<u>0</u> *
General Fund	330,643	312,787	296,391	0
Operating Expenses	<u>1,280,359</u>	<u>1,153,909</u>	<u>1,214,005</u>	<u>0</u> *
General Fund	1,217,644	1,131,481	1,065,869	0
Cash Funds	62,715	22,428	148,136	0
Postage	<u>2,946,311</u>	<u>2,680,970</u>	<u>3,010,003</u>	<u>0</u> *
General Fund	2,652,076	2,372,470	2,657,783	0
Cash Funds	294,235	308,500	352,220	0
Pueblo Data Entry Center Payments	<u>1,651,086</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	1,646,761	0	0	0
Cash Funds	4,325	0	0	0
Document Imaging and Storage	<u>363,220</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	362,387	0	0	0
Cash Funds	833	0	0	0

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Document Management	<u>0</u>	<u>1,828,113</u>	<u>2,051,808</u>	<u>0</u> *	
General Fund	0	1,828,113	2,012,303	0	
Cash Funds	0	0	39,505	0	
TOTAL - (2) Central Department Operations					
Division	11,587,440	10,998,136	10,808,015	0	(100.0%)
<i>FTE</i>	<u>96.3</u>	<u>88.0</u>	<u>80.6</u>	<u>NaN</u>	<u>(100.0%)</u>
General Fund	10,642,201	10,170,824	9,710,292	0	(100.0%)
Cash Funds	860,289	754,147	628,874	0	(100.0%)
Reappropriated Funds	84,950	73,165	468,849	0	(100.0%)

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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(3) INFORMATION TECHNOLOGY DIVISION

This division includes two sections: Systems Support, which provides most of the Department's information technology support; and the Colorado State Titling and Registration System (CSTARS). CSTARS is the motor vehicle titling and registration information system that automates the distribution of vehicle registration taxes among the State, counties, and the Highway Users Tax Fund (HUTF). The major cash fund is the Colorado State Titling and Registration Account.

(A) System Support

Provides information technology (IT) support to the majority of the Department's IT systems, including taxation, driver's licenses and related systems, and the Enforcement Business Group's systems. Appropriations in this division are for contract services for support of the systems. Support provided by the Office of Information Technology is appropriated in the EDO. Cash fund sources are from the various systems that are supported by this division.

Personal Services	<u>343,248</u>	<u>326,459</u>	<u>788,393</u>	<u>1,128,874</u> *	
General Fund	111,952	196,409	540,299	1,121,724	
Cash Funds	218,715	130,050	248,094	7,150	
Reappropriated Funds	12,581	0	0	0	
Operating Expenses	<u>668,930</u>	<u>627,416</u>	<u>1,444,125</u>	<u>885,318</u>	
General Fund	668,930	627,416	1,368,566	809,759	
Cash Funds	0	0	75,559	75,559	

SUBTOTAL - (A) System Support	1,012,178	953,875	2,232,518	2,014,192	(9.8%)
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	780,882	823,825	1,908,865	1,931,483	1.2%
Cash Funds	218,715	130,050	323,653	82,709	(74.4%)
Reappropriated Funds	12,581	0	0	0	0.0%

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(B) Colorado State Titling and Registration System

Provides contract IT support to the Colorado State Titling and Registration System, which ties the State and the county clerks together to provide a system that facilitates vehicle titling and registration. The source of funding is the Colorado State Titling and Registration Account of the HUTF.

Personal Services	<u>173,401</u>	<u>467,818</u>	<u>442,688</u>	<u>442,688</u>	
Cash Funds	173,401	467,818	442,688	442,688	
Operating Expenses	<u>2,570,162</u>	<u>2,599,099</u>	<u>2,617,535</u>	<u>2,617,535</u>	
Cash Funds	2,570,162	2,599,099	2,617,535	2,617,535	
County Office Asset Maintenance	<u>568,230</u>	<u>568,230</u>	<u>568,230</u>	<u>568,230</u>	
Cash Funds	568,230	568,230	568,230	568,230	
County Office Improvements	<u>63,214</u>	<u>32,964</u>	<u>40,000</u>	<u>40,000</u>	
Cash Funds	63,214	32,964	40,000	40,000	

SUBTOTAL - (B) Colorado State Titling and Registration System	3,375,007	3,668,111	3,668,453	3,668,453	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	3,375,007	3,668,111	3,668,453	3,668,453	0.0%

TOTAL - (3) Information Technology Division	4,387,185	4,621,986	5,900,971	5,682,645	(3.7%)
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	780,882	823,825	1,908,865	1,931,483	1.2%
Cash Funds	3,593,722	3,798,161	3,992,106	3,751,162	(6.0%)
Reappropriated Funds	12,581	0	0	0	0.0%

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(4) TAXATION BUSINESS GROUP

The Taxation Business Group administers business taxes; income taxes; severance taxes; estate and transfer taxes; special taxes, including gasoline, special fuel, aviation fuel, cigarette, tobacco, liquor and marijuana excise taxes; public utility assessments; and food service licensing fees. Sources of cash funds include the Marijuana Cash Fund, the Tobacco Tax Enforcement Cash Fund, Highway Users Tax Fund, and various other sources of cash fund. Sources of reappropriated funds include division indirect cost recoveries, the State Board of Land Commissioners, and the Oil and Gas Conservation Commission.

(A) Administration

This section provides administrative support for the Taxation Business Group, including budgeting, human resources, and other support.

Personal Services	<u>538,869</u>	<u>525,068</u>	<u>493,090</u>	<u>509,645</u>	
FTE	5.9	5.6	5.0	5.0	
General Fund	533,933	522,472	491,419	507,914	
Cash Funds	4,936	2,596	1,671	1,731	
Operating Expenses	<u>13,706</u>	<u>7,707</u>	<u>13,100</u>	<u>13,100</u>	
General Fund	13,706	7,707	13,100	13,100	
Colorado Integrated Tax Architecture Maintenance and Support	0	0	5,441,200	3,655,000	
General Fund	0	0	1,993,200	3,645,000	
Cash Funds	0	0	3,448,000	10,000	

SUBTOTAL - (A) Administration	552,575	532,775	5,947,390	4,177,745	(29.8%)
FTE	<u>5.9</u>	<u>5.6</u>	<u>5.0</u>	<u>5.0</u>	<u>0.0%</u>
General Fund	547,639	530,179	2,497,719	4,166,014	66.8%
Cash Funds	4,936	2,596	3,449,671	11,731	(99.7%)

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(B) Taxation and Compliance Division

This Division ensures compliance with Colorado's tax laws by conducting compliance audits on individual and corporate income tax returns, sales tax submissions, and other tax returns. The Division maintains five section and six district offices throughout Colorado for these purposes. The Mineral Audit Program audits royalty returns associated with oil, natural gas, coal, and other mineral extraction on federal, state, and private lands.

Personal Expenses	<u>15,466,621</u>	<u>15,380,745</u>	<u>15,893,824</u>	<u>16,808,861</u>	
FTE	214.4	218.6	227.4	236.8	
General Fund	15,330,436	15,230,686	15,150,644	15,620,169	
Cash Funds	0	0	589,095	1,034,607	
Reappropriated Funds	136,185	150,059	154,085	154,085	
Operating Expenses	<u>991,924</u>	<u>922,123</u>	<u>1,082,319</u>	<u>1,064,498</u>	
General Fund	991,924	922,123	1,032,162	1,038,357	
Cash Funds	0	0	50,157	26,141	
Joint Audit Program	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	
General Fund	131,244	131,244	131,244	131,244	
Mineral Audit Program	<u>721,301</u>	<u>815,882</u>	<u>890,388</u>	<u>890,388</u>	
FTE	11.2	11.6	10.2	10.2	
Reappropriated Funds	24,954	22,047	66,000	66,000	
Federal Funds	696,347	793,835	824,388	824,388	
SUBTOTAL - (B) Taxation and Compliance Division	17,311,090	17,249,994	17,997,775	18,894,991	5.0%
FTE	<u>225.6</u>	<u>230.2</u>	<u>237.6</u>	<u>247.0</u>	<u>4.0%</u>
General Fund	16,453,604	16,284,053	16,314,050	16,789,770	2.9%
Cash Funds	0	0	639,252	1,060,748	65.9%
Reappropriated Funds	161,139	172,106	220,085	220,085	0.0%
Federal Funds	696,347	793,835	824,388	824,388	0.0%

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(C) Taxpayer Service Division

This Division assists individual and business taxpayers through regional service centers and a call center; issues tax licenses and permits to businesses; collects local sales and use taxes for many cities, counties, and special districts; and issues individual and business tax refunds. The Fuel Tracking System tracks the movement of gasoline and special fuels with the goal of expediting the collection of excise taxes.

