

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2012-13 STAFF BUDGET BRIEFING

DEPARTMENT OF REVENUE

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

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**FY 2012-13 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF REVENUE

Table of Contents

Graphic Overview. 1

Department Overview 3

Factors Driving the Budget. 5

Decision Items. 16

Overview of Numbers Pages 18

Issues:

Performance-based Goals and the Department's FY 2012-13 Budget Request. 21

Funding Driver's License Offices. 28

Office of the State Auditor's Performance Audit of the Tax Pipeline. 33

Office of the State Auditor's Performance Audit of the Limited Gaming Commission. . 38

Revenues Generated by H.B. 10-1189 through H.B. 10-1200. 43

Increased Revenues Resulting from Tax Amnesty Provisions in S.B. 11-184. 47

Conservation Easement Dispute Resolution. 49

Appendices:

A - Numbers Pages. 51

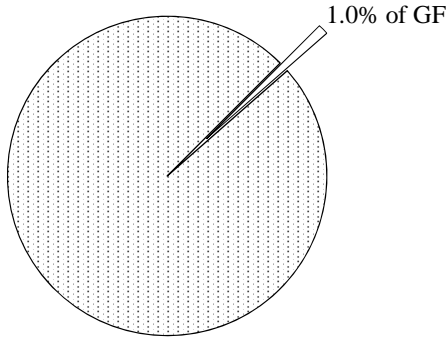
B - Summary of Major Legislation from 2011 Legislative Session. 80

C - Update on Long Bill Footnotes and Requests for Information. 86

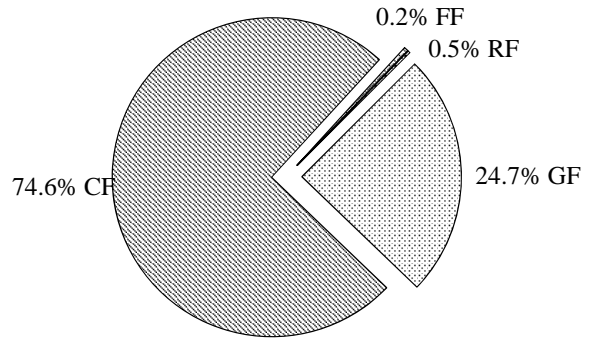
D - State Auditor's Recommendations Not Entirely Implemented. 90

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
 Department of Revenue
 GRAPHIC OVERVIEW**

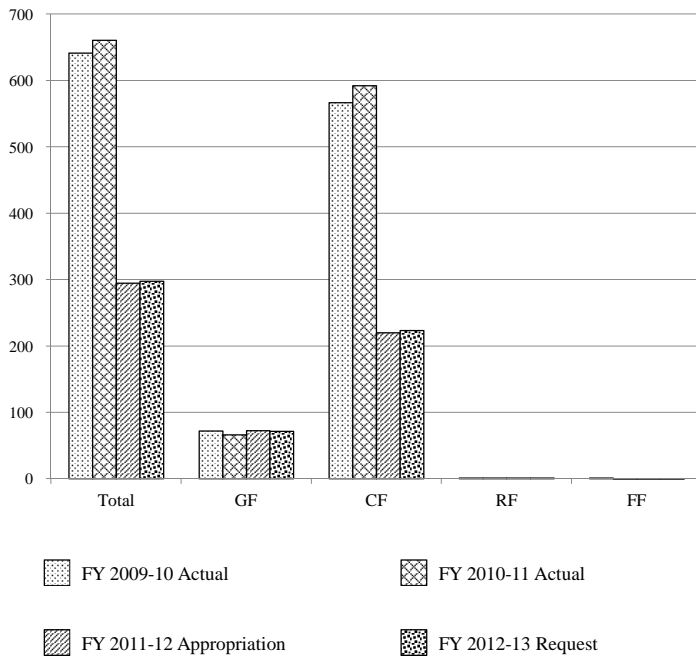
Department's Share of Statewide General Fund



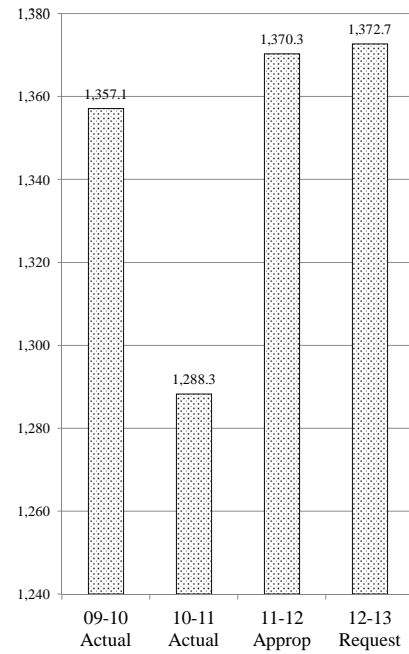
Department Funding Sources



**Budget History
 (Millions of Dollars)**

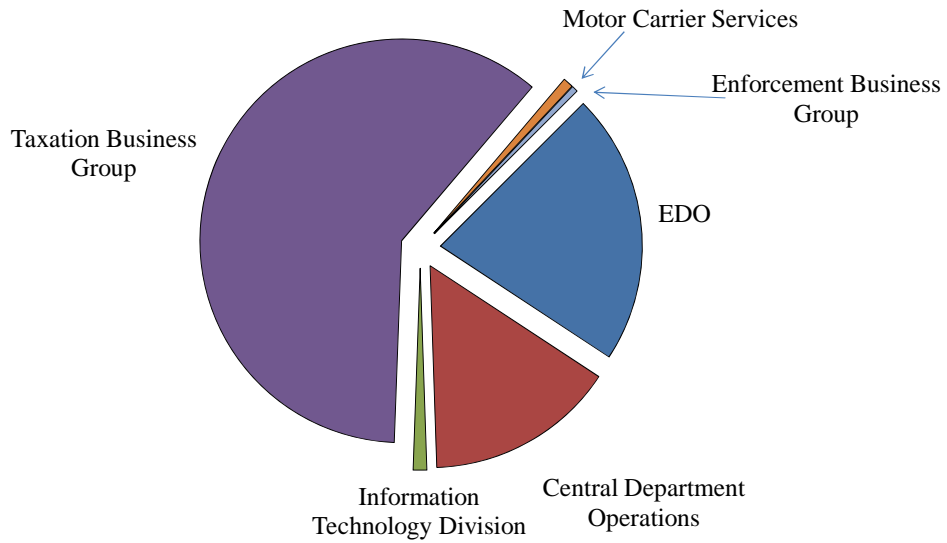


FTE History

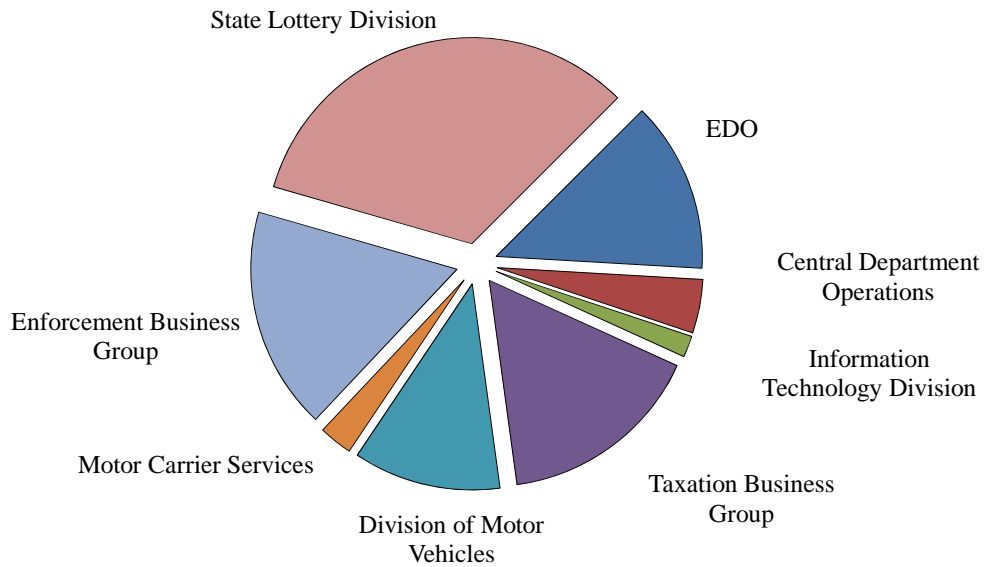


Unless otherwise noted, all charts are based on the FY 2011-12 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

DEPARTMENT OVERVIEW

Key Responsibilities

The Taxation Business Group has the following responsibilities, which it performs through five divisions (Administration, Taxation and Compliance, Taxpayer Service, Tax Conferee, and a Special Purpose Division):

- ▶ Collect, administer, and enforce the following taxes.
 - Income tax, including withholding
 - Sales and use tax, including collecting these taxes on behalf of counties, special districts, and non-home rule municipalities.
 - Gasoline and special fuel tax
 - Severance tax
 - Conservation easement credits

- ▶ Conduct audits of oil, gas, and mineral rents and royalties, the mill levy revenue from oil and gas production, and severance taxes accruing from federal, state, and private lands.

- ▶ Provides assistance and information to Colorado taxpayers to assist those taxpayers in filing taxes.

- ▶ Administers the following state programs:
 - The Cigarette Tax Rebate
 - The Amendment 35 Distribution to Local Governments
 - The Old Age Heat and Fuel and Property Tax Assistance Grant
 - The Alternative Fuels Rebate

The Division of Motor Vehicles administers and operates the following programs:

- ▶ The Driver and Vehicle Services section, which oversees driver's licenses, including operating driver's license offices, managing driver records, and administering administrative revocation of driver's licenses and includes collection of fees for services provided.

- ▶ The Colorado State Titling and Registration System (CSTARS), which is the state's centralized system for titling of vehicles, and the distribution of registration taxes between the state, the counties, and the Highway Users Tax Fund (HUTF).

- ▶ the Vehicle emissions testing program

- ▶ the Motorist insurance identification database program

- ▶ the Ignition interlock program
- ▶ The Motor Carrier Services Division, which operates as a separate division, operates the Ports of Entry Stations and administers the International Registry Program for registering interstate commercial vehicles.

The Enforcement Business Group administers and operates the following programs.

- ▶ The Limited Gaming Division, under the auspices of the Limited Gaming Control Commission, is located in the Department. The State Constitution gives power over appropriations to the Limited Gaming Control Commission and appropriations shown in the Department are for informational purposes.
- ▶ The Liquor Enforcement Division and the Tobacco Enforcement Program, both of which are primarily concerned with the enforcement of laws against underage consumption of these products, as well as the collection of taxes and fees from retailers.
- ▶ The Division of Racing Events, which oversees live horse racing in the state, as well as wagering on live simulcast broadcasts of racing events from around the country to off-track betting locations in Colorado. It is also responsible for overseeing live greyhound racing in the State should that industry return to Colorado.
- ▶ The Hearings Division, which conducts hearings for drivers license suspensions, revocations, habitual traffic offenders, probationary licenses, cancellation or denial of medical and physical disability, horse and dog racing licenses, and other actions that affect the licensing rights of citizens.
- ▶ The Motor Vehicle Dealer Licensing Board licenses and regulates motor vehicle dealers and sales persons.
- ▶ The Medical Marijuana Program, which enforces state laws regarding medical marijuana dispensaries, cultivation facilities and medical marijuana infused product manufacturing facilities.

Administers and operates the State Lottery, the proceeds of which benefit the Conservation Trust Fund, the Colorado Division of Parks and Outdoors Recreation, Great Outdoors Colorado, and the State's public schools for capital construction needs.

The Executive Director's Office, Central Department Operations, and Information Technology divisions provide for the general administration of the Department as well as support the other functions of the Department.

Factors Driving the Budget

The Department's primary budget drivers are the state tax structure, population levels, business activity in regulated industries, and technological capabilities.

The Department is organized into three functional groups: Taxation, Motor Vehicles, and Enforcement. The Department also administers the Motor Carrier Services Division and the State Lottery Division. These functional areas are supported by the Executive Director's Office, Central Department Operations, and the Information Technology Division.

In addition, the Department operates the State Lottery. Including prizes, the Lottery accounts for almost one-third of the Department's total budget.

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, and liquor excise taxes; public utility assessments; and food service licensing fees. The Taxation Business Group includes an Administration section, the Taxation and Compliance Division (which includes the Mineral Audit Program), the Taxpayer Service Division, the Tax Conferee, and a Special Purpose Division.

The primary budget drivers for this business group are the number of individuals and corporations filing income tax forms, and the retailers who collect sales taxes on behalf of the state. Also driving the budget are General Fund programs that statutorily require expenditures in the Department. These are the Cigarette Tax Rebate and the Old Age Fuel and Heat and Property Tax Grant program.

Electronic tax filing, in which taxpayers enter their own data onto an online form, and other associated electronic transactions, reduces forms processing and data entry expense. The Department has promoted electronic filing through many communication channels, resulting in higher levels of electronic transactions. The table below shows the number of electronically filed individual income tax returns, the number of refunds processed electronically and the estimated savings to the State for those returns.

Tax Forms Filed Electronically and Electronic Deposits and Payments				
	FY 2009-10		FY 2010-11	
	Number	Pct	Number	Pct.
<u>Method of Filing Taxes</u>				
Tax Returns Filed on Paper	819,911	36.0%	645,974	27.6%
Tax Returns Filed Electronically	1,454,511	64.0%	1,693,140	72.4%
Total	2,274,422		2,339,114	
Savings per Document (Data entry and imaging) /1	<u>\$0.73</u>		<u>\$0.80</u>	
Total Savings to State	\$1,061,793		\$1,354,512	

Tax Forms Filed Electronically and Electronic Deposits and Payments				
	FY 2009-10		FY 2010-11	
	Number	Pct	Number	Pct.
Method of Receiving Refund				
Warrants Issued	765,918	44.2%	663,405	39.3%
Direct Deposit	967,510	55.8%	1,026,245	60.7%
Total	1,733,428		1,689,650	
Saving per warrant /1	<u>\$0.41</u>		<u>\$0.42</u>	
Total Savings to State	\$396,679		\$431,023	

/1 The savings rate per document for data entry and imaging and for the issuance of warrants is based on the latest data provided by the Department. Numbers for data entry and imaging costs have fluctuated and may have been higher in previous years, but represent a close approximation of costs avoided by the state through electronic filing of documents.

In the 2010 session, the General Assembly appropriated \$1.1 million General Fund and 3.7 FTE in FY 2010-11 to the Department to address a backlog in resolving disputes regarding gross conservation easements. The backlog in cases dates back to 2002. The funds were appropriated for five years, by which time the backlog is expected to have been resolved. The total value of the claims pending is \$121.2 million, not including penalties and interest.