Personal Services	<u>4,880,471</u>	<u>4,449,040</u>	<u>4,789,952</u>	<u>6,273,875</u>	*
FTE	80.0	77.7	76.9	103.1	
General Fund	4,506,360	4,418,205	4,535,530	6,029,404	
Cash Funds	374,111	30,835	254,422	244,471	
Operating Expenses	<u>404,580</u>	<u>260,968</u>	<u>413,735</u>	<u>454,974</u>	*
General Fund	386,619	260,968	402,010	451,244	
Cash Funds	17,961	0	11,725	3,730	
Seasonal Tax Processing	<u>0</u>	<u>0</u>	<u>0</u>	<u>296,391</u>	*
General Fund	0	0	0	296,391	
Document Management	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,917,354</u>	*
General Fund	0	0	0	1,877,849	
Cash Funds	0	0	0	39,505	
Fuel Tracking System	<u>468,414</u>	<u>473,037</u>	<u>647,269</u>	<u>489,161</u>	
FTE	1.4	1.5	1.5	1.5	
Cash Funds	468,414	473,037	647,269	489,161	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>6,626</u>	<u>8,120</u>	
Cash Funds	0	0	6,626	8,120	

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SUBTOTAL - (C) Taxpayer Service Division	5,753,465	5,183,045	5,857,582	9,439,875	61.2%
<i>FTE</i>	<u>81.4</u>	<u>79.2</u>	<u>78.4</u>	<u>104.6</u>	<u>33.4%</u>
General Fund	4,892,979	4,679,173	4,937,540	8,654,888	75.3%
Cash Funds	860,486	503,872	920,042	784,987	(14.7%)

(D) Tax Conferee

Attempts to resolve tax disputes, including those pertaining to gross conservation easements, before the issues go to court and review issues related to home rule city and county sales and use taxes.

Personal Services	<u>1,823,548</u>	<u>2,182,473</u>	<u>2,627,732</u>	<u>2,663,329</u>	
<i>FTE</i>	<u>12.7</u>	<u>13.0</u>	<u>12.2</u>	<u>12.2</u>	
General Fund	1,823,548	2,182,473	2,627,732	2,663,329	
Operating Expenses	<u>29,064</u>	<u>20,463</u>	<u>61,174</u>	<u>61,174</u>	
General Fund	29,064	20,463	61,174	61,174	
SUBTOTAL - (D) Tax Conferee	1,852,612	2,202,936	2,688,906	2,724,503	1.3%
<i>FTE</i>	<u>12.7</u>	<u>13.0</u>	<u>12.2</u>	<u>12.2</u>	<u>0.0%</u>
General Fund	1,852,612	2,202,936	2,688,906	2,724,503	1.3%

(E) Special Purpose

Distributes applicable percentage of gross cigarette taxes and Amendment 35 taxes to cities and counties, distributes grants to assist low-income, disabled, and elderly citizens with payment of property taxes and heat and fuel expenses, and issues rebates of sales taxes to qualified entities under the Commercial Vehicle Enterprise Sales Tax Refund program.

Cigarette Tax Rebate	<u>11,233,165</u>	<u>10,739,380</u>	<u>9,300,000</u>	<u>9,000,000</u>	
General Fund	11,233,165	10,739,380	9,300,000	9,000,000	
Amendment 35 Distribution to Local Governments	<u>1,335,640</u>	<u>1,289,435</u>	<u>1,314,900</u>	<u>1,314,900</u>	
Cash Funds	1,335,640	1,289,435	1,314,900	1,314,900	

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Old Age Heat and Fuel and Property Tax Assistance					
Grant	<u>7,173,388</u>	<u>6,582,510</u>	<u>7,100,000</u>	<u>6,900,000</u>	
General Fund	7,173,388	6,582,510	7,100,000	6,900,000	
Commercial Vehicle Enterprise Sales Tax Refund	<u>17,351</u>	<u>21,612</u>	<u>120,524</u>	<u>120,524</u>	
Cash Funds	17,351	21,612	120,524	120,524	
SUBTOTAL - (E) Special Purpose	19,759,544	18,632,937	17,835,424	17,335,424	(2.8%)
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	18,406,553	17,321,890	16,400,000	15,900,000	(3.0%)
Cash Funds	1,352,991	1,311,047	1,435,424	1,435,424	0.0%
TOTAL - (4) Taxation Business Group	45,229,286	43,801,687	50,327,077	52,572,538	4.5%
<i>FTE</i>	<u>325.6</u>	<u>328.0</u>	<u>333.2</u>	<u>368.8</u>	<u>10.7%</u>
General Fund	42,153,387	41,018,231	42,838,215	48,235,175	12.6%
Cash Funds	2,218,413	1,817,515	6,444,389	3,292,890	(48.9%)
Reappropriated Funds	161,139	172,106	220,085	220,085	0.0%
Federal Funds	696,347	793,835	824,388	824,388	0.0%

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(5) DIVISION OF MOTOR VEHICLES (EXISTING STRUCTURE)

The Division includes Administration, Driver Services, and Vehicle Services. The major sources of cash funds include: the Licensing Services Cash Fund, the License Plate Cash Fund, the Colorado State Titling and Registration Account, the Drivers' License Administrative Revocation Account, the Department of Revenue Subaccount of the AIR Account in the Highway Users Tax Fund (HUTF), the First Time Drunk Driving Offender Account in the HUTF, the Identification Security Fund, the Motorist Insurance Identification Account, and various other sources. Through Request 5, the Department is proposing restructuring the Division of Motor Vehicles into a new appropriation structure starting with FY 2014-15.

(A) Administration

This section administers the programs in the Division of Motor Vehicles. Cash funds sources are the cash funds that provide funding for the sub-divisions and programs in the Division.

Personal Services	<u>778,161</u>	<u>751,993</u>	<u>900,749</u>	<u>0</u> *
FTE	9.5	8.6	9.5	0.0
General Fund	0	23,868	27,216	0
Cash Funds	778,161	728,125	873,533	0
Operating Expenses	<u>45,409</u>	<u>50,111</u>	<u>52,350</u>	<u>0</u> *
General Fund	0	1,590	1,582	0
Cash Funds	45,409	48,521	50,768	0

SUBTOTAL - (A) Administration	823,570	802,104	953,099	0	(100.0%)
FTE	<u>9.5</u>	<u>8.6</u>	<u>9.5</u>	<u>0.0</u>	<u>(100.0%)</u>
General Fund	0	25,458	28,798	0	(100.0%)
Cash Funds	823,570	776,646	924,301	0	(100.0%)

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(B) Driver and Vehicle Services

Driver and Vehicle Services administers driver's licensing and records management, vehicle registration, the International Registration Program, and regulation of commercial driving schools. The primary cash funds sources are the Licensing Services Cash Fund, the License Plate Cash Fund, the Driver's License Administrative Revocation Account, the Identification Security Fund, the Colorado State Titling and Registration Account, outstanding judgments and warrants, and penalty assessments.

Personal Services	<u>15,536,628</u>	<u>16,069,351</u>	<u>16,668,659</u>	0	*
FTE	348.0	359.8	354.1	0.0	
General Fund	0	568,203	646,815	0	
Cash Funds	15,536,628	15,501,148	16,021,844	0	
Operating Expenses	<u>1,957,970</u>	<u>1,404,946</u>	<u>1,703,961</u>	0	*
General Fund	0	31,266	38,813	0	
Cash Funds	1,957,970	1,373,680	1,665,148	0	
Drivers License Documents	<u>3,568,821</u>	<u>4,188,636</u>	<u>4,314,318</u>	0	*
Cash Funds	3,568,821	4,188,636	4,314,318	0	
License Plate Ordering	<u>4,274,917</u>	<u>4,998,737</u>	<u>5,540,508</u>	0	*
Cash Funds	4,274,917	4,998,737	5,540,508	0	
Indirect Cost Assessment	0	0	<u>2,522,246</u>	0	*
Cash Funds	0	0	2,522,246	0	
SUBTOTAL - (B) Driver and Vehicle Services	25,338,336	26,661,670	30,749,692	0	(100.0%)
FTE	<u>348.0</u>	<u>359.8</u>	<u>354.1</u>	<u>0.0</u>	<u>(100.0%)</u>
General Fund	0	599,469	685,628	0	(100.0%)
Cash Funds	25,338,336	26,062,201	30,064,064	0	(100.0%)

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(C) Vehicle Emissions

The Emissions section conducts audits of inspection and readjustment stations and facilities to ensure compliance with vehicle emissions testing standards under the Automobile Inspection and Readjustment Program. The cash funds source is the Department of Revenue subaccount of the AIR Account in the Highway Users Tax Fund (HUTF).

Personal Services	<u>838,102</u>	<u>895,419</u>	<u>1,081,868</u>	<u>0</u> *	
FTE	12.6	13.0	15.0	0.0	
Cash Funds	838,102	895,419	1,081,868	0	
Operating Expenses	<u>83,213</u>	<u>84,435</u>	<u>86,825</u>	<u>0</u> *	
Cash Funds	83,213	84,435	86,825	0	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>138,121</u>	<u>0</u> *	
Cash Funds	0	0	138,121	0	
SUBTOTAL - (C) Vehicle Emissions	921,315	979,854	1,306,814	0	(100.0%)
FTE	<u>12.6</u>	<u>13.0</u>	<u>15.0</u>	<u>0.0</u>	<u>(100.0%)</u>
Cash Funds	921,315	979,854	1,306,814	0	(100.0%)

(D) Titles

Provides administrative and accounting support for the issuance of motor vehicle titles, certifies vehicle ownership for tax assessment and other purposes, and ensures uniformity among the county clerks that provide the interface for the public in these transactions. The cash funds source is the Colorado State Titling and Registration Account of the HUTF.

Personal Services	<u>1,605,329</u>	<u>1,512,534</u>	<u>1,638,996</u>	<u>0</u> *	
FTE	31.7	29.5	32.2	0.0	
Cash Funds	1,605,329	1,512,534	1,638,996	0	
Operating Expenses	<u>206,769</u>	<u>235,437</u>	<u>305,574</u>	<u>0</u> *	
Cash Funds	206,769	235,437	305,574	0	

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Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>283,623</u>	<u>0</u> *	
Cash Funds	0	0	283,623	0	
SUBTOTAL - (D) Titles	1,812,098	1,747,971	2,228,193	0	(100.0%)
<i>FTE</i>	<u>31.7</u>	<u>29.5</u>	<u>32.2</u>	<u>0.0</u>	<u>(100.0%)</u>
Cash Funds	1,812,098	1,747,971	2,228,193	0	(100.0%)

(E) Motorist Insurance Identification Database Program

Maintains the database to compare motor vehicle registration records against insured motorist records to authorize the accurate driver's license suspension of uninsured drivers.

Personal Services	<u>256,764</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.8	0.0	0.0	0.0	
Cash Funds	256,764	0	0	0	
Operating Expenses	<u>494</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	494	0	0	0	
Motorist Insurance Identification Database Program	<u>0</u>	<u>266,249</u>	<u>335,517</u>	<u>0</u> *	
FTE	0.0	0.8	1.0	0.0	
Cash Funds	0	266,249	335,517	0	
SUBTOTAL - (E) Motorist Insurance Identification Database Program	257,258	266,249	335,517	0	(100.0%)
<i>FTE</i>	<u>0.8</u>	<u>0.8</u>	<u>1.0</u>	<u>0.0</u>	<u>(100.0%)</u>
Cash Funds	257,258	266,249	335,517	0	(100.0%)

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(F) Ignition Interlock Program

Assists first time drunk driving offenders with obtaining ignition interlock devices to allow those offenders to drive, with certain restrictions. The funding source is the First Time Drunk Driving Offender Account of the HUTF.

Personal Services	<u>182,966</u>	<u>178,297</u>	<u>211,931</u>	0	*
FTE	4.3	4.2	5.0	0.0	
Cash Funds	182,966	178,297	211,931	0	
Operating Expenses	<u>462,139</u>	<u>630,432</u>	<u>934,842</u>	0	*
Cash Funds	462,139	630,432	934,842	0	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>27,110</u>	0	*
Cash Funds	0	0	27,110	0	
SUBTOTAL - (F) Ignition Interlock Program	645,105	808,729	1,173,883	0	(100.0%)
FTE	<u>4.3</u>	<u>4.2</u>	<u>5.0</u>	<u>0.0</u>	<u>(100.0%)</u>
Cash Funds	645,105	808,729	1,173,883	0	(100.0%)
TOTAL - (5) Division of Motor Vehicles (existing structure)	29,797,682	31,266,577	36,747,198	0	(100.0%)
FTE	<u>406.9</u>	<u>415.9</u>	<u>416.8</u>	<u>0.0</u>	<u>(100.0%)</u>
General Fund	0	624,927	714,426	0	(100.0%)
Cash Funds	29,797,682	30,641,650	36,032,772	0	(100.0%)

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(5) DIVISION OF MOTOR VEHICLES (REQUESTED NEW STRUCTURE)

The requested Division includes Administration, Driver Services, and Vehicle Services. The major sources of cash funds include: the Licensing Services Cash Fund, the License Plate Cash Fund, the Colorado State Titling and Registration Account, the Drivers' License Administrative Revocation Account, the Department of Revenue Subaccount of the AIR Account in the Highway Users Tax Fund (HUTF), the First Time Drunk Driving Offender Account in the HUTF, the Identification Security Fund, the Motorist Insurance Identification Account, and various other sources. Through Request 5, the Department is proposing restructuring the Division of Motor Vehicles into a new appropriation structure starting with FY 2014-15.

(A) Administration

The requested section will administer the programs in the Division of Motor Vehicles. Cash funds sources are the cash funds that provide funding for the subdivisions and programs in the Division.

Personal Services	<u>0</u>	<u>0</u>	<u>0</u>	1,453,280 *	
FTE	0.0	0.0	0.0	16.9	
General Fund	0	0	0	29,761	
Cash Funds	0	0	0	1,423,519	
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	80,034 *	
General Fund	0	0	0	1,670	
Cash Funds	0	0	0	78,364	

SUBTOTAL - (A) Administration	0	0	0	1,533,314	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>16.9</u>	<u>0.0%</u>
General Fund	0	0	0	31,431	0.0%
Cash Funds	0	0	0	1,501,883	0.0%

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(B) Driver Services

The requested Driver Services will administer driver's licensing and records management, the Ignition Interlock Program, which assists first time drunk driving offenders with obtaining ignition interlock devices to allow those offenders to drive, with certain restrictions. The primary cash funds sources are the Licensing Services Cash Fund and the First Time Drunk Driving Offender Account of the HUTF.

Personal Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,204,230</u> *	
FTE	0.0	0.0	0.0	388.8	
General Fund	0	0	0	8,992,478	
Cash Funds	0	0	0	12,211,752	
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,342,087</u> *	
General Fund	0	0	0	1,797,703	
Cash Funds	0	0	0	1,544,384	
Drivers License Documents	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,467,378</u> *	
Cash Funds	0	0	0	4,467,378	
Ignition Interlock Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,151,930</u> *	
FTE	0.0	0.0	0.0	5.0	
Cash Funds	0	0	0	1,151,930	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,829,996</u> *	
Cash Funds	0	0	0	1,829,996	
SUBTOTAL - (B) Driver Services	0	0	0	31,995,621	0.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>393.8</u>	<u>0.0%</u>
General Fund	0	0	0	10,790,181	0.0%
Cash Funds	0	0	0	21,205,440	0.0%

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(C) Vehicle Services

The requested Vehicle Services will administer vehicle registration, vehicle emissions, license plate ordering, titles, and the Motorist Insurance Identification Program. The primary cash funds sources are License Plate Cash Fund, the Colorado State Titling and Registration Account, the Department of Revenue subaccount of the AIR Account in the Highway Users Tax Fund (HUTF), the Motorist Insurance Identification Account of the HUTF, and outstanding judgments and warrants.

Personal Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,501,034</u>	*
FTE	0.0	0.0	0.0	49.2	
General Fund	0	0	0	427,157	
Cash Funds	0	0	0	2,073,877	
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>454,034</u>	*
General Fund	0	0	0	27,169	
Cash Funds	0	0	0	426,865	
License Plate Ordering	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,380,012</u>	*
Cash Funds	0	0	0	5,380,012	
Motorist Insurance Identification Database Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>331,618</u>	*
FTE	0.0	0.0	0.0	1.0	
Cash Funds	0	0	0	331,618	
Emissions Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,201,334</u>	*
FTE	0.0	0.0	0.0	15.0	
Cash Funds	0	0	0	1,201,334	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>0</u>	<u>633,529</u>	*
Cash Funds	0	0	0	633,529	

JBC Staff Budget Briefing: FY 2014-15
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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
SUBTOTAL - (C) Vehicle Services	0	0	0	10,501,561	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>65.2</u>	<u>0.0%</u>
General Fund	0	0	0	454,326	0.0%
Cash Funds	0	0	0	10,047,235	0.0%
TOTAL - (5) Division of Motor Vehicles (requested new structure)	0	0	0	44,030,496	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>475.9</u>	<u>0.0%</u>
General Fund	0	0	0	11,275,938	0.0%
Cash Funds	0	0	0	32,754,558	0.0%

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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MOTOR CARRIER SERVICES DIVISION

House Bill 12-1019 abolished the Motor Carrier Services Division in the Department of Revenue and transferred the Ports of Entry to the Colorado State Patrol and transferred the International Registration Program to Driver and Vehicle Services in the Division of Motor Vehicles.

Personal Services	<u>6,733,742</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	125.3	0.0	0.0	0.0	
General Fund	534,050	0	0	0	
Cash Funds	6,199,692	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>520,027</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	36,780	0	0	0	
Cash Funds	483,247	0	0	0	
Fixed and Mobile Port Maintenance	<u>219,204</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	219,204	0	0	0	
Hazardous Materials Permitting Program	<u>103,497</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	2.0	0.0	0.0	0.0	
Cash Funds	103,497	0	0	0	

TOTAL - Motor Carrier Services Division	7,576,470	0	0	0	0.0%
FTE	<u>127.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	570,830	0	0	0	0.0%
Cash Funds	7,005,640	0	0	0	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

JBC Staff Budget Briefing: FY 2014-15
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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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(6) ENFORCEMENT BUSINESS GROUP

This division regulates the limited gaming industry; regulates horse and dog racing events; enforces the state's liquor, medical marijuana, and tobacco laws; and licenses liquor retailers, wholesalers, and manufacturers and medical marijuana retailers and manufacturing and cultivation facilities. This division also regulates the distribution of motor vehicles and manages adjudication hearings related to drivers licenses, certain racing licenses, and some tax disputes.