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 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.

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

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

The Special Purpose Division within the Taxation Business Group is responsible for the administration of the distribution of moneys for the Cigarette Tax Rebate (\$11.5 million), the Amendment 35 Distribution to Local Governments (\$1.5 million), the Old Age Heat and Fuel and Property Tax Assistance Grants (\$8.5 million), and the Commercial Vehicle Enterprise Sales Tax

Refund. Administrative costs for these programs are minimal and absorbed within the Taxpayer Business Group Administration. These programs are constitutionally or statutorily authorized and the appropriations determined by the forecasts of Legislative Council staff. Except for the Commercial Vehicle Enterprise Sales Tax Refund, Long Bill appropriations are for informational purposes only and are exempt from the statutory limits on General Fund appropriations.

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

The Old Age Heat and Fuel and Property Tax Assistance Grant provides for assistance in the payment of property taxes and heat and fuel expenses for Colorado residents who meet income and residency requirements. The grants are available to those who are sixty-five years of age or older and who have lived in a residence in the State for the entire tax year. A couple is jointly eligible for the grant if either meets the age and residence requirement. The grants are also available to those of any age who are disabled according to certain criteria set forth in statutes.

Old Age Heat and Fuel and Property Tax Assistance Grants Grants Authorized by Section 39-31-101 and 104, C.R.S.		
	Maximum Grant	Reduction Factors
Property Tax - Individual	\$600	Reduced by 10 percent of the amount that the individual's income exceeds \$6,000 in 2008, adjusted for inflation thereafter.
Property Tax - Couple	\$600	Reduced by 10 percent of the amount that the couple's income exceeds \$9,700 in 2008, adjusted for inflation thereafter.
Heat or Fuel expenses - Individual	\$192	Reduced by 10 percent of the amount that the individual's income exceeds \$6,000 in 2008, adjusted for inflation thereafter.
Heat or Fuel expenses - Couple	\$192	Reduced by 10 percent of the amount that the couple's income exceeds \$9,700 in 2008, adjusted for inflation thereafter.

DIVISION OF MOTOR VEHICLES

This division is responsible for issuing driver's licenses and state identification cards; issuing titles and registering motor vehicles; regulating commercial driving schools; enforcing interstate trucking laws through the Ports of Entry system in Motor Carrier Services Division; enforcing the state's auto emissions program; overseeing the Motorist Insurance Identification Database, and implementing the ignition interlock program for people convicted of drunk driving.

The primary budget drivers are the number of people obtaining driver's licenses or other identification documents, purchasing license plates, registering and titling vehicles (which also drives expenditures for overseeing the vehicle emissions program and the motorist insurance identification program), and the number of people who are arrested and convicted of traffic offenses, including drunk driving.

Driver and Vehicle Services

This section administers driver's licenses and drivers' records management, motor vehicle registration, the regulation of commercial driving schools, and ordering and distribution of license plates for all county and state offices. This section operates 37 driver's license offices and oversees 17 county driver's license offices statewide. The offices also perform non-driver related tasks, including registering voters, sending file information to the U.S. Selective Service System for prospective registrants, verifying social security numbers with the Social Security Administration, registering organ and tissue donors, and soliciting donations for the Donor Awareness Council.

The Driver Control Program maintains the official records of all drivers in the state; records administrative sanctions against drivers; takes administrative action revoking driving privileges when information is received from courts, law enforcement agencies, or other appropriate agencies; and investigates fraud.

To address General Fund revenue shortfalls in FY 2008-09 and FY 2009-10, legislation was passed to allow HUTF "off-the-top" funding of Driver and Vehicle Services (Driver's License offices) in addition to the Ports of Entry in the Department of Revenue. This was used to offset General Fund in the Division of Motor Vehicles, Driver and Vehicle Services.

House Bill 10-1387 extended the refinance of driver's license offices from the HUTF off-the-top moneys for one year and from the Licensing Services Cash Fund for two years. For FY 2010-11 and FY 2011-12, General Fund will not be a funding source to operate driver's license offices in the State. Unless legislation is passed to extend this financing, for FY 2012-13, \$22.7 million General Fund will be required to fund driver's license operations.

Vehicle Emissions

This unit conducts inspections of emissions stations to ensure compliance with vehicle emissions testing standards under the Automobile Inspection and Readjustment (AIR) program. Staff is responsible for licensing all emissions stations and inspectors, and overseeing station operations to prevent fraud and abuse. All funding for the program is from the Automobile Inspection and Readjustment (AIR) Account, a sub-account of the HUTF.

Titles

The Titles program is responsible for the issuance of legal, negotiable certificates of title to prove vehicle ownership and protect the public when purchase motor vehicles. Program staff reviews all high-risk title applications to verify that the assignment of ownership has been properly made. The program 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 title

records. The program is funded through the Colorado State Titling and Registration (CSTARS) Account, a sub-account of the HUTF.

Motorist Insurance Identification Database Program

This program helps law enforcement officials verify owner compliance with motor vehicle insurance requirements and authorizes administrative suspension of driver's licenses that are held by motorists suspected of being uninsured. The \$0.50 motorist insurance identification fee is charged upon registration of the vehicle and is credited to the Motorist Insurance Identification Database (MII) Account, a special purpose account within the HUTF. All funding for the program is from the MII Account.

Ignition Interlock Program

This is a new program, established by H.B. 08-1194, that oversees the ignition interlock program, which was created to require first-time drunk-driving offenders to install ignition interlocks in their vehicles as a condition of regaining their driving privileges. The majority of the funding for the program is to provide a subsidy for those drivers who cannot afford the ignition interlocks. The funding for the program comes from the First-Time Drunk Driving Offender Account.

MOTOR CARRIER SERVICES DIVISION

The Motor Carrier Services Division, which is administered by the Division of Motor Vehicles, registers motor carriers, collects fuel taxes, collects registration fees from fuel distributors, petroleum storage companies, and interstate carriers, operates the state's ports of entry, and enforces laws governing owners and operators of motor carriers. The primary budget driver is the number of commercial vehicles registered in the State and operating on the State's highways. Funding for the Division is primarily from the HUTF off-the-top moneys. A small amount of General Fund is utilized in the Division to provide funding for the International Registry Program, which registers interstate commercial carriers with the State.

Highway Users Tax Fund "Off-the-Top" Appropriation

Section 18 of Article X of the State Constitution requires that "the proceeds from the imposition of any license, registration fee, or other charge with respect to the operation of any motor vehicle upon any public highway in this state and the proceeds from the imposition of any excise tax on gasoline or other liquid motor fuel except aviation fuel used for aviation purposes shall, except for the costs of administration, be used exclusively for the construction, maintenance, and supervision of the public highways of this state." Supervision of the public highways includes the State Patrol in the Department of Public Safety and the Ports of Entry section. For FY 2008-09 through FY 2010-11, the General Assembly has permitted use of these moneys to operate driver's license offices in the Division of Motor Vehicles in the Department of Revenue. Prior to FY 1995-96, funding for the Division of Motor Vehicles came from the HUTF.

Pursuant to Section 43-4-201 (3) (a) (I) (B), the portion of the Highway Users Tax Fund (HUTF) appropriated to the Department of Revenue for the operations of the Ports of Entry program in the Motor Carrier Services Division, as well as for the Colorado State Patrol in the Department of Public Safety shall not be more than six percent more than the prior year appropriation. This "off-the-top" appropriation is permitted to grow by six percent each year regardless of the growth of overall HUTF

collections. As the name implies, these moneys are appropriated from the HUTF before the statutory distributions to cities, counties and the State Highway Fund. In each year since FY 2008-09, special bills have expanded the use of off-the-top moneys in the Division of Motor Vehicles.

Recent HUTF off-the-top appropriations and requests are detailed in the table below.

Highway Users Tax Fund Recent "Off-the-top" Appropriation History					
Fiscal Year	6% Growth of "Off-the-top" Annual Limit	"Off-the-top" Appropriation/ Request	Under/(Over)	"Off-the-top" Annual Growth Percentage	
FY 2007-08 Appropriation	\$96,932,326	\$96,932,326	\$0	6.0%	
FY 2008-09 Appropriation	102,748,266	102,748,266	0	6.0%	
FY 2009-10 Appropriation	108,913,162	108,913,162	0	6.0%	
FY 2010-11 Appropriation	115,447,952	115,447,951	1	6.0%	
FY 2011-12 Appropriation	122,374,828	110,791,367	11,583,461	-4.0%	
<i>FY 2012-13</i>					
<i>6 percent growth <a></i>	<i>129,717,318</i>	<i>117,896,995</i>	<i>11,820,323</i>		<i><a></i>
<i><a></i> Assumes that a supplemental increases the FY 2010-11 appropriation to the maximum permitted increase of 6 percent over the previous year's appropriation.					
<i></i>					

The next table details the appropriations of HUTF "Off-the-top" moneys among the Departments of Public Safety and Revenue, and to Capital Construction.

Highway Users Tax Fund "Off-the-top" Appropriation by Category						
Fiscal Year	Public Safety (CSP)	Revenue (Ports of Entry)	Revenue (Driver and Vehicle Services)	Capital Construc- tion	Implement H.B. 10- 1113	Total
2007-08 Appropriation	\$87,229,897	\$9,184,023	\$0	\$518,406	\$0	\$96,932,326
2008-09 Appropriation	92,484,755	9,614,130	649,381	0	0	102,748,266
2009-10 Appropriation	93,666,003	9,614,601	4,414,839	1,217,719	0	108,913,162
2010-11 Appropriation	96,889,092	9,659,717	3,851,776	2,329,036	255,011	112,984,632
2011-12 Appropriation	98,643,404	9,833,692	2,314,271	0	0	110,791,367
2012-13 Request	105,548,600	10,085,177	0	2,263,218	0	117,896,995

House Bill 10-1113

During the 2010 session, the General Assembly passed H.B. 10-1113, which transferred the Motor Carrier Safety Assistance Program to the Department of Public Safety, Colorado State Patrol. The program is largely federal funded, with 9.0 FTE funded by the Federal Government, and 1.0 FTE funded by the Nuclear Materials Transportation Fund and Highway Users Tax Fund off-the-top appropriation.

The act requires the Departments of Public Safety (the lead agency), Revenue, and Transportation to collaborate on a study to ultimately determine the best place for the Ports of Entry Section to be located. The study is complete and has been presented to the House and Senate Transportation Committees. The recommendations in the report are to transfer the operations of the Ports of Entry section to the Department of Public Safety and the facilities to the Department of Transportation.

ENFORCEMENT BUSINESS GROUP

The Enforcement Business Group regulates the medical marijuana, liquor, tobacco, racing, limited stakes gaming (except for games of chance operated for charity), and automobile sales industries. This Group's primary budget drivers are the number of businesses engaging in the regulated activities identified. In addition, the Hearings Division budget is driven by the number of hearings conducted in areas including drivers license suspensions and revocations, probationary licenses, cancellation or denial of medical and physical disability, habitual traffic offenders, and horse and dog racing licenses.

Limited Gaming Division

In 1991, the Colorado Constitution was amended to allow limited stakes gaming in three Colorado cities: Black Hawk, Central City, and Cripple Creek. Gaming taxes, fees, and other revenues are paid into the Limited Gaming Fund. The Limited Gaming Control Commission approves the Division's annual budget and oversees the regulation of the casinos. Funding for the Division is from the Limited Gaming Fund. The Commission also approves budget requests for gaming-related purposes for the Department of Public Safety. By Constitutional provision (Article XVIII, Section 9 (5) (b) (I)), the Limited Gaming Control Commission approves the budget for the Division and the figures in the Long Bill are for informational purposes.

According to the State Constitution, the proceeds, net of the Division's expenses, from pre-Amendment 50 limited gaming are distributed as follows: 28 percent goes to the State Historical Society; 12 percent goes to limited gaming counties (Gilpin and Teller); and 10 percent to limited gaming cities (Black Hawk, Central City, Cripple Creek). The remaining 50 percent goes to the General Fund or to such funds as may be determined by the General Assembly. Currently, 13 percent of the 50.0 percent is transferred to the Local Government Impact Fund. If General Fund revenues permit, the remainder is transferred to the following funds: the Colorado Tourism Promotion Fund; the New Jobs Incentives Fund; the State Council on the Arts Fund; the Film Incentives Fund; the Bioscience Discovery Evaluation Fund; the Innovative Higher Education Research Fund; and the Clean Energy Fund, each according to statutory formulas.

In 2008, voters approved Amendment 50 which expanded limited gaming. Amendment 50 allowed, subject to approval of local voters, increasing the maximum bet from \$5 to \$100, increasing the number of games allowed, and increasing the casino hours of operation. After expenses for the Limited Gaming Division, 78 percent of the *additional* revenues from the expansion of gaming go to the State's community colleges, with 10 percent going to the gaming cities and 12 percent going to the gaming counties. In FY 2009-10, the distribution to the state's community colleges was \$6.2 million.

State Limited Gaming Revenues, Expenses, and Distributions are detailed in the following table.

Limited Gaming Revenues, Expenses, and Distributions					
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Limited Gaming Revenue	\$116,034,393	\$112,074,885	\$97,445,021	\$110,809,510	\$106,104,331
Commission/Division Expenses	<u>(9,012,969)</u>	<u>(10,318,448)</u>	<u>(11,251,725)</u>	<u>(12,372,541)</u>	<u>(12,097,097)</u>
Available for Distribution	\$107,021,424	\$101,756,437	\$86,193,296	\$98,436,969	\$94,007,234
Distributions					
State Historical Society	\$29,779,880	\$28,165,675	\$23,878,704	\$24,867,360	\$24,195,009
State's Community Colleges	0	0	0	6,185,713	6,954,952
Gaming counties	12,762,806	12,071,004	10,233,731	11,609,088	11,439,282
Gaming Cities	10,998,522	10,182,705	8,744,422	9,674,240	9,532,736
General Fund	6,547,293	0	2,811,210	16,200,000	20,400,269
Local Government Limited Gaming Impact Fund	6,913,186	6,538,460	5,543,271	3,772,780	3,600,806
Department of Transportation	5,259,411	14,292,757	10,127,274	0	0
Travel and Tourism Promotion Fund	19,676,799	20,107,662	15,578,699	14,208,015	12,002,687
Colorado Council on the Arts Cash Fund	1,553,432	1,587,447	1,200,026	1,121,726	0
Creative Industries Cash Fund of the Operation of the Office of Film, Television and Media	621,373	634,979	180,011	407,997	240,054
New Jobs Incentives Cash Fund	3,106,863	3,174,894	1,400,052	1,291,231	0
Bioscience Discovery Evaluation Grant Program	2,500,000	0	4,500,000	5,500,000	4,320,967
Clean Energy Fund	7,000,000	3,959,650	0	0	0
Office of Economic Development Film Commission	0	0	300,000	0	0

Limited Gaming Revenues, Expenses, and Distributions					
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Creative Industries Cash Fund	0	0	0	0	960,215
Innovative Higher Ed Research Fund	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>1,904,251</u>	<u>1,680,376</u>
Total Distributions	\$106,719,565	\$100,715,233	\$85,497,400	\$96,742,401	\$95,327,352

Liquor Enforcement Division/Tobacco Enforcement Program

The Liquor Enforcement Division is responsible for enforcing the laws prohibiting serving and selling to minors and underage consumption, and includes licensing of liquor dealers statewide. Funding is from the Liquor Enforcement Division and State Licensing Authority Cash Fund. The Division also manages the Tobacco Enforcement Program which enforces laws prohibiting sales to minors. Funding is from the General Fund and the Tobacco Education Programs Fund and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund.