(A) Administration

Provides administrative support to the divisions in the Group: the Limited Gaming Division; the Alcohol and Tobacco Enforcement Division; the Division of Racing Events; the Hearings Division, the Motor Vehicle Dealer Licensing Board; and the Medical Marijuana Enforcement Division.

Personal Services	<u>635,691</u>	<u>615,520</u>	<u>649,536</u>	<u>688,023</u>	
FTE	7.9	6.8	8.0	8.0	
General Fund	26,826	53,504	20,299	19,864	
Cash Funds	508,753	442,701	355,016	394,013	
Reappropriated Funds	100,112	119,315	274,221	274,146	
Operating Expenses	<u>10,048</u>	<u>12,589</u>	<u>12,780</u>	<u>12,780</u>	
General Fund	0	1,094	400	369	
Cash Funds	9,071	9,055	6,985	7,319	
Reappropriated Funds	977	2,440	5,395	5,092	

SUBTOTAL - (A) Administration	645,739	628,109	662,316	700,803	5.8%
FTE	<u>7.9</u>	<u>6.8</u>	<u>8.0</u>	<u>8.0</u>	<u>0.0%</u>
General Fund	26,826	54,598	20,699	20,233	(2.3%)
Cash Funds	517,824	451,756	362,001	401,332	10.9%
Reappropriated Funds	101,089	121,755	279,616	279,238	(0.1%)

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
(B) Limited Gaming Division					
Licenses and regulates limited gaming establishments, conducts background investigations on all gaming employees, monitors compliance with State limited gaming laws, and conducts audits to ensure tax remittances from gaming establishments are correct. Line allocations are determined by the Limited Gaming Commission and are not subject to appropriation by the General Assembly.					
Personal Services	<u>6,205,319</u>	<u>6,116,053</u>	<u>6,652,800</u>	<u>6,842,620</u>	
FTE	79.3	81.2	84.4	84.4	
Cash Funds	6,205,319	6,116,053	6,652,800	6,842,620	
Operating Expenses	<u>467,302</u>	<u>646,573</u>	<u>1,331,739</u>	<u>1,331,739</u>	
Cash Funds	467,302	646,573	1,331,739	1,331,739	
Licensure Activities	<u>100,547</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	100,547	0	0	0	
Investigations	<u>28,524</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	28,524	0	0	0	
Payments to Other State Agencies	<u>3,457,747</u>	<u>3,569,853</u>	<u>3,853,589</u>	<u>3,853,589</u>	
Cash Funds	3,457,747	3,569,853	3,853,589	3,853,589	
Distribution to Gaming Cities and Counties	<u>91,182,958</u>	<u>92,677,111</u>	<u>23,788,902</u>	<u>23,788,902</u>	
Cash Funds	91,182,958	92,677,111	23,788,902	23,788,902	
Indirect Cost Assessment	<u>685,832</u>	<u>814,123</u>	<u>387,245</u>	<u>417,408</u>	
Cash Funds	685,832	814,123	387,245	417,408	
SUBTOTAL - (B) Limited Gaming Division	102,128,229	103,823,713	36,014,275	36,234,258	0.6%
FTE	<u>79.3</u>	<u>81.2</u>	<u>84.4</u>	<u>84.4</u>	<u>0.0%</u>
Cash Funds	102,128,229	103,823,713	36,014,275	36,234,258	0.6%

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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(C) Liquor and Tobacco Enforcement Division

Enforces the State's alcohol laws and regulations; issues licenses and permits to manufacturers, importers, distributors, and retailers of alcoholic beverages; and enforces State laws prohibiting the sale of tobacco products to minors.

Personal Services	0	2,096,350	2,217,909	2,270,917	
FTE	0.0	27.0	26.5	26.5	
General Fund	0	126,128	138,013	141,312	
Cash Funds	0	1,970,222	2,079,896	2,129,605	
Operating Expenses	0	84,917	97,919	97,919	
General Fund	0	7,070	7,201	7,201	
Cash Funds	0	77,847	90,718	90,718	
Indirect Cost Assessment	0	0	134,412	145,821	
Cash Funds	0	0	134,412	145,821	

SUBTOTAL - (C) Liquor and Tobacco Enforcement					
Division	0	2,181,267	2,450,240	2,514,657	2.6%
FTE	0.0	27.0	26.5	26.5	0.0%
General Fund	0	133,198	145,214	148,513	2.3%
Cash Funds	0	2,048,069	2,305,026	2,366,144	2.7%

Liquor Enforcement Division

This program was consolidated into the Liquor and Tobacco Enforcement Division for FY 2012-13.

Personal Services	1,535,943	0	0	0
FTE	20.3	0.0	0.0	0.0
Cash Funds	1,535,943	0	0	0

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Operating Expenses	<u>55,896</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	55,896	0	0	0	
SUBTOTAL - Liquor Enforcement Division	1,591,839	0	0	0	0.0%
<i>FTE</i>	<u>20.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	1,591,839	0	0	0	0.0%

Tobacco Enforcement Program

This program was consolidated into the Liquor and Tobacco Enforcement Division for FY 2012-13.

Personal Services	<u>385,817</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	5.8	0.0	0.0	0.0	
General Fund	115,485	0	0	0	
Cash Funds	270,332	0	0	0	
Operating Expenses	<u>28,874</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	7,036	0	0	0	
Cash Funds	21,838	0	0	0	
SUBTOTAL - Tobacco Enforcement Program	414,691	0	0	0	0.0%
<i>FTE</i>	<u>5.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	122,521	0	0	0	0.0%
Cash Funds	292,170	0	0	0	0.0%

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
(D) Division of Racing Events					
Licenses racetracks and individuals involved in horse and dog racing (currently inactive), allocates race days among racetracks, tests animals for drugs, and oversees wagering.					
Personal Services	<u>666,098</u>	<u>765,030</u>	<u>874,728</u>	<u>889,171</u>	
FTE	6.3	7.3	7.7	7.7	
Cash Funds	666,098	765,030	874,728	889,171	
Operating Expenses	<u>64,715</u>	<u>163,870</u>	<u>221,627</u>	<u>221,627</u>	
Cash Funds	64,715	163,870	221,627	221,627	
Laboratory Services	<u>69,270</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	69,270	0	0	0	
Commission Meeting Costs	<u>1,061</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	1,061	0	0	0	
Purses and Breeders Awards	<u>1,266,932</u>	<u>1,328,344</u>	<u>1,400,000</u>	<u>1,400,000</u>	
Cash Funds	1,266,932	1,328,344	1,400,000	1,400,000	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>90,658</u>	<u>72,911</u>	
Cash Funds	0	0	90,658	72,911	
Racetrack Applications	<u>17,559</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	17,559	0	0	0	
SUBTOTAL - (D) Division of Racing Events	2,085,635	2,257,244	2,587,013	2,583,709	(0.1%)
FTE	<u>6.3</u>	<u>7.3</u>	<u>7.7</u>	<u>7.7</u>	0.0%
Cash Funds	2,085,635	2,257,244	2,587,013	2,583,709	(0.1%)

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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(E) Hearings Division

Conducts hearings on driver's license suspensions and revocations, probationary licenses, habitual traffic offenders, misuse of temporary registration permits, and horse and dog racing licenses. Provides computer support and data analysis for traffic safety programs. Cash funds source is the Driver's License Administrative Revocation Account.

Personal Services	<u>1,763,346</u>	<u>1,780,589</u>	<u>2,182,046</u>	<u>2,265,482</u>	
FTE	27.2	27.4	29.4	29.6	
General Fund	0	146,031	178,955	178,955	
Cash Funds	1,763,346	1,634,558	2,003,091	2,086,527	
Operating Expenses	<u>94,424</u>	<u>97,690</u>	<u>101,408</u>	<u>101,408</u>	
General Fund	0	2,379	2,470	2,470	
Cash Funds	94,424	95,311	98,938	98,938	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>0</u>	<u>468,889</u>	
Cash Funds	0	0	0	468,889	

SUBTOTAL - (E) Hearings Division	1,857,770	1,878,279	2,283,454	2,835,779	24.2%
FTE	<u>27.2</u>	<u>27.4</u>	<u>29.4</u>	<u>29.6</u>	<u>0.7%</u>
General Fund	0	148,410	181,425	181,425	0.0%
Cash Funds	1,857,770	1,729,869	2,102,029	2,654,354	26.3%

(F) Motor Vehicle Dealer Licensing Board

Conducts hearings on driver's license suspensions and revocations, probationary licenses, habitual traffic offenders, misuse of temporary registration permits, and horse and dog racing licenses. Provides computer support and data analysis for traffic safety programs.

Personal Services	<u>1,714,584</u>	<u>1,766,742</u>	<u>1,782,358</u>	<u>1,914,521</u>	
FTE	26.9	27.1	26.2	27.2	
Cash Funds	1,714,584	1,766,742	1,782,358	1,914,521	

JBC Staff Budget Briefing: FY 2014-15
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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Operating Expenses	<u>117,491</u>	<u>92,184</u>	<u>119,023</u>	<u>121,244</u>	
Cash Funds	117,491	92,184	119,023	121,244	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>151,872</u>	<u>157,976</u>	
Cash Funds	0	0	151,872	157,976	
SUBTOTAL - (F) Motor Vehicle Dealer Licensing					
Board	1,832,075	1,858,926	2,053,253	2,193,741	6.8%
<i>FTE</i>	<u>26.9</u>	<u>27.1</u>	<u>26.2</u>	<u>27.2</u>	<u>3.8%</u>
Cash Funds	1,832,075	1,858,926	2,053,253	2,193,741	6.8%

(G) Marijuana Enforcement

Licenses and regulates marijuana dispensaries, growing facilities, and marijuana infused product manufacturing facilities. Investigates complaints and enforces law and regulations regarding such facilities. The funding source is the Marijuana License Cash Fund.

Marijuana Enforcement	<u>3,919,025</u>	<u>1,387,011</u>	<u>6,368,670</u>	<u>6,259,764</u>	
FTE	31.7	14.7	55.2	55.2	
Cash Funds	3,919,025	1,387,011	6,368,670	6,259,764	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>326,839</u>	<u>459,446</u>	
Cash Funds	0	0	326,839	459,446	
SUBTOTAL - (G) Marijuana Enforcement	3,919,025	1,387,011	6,695,509	6,719,210	0.4%
<i>FTE</i>	<u>31.7</u>	<u>14.7</u>	<u>55.2</u>	<u>55.2</u>	<u>0.0%</u>
Cash Funds	3,919,025	1,387,011	6,695,509	6,719,210	0.4%

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
TOTAL - (6) Enforcement Business Group	114,475,003	114,014,549	52,746,060	53,782,157	2.0%
<i>FTE</i>	<u>205.4</u>	<u>191.5</u>	<u>237.4</u>	<u>238.6</u>	<u>0.5%</u>
General Fund	149,347	336,206	347,338	350,171	0.8%
Cash Funds	114,224,567	113,556,588	52,119,106	53,152,748	2.0%
Reappropriated Funds	101,089	121,755	279,616	279,238	(0.1%)

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
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(8) STATE LOTTERY DIVISION

The State Lottery Division is an enterprise under the provisions of Section 20 of Article X of the Colorado Constitution (the Taxpayer's Bill of Rights). Expenditures are paid from the State Lottery Fund and appropriated as cash funds. The Lottery's direct costs for worker's compensation, variable vehicle expenses, legal services, the purchase of services from the computer center, multiuse network payments, payments to risk management, vehicle lease payments, leased space, Capitol Complex leased space, and communications services payments are shown in consolidated budget lines within the Executive Director's Office.

Personal Services	<u>8,062,827</u>	<u>8,003,453</u>	<u>8,830,202</u>	<u>9,085,964</u>	
FTE	117.2	116.3	117.1	117.1	
Cash Funds	8,062,827	8,003,453	8,830,202	9,085,964	
Operating Expenses	<u>1,013,624</u>	<u>1,035,198</u>	<u>1,203,156</u>	<u>1,203,156</u>	
Cash Funds	1,013,624	1,035,198	1,203,156	1,203,156	
Payments to Other State Agencies	<u>107,348</u>	<u>133,133</u>	<u>239,410</u>	<u>239,410</u>	
Cash Funds	107,348	133,133	239,410	239,410	
Travel	<u>110,638</u>	<u>70,001</u>	<u>113,498</u>	<u>113,498</u>	
Cash Funds	110,638	70,001	113,498	113,498	
Marketing and Communications	<u>13,282,526</u>	<u>13,732,533</u>	<u>14,700,000</u>	<u>14,700,000</u>	
Cash Funds	13,282,526	13,732,533	14,700,000	14,700,000	
Multi-State Lottery Fees	<u>137,472</u>	<u>148,940</u>	<u>177,433</u>	<u>177,433</u>	
Cash Funds	137,472	148,940	177,433	177,433	
Vendor Fees	<u>9,228,155</u>	<u>9,501,461</u>	<u>12,571,504</u>	<u>12,571,504</u>	
Cash Funds	9,228,155	9,501,461	12,571,504	12,571,504	

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	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2014-15 Request	Request vs. Appropriation
Retailer Compensation	<u>41,640,942</u>	<u>42,213,871</u>	<u>52,241,350</u>	<u>52,241,350</u>	
Cash Funds	41,640,942	42,213,871	52,241,350	52,241,350	
Ticket Costs	<u>3,834,164</u>	<u>3,566,811</u>	<u>6,578,000</u>	<u>6,578,000</u>	
Cash Funds	3,834,164	3,566,811	6,578,000	6,578,000	
Research	<u>105,900</u>	<u>133,899</u>	<u>250,000</u>	<u>250,000</u>	
Cash Funds	105,900	133,899	250,000	250,000	
Indirect Cost Assessment	<u>495,367</u>	<u>408,720</u>	<u>500,260</u>	<u>586,778</u>	
Cash Funds	495,367	408,720	500,260	586,778	
TOTAL - (8) State Lottery Division	78,018,963	78,948,020	97,404,813	97,747,093	0.4%
<i>FTE</i>	<u>117.2</u>	<u>116.3</u>	<u>117.1</u>	<u>117.1</u>	<u>0.0%</u>
Cash Funds	78,018,963	78,948,020	97,404,813	97,747,093	0.4%
TOTAL - Department of Revenue	329,959,231	323,938,816	306,341,593	311,926,981	1.8%
<i>FTE</i>	<u>1,323.0</u>	<u>1,181.1</u>	<u>1,253.2</u>	<u>1,313.0</u>	<u>4.8%</u>
General Fund	69,952,001	70,443,959	77,856,804	89,482,563	14.9%
Cash Funds	257,989,511	251,148,492	222,591,688	216,339,833	(2.8%)
Reappropriated Funds	1,321,372	1,552,530	5,068,713	5,280,197	4.2%
Federal Funds	696,347	793,835	824,388	824,388	0.0%

Appendix B: Recent Legislation Affecting Department Budget

2012 Session Bills

S.B. 12-012 (DOR Audits Auto Emission Test Centers): Implements the recommendations of the Legislative Audit Committee regarding the Department of Revenue's audits of facilities that conduct automobile emission inspections. Specifically, federal environmental protection agency rules require such inspections at least twice per year while current state law generally requires them every 90 days; the act harmonizes state law with federal law. Current law requires the department to conduct performance audits on each test lane at enhanced inspection centers and equipment audits on each lane at all types of inspection centers; the act requires such audits to be conducted at least twice per year on each lane at the facilities. Finally, the act authorizes the department to conduct risk-based audits for stations and facilities employing inspectors or mechanics suspected of violating rules. The act will be implemented within existing appropriations.

S.B. 12-041 (Commercial Vehicle Enterprise Fund Continuous Appropriation): The commercial vehicle enterprise tax fund (fund) consists of fines on overweight commercial vehicles. Among other things, moneys in the fund are annually appropriated to the Department of Revenue to refund sales and use taxes paid related to certain commercial vehicles. The act changes the annual appropriation requirement to a continuous appropriation to the department for the same purpose.

S.B. 12-044 (Failure to Provide Valid Transit Pass or Coupon): Repeals the crime of theft of public transportation services and creates a class B traffic infraction, failure to present a valid transit pass or coupon, that covers the same prohibited conduct as the former crime. If the violation occurs in Denver, the Denver County court keeps the fine revenue; in all other jurisdictions, the fine revenue is sent to the judicial department.

If a person was convicted of theft of public transportation services by fare evasion prior to its repeal, and the person has completed the sentence at the time the act becomes law, the court that entered the conviction shall seal the conviction by January 1, 2013, or the person may petition the court for sealing if the person wants the conviction sealed before January 1, 2013. If a person was convicted of theft of public transportation services by fare evasion prior to its repeal, but has not completed the sentence at the time the act becomes law, that person can petition for sealing after completing the sentence.

The act makes the following appropriations for fiscal year 2011-12:

- \$14,800 cash funds from the driver's license administrative revocation account in the highway users tax fund to the department of revenue for computer center services. That money is then appropriated to the governor's office of state planning and budgeting for allocation to the office of information technology.

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- \$2,324 cash funds to the department of revenue for implementation of the act, of which \$2,302 is from collected penalty assessments and \$22 is from administrative processing fees related to outstanding warrants and judgments.

For fiscal year 2012-13, the act appropriates \$28,639 and 0.8 FTE to the department of revenue for implementation of this act, of which \$22,224 is from the driver's license administrative revocation account in the highway users tax fund, \$6,355 is from collected penalty assessments, and \$60 is from administrative processing fees related to outstanding warrants and judgments.

H.B. 12-1019 (Transfer Ports of Entry to State Patrol): Abolishes the Motor Carrier Services Division (Division) of the Division of Motor Vehicles of the Department of Revenue (Department) and transfers the powers, duties, and functions of the division by type 3 transfers as follows:

- Transfers the Ports of Entry Section of the division to the Colorado State Patrol of the Department of Public Safety.
- Transfers the powers, duties, and functions of the division relating to commercial driver's licenses to the Department.
- Transfers the powers, duties, and functions of the division relating to the international registration plan to the Department.
- Also defines the term "port of entry officer" and makes multiple appropriations for the 2012-13 fiscal year in order to fund its implementation.