Division of Racing Events

The first major function of the Division of Racing Events and the Colorado Racing Commission is to promote racing. The Department oversees the racing operations of greyhound and horse racetracks. The Division is entirely cash funded, primarily from the Racing Cash Fund, which is funded by pari-mutual taxes.

The Division currently regulates and oversees the one horse racetrack (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 during the live racing season. In addition, there are seven off-track betting facilities that offer wagering on simulcast horse and greyhound racing from around the country.

Division of Racing Events					
Racing Days, Pari-Mutuel Sales and Taxes					
	2006	2007	2008	2009	2010
<u>Live Racing Days</u>					
Horse Racing	39	35	36	36	39
Greyhound Racing	276	259	126	0	0
<u>Pari-Mutuel Sales (Includes Off-Track Betting)</u>					
Horse Racing	63,999,748	61,811,342	59,674,385	50,162,287	48,463,460
Greyhound Racing	<u>85,213,814</u>	<u>65,297,424</u>	<u>31,081,863</u>	<u>14,054,240</u>	<u>28,971,896</u>
Total	149,213,562	127,108,766	90,756,248	64,216,527	77,435,356

Division of Racing Events					
Racing Days, Pari-Mutuel Sales and Taxes					
<u>State Pari-Mutuel Tax Collections</u>					
Horse Racing	485,798	468,481	447,181	365,452	345,011
Greyhound Racing	<u>2,749,470</u>	<u>2,324,295</u>	<u>1,121,420</u>	<u>105,407</u>	<u>217,289</u>
Total	3,235,268	2,792,776	1,568,601	470,859	562,300

Motor Vehicle Dealer Licensing Board

The Motor Vehicle Dealer Licensing Board is responsible for the oversight of the automobile sales industry, including licensing dealers and sales persons, and investigating complaints about them. In FY 2008-09, the Board issued or renewed 20,269 licenses of dealers, wholesalers, and sales persons. This represents a decrease of 3,177 from the peak in FY 2006-07, a decline of 13.6 percent. Funding for the Board is from the Auto Dealers License Fund.

Hearings Division

This division conducts hearings in a variety of areas including driver's license suspensions, revocations, probationary licenses, cancellation or denial of medical and physical disability, habitual traffic offenders, horse and dog racing licenses, and other actions that affect the licensing rights of citizens. The division also provides computer support and data analysis for public awareness programs related to traffic safety. Funding for the Division is provided by the Drivers License Administrative Revocation Account, a sub-account of the Highway Users Tax Fund.

Medical Marijuana Enforcement

In 2000, the voters approved an initiative to amend the Colorado Constitution to authorize the use of medical marijuana for "debilitating medical conditions". Due to a recent proliferation of medical marijuana dispensaries opening around the state, the General Assembly, in the 2010 session, passed H.B. 10-1284, to regulate medical marijuana caregivers, dispensaries, cultivation facilities, and medical marijuana infused-products manufacturing facilities. When enacted, H.B. 10-1284 created the Medical Marijuana State Licensing Authority in the Department of Revenue to enforce the law and to promulgate and enforce regulations regarding medical marijuana facilities.

STATE LOTTERY DIVISION

The State Lottery Division is responsible for operations of the State Lottery, which includes scratch games and jackpot games, which includes Cash 5, Lotto, and the multi-state PowerBall and Mega Millions games. Total Lottery sales and distributions for the last six years are shown in the table below. The primary budget driver is lottery ticket sales.

The following table details the distributions from the State Lottery.

State Lottery Division Total Sales and Distributions to State Recipients (Millions)						
Fiscal Year	Total Sales	Distributions				
		Conservation Trust Fund	Great Outdoors Colorado /a	Parks & Outdoors Recreation	Schools /a	Total
2005-06	\$468.0	\$50.2	\$50.2	\$12.6	\$12.6	\$125.6
2006-07	455.7	47.6	51.3	11.9	8.2	119.0
2007-08	505.8	48.9	53.1	12.2	8.1	122.3
2008-09	493.4	54.3	47.8	12.0	5.5	119.6
2009-10	501.2	45.2	56.4	11.3	0.1	113.0
2010-11	518.9	47.2	58.9	11.8	0.1	118.0

/a Moneys in excess of \$35 million in 1992, adjusted for inflation, are directed to the General Fund, or such fund as the General Assembly designates. Over the years, the "overflow" distribution has gone to a variety of school funds. Under current statutes, the excess funds are distributed to the Public School Capital Construction Assistance Fund, created in Section 42-43-7-104, C.R.S.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

DECISION ITEM PRIORITY LIST

Request	GF	CF	RF	FF	Total	FTE
1	389,755	0	0	0	389,755	0.0
<p>Driver's License Document Mailing Expense</p> <p>Central Department Operations and Division of Motor Vehicles. Increase requested to provide funding for the mailing of driver's license documents, due to a price increase from the vendor that provides this service. The contract for the mailing of the documents recently expired and the vendor has advised the Department that it will charge the department on a per document mailed basis, necessitating this increase. The previous appropriation of \$86,945 General Fund was appropriated from the Postage line in Central Department Operations. That appropriation will be transferred to the Division of Motor Vehicle, Driver and Vehicle Services, Driver License Documents line item, and the appropriation request is increased by \$389,755 General Fund. If, through statutory change, Decision Item # 6, is approved, these expenses would be appropriated from the Licensing Services Cash Fund.</p>						
2	0	95,000	0	0	95,000	0.0
<p>National Motor Vehicle Title Information System Operating Expenses</p> <p>Division of Motor Vehicles. Reflects a continuation of the operating expenses charged to the Department by the American Association of Motor Vehicle Administrators for the operating expenses of the National Motor Vehicle Title Information System (system), which had been operated by the U.S. Department of Justice prior to October 1, 2010. Effective that date, the US DOJ stopped funding the program, though, under federal law, the states are still required to participate in the program. Because of a shortage of funds in the Colorado State Titling and Registration (CSTAR) Account, the funding for this program had been provided on a year-to-year basis. With the funding problems for the CSTAR Account resolved, the Department is requesting permanent funding for this program, as required by federal statute. <i>Statutory authority: Section 42-6-101, et seq., C.R.S.</i></p>						
3	0	193,171	0	0	193,171	4.0
<p>Loma Port Staffing</p> <p>Motor Carrier Services Division. Provides funding for staffing of the westbound Port of Entry at Loma (west of Grand Junction). The State of Utah recently terminated a joint operating agreement with Colorado for operation of the westbound port of entry on I-70, west of Grand Junction, necessitating the State to assume operations of the port. This decision item would continue the interim supplemental that the JBC approved in July 2011. <i>Statutory Authority: Sections 42-8-104 and 42-8-105, C.R.S.</i></p>						
4	0	0	0	0	0	0.0
<p>Line Item Consolidation</p> <p>All Divisions. Request is to consolidate numerous line items throughout the Department (primarily personal services and operating expenses lines) to improve the Department's budgetary efficiency and flexibility. This is a budget neutral request.</p>						

Request	GF	CF	RF	FF	Total	FTE
5	0	120,524	0	0	120,524	0.0
H.B. 10-1285 Sales Tax Refunds Taxation Business Group. Reflects the statutory requirement to annually appropriate the sales tax refunds required by the passage of H.B. 10-1285 (Commercial Vehicle Enterprise Tax Refund). The refunds are appropriated from the Commercial Vehicle Enterprise Tax Fund. <i>Statutory authority: Sections 39-26-113.5 and 42-1-225., C.R.S.</i>						
6	(22,683,088)	22,683,087	(75,937)	0	(75,938)	0.0
Funding of Driver's License Office Operations Division of Motor Vehicles. The request is to permanently extend the funding of driver's license services with the cash funds generated by fees from driver's licenses. With the expiration of the provisions of H.B. 10-1387, fees from driver's licenses will be diverted to the HUTF and General Fund will be required to backfill the operations of driver's license offices. This proposal would utilize fees paid for by those obtaining or renewing driver's license for the operations of driver's license offices. <i>Requires statutory changes to Sections 42-2-107, 113, 114, 117, and 406, 42-3-304, and 43-4-201, C.R.S.</i>						
7	(1,604,723)	1,604,723	0	0	0	0.0
Refinance Severance Tax Collection and Administration Taxation Business Group (and multiple supporting divisions). The request refinances certain activities associated with the collection and administration of severance tax that are currently funded by the General Fund, which, under this proposal, are to be funded through the Severance Tax Trust Fund and the Local Government Severance Tax Fund. <i>Requires statutory changes to Sections 39-29-109 and 110, and 24-35-115, C.R.S.</i>						
NP-1	35,563	166,584	0	0	202,147	0.0
Fleet Replacement Executive Director's Office. Statewide decision item.						
Total	(23,862,493)	24,863,089	(75,937)	0	924,659	4.0

In addition to the formal decision items proposed by the Department in the table above, the Governor's Office of State Planning and Budgeting (OSPB) has requested a delay in the resumption of the senior citizen homestead property tax exemption (the appropriation for the exemption is located in the Department of the Treasury), which it proposes to offset with a \$9.5 million expansion of the Old Age Heat and Fuel and Property Tax Grant program (which is in the Department of Revenue).

The proposal is to amend the statutes (Sections 39-31-101 through 104, C.R.S.) to increase the income limitations in the program to expand the number of seniors and disabled persons that will qualify for the assistance. As of the date of the proposed request, OSPB had not identified the amended income limits that it is requesting in order to expand expenditures in the program by \$9.5 million in FY 2012-13.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2011-12 appropriation and its FY 2012-13 request. The column titled HUTF, (Highway Users Tax Fund) breaks out the appropriation for the HUTF "Off-the-top" appropriation, which is included in the Cash Funds column.

Total Requested Change, FY 2011-12 Appropriation to FY 2012-13 Request (millions of dollars)							
Category	GF	CF	RF	FF	Total	HUTF	FTE
FY 2011-12 Appropriation	\$72.7	\$219.9	\$1.3	\$0.7	\$294.7	\$11.9	1,370.3
FY 2012-13 Request	71.8	223.6	1.4	0.8	297.7	10.1	1,372.7
Increase / (Decrease)	(\$0.9)	\$3.7	\$0.1	\$0.1	\$3.0	(\$1.9)	2.4
Percentage Change	(1.3)%	1.7%	7.7%	20.0%	1.0%	(15.5)%	0.2%

The following table highlights the individual changes contained in the Department's FY 2012-13 budget request, as compared with the FY 2011-12 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes - FY 2011-12 Appropriation to FY 2012-13 Request							
Budget Change	GF	CF	RF	FF	Total	HUTF	FTE
<u>Adjustments to Base Budget</u>							
Adjustments to Department indirect costs	(\$431,960)	\$122,489	\$49,126	\$0	(\$260,345)	\$61,464	0.0
Adjustments to statewide indirect costs	(112,575)	(6,939)	24,440	0	(95,074)	17,788	0.0
Federal grant adjustment	0	0	52,296	100,687	152,983	0	0.0
Common policy adjustments	2,385,182	651,089	30,276	0	3,066,547	100,931	0.0
Statutory GF changes - Driver and Vehicle Services	2,220,455	(2,225,979)	0	0	(5,524)	0	0.0
Leased space rate increases	44,234	40,538	0	0	84,772	0	0.0

Requested Changes - FY 2011-12 Appropriation to FY 2012-13 Request							
Budget Change	GF	CF	RF	FF	Total	HUTF	FTE
Annualize decision items	(180,065)	(106,036)	0	0	(286,101)	(2,314,271)	0.0
Annualize H.B. 10-1387 (Finance driver's licenses at DOR)	19,961,127	(19,961,127)	0	0	0	0	0.0
Restore PERA adjustment (Annualize S.B. 11-076)	563,224	1,162,667	15,562	0	1,741,453	149,580	0.0
Annualize other special bills	(14,695)	(857,508)	0	0	(872,203)	(6,740)	(1.6)
Forecast adjustment - Cigarette tax rebate	(1,100,000)	0	0	0	(1,100,000)	0	0.0
Forecast adjustment - Old age heat & fuel & property tax grants	<u>(400,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(400,000)</u>	<u>0</u>	<u>0.0</u>
Total Base Adjustments	\$22,934,927	(\$21,180,806)	\$171,700	\$100,687	\$2,026,508	(\$1,991,248)	(1.6)
<u>Requested Changes to Department's Budget</u>							
DI #1 - Driver's license document mailing expense	389,755	0	0	0	389,755	0	0.0
DI #2 - National Motor Vehicle Title Information System operating expenses	0	95,000	0	0	95,000	0	0.0
DI #3 - Loma Port staffing	0	193,171	0	0	193,171	193,171	4.0
DI #4 - Line item consolidation	0	0	0	0	0	0	0.0
DI #5 - H.B. 10-1285 sales tax refunds	0	120,524	0	0	120,524	0	0.0
DI #6 - Funding of driver's license operations	(22,683,088)	22,683,087	(75,937)	0	(75,938)	(56,190)	0.0

Requested Changes - FY 2011-12 Appropriation to FY 2012-13 Request							
Budget Change	GF	CF	RF	FF	Total	HUTF	FTE
DI #7 - Refinance severance tax collection and administration	(1,604,723)	1,604,723	0	0	0	0	0.0
NP #1 - Fleet replacement	<u>35,564</u>	<u>166,584</u>	<u>0</u>	<u>0</u>	<u>202,148</u>	<u>(864)</u>	<u>0.0</u>
Total Requested Changes	(\$23,862,492)	\$24,863,089	(\$75,937)	\$0	\$924,660	\$136,117	4.0
Total Changes (FY 2011-12 to FY 2012-13)	(\$927,565)	\$3,682,283	\$95,763	\$100,687	\$2,951,168	(\$1,855,131)	2.4

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

BRIEFING ISSUE

ISSUE: Performance-based Goals and the Department's FY 2012-13 Budget Request

This issue brief summarizes the Department of Revenue's report on its performance relative to its strategic plan and discusses how the FY 2012-13 budget request advances the Department's performance-based goals. Pursuant to the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act (H.B. 10-1119), the full strategic plan for the Department of Revenue can be accessed from the Office of State Planning and Budgeting web site.