Adjusts appropriations to both departments in the FY 2012-13 Long Bill to reflect the transfers, including an increase of \$95,696 General Fund related to indirect cost recoveries.

H.B. 12-1038 (Multi-year Class A Trailer Registration): Creates an alternate registration for interstate commercial trailers and semitrailers if the owner is based in a jurisdiction other than Colorado or, if the owner is based in Colorado, the trailer or semitrailer is at least 10 years old. The registration does not expire until the trailer is sold or transferred. The owner notifies the Department of Revenue (department) when the trailer is sold or transferred. The department will issue a report in 2014 making recommendations at to the cost-effectiveness of this system of registration.

The expiration tabs and stickers for class A motor vehicles is eliminated.

The act sets the specific ownership tax at \$95.50 and the registration fee at \$24.50. Of the fee, the department or authorized agent that registers the vehicle retains \$2.00, the department transfers \$1.50 of the fee to the county for the county road and bridge fund, the statewide bridge enterprise special revenue fund is credited with \$5.00, the Colorado state titling and registration account is credited with \$0.50, the license plate cash fund is credited with \$2.50, and the highway users tax fund is credited with \$13.00.

\$118,000 is appropriated in FY 2011-12 and \$45,147 in FY 2012-13 from the Colorado state titling and registration account to the Department of Revenue to implement the act.

H.B. 12-1042 (Income Tax Credit for Estate Taxes on Ag Land): The act establishes an income tax credit for a person who inherits agricultural land located within the state that is based on the Colorado estate taxes that are attributable to the transfer of the agricultural land. The tax credit is subject to the following requirements:

- If more than one person inherits the land, the credit is apportioned among all beneficiaries;
- If the credit exceeds the income taxes owed, the excess is refundable to the taxpayer;
- If the land is reclassified in the 10 years after the credit is claimed, the taxpayer is required to repay the credit, with interest, to the state as part of an amended income tax return; and
- The credit is only effective if congress enacts legislation that has the effect of delaying the state estate tax. After the delay is over and there is a state estate tax again, the credit may be claimed.

H.B. 12-1216 (Drivers Licensing Services Fund): Extends for 3 years the current diversion, from the highway users tax fund to the licensing services cash fund, of revenue collected for examinations for driver's licenses and for the issuance or renewal of instruction permits, driver's licenses, and identification cards. In addition, it permits the use of funds in the motorist insurance identification account to be used for expenses incurred by the department of revenue in licensing drivers and issuing identification cards for 3 more years. The long bill is adjusted to account for the continued diversion of funds, reducing General Fund appropriations by \$22.7 million and increasing cash funds by the same amount.

H.B. 12-1314 (Oil & Gas Filing Exemption): The act creates an exception to the requirement that everyone subject to the severance tax on oil and gas must file a return with the department of revenue. This exception applies to any person who has less than \$250 withheld by all unit operators or first purchasers in a taxable year and whose withholding is greater than or equal to the taxes owed by the person for the taxable year.

In addition, if any person fails to file a report related to the severance tax, the executive director of the department of revenue may estimate the amount of tax, interest, and penalties due and mail the estimate to the last-known address of the person. If, within 10 days of receiving the estimate, the person fails to file a correct report and payment, the estimate becomes the amount payable to the state. The act prohibits the executive director from sending this estimate to a person who has less than \$250 withheld by all unit operators or first purchasers for the taxable year, unless the executive director has good cause to believe that such person does not qualify for the filing exception.

\$14,800 is appropriated to the governor, lieutenant governor, and state planning and budgeting for allocation to the office of information technology for the implementation of the act.

H.B. 12-1327 (Towing Carriers Repeal Bond Impose 5 Yr. Revocation): Section 1 of the act specifies that the current \$150 application fee for a towing carrier permit is waived for carriers that hold a \$50,000 surety bond as required under prior law, until the bond expires. Section 2 clarifies that the permit fee is payable annually and repeals the requirement for the \$50,000 surety bond. Section 2 also provides that a towing carrier that fails to pay a fine for violating applicable statutory or regulatory requirements is subject to:

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- Immediate revocation of its operating authority; and
- A prohibition on reapplying for new authority for a period of 5 years.
- The 5-year period of disqualification applies to the towing carrier and to its owners, principals, officers, members, partners, directors, and affiliated companies.

Finally, section 2 states that a towing carrier's facilities and vehicles are subject to inspection by the Public Utilities Commission (PUC) or the State Patrol.

Section 3 directs the PUC to create a document or electronic verification system so that the department of revenue can confirm that a towing carrier has valid operating authority. Section 4 establishes a special license plate for tow trucks, similar to the special plates currently in use for taxicabs and limousines, to be implemented beginning in 2013.

The act appropriates \$11,840 from the license plate cash fund and \$12,210 from the Colorado state titling and registration account of the highway users tax fund to the Department of Revenue for implementation of the act.

S.B. 12S-001 (Registration Fees Special Mobile Machinery): Allows an owner of more than 10 pieces of special mobile machinery to register all new special mobile machinery quarterly with the county and to obtain and use special mobile machinery plates, identifying decals, or certificates to designate that the registration for the machinery is pending. This allows the owner to renew the registrations for all of the machinery on the same date each year. The license plate for special mobile machinery is not required to have an annual validating tab or sticker. Fees are set to implement the bill.

\$126,563 and 0.8 FTE are appropriated to the Department of Revenue for implementation of the act. Of that sum, \$63,476 is from the Colorado State Titling and Registration Account of the Highway Users Tax Fund and \$63,087 is from fees to register special mobile machinery under the provisions of this act. Of these moneys, \$76,220 is reappropriated to the Office of State Planning and Budgeting in the Governor's Office for allocation to the Office of Information Technology for the purchase of computer center services for the Department of Revenue. An additional \$124,492 is appropriated from the License Plate Cash Fund to the Department of Revenue, for allocation to the Division of Motor Vehicles to purchase license plates related to the implementation of the act.

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S.B. 13-001 (Colorado Working Families Economic Opportunity Act): Establishes two refundable tax credits in Colorado Statutes: The first credit is the Earned Income Tax Credit (EITC) which is currently a Taxpayer Bill of Rights (TABOR) refund mechanism. This credit will become permanent after the next time a TABOR EITC refund is triggered (which is not expected through at least FY 2015-16). The EITC is set a 10.0 percent of the federal EITC and is refundable, meaning that the taxpayer is eligible for a refund even if credit exceeds the taxpayer's tax liability prior to the credit.

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The second credit established is the Child Tax Credit (CTC), which is set at a percentage of the federal Child Tax Credit, based upon adjusted gross income. The establishment of the tax credit is conditioned on enactment of the federal Marketplace Fairness Act (MFA) of 2013, or any other act with substantially similar requirements, and H.B. 13-1295 which implements the minimum simplification requirements of the MFA. The MFA will require the seller to collect sales taxes for out-of-state purchases under certain circumstances. The CTC is also a refundable tax credit.

Appropriates \$60,000 General Fund to the DOR for FY 2013-14 to implement the CTC if the federal MFA is enacted (H.B. 13-1295 was enacted by the General Assembly).

S.B. 13-004 (Electronic Renewal Senior Identification Card): Allows the holder of a State issued identification card who is sixty-five years of age to renew by electronic means or mail for every renewal period, provided that the holder attests, under penalty of perjury, that he/she is lawfully present in the United States and a resident of Colorado. Current law allows renewals by mail for every other renewal. Appropriates \$4,588 cash funds to the DOR for FY 2013-14 for the purchase of Computer Center services from the Governor's OIT.

S.B. 13-060 (Civil Air Patrol Motor Vehicle License Plate): Creates the Civil Air Patrol special license plate. Any person who pays the requisite fees is eligible to purchase the special plates. The fees are the regular registration and license plate fees plus an additional one-time \$50 fee which is split evenly between the Highway Users Tax Fund (HUTF) and the Licensing Services Cash Fund (LSCF). Appropriates \$3,605 from several cash funds to the DOR for FY 2013-14 for the purchase of computer programming services from the Governor's OIT and for the purchase of license plates from Correctional Industries.

S.B. 13-103 (Supplemental Bill): Supplemental appropriations act to modify FY 2012-13 appropriations.

S.B. 13-114 (Investigation and Application Fees Credited to Racing Cash Fund): Requires that investigation and application fees related to horse racing and dog racing be credited to the Racing Cash Fund. Currently the fees are not credited to any fund. The FY 2013-14 appropriation from the fund was made in the Long Bill (S.B. 13-230).

S.B. 13-115 (Waste Tire Fee Administration Cash Fund): Creates the Waste Tire Administration Cash Fund in the State Treasury, which is credited, from fees collected from retailers for the sale of each new tire, in the amount of the DOR's direct and indirect administrative costs in collecting the fees. The FY 2013-14 appropriation from the fund was made in the Long Bill (S.B. 13-230).

S.B. 13-120 (Navy SEAL Motor Vehicle License Plate): Creates the Navy SEAL special license plate. The plate is available to an active or honorably discharged retired or reserve member of the Navy SEALs. A person who purchases the special license plate must pay regular registration and license plate fees, plus an additional one-time \$50 fee which is split evenly between the HUTF and the LSCF. Appropriates \$3,315 from several cash funds to the DOR for

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FY 2013-14 for the purchase of computer programming services from the Governor's OIT and for the purchase of license plates from Correctional Industries.

S.B. 13-170 (Motor Vehicle License Plate Auction Group): Grants the License Plate Auction Group (LPAG) authority to issue a non-refundable income tax credit of 20 percent of the amount that exceed the appraised value of uniquely valuable license plate number. The credit may be carried forward for up to five years and the General Fund must be reimbursed for the value of the credit from the Registration Number Fund.

Authorizes an auctioneer or other seller of license plate number to retain a commission of 20 percent; increases the membership of the Board of the LPAG; allows the LPAG to sell license plates made of alternative materials, if approved by the DOR; allows the sale of license plates containing any symbol on the standard American keyboard or any symbol approved by the LPAG Board; and authorizes the Board to make business decision to carry out license plate auctions.

Appropriates \$16,000 General Fund to the DOR for FY 2013-14 for contract programming services required to implement the tax credit.

S. B. 13-221 (Conservation Easement Tax Credit Certification Application): Provides a conservation easement tax credit pre-approval process for tax years beginning January 1, 2014. Appropriates \$48,000 General Fund to the Department of Revenue for FY 2013-14 for contract programming services related to the Act. For more information on S.B. 13-221, please see the corresponding bill description at the end of Part III for the Department of Regulatory Agencies.

S.B. 13-224 (Protect Our Rivers Motor Vehicle License Plate): Creates the Protect Our Rivers special license plate. The plate is available to all applicants who demonstrate that they have donated \$25 to Colorado Trout Unlimited, a non-profit organization. The donation is not to be used for litigation or lobbying. A person who purchases the special license plate must pay regular registration and license plate fees, plus an additional one-time \$50 fee which is split evenly between the HUTF and the LSCF. The bill appropriates \$8,892 from several cash funds to the DOR for FY 2013-14 for the purchase of computer programming services from the Governor's OIT and for the purchase of license plates from Correctional Industries.

S.B. 13-251 (Driver's License and Identification Documentation): Allows the State to issue a driver's license, minor driver's license, instruction permit, or State identification card to a non-resident who cannot furnish proof of lawful presence in the United States, upon presenting the documents required for issuance. The licenses, permits, and ID cards must carry the phrase "Not Valid For Federal Identification, Voting, or Public Benefit Purposes" printed on the face of the card. Documents expire three years after issuance. Specifically states that peace officers are not authorized to arrest a person for possession of the document. Appropriates \$436,292 General Fund to the DOR for FY 2013-14 for the purchase of legal services from the Department of Law and computer center services from the Governor's OIT and for contract services and document design.

S.B. 13-280 (Title Off-highway Vehicles): Requires off-highway vehicles to be titled in the same manner as motor vehicles except under statutory provisions that apply to salvage vehicles and assumes the vehicle will be registered with the DOR. Off-highway vehicles sold before July 1, 2014 are exempt from the titling requirement until they are sold again. Appropriates \$25,900 cash funds to the DOR for FY 2013-14 for the purchase of Computer Center Services from the Governor's OIT.

H.B. 13-1011 (Repeal Fee Veteran's Identifier Driver's License): Eliminates the \$15 fee charged to a person who adds the military identifier to a driver's license or State identification card. Appropriates \$5,000 cash funds to the DOR for FY 2013-14 for changes to the driver's license computer system.

H.B. 13-1022 (Proof of Motor Vehicle Insurance): Allows a court to dismiss a charge of non-compliance with compulsory auto insurance if it verifies the driver had a valid policy in effect at the time of the alleged violation by using the uninsured motorist insurance identification database. This bill also establishes a new class B traffic infraction, with a fine of up to \$500 and surcharge of \$4, for offering fraudulent evidence of valid vehicle insurance to officials. Appropriates \$5,000 cash funds to the DOR for FY 2013-14 for programming changes to the Motorist Insurance Identification database.

H.B. 13-1024 (Income Tax Exemption Colorado Military Family Relief Fund): Exempts from Colorado income (for income tax purposes) any moneys received from the Colorado Military Family Relief Fund.

H.B. 13-1036 (Authority of Local Improvement District): Allows local improvement districts (LID) to include noncontiguous territory in the unincorporated areas of a single county, provided that those territories are included in the district based on a property owner petition. Allows the LID to use sales tax revenue to conduct public events. Establishes a procedure for property owners to petition county government for inclusion in, or exclusion from, an LID. The DOR will need to adjust its computer systems each time the boundary of an LID is modified. The necessary appropriations will be addressed each time a boundary is changed through the annual budget process, with the LID reimbursing the State General Fund for the expense.

H.B. 13-1042 (State Income Tax Deduction for Medical Marijuana Businesses): Creates a tax deduction for a Colorado taxpayer who is prohibited from claiming a federal income tax deduction by Section 280E of the Internal Revenue Code because marijuana is a controlled substance under federal law. Appropriates \$280,000 General Fund to the DOR for FY 2013-14 for programming changes to the Department's tax systems.

H.B. 13-1071 (Register Collector's Motor Vehicles): Specifies that a vehicle whose model year is more than 32 years old is eligible to be registered as a "collector's" vehicle. A vehicle so registered must pass an emissions test within 12 months after registration, if the vehicle is within the enhanced emissions program area. Previously, vehicles with model year 1975 or older were eligible to become collector's vehicles, so this expands the eligibility to model years 1976 through 1981, increasing by one year each year. Appropriates \$193,489 from several cash funds

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to the DOR for FY 2013-14 for the purchase of Computer Center Services from the Governor's OIT and license plates from Correctional Industries in the Department of Corrections.

H.B. 13-1080 (Aircraft Manufacturer Employee Income Tax Credit): Extends the existing Aircraft Manufacturer New Employee Tax Credit, which currently applies to aircraft manufacturers, to companies involved in the maintenance and repair, completion, or modification of aircraft.

H.B. 13-1110 (Special Fuel Tax and Electric Vehicle Fee): Alters fees for vehicles propelled by compressed natural gas (CNG), liquefied petroleum gas (LPG), and liquefied natural gas (LNG) from an annual license fee based on the weight of the vehicle to a reduced special fuels tax levied on a gallon of gasoline equivalent when the fuel is purchased; assesses a \$10 fee on each truckload (defined as 8,000 gallons of gasoline equivalent) of CNG, LPG, or LNG; and requires a plug-in electric vehicle to pay an annual license fee of \$50. The \$10 fee for each truckload of CNG, LPG, or LNG will be credited to the LPG and Natural Gas Inspection Fund and made available to the Division of Oil and Public Safety in the Department of Labor and Employment for the enforcement of the standards set forth in the bill. Of the \$50 annual fee for a plug-in electric vehicle, \$30 will be credited to the HUTF and \$20 will be credited to the Electric Vehicle Grant Fund. Appropriates \$254,096 from several cash funds to the DOR for FY 2013-14, and reappropriates \$68,212 of those moneys to the Governor's OIT for the provision of computer center services to the DOR.

H.B. 13-1119 (Veteran's Identification Card and Driver's License): Allows a U.S. military veteran to obtain a driver's license or identification card that identifies the holder as a veteran. Sets forth qualifications for the identifier. Appropriates \$72,800 from the LSCF to the DOR for FY 2013-14 for the purchase of services from the computer center and \$65,000 for contractor services. Reappropriates \$7,800 of those moneys to the Governor's OIT for the provision of computer center services to the DOR.

H.B. 13-1135 (Voter Registration at Age 16): Allows a person who has turned 16 years of age, who will not be 18 years of age by the date of the next election, to preregister to vote. The registrant will be registered automatically upon turning 18 years of age. Appropriates \$86,672 cash funds to the DOR for FY 2013-14 for necessary computer programming modifications.

H.B. 13-1142 (Urban and Rural Enterprise Zone Act Reforms): Reforms the Urban and Rural Enterprise Zone Act. Appropriates \$1,600 General Fund to the DOR for FY 2013-14 for modification to the GenTax computer system.

H.B. 13-1144 (Eliminate Cigarette Sales and Use Tax Exemption): Permanently eliminates the state sales and use tax exemption for the sale of cigarettes purchased in the State, which increases General Fund revenue over existing law by \$28.0 million in FY 2013-14 and by \$26.5 million in FY 2014-15.

H.B. 13-1153 (Electronic Filing of Ownership Tax By Special Mobile Machinery Fleets): Allows multi-county owners of special mobile machinery to file an electronic report with the DOR, which will provide that information to the counties. Appropriates \$98,411 General Fund

and 0.4 FTE to the DOR for contract programming services and the administration of the program.

H.B. 13-1240 (Penalties for Persistent Drunk Drivers): Modifies the definition and penalties for persistent drunk drivers. Specifically: lowers the blood alcohol content (BAC) threshold for labeling a person a persistent drunk driver (PDD); adds a person who has refused a BAC test to the list of persons who may be defined as a PDD; requires a PDD to obtain and use an ignition interlock device (IID) for one year after reinstatement of their license; allows a person whose license revoked for one year to apply for reinstatement after one year provided they use an IID, and to apply for reinstatement after two months for refusing a BAC test; requires the DOR to provide assistance to indigent persons in obtaining an IID; and allows most revocation penalties to run concurrently rather than consecutively. Appropriates \$126,834 cash funds from the First-time Drunk Driving Offender Account to the DOR for FY 2013-14 for personal services, temporary staff, operating expenses, and the purchase of services from the computer center, of which \$26,714 is reappropriated to the Governor's OIT for the provision of computer center services to the DOR.