This issue brief assumes that the performance-based goals are appropriate for the Department. Pursuant to the SMART Government Act legislative committees of reference are responsible for reviewing the strategic plans and recommending changes to the departments. The issue brief also assumes that the performance measures are reasonable for the performance-based goals. Pursuant to the SMART Government Act the State Auditor periodically assesses the integrity, accuracy, and validity of the reported performance measures.

The Department's full strategic plan includes five overarching highest priority objectives and performance measures and additional division-specific objectives and performance measures.

DISCUSSION:

Performance-based Goals and Measures

The Department's Revenue's top priority objectives are:

1. Revenue Generation.

Objective: Enhance its revenue collections through the fair administration of Colorado's tax laws through the utilization of productivity gains and initiatives with ideal returns on investment.

Total Dollars Assessed by Income and Business Tax Audits		
Year	Benchmark	Actual
FY 2007-08 Actual	258,687,545	365,372,893
FY 2008-09 Actual	281,769,447	339,455,849
FY 2009-10 Actual	281,769,447	349,962,657
FY 2010-11 Actual	281,769,447	483,926,076
FY 2011-12 Appropriation	379,592,528	N/A
FY 2012-13 Request	400,732,119	N/A

a. How is the Department measuring the specific goal/objective?

Yes. The Department measures the total amount of tax liabilities identified by the Department's tax auditors and that is billed to the auditors taxpayers.

The Department also has three other performance measures that relate to this objective: (1) percent of tax dollars deposited within 48 hours; (2) net Lottery proceeds for distribution; and (3) total Lottery sales excluding PowerBall and MegaMillions.

b. Is the Department meeting its objective, and if not, why?

The Department is exceeding its objective for the four fiscal years prior to the current fiscal year by an average of 39.4 percent. For FY 2011-12 (the current fiscal year), the Department increased its performance objective by 34.7 percent over the FY 2010-11 objective, and increased it by another 5.6 percent for FY 2012-13.

The Department consistently exceeds its performance goals for the objective to deposit tax dollars within 48 hours, while performance in meeting the other objectives regarding lottery sales is inconsistent. The Department also provided workload indicators that appropriately measure the kinds of activities the Department engages in to further this objective.

c. How does the budget request advance the performance-based goal?

While the current budget request does not address this performance goal, the Department has sought and received significant resources from the General Assembly over the last four sessions to increase its audit production and assessment. These steps are detailed in the table below:

Department of Revenue Budget Requests to Increase Taxpayer Audit Assessments FY 2008-09 through FY 2011-12			
Fiscal Year	Appropriation	FTE	Description
2008-09	\$180,234	0.0	Appropriation allowed Department to fully fund its out-of-state travel requirement for senior auditors. Senior auditors are required to spend eight weeks traveling to conduct audits of out-of-state companies doing business in Colorado.
2009-10	1,765,657	20.0	Appropriation, implemented over a two-year period, allowed the Department to increase the number of out-of-state audit offices from three to six, and to increase audit staff from three to 21. These audit offices are located in major national business centers and allow the Department to conduct more audits of businesses doing business in Colorado.
2010-11	158,680	0.0	Allowed the implementation of a "Treasury Offset Program". The program allows the state to intercept federal tax refunds for taxpayers who owe Colorado taxes. The appropriation is to allow for the notification requirements in federal law.
2010-11	163,849	0.0	Allows for the postage and printing costs for continuing to bill delinquent taxpayers beyond the number of billings that were in effect prior to the approval of this decision item.

Department of Revenue Budget Requests to Increase Taxpayer Audit Assessments FY 2008-09 through FY 2011-12			
2010-11	326,150	5.5	Provided funding and FTE to identify and bill taxpayer liabilities for overclaimed tax refunds and taxpayer obligations that were not billed under previous information technology systems, and to match 1099 income amounts to individual taxpayers.
Total	\$2,594,570	25.5	

2. Regulation, Enforcement, and Education

Objective: Protect Colorado's citizens through the fair enforcement of laws and regulations related to industries that include medical marijuana, limited states gaming, auto dealers, liquor and tobacco retailers, live and simulcast horse and simulcast dog racing, and motor carriers.

Percent compliance of tobacco sales to minors at or above federal requirements		
Year	Benchmark	Actual
FY 2007-08 Actual	90.0%	89.6%
FY 2008-09 Actual	90.0%	92.4%
FY 2009-10 Actual	90.0%	93.0%
FY 2010-11 Actual	90.0%	92.0%
FY 2011-12 Appropriation	90.0%	TBD
FY 2012-13 Request	90.0%	TBD

a. How is the Department measuring the specific goal/objective?

Pursuant to federal requirements, the Department must conduct 1,000 compliance checks of tobacco retailers, as well as responding to requests from local health agencies to target specific areas of concern in a particular jurisdiction. The federal government requires an 80.0 percent compliance rate in order to qualify for the federal substance abuse block grant program. The Department has chosen to set its benchmark higher at 90.0 percent.

The Department also has four other performance measures that relate to this objective: (1) number of individuals registering to be an organ/tissue donor through the Division of Motor Vehicles; (2) perform compliance inspections of casinos in gaming cities; (3) perform quarterly compliance inspections of medical marijuana centers, optional premise cultivation centers and infused product manufacturers throughout the state; and (4) perform license inspections of medical marijuana centers, optional premise cultivation centers and infused product manufacturers throughout the state.

b. Is the Department meeting its objective, and if not, why?

Yes. Even though the Department has set its goal at a higher level than the federal government requires, the Department has met the goal for all but one year, and that year it just missed the benchmark.

The Department has consistently exceeded its performance benchmarks regarding the number of individuals registered as organ/tissue donors and compliance inspections of casinos. The medical marijuana inspections just started with the passage of H.B. 10-1284, which regulated medical marijuana, so those performance measures are not applicable yet. The Department also provided workload indicators that appropriately measure the kinds of activities the Department engages in to further this objective.

c. How does the budget request advance the performance-based goal?

The budget submission includes a request for an appropriation of \$193,171 and 4.0 FTE to allow the Department to keep open the westbound port of entry at Loma (I-70 west of Grand Junction). This port had been operated by the State of Utah under a joint agreement. Utah cancelled the agreement in May of 2010, leaving the Department with the choice of requiring commercial vehicles using the port to use the eastbound port or allowing the westbound traffic to leave the state without being subject to weight and size restrictions in statutes.

3. Alternative Service Delivery

Objective: Identify methods to deliver services in an alternative manner that speeds the delivery of services in all aspects of the Debarment's line of business.

Number of Department applications on the State Internet Portal		
Year	Benchmark	Actual
FY 2007-08 Actual	7	7
FY 2008-09 Actual	11	17
FY 2009-10 Actual	22	N/A
FY 2010-11 Actual	27	N/A
FY 2011-12 Appropriation	30	N/A
FY 2012-13 Request	30	N/A

a. How is the Department measuring the specific goal/objective?

The Department is measuring the number of applications available to members of the public that provide alternate methods for the public to pay fees or renew licenses or registrations without having to visit Department offices. This enhances productivity at the Department and reduces the amount of time members of the public have to spend to accomplish those activities that they need to complete with the Department, such as renewing a license or registration or make a tax payment.

The Department also has two other performance measures that relate to this objective: (1) percentage of International Registration Plan (IRP) registrations completed through electronic credentialing; and (2) percentage of trucks cleared through the PrePass System.

b. Is the Department meeting its objective, and if not, why?

No. The Department did not report the number of applications on the State Internet Portal for either FY 2009-10 or FY 2010-11. It did report that, as of June 30, 2011, it had 25 applications either under development or available to the public. Even if all of the 25 applications were on-line and available to the public, the Department would not have met its objective of having 27 applications available.

The Department has consistently failed to meet its performance goals in regarding the electronic credentialing of IRP registrations and trucks cleared through the PrePass system, though staff does note that these two performance measures are largely dependent on the activities of the commercial trucking industry and not entirely under the Department's control. The Department also provided workload indicators that appropriately measure the kinds of activities the Department engages in to further this objective.

c. How does the budget request advance the performance-based goal?

The budget request did not directly address this objective or the other objectives identified in the strategic plan.

4. Customer Service

Objective: Improve the accuracy and efficiency of services provided to all Department of Revenue customers.

Number of eligible individuals renewing driver's license documents online		
Year	Benchmark	Actual
FY 2007-08 Actual	500	753
FY 2008-09 Actual	5,000	4,696
FY 2009-10 Actual	50,000	21,609
FY 2010-11 Actual	100,000	109,242
FY 2011-12 Appropriation	163,863	TBD
FY 2012-13 Request	245,795	TBD

a. How is the Department measuring the specific goal/objective?

The Department is measuring the number of driver's licenses that are renewed on-line, which reduces the time the member of the public has to spend to renew the license and makes the staff in the Division of Motor Vehicles more efficient.

The Department also has five other performance measures that relate to this objective: (1) percent of individual income tax refunds processed within 21 days; (2) percent of business tax returns

processed within 21 days; (3) average wait time in minutes for the Taxpayer Services call center; (4) average wait time in minutes for the Motor Vehicle call center; and (5) percent of citizen complaint cases resolved.

b. Is the Department meeting its objective, and if not, why?

No. The Department has failed to meet its performance objective in this area for three out of the four years reported. Staff notes, however, that the Department has aggressively increased its benchmark and even so, did meet the benchmark in the final year for which it has data, indicating the rapid increase in the number of people renewing driver's licenses on-line.

The Department has consistently met or exceeded its benchmarks in the areas of processing individual income tax refunds and processing business tax returns. The Department has a very poor record of meeting its benchmarks regarding customer wait times at the call centers for the Taxpayer Service Division and the Motor Vehicle Division. The benchmark regarding citizen complaint cases resolved has only been identified starting in FY 2011-12 and there is no data yet to measure for the Department's compliance. The Department also provided workload indicators that appropriately measure the kinds of activities the Department engages in to further this objective.

c. How does the budget request advance the performance-based goal?

The budget request did not directly address this objective or the other objective identified in the strategic plan.

5. Accounts, Control, and Infrastructure

Objective: Maintain all accounts, controls, and infrastructure to effectively manage the Department's charges.

Percent of certified mail, motor vehicle titles, delinquency notices, and business tax documents mailed within 24 hours of receipt in the out-going mail room or on the scheduled date		
Year	Benchmark	Actual
FY 2007-08 Actual	100.0%	97.5%
FY 2008-09 Actual	100.0%	98.8%
FY 2009-10 Actual	100.0%	99.7%
FY 2010-11 Actual	100.0%	100.0%
FY 2011-12 Appropriation	100.0%	TBD
FY 2012-13 Request	100.0%	TBD

a. How is the Department measuring the specific goal/objective?

The Department measures the performance in meeting the goal of ensuring that all time-sensitive mail is actually mailed on the date required, either within 24 hours of receipt in the mail room, or on the scheduled date of mailing.

The Department has four other performance measures relating to this objective: (1) Number of electronically filed or electronified (imaged) returns and payments; (2) percent of audit recommendations implemented by management; (3) percentage of personnel actions processed within seven business days; and (4) number of procurement card transactions processed in lieu of traditional manual method of payment.

b. Is the Department meeting its objective, and if not, why?

Yes. While the Department only met its goal of 100.0 percent of mail being processed on time in the final year, the trend is that the Department has continually improved its record in this area and has finally met the benchmark in the final year that has been reported.

The Department reports that it has met its performance benchmarks for the percent of audit recommendations implemented and the percentage of personnel actions processed within seven business days. It has not consistently met its benchmarks on procurement card transactions, though it has been close to meeting the benchmarks in the years that it did miss. The Department established its performance measure for documents imaged or received electronically for FY 2009-10, and for the two years reported, it has met the performance standard in this area.

c. How does the budget request advance the performance-based goal?

The budget request did not directly address this objective or the other objective identified in the strategic plan.

Other Staff Observations About Budget Request and Performance-based Goals

The Department has requested seven decision items, and all of them, in staff's judgement, are consistent with advancing the five broad objectives the Department has identified.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

BRIEFING ISSUE

ISSUE: Funding Driver's License Offices

Prior to the passage of S.B. 95-47, driver's license office operations were funded by the Highway Users Tax Fund (HUTF), and all fees for driver's licenses were deposited into the HUTF. In the years since then, funding has been provided by the General Fund, the HUTF, the Licensing Services Cash Fund, while fees have mostly continued to be deposited into the HUTF. During the 2001 to 2003 downturn, because of reductions in General Fund revenue, funding for driver's license was reduced and the Department was forced to close offices and reduce staffing, leading to increases in waiting time for citizens applying for driver's licenses. During the downturn that started in 2008, the Department of Revenue was able to maintain the offices and staffing, utilizing other funding directly from driver's license fees and HUTF off-the-top moneys.

SUMMARY:

- Prior to FY 1995-96, funding for driver's license office operations was provided primarily by the HUTF (through the off-the-top funding mechanism).
- From FY 1996-97 through FY 2008-09, funding for driver's license office operations was primarily provided by the General Fund.
- Downturns in the economy and the resulting reductions in State General Fund revenues have put pressure on General Fund expenditures, including funding for driver's license office operations. During the 2001-03 downturn, the Department had to close driver's license offices and reduce staffing levels.
- Since FY 2008-09, pursuant to special bills, funding for the operations of driver's license offices have been primarily funded by the fees generated by driver's licenses, with a small amount being funded by the HUTF. The provisions allowing for cash funding of driver's license offices expires at the end of FY 2011-12, meaning that for FY 2012-13, approximately \$22.7 million in General Fund will be required for those operations.
- The Department has requested legislation that would permanently direct the fees collected from driver's license and other identification document applicants to the Licensing Services Cash Fund (LSCF) and that the moneys in the LSCF be used for the costs of the operations of driver's license offices.

RECOMMENDATION:

Staff recommends that the Joint Budget Committee (JBC) sponsor legislation, as requested by the Department of Revenue, to permanently cash fund the operations of driver's license office, by directing that all fees from driver's licenses and identification documents be directed into the Licensing Services Cash Fund, which is authorized by statute to used for the costs of personal services and operating expenses incurred in the operation of driver's license offices. This would permanently replace General Fund in the operations of driver's license offices, though it would reduce HUTF moneys available for distributions to the state's highways, and county and city roads.