H.B. 13-1247 (Innovative Motor Vehicle Income Tax Credit): Extends through tax year 2021 the availability for taxpayers to claim the Innovative Motor Fuel Tax Credit; clarifies the definition of plug-in hybrid-electric vehicles; and alters the way the credit is calculated for the purchase or lease of plug-in hybrid-electric, compressed natural gas, and liquefied petroleum gas vehicles and for the conversion of vehicles to electric and natural gas power sources.

H.B. 13-1288 (Establish Statewide Uniform Sales and Use Tax Base): Requires the DOR, in conjunction with counties and municipalities, to prepare a report that identifies the sales tax exemptions for each jurisdiction in the state, estimates the revenue associated with each exemption, determines how a uniform sales tax can be revenue neutral for the state and local taxing districts, and makes recommendations to the General Assembly to establish a uniform sales tax base. Appropriates \$80,089 General Fund to the DOR for FY 2013-14 for the costs associated with collecting data, computer programming, and publishing the report.

H.B. 13-1295 (Simplify Sales Tax For Marketplace Fairness Act): Implements the requirements of the federal Marketplace Fairness Act (MFA), which would require the collection of Colorado sales taxes from out-of-state vendors when those vendors sell to Colorado residents. Appropriates \$2,502,786 General Fund to the DOR for FY 2013-14 to implement and administer the tax. This bill, including the appropriation, will only take effect if the MFA (or substantially similar legislation) is enacted by the federal government. Thus this appropriation is not reflected in the tables within this report.

H.B. 13-1317 (Implement Amendment 64): Establishes the regulatory framework to implement Amendment 64, which legalizes the possession of small amounts of marijuana.

- Converts the existing Medical Marijuana Enforcement Division (MMED) to the Marijuana Enforcement Division (MED), with the MED having the authority to regulate medical marijuana and retail marijuana, and authorizes the MED to receive moneys from the General Fund. All spending authority that previously existed for the MMED is transferred to the MED.

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- Establishes unlawful acts including consuming marijuana in a licensed retail marijuana business, buying or selling marijuana outside of the regulated system, selling to a person under 21 years of age, and failing to pay the lawful excise tax. These acts are classified as Class 2 misdemeanors.
- Specifies the amount of the application fees for existing medical marijuana business and new businesses.
- Requires the MED to provide a report to the Finance Committees that includes the amount of revenue generated by retail marijuana, the expenses of the MED, and the regulatory work performed by the MED.
- Provides that only existing medical marijuana licensees businesses in good standing can apply for a license for a retail marijuana license business until September 30, 2014. Starting July 1, 2014, other persons may give notice of intent to apply for a retail license and receive preference from the MED.
- Through September 30, 2014, continues the current requirement for vertical integration.
- Requires the MED to develop and maintain a seed-to-sale tracking system.
- Credits the Marijuana Cash Fund with all application and licensing fees related to marijuana businesses, all regular sales taxes and any special sales taxes from medical and retail marijuana, as well as any General Fund required to fund the MED's regulatory and enforcement operations. Once the MED achieves a sufficient balance of cash funds to support the operations of the MED, excess moneys are transferred to the General Fund until the General Fund has been repaid any moneys provided to the MED for its operations.
- Appropriates \$1,227,026 cash funds to the DOR for personal services and operating expense and the purchase of legal services and computer center services related to implementation of the act.

H.B. 13-1318 (Retail Marijuana Taxes): Creates a special sales tax of up to 15 percent (in addition to the current 2.9 percent state sales tax and any local sales tax) to be levied on retail marijuana sales. The tax rate is initially set at 10 percent, which the General Assembly may raise or lower without having to go back to the voters for approval. The retailers are not permitted to keep any portion of the tax for their costs in collecting the tax for the State. Local jurisdictions receive 15 percent of the proceeds from the tax in the proportion of the total marijuana sales that occur in their areas. Requires an annual transfer from the General Fund to the Marijuana Cash Fund in the amount equal to the remaining sales tax revenues after apportionment to the local jurisdictions.

Creates an excise tax of up to 15 percent of the average market rate of the unprocessed retail marijuana upon its first sale or transfer from a cultivation facility to a retail store, manufacturing facility, or other cultivation facility. As required by Amendment 64, the first \$40 million raised goes to the Public School Capital Construction Fund, with any remaining moneys deposited into the Marijuana Cash Fund.

The additional sales and excise taxes will go into effect if the voters approve, at the November 2013 statewide election, the statewide ballot question regarding imposition of the taxes. Appropriates, if the ballot measure is approved, \$4,246,090 from the Marijuana Cash Fund to the DOR for FY 2013-14 for the administration of the taxes imposed.

Appendix C: Update on Long Bill Footnotes and Requests for Information

Long Bill Footnotes

- 62 Department Revenue, Enforcement Business Group, Limited Gaming Division --** It is the intent of the General Assembly that the Department of Revenue shall not spend more than 5.0 percent of Amendment 50 revenues for administrative expenses of the Limited Gaming Division.

Comment: The Governor did not veto any footnotes in the Long Bill.

Requests for Information

REQUESTS AFFECTING MULTIPLE DEPARTMENTS

4. Governor – Lieutenant Governor – State Planning and Budgeting, Office of Information Technology (OIT); and Department of Revenue, Executive Director's Office -- The Governor – Lieutenant Governor – State Planning and Budgeting and the Department of Revenue are requested to submit to the Joint Budget Committee a report detailing: (1) the progress made to-date on the implementation of the Department of Revenue's Request #2 – DOR IT Infrastructure Enhancements, including a comparison of the reliability of the new system components with the old system components; (2) data justifying the continuing budgetary support of the 22.0 FTE in OIT dedicated to serving the Department of Revenue during the implementation of Request #2; and (3) each of the specific anticipated outcomes cited in the budget submission as justifications for the project. The report is requested be provided for FY 2013-14 with the FY 2014-15 budget submission, and another report is requested to be provided for FY 2014-15 with the FY 2015-16 budget submission.

Comment: **The Department did not provide the requested report. Staff recommends that the Joint Budget Committee request that the Department address this RFI at the hearing with the Committee.**

Appendix D: Indirect Cost Assessment Methodology

Description of Indirect Cost Assessment Methodology

The Department of Revenue indirect cost assessment methodology is calculated based on three components: an “*Indirect Cost Pool*”, an “*Indirect Cost Base*”, and an “*Indirect Cost Rate*”.

The *Indirect Cost Pool* is comprised of personal services expenses in the Executive Director's Office and the Central Department Operations Division. In addition, for business group and divisional indirect costs, the *Indirect Cost Pool* for those divisions consist of personal services and operating expenses in the Administration Section/Division of those Business Groups/Divisions.

The *Indirect Cost Base* is comprised of the appropriations for personal services in each business group or division.

The *Indirect Cost Rate* is calculated either based on the number of FTE and/or the workload, where it can be identified. Because each division and cash fund may have different rates based on the number of FTE or workload, the number of different variations is not included here.

FY 2013-14 Indirect Cost Assessment Request

For FY 2014-15 the Department has requested \$4,780,874 for indirect cost assessments.

The Department adjusts its indirect cost assessments against cash funds so there is not a reduction in the total indirect cost assessment.

The table below shows the FY 2014-15 Department indirect cost assessment based on the November 1 request for each division.

Department of Revenue Indirect Cost Assessment FY 2014-15 Request	
Division	Cash Funds
Taxation Business Group	8,120
Division of Motor Vehicles	2,463,525
Enforcement Business Group	1,722,451
State Lottery Division	586,778
Total Indirect Costs Request	4,780,874

Appendix E: Change Requests' Relationship to Measures

This appendix will show how the Department of Revenue indicates each change request ranks in relation to the Department's top priorities and what performance measures the Department is using to measure success of the request.

Change Requests' Relationship to Measures			
R	Change Request Description	Goals / Objectives	Measures
R-1	DMV Funding Deficit	Re-finance the structural deficit of the Licensing Services Cash Fund with General Fund appropriations.	Measure not provided.
R-2	DMV Customer Service Enhancements	Provide 52 additional staff and automation equipment in driver's license offices in order to streamline operations and increase effectiveness in serving customers.	Reduce customer wait times by nearly 20 minutes and reduce the percentage of customers experiencing a service time of more than one hour to 25 percent (currently 35 percent).
R-3	DMV Driver License Examiner Reclassification	Reduce turnover rates in the Driver License Examiner class series.	Measure not provided.
R-4	ITD Replace Capitol Annex Cabling	Increase capacity data networking speeds at least 10 times from current speeds. Increase staff productivity.	Measure not provided.
R-5	DMV Appropriation Restructure	Increase budget transparency, align appropriations with programs, reduce complexity in accounting and tracking of program expenses.	Measure not provided.
R-6	Central Department Operations Realignment	Streamline business processes, reduce organizational complexity by reducing duplicative business units, activities, and processes.	Measure not provided.