DISCUSSION:

Background

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 for the license and the funding source of the operations of driver's license offices. The 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, as well as capital construction for those functions.

The restriction of HUTF moneys meant that funding the operations of driver's license offices was no longer permissible, although with passage of several special bills during both the 2001-2004 downturn and the current downturn, HUTF off-the-top funding for driver's license offices was permitted for a total of six years. 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 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.

In 2007, the General Assembly passed S.B. 07-241, which increased driver's license fees by 32.5 percent and directed that those fees be deposited into the Licensing Services Cash Fund (LSCF), which was created in the bill. 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.

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. This still left approximately \$3.0 million General Fund in centrally appropriated expenses for driver's license offices in the Executive Director's Office.

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.

With the expiration of the provisions of H.B. 10-1387, driver's license fees will again be diverted to the HUTF and General Fund will be required to fund driver's license office operations. The total General Fund required to replace the fees diverted to the HUTF is shown in the table below:

Additional General Fund Required to Fund Driver's License Office Operations due to the Expiration of the Provisions of H.B. 10-1387	
	Additional General Fund Required by H.B. 10-1387
<u>Executive Director's Office</u>	
Personal Services	\$613,383
Health, Life, and Dental	2,085,005
Short-term Disability	25,297
S.B. 04-257 Amortization Equalization Disbursement	457,337
S.B. 06-235 Supplemental Amortization Equalization Disbursement	393,024
Shift Differential	30,017
Workers' Compensation	190,764
Operating Expenses	39,611
Legal Services	155,166
Purchase of Services from Computer Center	999,490
Multiuse Network Payments	967,924
Management and Administration of OIT	27,506
Payment to Risk Management and Property Funds	35,976

Additional General Fund Required to Fund Driver's License Office Operations due to the Expiration of the Provisions of H.B. 10-1387	
	Additional General Fund Required by H.B. 10-1387
Vehicle Lease Payments	48,338
Leased Space	1,238,049
Capitol Complex Leased Space	349,600
Utilities	114,978
<u>Central Department Operations</u>	
Personal Services	110,454
<u>Division of Motor Vehicles - Administration</u>	
Personal Services	382,787
Operating Expenses	33,404
<u>Division of Motor Vehicles - Driver and Vehicle Services</u>	
Personal Services	9,606,961
Operating Expenses	1,216,876
Drivers License Documents	<u>3,561,141</u>
TOTAL	\$22,683,088

Current law for FY 2012-13, will require the General Assembly to increase General Fund for driver's license office operations by \$22.7 million. Staff has identified the following options for the General Assembly:

- Do nothing. To fully fund driver's license operations at their current level would require the General Assembly to increase General Fund for this purpose by \$22.7 million.
- Reduce appropriations to fund driver's license office operations, cutting staffing and/or closing offices. Any savings would offset some of the \$22.7 General Fund identified in the above table that will be required to fund driver's license offices at their current levels of offices, hours, and staffing.
- Sponsor legislation that would extend the provisions of H.B. 10-1387, crediting all fees collected from driver's licenses and other identification document to the Licensing Services Cash Fund which would be used to fund all direct and indirect costs of operating driver's license offices. This option would establish the nexus of ensuring that the fees paid by driver's license applicants are used to provide for the operations of driver's license office operations.
- Sponsor legislation that would permit the use of Highway User Tax Fund (HUTF) off-the-top moneys for the operations of driver's license offices. Absent any legislation that would direct driver's license fees to another fund (such as the third option above), the HUTF is

where fees collected from driver's licenses will be credited under current law. This proposal would also reestablish the nexus between driver's license fees and using those fees for driver's license office operations. The proposal would, however, require driver's license offices in the Department of Revenue to fight against competing uses for moneys in the HUTF.

Of the options outlined above, staff believes that the best option is the third listed above. This is also the option requested by the Department and the Governor's Office of State Planning and Budgeting. It reestablishes the connection between the fees that are paid by the members of the public and the services provided by the Department of Revenue. According to projections provided by the Department, the current fee structure is sufficient to fully fund the driver's license office operations if all fees paid by the public at the time to obtain or renew their driver's licenses are utilized to fund driver's license operations.

There will be a negative impact on the HUTF, as the fees the public paid for driver's licenses and other identification documents were diverted to the HUTF instead of funding the operations of driver's license offices. This will reduce the statutory distribution of HUTF moneys to the State Highway Fund and to cities and counties for their highway uses.

**Y 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

BRIEFING ISSUE

ISSUE: Office of the State Auditor's Performance Audit of the Department of Revenue Tax Pipeline

The Office of the State Auditor (OSA) conducted a performance audit of the Department of Revenue tax processing systems (known as the tax pipeline) and issued its report to the Legislative Audit Committee in September 2011. The report found: "(1) The tax pipeline involves highly inefficient and costly manual processes that could be improved with the implementation of newer and more sophisticated technology; (2) implementation of new technology in the tax pipeline would improve efficiency and allow for reductions or reallocations of full-time equivalent staff; (3) the Department of Revenue is not fully utilizing Central Services with the Department of Personnel and Administration, as required by statute, for services including: processing outgoing mail, processing warrants (checks), and printing tax-related documents; and (4) additional actions could be taken to maximize taxpayers' use of e-filing and e-payment in Colorado." The Office of the State Auditor found that implementation of these recommendations have the potential to produce annual savings of at least \$2.1 million (mostly General Fund).

SUMMARY:

- ❑ The OSA audit found that the tax pipeline relies heavily on manually extensive processes, including opening and sorting paper tax documents, imaging those documents, extracting data from those documents to upload into the Department's tax systems, and processing checks for deposit.
- ❑ The OSA audit found that technology solutions exist that could automate these functions. Implementation of the new technology would improve efficiency and allow for reduction or reallocation of existing staffing levels in the Department of Revenue and the Department of Personnel and Administration.
- ❑ The OSA audit found that the Department of Revenue is not fully utilizing Central Services within the Department of Personnel and Administration for central services including processing outgoing mail, processing warrants (checks) and printing tax-related documents.
- ❑ Additional actions could be taken to maximize taxpayers' use of e-filing and e-payment. The Department could achieve greater efficiencies and costs savings by seeking statutory authority to mandate e-filing and e-payment for additional types of tax filings that are not currently required to be filed or paid electronically.

DISCUSSION:

The Office of the State Auditor (OSA) was charged with conducting a performance evaluation of the Department of Revenue's "tax pipeline". The "tax pipeline" is the Department's process of receiving tax filings and payments, processing checks for deposit, imaging those documents, and extracting and uploading information from the documents to the Department's tax systems.

The OSA audit was performed to meet the following objectives:

- Review the efficiency, effectiveness, and timeliness of the tax pipeline, including remittance processing.
- Determine whether opportunities exist for the Department to expand the types of tax returns filed electronically and to increase the rate of e-filing and e-payments in Colorado. Tax documents and payments filed electronically reduce the volume of paper documents and checks that must be processed through the tax pipeline and are less expensive to process than paper returns and checks.

TAX DOCUMENT AND PAYMENT PROCESSING

The OSA reviewed the tax pipeline and determined that there are two issues that prevent the pipeline from being efficient and cost-effective: (1) the tax pipeline relies on inefficient and antiquated manual processes and (2) the process is inefficiently divided between the Department of Revenue and Central Services in the Department of Personnel and Administration.

Description of the Tax Pipeline

1. Incoming mail processing - mail is sorted, tax forms and payments go into the pipeline.
2. Document and payment preparation - Staff sort contents based on the type of tax and documentation and whether or not they contain a payment.
3. Remittance processing - Checks are processed using check processing hardware and software to prepare the checks for deposit and capture the accompanying tax document information for upload into the tax processing systems.
4. Data entry - Most tax documents are then sent from the Department of Revenue (DOR) to Central Services (CS) in Pueblo for data entry.
5. Once data entry is complete, the documents are transported back to DOR in Denver for resolution of errors that have been detected by DOR's tax processing systems.
6. Once error resolution is completed, most documents are then sent to CS in Pueblo for imaging for archival and research purposes.

7. After the documents are returned to DOR in Denver, the images are compared with the paper documents to ensure the images are correct. Paper files are then securely destroyed and the images are retained for 10 years.

The OSA found that there is technology available that can open mail, scan the tax documents and checks, use OCR and other software to extract the data on the documents and upload that data directly into the appropriate information system, and prepare checks for deposit. This technology eliminates most of the need for manual processing of incoming mail, reduces data entry needs from 100 percent of all tax documents to about 30 percent of tax documents, and reduces the number of errors that come from data entry. Implementation of the new technology would reduce the number of FTE required to process tax forms.

The Department of Revenue estimates that it would need approximately \$2.0 million to implement the technology described above. This estimate does not include any technology that Central Services may already possess that could be used in the updated tax pipeline. Central Services had not yet put together an estimate of how that equipment could be used in the updated pipeline.

The OSA estimates that implementing the new technology would reduce data entry requirements by 70 percent. The Department's current appropriation for data entry services is about \$1.9 million. Reducing that by 70 percent would result in a savings of \$1.3 million in that area alone. If no other savings are realized, the payback on the \$2.0 million investment in new technology would be about 18 months.

OSA Recommendation #1

The Departments of Revenue and Personnel and Administration should streamline the tax pipeline process by:

- a. Determining which department should perform the tax document and payment processing activities, including processing incoming mail, depositing checks received, imaging tax documents and payments, and uploading data extracted from those documents into GenTax (the Department of Revenue's tax software) and the Department of Revenue accounting system.
- b. Working with the Governor's Office of State Planning and Budgeting and the Joint Budget Committee to procure funding for the necessary equipment and software to update the tax pipeline process.
- c. Working with the Governor's Office of State Planning and Budgeting and the Joint Budget Committee to include in the budget process positions to eliminate or reallocate expenses to reduce at the Department of Revenue or the Division of Central Services that will no longer be needed with the implementation of the new tax pipeline process.

Both departments agreed with the recommendations and provided an implementation date of July 2012. The main issues will be coming to agreement to determine which department should control

the tax pipeline process and to procure funding to implement the recommendation of the purchase of the necessary equipment and software.

CENTRAL SERVICES

The OSA found that the Department of Revenue is not utilizing Central Services to the fullest extent possible. There are three areas where the Department could use Central Services to save significant amounts of money. The three areas are discussed briefly below:

- The Department of Revenue processes all its outgoing mail, approximately four million pieces per year. The Department requires 0.5 FTE to hand sort this mail in order to obtain a postage pre-sort discount. Central Services has equipment that automatically sorts mail in order to obtain the postal pre-sort discounts. Central Services has the capacity and expertise to provide these services to the Department of Revenue.
- The Department of Revenue prints and prepares for mailing all warrants for the payment of tax refunds, approximately 630,000 in FY 2010. Because of economies of scale, printing warrants at Central Services would reduce the overall cost of printing and mailing warrants for all departments, including the Department of Revenue. Central Services has the capacity and expertise to provide these services to the Department of Revenue.
- The Department of Revenue prints tax-related documents, about four million documents per year. These documents include letters informing taxpayers of updates to their accounts or delinquent tax notices. Because of economies of scale, printing and mailing those documents at Central Services would reduce the overall cost of printing and mailing for all departments, including the Department of Revenue. Central Services has the capacity and expertise to provide these services to the Department of Revenue.

OSA Recommendation #2

The Department of Revenue should maximize its use of Central Services for outgoing mail processing and warrant printing, and reallocate or eliminate staff who are currently performing this work.

Both the Department of Revenue and the Department of Personnel and Administration agree and will work cooperatively towards accomplishing this recommendation, with an implementation date of July 2012.

E-FILING AND E-PAYMENT

Tax filing with the Department of Revenue is either prepared on paper or prepared for electronic filing (e-filing). Taxpayers who owe the state money may either write a check or use a variety of methods to pay electronically (such as through a credit card, an electronic check, or an electronic funds transfer (EFT) (e-payment). E-filing has the potential to save significant amounts of moneys involved in the processing of tax returns as opposed to electronic filing. The Department of Revenue

has provided figures showing the cost savings that would result from additional e-filing. The following table shows those savings.

Comparison of Costs to Process Paper Tax Documents vs E-Filing By Type of Tax Document Calendar Year 2010				
Tax Type	Cost Per Unit for Paper Filing	Cost per Unit for E-Filing	Percentage Savings per Unit from E- Filing	Estimated Total Savings if 80 percent of Documents are E- Filed
Individual Income Tax	\$5.11	\$2.45	52.1%	\$308,099
Corporate Income Tax	14.33	12.19	14.9%	35,129
Partnership Income Tax	14.33	12.19	14.9%	167,487
State Sales and Use Tax	3.27	2.28	30.3%	<u>977,973</u>
Total Estimated Savings				\$1,488,768

The Department does not have information on the cost of processing checks versus the cost of processing e-payments, but e-payments would reduce staff time and result in funds being deposited into the State treasury more quickly. The implementation of the GenTax system (Colorado Integrated Tax Architecture or CITA) has removed all of the barriers to maximizing the availability of e-filing and e-payment.

OSA Recommendation #3

The Department of Revenue should work to increase e-filing and e-payment rates by:

- a. Working with stakeholders to establish a clearly defined plan for increasing e-filing and e-payment rates. The plan should include specific performance measures for increasing the use of e-filing and e-payment.
- b. Working with stakeholders and members of the General Assembly to evaluate possible statutory mandates that require the use of e-filing and e-payment for key types of tax filings, taxpayer groups, and tax preparers, and to implement a small filing fee for tax preparers who want to continue to file paper forms.

The Department of Revenue agreed with part a. of this recommendation and has established an implementation date of December 2011. The Department agrees with part b. as well with an implementation date of May 2012.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

BRIEFING ISSUE

ISSUE: Office of the State Auditor's Performance Audit of the Limited Gaming Division in the Department of Revenue

The Office of the State Auditor (OSA) conducted a performance audit of the Limited Gaming Division in the Department of Revenue and issued its report to the Legislative Audit Committee in September 2011. The report found: "(1) The Gaming Commission current tax and licensing structures allow owners of multiple attached casinos to gain a competitive advantage over owners of other casinos; (2) the Division's (of Gaming) data systems for tracking casino oversight contain inaccurate, incomplete, and overlapping data; (3) the Division did not conduct oversight activities as some casinos to gain assurance that all casinos were reporting revenue accurately for gaming tax purposes; and (4) the Division method for determining casino compliance with the Gambling Payment Intercept Act (which requires casinos to search a database of persons owing child support before paying a certain level of winnings to patrons) does not provide consistent and reliable results or ensure timely compliance." The State could have collected about \$4.9 million more in gaming taxes in FY 2009-10 if casino owners had operated their attached casinos under one casino retail license or if their attached casinos had been taxed under one license.

SUMMARY:

- The OSA recommended that the Gaming Commission should eliminate the tax advantage gained by ownership groups with multiple physically attached casinos. The State could have collected \$4.9 million more in gaming taxes in FY 2009-10 if casino owners had operated their attached casinos under one casino retail license or if their attached casinos had been taxed under one license.
- The Commission partially agreed with this recommendation.
- The Division of Gaming should determine the purpose and need for each of its data systems and eliminate unnecessary and duplicative systems and implement a process to ensure it meets its goals for completing regulatory reviews and utilizes staff efficiently.
- The Division agreed with these recommendations.

DISCUSSION:

The purpose of the Office of the State Auditor's (OSA) performance audit was to evaluate whether the Limited Gaming Control Commission's process for issuing multiple casino licenses meets legislative intent, and the effectiveness and efficiency of the regulatory activities performed by the

Division of Gaming's (Division) Audit, Investigations, and Field Operations sections. Specifically, the audit looked at the following areas:

- The Gaming Commission and the Division have adequate monitoring and oversight procedures to ensure casinos comply with regulatory standards intended to promote honesty, integrity, fairness, and competition in Colorado's gaming industry.
- The Division's revenue audits, compliance reviews, and enforcement actions are sufficient to gain assurance that controls are in place to ensure casinos properly report gaming revenue and accurately file gaming taxes.
- The Division has appropriate and reliable procedures to ensure that casinos comply with the Gambling Payment Intercept Act.

To accomplish the audit objectives, the OSA reviewed the following areas: (1) Division and Gaming Commission processes for granting multiple retail licenses to casino ownership groups; (2) Division compliance reviews and revenue audits of casinos; (3) Division enforcement and administrative actions; and (4) Division processes for ensuring casinos comply with the Gambling Payment Intercept Act (Payment Intercept Act). The audit did not review the Division's regulation of gaming licenses for casino employees and equipment, the gaming tax structure, or Gaming Commission governance.

BACKGROUND

Colorado voters approved a constitutional amendment in 1990 authorizing limited casino gaming in Central City, Blackhawk, and Cripple Creek, subject to restrictions as to the types of games offered, limits on single bets, hours of operation, the amount of space allowed for gaming, and the architecture of gaming structures. The amendment created the Limited Gaming Control Commission (Commission) which would have the authority to administer and regulate gaming, including licensing casinos and assessing gaming taxes on casino revenue. The Commission also has the authority to set its own budget, as the Constitution states that payments authorized by the Commission shall be paid and not conditioned on any appropriation by the General Assembly.

Proceeds from limited gaming were distributed according to a formula spelled out in the Constitution. After the expenses approved by the Commission for the operation of the Gaming Division (Division), limited gaming revenues were distributed as follows:

- 50.0 percent to the General Fund or such other fund as the General Assembly shall provide.
- 28.0 percent to the State Historical Society (There are other requirements for these funds spelled out in the Constitution.
- 12.0 percent to the gaming counties (Gilpin and Teller) in proportion to the revenues collected in each county.
- 10.0 percent to the gaming cities (Black Hawk, Central City, and Cripple Creek) in proportion to the revenues collected in each city.

Voters approved Amendment 50 in 2008. The amendment approved extended gaming, subject to the approval of the voters in the affected cities, which allowed additional games, 24-hour operations, and increased the limits on single bets. After paying the Division's expenses, the remaining extended gaming taxes are distributed according to a separate formula, described below:

- 78.0 percent to the State's public community colleges.
- 12.0 percent to the gaming counties (Gilpin and Teller) in proportion to the revenues collected in each county.
- 10.0 percent to the gaming cities (Black Hawk, Central City, and Cripple Creek) in proportion to the revenues collected in each city.

SUMMARY OF FINDINGS

The OSA identified several areas where the Gaming Commission and the Division can make improvements to strengthen their oversight of Colorado's casinos.

- The Gaming Commission's current tax and licensing structure allow owners of multiple attached casinos to gain a competitive advantage over owners of other casinos. (This finding is discussed further following the Summary of Findings.)
- The efficiency of the Division's methods for tracking casino oversight activities can be improved. The Division's data systems contain inaccurate, incomplete, and overlapping data that can limit the Division's ability to utilize its data and produce accurate reports of its regulatory activities for the Gaming Commission and Division management.
- The Division's Audit Section did not conduct the compliance reviews and audits of some casinos necessary to ensure coverage of all internal control areas or gain assurance that all casinos were reporting revenue accurately.
- The Division's method for determining casino compliance with the Payment Intercept Act does not provide consistent and reliable results or ensure timely compliance with the Payment Intercept Act.
- The Division has not consistently applied progressive administrative actions for casinos that do not comply with required minimum internal controls as a means to motivate casinos to improve compliance.

ISSUING MULTIPLE LICENSES TO CASINO OWNERS

From a financial standpoint, the most significant finding in the OSA report and the issue that contained the most discussion among Audit Committee members was the first issue listed above, i.e., that the Gaming Commission's current tax and licensing structure allows owners of multiple attached casinos to gain a competitive advantage over owners of other casinos.

Some casinos are operated by the same owner, share resources such as staff and a single surveillance room, and are physically attached, meaning a patron may walk from one casino to the other without leaving the building structure. The Colorado Limited Gaming Act (Act) limits a licensee to own no more than three gaming licenses (casinos). During FY 2009-10, 26 different ownership groups operated 41 casinos in the State. Of the 11 ownership groups that owned multiple casinos, five owned multiple casinos that were physically attached.

Colorado gaming tax is assessed on the adjusted gross proceeds (AGP), with casinos with lower AGP payers lower tax rates. The tax rates are detailed below:

- 0.2375 percent tax on \$0 - \$2 million in adjusted gross proceeds (AGP)
- 1.9 percent tax on \$2 - \$5 million in AGP
- 8.55 percent tax on \$5 - \$8 million in AGP
- 10.45 percent tax on \$8 - \$10 million in AGP
- 15.2 percent tax on \$10 - \$13 million in AGP
- 19.0 percent tax on AGP above \$13 million in AGP

The gaming tax regime was created to encourage smaller casino owners. However, ownership groups with multiple attached casinos can pay taxes at lower rates by counting attached casinos as separate casinos. According to the OSA, the five owners of attached casinos paid \$4.9 million less in gaming taxes in FY 2009-10 than they would have had the attached casinos been taxed under one license.

The OSA provided a hypothetical example whereby two casinos, one under one license and the other under two licenses, pay different amounts for the same combined AGP. The casino operating under one license would pay \$1.235 million in taxes on \$14.0 million in AGP, while the other casinos, splitting the same \$14.0 million AGP in two, would pay a total of \$490,000 in taxes, a difference of \$745,000.

The OSA report states that this provides the owner of the two attached casinos a competitive advantage over the owner of a single casino with similar AGP. The OSA outlines the following options for the Gaming Commission to address this inequity.

- Expanding the current requirements for licensed casino facilities, including requiring each licensed casino to operate independently of and physically separate from (i.e., meaning that it is not possible to walk from one casino to another without leaving the building) adjoining casinos.
- Implementing a policy to prevent ownership groups from obtaining additional licenses in order to divide or expand an existing casino's operations.
- Aggregating the total adjusted gross proceeds of commonly owned adjoining licensed casinos for the purpose of applying the gaming tax, instead of taxing the adjusted gross proceeds of each licensed casino separately.

- Implementing a rule to revise the gaming tax structure in other ways, such as by implementing a flat gaming tax in place of a graduated tax.

OSA Recommendation #1

The Colorado Limited Gaming Control Commission should evaluate the options to eliminate the financial tax advantages gained by ownership groups with multiple physically attached casinos and implement the most feasible option for ensuring a fair and competitive environment for the gaming industry in Colorado.

The Limited Gaming Commission partially agreed with the OSA recommendation, stating that the implementation would be by July 2012. The Gaming Commission's response is as follows:

"The Gaming Commission agrees that this issue warrants further examination. However, the Gaming Commission has not yet examined this matter or reached any conclusions as to whether any changes are warranted. As is reflected in this report, the Gaming Commission has scheduled a rulemaking hearing to fully examine this issue. If the Gaming Commission determines that any changes need to be made, it will consider options to address this matter. Options may include promulgating changes to Colorado Gaming Regulations, recommending statutory changes, a combination of the two, or no changes at all. This is a complex issue that will require the Gaming Commission to consider many factors and testimony from all interested parties. Should the Gaming Commission find any laws that it determines require immediate amendment, it will report such finding to the appropriate parties, pursuant to Section 12-47.1-301 (1)(f), C.R.S."

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

BRIEFING ISSUE

INFORMATIONAL ISSUE: Revenues generated by 2010 bills that suspended, eliminated or modified sales tax exemptions, and modified income tax deductions.

During the 2010 session, the General Assembly passed 11 bills that eliminated or suspended several sales tax exemptions, modified the responsibility of out-of-state retailers for collecting sales and use taxes, modified regulations regarding software sales, or modified income tax provisions. All bills except one (H.B. 10-1200) included a provision requiring the Department of Revenue to track, to the extent possible, the revenue increase from each bill and report the increase in revenues on a quarterly and cumulative basis to the General Assembly. As of March 31, 2011, the increases in General Fund revenue for these measures has fallen far short of the original projections for the bills.

SUMMARY:

- Six of the bills that were enacted were changes to sales tax exemptions. These six bills were expected to increase General Fund revenues by \$14.7 million in FY 2009-10 and by \$89.7 million in FY 2010-11
- A preliminary injunction issued in Federal Court prevented the Department from enforcing H.B. 10-1193 (Sales tax out-of-state retailers).
- The increased revenue for FY 2009-10 was \$11.8 million (originally estimated at \$14.7 million).
- The increased revenue through three quarters of FY 2010-11 has totaled \$37.3 million, which projects out to an increase of \$59.1 million for the full FY 2010-11 (originally estimated at \$89.7 million).
- There were also four bills affecting income taxes that do not go into effect until January 1, 2011, thereby affecting FY 2011-12. The effects of these bills will not be known until income taxes returns are filed for that tax year, which is required to be by April 15, 2012.

DISCUSSION:

During the 2010 session, the General Assembly passed 11 bills that were enacted to increase General Fund revenues by either repealing or suspending certain sales tax exemptions, attempting to collect sales and use taxes on out-of-state retail sales, modifying regulations regarding sales taxes on software sales, and limiting income tax credits for certain deductions regarding vehicle tax credits for alternative fuel vehicles, reducing the aggregate cap on conservation easement tax credits, limiting the operating loss carry forward provision, and limits the amount of any tax credit for investment in enterprise zones. These 11 bills are summarized below:

Summary of Tax Bills Passed in 2010 to Increase General Fund Revenue		
Bill	Bill Description	Notes
H.B. 10-1189	Eliminates the sales and use tax exemption for direct mail advertising materials.	Effective March 1, 2010.
H.B. 10-1190	Suspends the sales and use tax exemption for fuels used for industrial purposes.	Suspended from March 1, 2010 through June 30, 2012.
H.B. 10-1191	Eliminates the sales and use tax exemption for candy and soft drinks.	Effective May 1, 2010.
H.B. 10-1192	Repeals Department of Revenue regulations related to standardized software, increasing the amount of such software subject to sales and use tax.	Effective March 1, 2010, repealed by H.B. 11-1293, effective July 1, 2011.
H.B. 10-1193	Requires out-of-state retailers who do not collect Colorado sales tax to notify customers of obligation to report purchases for purposes of paying use tax and to report those customers and their total purchases to the Department of Revenue.	Effective March 1, 2010. Preliminary injunction issued in federal district court prohibiting enforcement.
H.B. 10-1194	Repeals the sales and use tax exemption for articles sold to sellers of items intended for human consumption that are furnished by the sellers to their customers with such items without the addition of a separate charge.	Effective March 1, 2010.
H.B. 10-1195	Suspends the sales and use tax exemption for certain agricultural products.	Suspended from March 1, 2010 through June 30, 2013. H.B. 11-1005 repealed this suspension effective July 1, 2011.
H.B. 10-1196	Disqualifies "Category 7" vehicles from the state income tax credit for the purchase of vehicle using alternative fuels.	Effective with income tax year 2011.
H.B. 10-1197	Reduces the maximum amount (in aggregate) of the state income tax credit for donations of a conservation easement. Deferred credits may be claimed in tax year 2014	Effective for tax years 2011, 2012, and 2013.
H.B. 10-1199	Temporarily limits the net operating loss that may be carried forward to \$250,000. Deferred operating losses may be claimed after the limit expires after tax year 2013.	Effective for tax years 2011, 2012, and 2013.
H.B. 10-1200	Requires the deferral of any income tax credit for enterprise zone investments exceeding \$500,000 to after income tax year 2013	Effective for tax years 2011, 2012, and 2013.

With the exception of H.B. 10-1197, each bill requires the Department of Revenue to track, to the extent possible, the increased revenues that have resulted from the passage of each bill. The Department has attempted to comply with these reporting requirements. However, it has pointed out the problems with reporting accurate numbers. The biggest problem is that retailers are required to report aggregate taxable sales, so it is difficult to attribute any increase in sales tax collected and reported to the repeal or suspension of the exemption.

As an example, the Department points out, in its report, the difficulties involved with the elimination of candy and soda exemption. The Department can identify increased sales tax collections from a retailer, but can only estimate the amount attributable to the change in exemptions. The Department identifies other factors that can affect sales tax collections.

- Changes in the economy such as business cycles, employment variables, inflation, new businesses.
- Previously passed legislation that became effective during this reporting period.
- Regulatory changes.
- Inability to identify and isolate all businesses that may have been impacted.
- Commodity price changes.
- Sales within particular industry code classification may include taxable items that are not specific to the legislation.

The Department has provided the information about the increased revenues in a letter, dated October 14, 2011, to the leadership of the General Assembly. The letter includes a discussion of the difficulties associated with tracking the increased revenue and the assumptions behind the estimates. The letter is included at the end of this briefing issue.

House Bill 10-1193, which attempts to collect use tax from consumers purchasing products from out-of-state retailers who do not collect sales tax for the State, was the subject of federal litigation by the Direct Marketing Association. A preliminary injunction was issued by the Denver District Court prohibiting the enforcement of a portion of the notification provision in the law. Retailers are still required to notify customers of the customers' obligation to pay sales taxes, but are not required to notify the Department of Revenue of the customers' taxable purchases. Until the preliminary injunction is resolved, revenues from purchases covered by H.B. 10-1193 are not expected to increase significantly.

The remaining four tax bills affect income tax deductions and credits which will not be known to the Department till after income tax returns are filed with the state for income tax year 2010.

FY 2009-10

The table below details the Department of Revenue's estimates for the amount of revenue raised by the six bills that impact sales tax exemptions, repeal of a Department of Revenue regulation and modifications to sales and use tax reporting requirement for out of state retailers.

2010 Laws affecting Sales Tax Exemptions and Regulations Projected Revenues and Estimated Actual Revenues 4 th Quarter FY 2009-10			
Bill	Provision	FY 2009-10 Forecast Revenue	FY 2009-10 Estimated Revenue
HB 10-1189	Repeals the sales tax exemption for direct marketing materials	\$160,300	\$93,000
HB 10-1190	Suspends sales tax exemption for industrial energy use	7,200,000	3,522,000

2010 Laws affecting Sales Tax Exemptions and Regulations Projected Revenues and Estimated Actual Revenues 4 th Quarter FY 2009-10			
Bill	Provision	FY 2009-10 Forecast Revenue	FY 2009-10 Estimated Revenue
HB 10-1191	Repeals sales tax exemption for candy and soda sales	1,400,000	5,506,000
HB 10-1192	Repeals the DOR regulation regarding sales of software	4,600,000	1,237,000
HB 10-1194	Repeals the sales tax exemption for non-essential food containers	400,000	142,000
HB 10-1195	Suspends sales tax exemption for agricultural products	<u>900,000</u>	<u>1,288,000</u>
Totals		\$14,660,300	\$11,788,000

FY 2010-11

The table below details the Department of Revenue's estimates for the amount of revenue raised through three-quarters of FY 2010-11 by the six bills that impact sales tax exemptions, repeal of a Department of Revenue regulation and modifications to sales and use tax reporting requirement for out of state retailers.

2010 Laws affecting Sales Tax Exemptions and Regulations Projected Revenues and Estimated Actual Revenues 1 st , 2 nd and 3 rd Quarter FY 2010-11			
Bill	Provision	FY 2010-11 Forecast Revenue (Prorated)	FY 2010-11 Estimated Revenue YTD
HB 10-1189	Repeals the sales tax exemption for direct marketing materials	\$600,000	\$190,000
HB 10-1190	Suspends sales tax exemption for industrial energy use	28,200,000	11,463,000
HB 10-1191	Repeals sales tax exemption for candy and soda sales	13,500,000	14,294,000
HB 10-1192	Repeals the DOR regulation regarding sales of software /a	17,775,000	4,897,000
HB 10-1194	Repeals the sales tax exemption for non-essential food containers	1,500,000	1,405,000
HB 10-1195	Suspends sales tax exemption for agricultural products /a	<u>3,450,000</u>	<u>3,264,000</u>
Totals		\$65,025,000	\$35,513,000

/a During the 2011 session, the General Assembly repealed the provisions of H.B. 10-1192 and H.B. 10-1195, effective July 1, 2011.

**FY 2011-12 JBC Staff Budget Briefing
Department of Revenue**

BRIEFING ISSUE:

INFORMATIONAL ISSUE: Increased revenue resulting from tax amnesty included in S.B. 11-184

The passage of S.B. 11-184 during the 2011 session of the General Assembly included an amnesty for taxpayers to pay back overdue taxes, with accumulated interest reduced by one-half, and without additional penalties or fines.

SUMMARY:

- Senate Bill 11-184 included a provision offering amnesty to taxpayers who voluntarily report and pay unreported taxes due to the state. The amnesty period was October 1, 2011 to November 15, 2011. All unpaid taxes are due by December 31, 2011.
- The final Legislative Council Staff Fiscal Note dated July 27, 2011, anticipated that revenues from the amnesty would be \$12.6 million, with \$9.7 million of that amount being transferred to the State Education Fund.
- As of December 7, 2011, the Department of Revenue has collected \$10.1 million in taxes and interest. Another \$3.0 million is expected to be received by December 31, 2011.
- Pursuant to S.B. 10-184, it is expected that \$8.3 million will be transferred to the State Education Fund on December 31, 2011.

DISCUSSION:

During the 2011 session, the General Assembly passed S.B. 11-184, and the Governor signed the legislation. Among the provisions of the law, a tax amnesty was declared whereby taxpayers who owed the state personal and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, cigarette and other tobacco taxes, severance taxes, county or municipal sales taxes collected by the Department of Revenue, as well as miscellaneous other taxes could pay those taxes, including interest at a rate one-half of the rate permitted in statute, and without the taxpayer being subject to any fine or civil or criminal penalty as otherwise provided in law.

The amnesty only applies to those who self-identify, that is, they report the income due without being the subject of action by the Department. The amnesty would last between October 1 and November 15, though taxpayers who make arrangements with the Department during that period of time may have a longer period of time in which to pay their tax obligation.

As of December 1, 2011, the Department reports collections of \$11.1 million, broken out by tax categories in the following table.

2011 Tax Amnesty Results Through December 7, 2011	
Tax Category	Revenue
Corporate Income	\$2,553,147
Fiduciary Income	7,587
Individual Income	1,804,696
Partnership Income	41,347
Wage Withholding	69,540
Consumer Use	2,030,063
Retailer Use	76,159
State Sales Tax	<u>728,072</u>
General Fund Total	\$7,310,612
Moneys deposited into Tax Amnesty Cash Fund	7,310,612
<i>Estimated</i> Future Receipts deposited into Tax Amnesty Cash Fund (by 12/31/2011)	<u>2,100,000</u>
Total Tax Amnesty Cash Fund	\$9,410,612
Less:	
Remains in Tax Amnesty Cash Fund to pay DOR administrative costs	(1,000,000)
Transfer to the Family Medicine Residency Training Program	<u>(175,000)</u>
Transfer to State Education Fund	\$8,235,612
Other Collections:	
HUTF fuel taxes	3,455
Oil & Gas Severance Tax	1,523,530
Local city, county, and special district tax collections	1,248,379
Estimated future receipts collected before 12/31/2011	900,000
Total other tax collections	<u>3,675,365</u>
Total taxes collected for amnesty	\$13,085,977

The Department reports that those taxpayers that have availed themselves of the amnesty program have until December 31, 2011 to settle their accounts, so additional revenues will be coming into the Department until that date. The Department expects that ultimately, the revenue collected will come close to or exceed the estimates of the revenue to be collected that were contained in the Final Legislative Council Staff Fiscal Note dated July 27, 2011.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

BRIEFING ISSUE

ISSUE: Conservation Easement Dispute Resolution

The Department of Revenue received an appropriation of \$1.1 million General Fund and 3.7 FTE starting in FY 2010-11 to expedite, through a voluntary mediation process, the resolution of disputes in the value of credits for conservation easement donations. The appropriation was authorized for a total of five years. The Department reports that through the end of FY 2010-11, 51 cases went to mediation, but none were resolved through the mediation process.

SUMMARY:

- The Department of Revenue received an appropriation of \$1.1 million General Fund and 3.7 FTE in FY 2010-11 to expedite the resolution of the backlog of disputed conservation easements.
- Since the passage of H.B. 08-1353, the number of disputed credits for conservation easements has been drastically reduced.

RECOMMENDATION:

JBC Staff recommends that the Committee ask to the Department to explain the lack of progress toward resolution of disputed conservation easement credits through the mediation process and justify continuation of the funding provided by FY 2010-11 Budget Amendment #4, which provided funding to resolve the conservation easement backlog. The Department should include an explanation of how this process works in conjunction with the provisions of H.B. 11-1300, including the appropriation of \$3.4 million General Fund and 18.7 FTE authorized in H.B. 11-1300.

DISCUSSION:

The conservation easement tax credit program was established in 1999. Prior to the passage of H.B. 08-1353, conservation easement appraisals were not regulated by the State. Prior to 2008, a number of the credits were disallowed by the Department, primarily because the Department believed that the valuations behind the credits were too high. Due to a lack of staffing during the period from 2002-2007, the Department was unable to process these disputes in a timely manner, and they have lingered on.

House Bill 08-1353 created the Conservation Easement Oversight Commission (CEOC) in the Department of Regulatory Affairs. The CEOC reviews the appraisals for conservation easements against standards, and this has reduced the number of credits claimed that the Department of Revenue has disputed.

In order to deal with the backlog in disputed conservation easement credits, the Department of Revenue proposed a budget amendment for FY 2010-11. The amendment requested an appropriation of \$1.1 million General Fund and 3.7 FTE for five years (the proposal annualized to \$1.0 million and 4.0 FTE). The Department projected that it would increase General Fund revenue by \$4.1 million annually. The General Assembly approved the amendment.

As part of the appropriation, the JBC included in the Long Bill a request the Department provide a report detailing the amount of additional revenue realized by the funding of Budget Amendment #4. In the report submitted September 30, 2011 to the JBC, the Department stated that for FY 2010-11, no disputes were resolved through mediation.

In the 2011 session, the General Assembly passed H.B. 11-1300, which provided \$3.4 million General Fund and 18.7 FTE to several departments to provide an avenue for claimants to bypass the Department's hearing process and proceed to District Court, or to request an expedited administrative hearing, or to continue the current hearings process which requires the Department of Revenue to issue a determination by July 1, 2016.

The bill required the Department to prepare and deliver a quarterly report to the Joint Budget Committee and the House and Senate Finance Committees on the progress in resolving disputed conservation easements. Among the requirements of the report to be included in the report was:

The number and progress of any cases that are in a mediation process and the status of such mediation.

As of July 1, 2011, 51 cases had gone to mediation, but none had been resolved. The likely cause was the difference in the values of the appraisals provided by taxpayers as opposed to the value of the appraisals the Department of Revenue performed. The taxpayer's appraisals valued the land for the 51 cases at \$35,255,800 while the Department's appraisals valued the land at \$620,007. The taxpayers claimed credits totaling \$13,186,402 while the Department asserted the credits should total \$600,007. As of September 30, 2011, no additional requests for mediation have been received by the Department.

Staff is concerned that more than \$1.0 million General Fund and 4.0 FTE has been appropriated for this process, but no progress towards resolving disputed claims was made and no additional requests for mediation have been received in the current fiscal year. Staff believes that the better way to resolve these disputes is through the process outlined in H.B. 11-1300, which appropriated \$3.4 million General Fund to resolve these disputes.

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
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 cash funds and reappropriated funds sources are for the direct or indirect costs of administering the programs throughout the Department.					
Personal Services	3,827,403	3,995,366	3,951,775	0	DI#6
FTE	<u>42.8</u>	<u>43.4</u>	<u>45.2</u>	<u>0.0</u>	
General Fund	1,989,204	1,176,752	940,919	0	
Cash Funds	1,284,940	2,230,967	2,475,986	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>411,465</i>	<i>1,379,601</i>	<i>381,818</i>	<i>0</i>	
Reappropriated Funds	553,259	587,647	534,870	0	
Department Administration	0	0	0	5,191,297	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>45.4</u>	
General Fund	0	0	0	1,485,140	
Cash Funds	0	0	0	3,152,929	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>523,250</i>	
Reappropriated Funds	0	0	0	553,228	
Health, Life, and Dental	<u>6,070,227</u>	<u>6,112,200</u>	<u>7,403,915</u>	<u>7,961,077</u>	DI#6
General Fund	3,027,692	2,139,044	2,342,713	2,836,383	
Cash Funds	3,042,535	3,973,156	5,061,202	5,124,694	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>786,639</i>	<i>709,267</i>	<i>710,909</i>	<i>687,118</i>	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	<u>FY 2009-10</u> Actuals	<u>FY 2010-11</u> Actuals	<u>FY 2011-12</u> Appropriation	<u>FY 2012-13</u> Request	Change Requests
Short-term Disability	<u>105,467</u>	<u>107,422</u>	<u>126,519</u>	<u>126,080</u>	DI#6
General Fund	46,242	42,178	48,327	50,078	
Cash Funds	59,225	65,244	78,192	76,002	
<i>Highway Users Tax Fund "Off-the-Top"</i>	8,215	9,145	9,950	9,502	
S.B. 04-257 Amortization Equalization Disbursement	<u>1,201,520</u>	<u>1,556,089</u>	<u>1,992,351</u>	<u>2,279,425</u>	DI#6
General Fund	616,134	601,984	755,405	905,375	
Cash Funds	585,386	954,105	1,236,946	1,374,050	
<i>Highway Users Tax Fund "Off-the-Top"</i>	108,034	142,585	157,395	171,793	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>852,760</u>	<u>1,136,913</u>	<u>1,596,932</u>	<u>1,958,882</u>	DI#6
General Fund	376,505	439,870	602,958	778,057	
Cash Funds	476,255	697,043	993,974	1,180,825	
<i>Highway Users Tax Fund "Off-the-Top"</i>	66,242	104,003	126,478	147,635	
Shift Differential	<u>133,215</u>	<u>194,571</u>	<u>123,990</u>	<u>173,714</u>	DI#6
General Fund	14,494	4,028	2,175	3,597	
Cash Funds	118,721	190,543	121,815	170,117	
<i>Highway Users Tax Fund "Off-the-Top"</i>	77,022	141,236	86,865	126,095	
Workers' Compensation	<u>562,242</u>	<u>570,362</u>	<u>717,073</u>	<u>838,845</u>	DI#6
General Fund	228,206	220,431	253,645	297,465	
Cash Funds	334,036	349,931	463,428	541,380	
<i>Highway Users Tax Fund "Off-the-Top"</i>	44,722	46,143	59,080	68,170	
Operating Expenses	<u>982,016</u>	<u>957,628</u>	<u>1,243,123</u>	<u>0</u>	DI#6
General Fund	454,157	368,749	481,434	0	
Cash Funds	527,859	588,879	761,689	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	94,291	96,338	118,684	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Change
	Actuals	Actuals	Appropriation	Request	Requests
Legal Services for 20,430 hours	<u>805,671</u>	<u>1,534,882</u>	<u>2,896,336</u>	<u>2,908,512</u>	DI#6, 7
General Fund	449,981	921,991	2,189,077	2,199,064	
Cash Funds	355,690	612,891	707,259	709,448	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>11,775</i>	<i>5,369</i>	<i>6,309</i>	<i>6,309</i>	
Administrative Law Judge Services - Cash Funds	8,808	14,756	3,576	13,752	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	
Purchase of Services from Computer Center	<u>3,539,291</u>	<u>9,071,972</u>	<u>9,146,036</u>	<u>10,145,977</u>	DI#6, 7
General Fund	3,536,239	5,258,007	5,312,062	5,888,656	
Cash Funds	3,052	3,442,871	3,464,044	3,846,946	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>1,105,624</i>	<i>279,596</i>	<i>310,164</i>	
Reappropriated Funds	0	371,094	369,930	410,375	
Multiuse Network Payments	<u>2,669,376</u>	<u>3,460,474</u>	<u>3,098,197</u>	<u>4,075,520</u>	DI#6
General Fund	100,185	325,203	369,370	872,879	
Cash Funds	2,569,191	3,124,124	2,702,421	3,171,650	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>50,981</i>	<i>261,413</i>	<i>196,696</i>	<i>230,849</i>	
Reappropriated Funds	0	11,147	26,406	30,991	
Management and Administration of OIT	<u>381,749</u>	<u>1,011,153</u>	<u>1,047,473</u>	<u>539,213</u>	DI#6
General Fund	381,749	732,645	759,437	390,940	
Cash Funds	0	248,814	257,629	132,620	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>67,673</i>	<i>22,981</i>	<i>11,830</i>	
Reappropriated Funds	0	29,694	30,407	15,653	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Change
	Actuals	Actuals	Appropriation	Request	Requests
Payment to Risk Management and Property Funds	<u>177,414</u>	<u>57,560</u>	<u>161,458</u>	<u>185,934</u>	DI#6
General Fund	66,176	18,138	52,585	59,214	
Cash Funds	111,238	39,422	108,873	126,720	
<i>Highway Users Tax Fund "Off-the-Top"</i>	21,444	7,414	14,277	16,216	
Vehicle Lease Payments	<u>444,815</u>	<u>509,804</u>	<u>527,422</u>	<u>729,570</u>	DI#6, NP#1
General Fund	92,671	93,106	91,775	119,560	
Cash Funds	352,144	416,698	435,647	610,010	
<i>Highway Users Tax Fund "Off-the-Top"</i>	46,668	49,601	53,126	52,262	
Leased Space	<u>2,517,173</u>	<u>2,900,116</u>	<u>3,437,846</u>	<u>3,517,094</u>	DI#6
General Fund	518,820	447,650	512,451	556,685	
Cash Funds	1,998,353	2,452,466	2,925,395	2,960,409	
<i>Highway Users Tax Fund "Off-the-Top"</i>	0	0	0	0	
Capitol Complex Leased Space	<u>1,664,071</u>	<u>1,621,365</u>	<u>1,723,682</u>	<u>1,893,375</u>	DI#6
General Fund	1,106,163	1,055,065	1,105,765	1,216,928	
Cash Funds	557,908	566,300	617,917	676,447	
<i>Highway Users Tax Fund "Off-the-Top"</i>	24,987	24,152	25,595	9,554	
Communication Services Payments	<u>63,557</u>	<u>65,346</u>	<u>70,501</u>	<u>86,456</u>	
General Fund	19,321	19,865	11,689	14,334	
Cash Funds	44,236	45,481	58,812	72,122	
<i>Highway Users Tax Fund "Off-the-Top"</i>	4,576	4,705	8,072	9,899	
Utilities	<u>199,337</u>	<u>192,837</u>	<u>247,119</u>	<u>252,819</u>	DI#3, 6
General Fund	2,369	0	0	0	
Cash Funds	196,968	192,837	247,119	252,819	
<i>Highway Users Tax Fund "Off-the-Top"</i>	102,280	95,589	103,416	109,116	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
					<i>Request v. Appropriation</i>
SUBTOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	26,206,112	35,070,816	39,515,324	42,877,542	8.5%
FTE	<u>42.8</u>	<u>43.4</u>	<u>45.2</u>	<u>45.4</u>	0.4%
General Fund	13,026,308	13,864,706	15,831,787	17,674,355	11.6%
Cash Funds	12,626,545	20,206,528	22,721,924	24,192,940	6.5%
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>1,859,341</i>	<i>4,249,858</i>	<i>2,361,247</i>	<i>2,489,762</i>	<i>5.4%</i>
Reappropriated Funds	553,259	999,582	961,613	1,010,247	5.1%

(2) CENTRAL DEPARTMENT OPERATIONS

Provides centralized departmental support for mail processing, forms development, transaction processing, and records management. The cash funds and reappropriated funds sources are for the direct or indirect costs of administering the programs throughout the Department.

Personal Services	5,231,513	4,898,225	5,231,316	0	DI#6, 7
FTE	<u>99.4</u>	<u>97.2</u>	<u>97.2</u>	<u>0.0</u>	
General Fund	4,847,963	4,249,301	4,440,922	0	
Cash Funds	316,296	566,119	705,444	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>101,285</i>	<i>346,692</i>	<i>101,681</i>	<i>0</i>	
Reappropriated Funds - Limited Gaming Fund	67,254	82,805	84,950	0	
Central Department Operations	0	0	0	6,953,417	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>97.2</u>	
General Fund	0	0	0	6,016,048	
Cash Funds	0	0	0	842,888	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>113,171</i>	
Reappropriated Funds - Limited Gaming Fund	0	0	0	94,481	
Seasonal Tax Processing - General Fund	397,545	388,751	397,545	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Change
	Actuals	Actuals	Appropriation	Request	Requests
Operating Expenses	<u>1,165,396</u>	<u>1,195,592</u>	<u>1,365,913</u>	<u>0</u>	DI#7
General Fund	1,028,545	1,054,684	1,217,644	0	
Cash Funds	136,851	140,908	148,269	0	
Postage	<u>2,633,336</u>	<u>3,004,698</u>	<u>3,095,634</u>	<u>3,006,422</u>	DI#1, 3, 7
General Fund	2,381,067	2,710,891	2,745,256	2,654,989	
Cash Funds	252,269	293,807	350,378	351,433	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>13,909</i>	<i>13,909</i>	<i>13,909</i>	<i>14,437</i>	
Pueblo Data Entry Center Payments	<u>1,674,840</u>	<u>1,609,454</u>	<u>1,919,014</u>	<u>0</u>	DI#7
General Fund	1,666,815	1,582,036	1,875,719	0	
Cash Funds	8,025	27,418	43,295	0	
Document Imaging and Storage	<u>394,290</u>	<u>394,183</u>	<u>396,075</u>	<u>0</u>	
General Fund	394,290	394,183	394,290	0	
Cash Funds - Tax Amnesty Cash Fund	0	0	1,785	0	
Document Management	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,309,514</u>	
General Fund	0	0	0	2,255,485	
Cash Funds	0	0	0	54,029	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
					<i>Request v. Appropriation</i>
SUBTOTAL - (2) CENTRAL DEPARTMENT OPERATIONS	11,496,920	11,490,903	12,405,497	12,269,353	-1.1%
FTE	<u>99.4</u>	<u>97.2</u>	<u>97.2</u>	<u>97.2</u>	0.0%
General Fund	10,716,225	10,379,846	11,071,376	10,926,522	-1.3%
Cash Funds	713,441	1,028,252	1,249,171	1,248,350	-0.1%
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>115,194</i>	<i>360,601</i>	<i>115,590</i>	<i>127,608</i>	<i>10.4%</i>
Reappropriated Funds	67,254	82,805	84,950	94,481	11.2%

(3) INFORMATION TECHNOLOGY

Responsible for the maintenance of the Department's information technology systems for the three major business groups and the EDO.

(A) Systems Support

Provides information technology support to the majority of the Department's systems, including the taxation systems, driver's licenses and related systems, and the Enforcement Business Group's systems. The cash funds and reappropriated funds sources are for direct and indirect costs of administering the programs throughout the Department.

Personal Services	5,828,912	217,850	420,666	202,552
FTE	<u>70.6</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	4,167,933	61,155	112,570	202,552
Cash Funds	1,264,735	143,922	295,515	0
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>349,249</i>	<i>9,654</i>	<i>10,249</i>	<i>0</i>
Reappropriated Funds	396,244	12,773	12,581	0
Operating Expenses	<u>644,034</u>	<u>772,876</u>	<u>800,222</u>	<u>773,957</u>
General Fund	644,034	624,163	686,024	659,759
Cash Funds	0	148,713	114,198	114,198

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Programming Costs for Session Legislation	246,086	113,107	0	0	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
General Fund	132,316	23,360	0	0	
Cash Funds	113,770	89,747	0	0	
Reappropriated Funds	0	0	0	0	
					<i>Request v. Appropriation</i>
SUBTOTAL - (A) Systems Support	6,719,032	1,103,833	1,220,888	976,509	-20.0%
FTE	<u>70.6</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	N/A
General Fund	4,944,283	708,678	798,594	862,311	8.0%
Cash Funds	1,378,505	382,382	409,713	114,198	-72.1%
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>349,249</i>	<i>9,654</i>	<i>10,249</i>	<i>0</i>	<i>-100.0%</i>
Reappropriated Funds	396,244	12,773	12,581	0	-100.0%

(B) Colorado State Titling and Registration System

Provides IT support to the Colorado State Titling and Registration System. The cash funds source is the Colorado State Titling and Registration Account.

Personal Services - Cash Funds	2,023,144	355,241	442,688	442,688
FTE	28.4	0.0	0.0	0.0
Operating Expenses - Cash Funds	1,457,163	2,329,295	2,617,535	2,617,535
County Office Asset Maintenance - Cash Funds	0	564,265	568,230	568,230
County Office Improvements - Cash Funds	25,232	4,383	78,062	40,000

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
					<i>Request v. Appropriation</i>
SUBTOTAL - (B) Colorado State Titling and Registration System -					
Cash Funds	3,505,539	3,253,184	3,706,515	3,668,453	-1.0%
FTE	28.4	0.0	0.0	0.0	N/A
					<i>Request v. Appropriation</i>
SUBTOTAL - (3) INFORMATION TECHNOLOGY DIVISION	10,224,571	4,357,017	4,927,403	4,644,962	-5.7%
FTE	<u>99.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	N/A
General Fund	4,944,283	708,678	798,594	862,311	8.0%
Cash Funds	4,884,044	3,635,566	4,116,228	3,782,651	-8.1%
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>349,249</i>	<i>9,654</i>	<i>10,249</i>	<i>0</i>	<i>-100.0%</i>
Reappropriated Funds	396,244	12,773	12,581	0	-100.0%

(4) TAXATION BUSINESS GROUP

The Taxation Business Group is charged with the collection, administration, auditing, and enforcement responsibilities for all taxes, fees, bonds, and licenses covered under Colorado tax laws. This group includes the Administrative Division, the Taxpayer Compliance Division, the Taxpayer Service Division, the Tax Conferee, and a special purpose division. All divisions except Special Purpose carry out programmatic functions.

(A) Administration

Provides administrative support for the Taxation Business Group.

Personal Services	545,641	552,526	542,004	0
FTE	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>0.0</u>
General Fund	539,619	547,317	537,068	0
Cash Funds	6,022	5,209	4,936	0

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Operating Expenses - General Fund	14,108	13,849	14,050	0	
Tax Administration	0	0	0	26,858,906	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>329.6</u>	
General Fund	0	0	0	23,612,831	
Cash Funds	0	0	0	2,201,602	
Reappropriated Funds	0	0	0	220,085	
Federal Funds - Mineral Audit Program	0	0	0	824,388	
					<i>Request v. Appropriation</i>
SUBTOTAL (A) - Administration	559,749	566,375	556,054	26,858,906	4730.3%
FTE	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>329.6</u>	5393.3%
General Fund	553,727	561,166	551,118	23,612,831	4184.5%
Cash Funds	6,022	5,209	4,936	2,201,602	44503.0%
Reappropriated Funds	0	0	0	220,085	N/A
Federal Funds	0	0	0	824,388	N/A

(B) Taxation and Compliance Division

The Division maintains five section and six district offices throughout Colorado and six out-of-state offices for the purpose of conducting compliance audits on individual and corporate income and other tax returns. The Mineral Audit program audits royalty returns associated with oil, gas, and mineral extraction on federal, state, and private lands.

Personal Services	14,709,271	15,125,978	15,610,759	0	DI#7
FTE	<u>191.5</u>	<u>209.4</u>	<u>224.8</u>	<u>0.0</u>	
General Fund	14,580,829	14,974,186	15,456,880	0	
Cash Funds	1,237	4,139	52,090	0	
Reappropriated Funds - Mineral Audit Program for indirect cost recoveries	127,205	147,653	101,789	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Change
	Actuals	Actuals	Appropriation	Request	Requests
Operating Expenses	891,439	1,002,480	1,054,468	0	DI#7
General Fund	891,439	1,002,480	1,044,002	0	
Cash Funds - Tobacco Tax Enforcement Cash Fund	0	0	10,466	0	
Joint Audit Program - General Fund	131,244	131,244	131,244	0	
Mineral Audit Program	697,857	744,013	789,701	0	
FTE	<u>11.0</u>	<u>11.0</u>	<u>10.2</u>	<u>0.0</u>	
Reappropriated Funds	44,974	24,900	66,000	0	
Federal Funds	652,883	719,113	723,701	0	
					<i>Request v.</i>
					<i>Appropriation</i>
SUBTOTAL (B) - Taxation and Compliance Division	16,429,811	17,003,715	17,586,172	0	-100.0%
FTE	<u>202.5</u>	<u>220.4</u>	<u>235.0</u>	<u>0.0</u>	-100.0%
General Fund	15,603,512	16,107,910	16,632,126	0	-100.0%
Cash Funds	1,237	4,139	62,556	0	-100.0%
Reappropriated Funds	172,179	172,553	167,789	0	-100.0%
Federal Funds	652,883	719,113	723,701	0	-100.0%

(C) Taxpayer Service Division

Assists individuals 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	4,518,471	4,547,269	4,991,639	0	DI#7
FTE	<u>72.1</u>	<u>74.9</u>	<u>75.2</u>	<u>0.0</u>	
General Fund	4,494,771	4,520,514	4,545,143	0	
Cash Funds	23,700	26,755	446,496	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Operating Expenses	389,147	447,987	420,471	0	DI#7
General Fund	389,147	447,987	402,010	0	
Cash Funds	0	0	18,461	0	
Fuel Tracking System - Cash Funds - Highway Users Tax Fund Exempt from Statutory Limit	472,888	464,175	484,559	0	
FTE	1.3	1.3	1.5	0.0	<i>Request v. Appropriation</i>
SUBTOTAL (C) - Taxpayer Service Division	5,380,506	5,459,431	5,896,669	0	-100.0%
FTE	<u>73.4</u>	<u>76.2</u>	<u>76.7</u>	<u>0.0</u>	-100.0%
General Fund	4,883,918	4,968,501	4,947,153	0	-100.0%
Cash Funds	496,588	490,930	949,516	0	-100.0%
<i>Highway Users Tax Fund Off-the-Top</i>	0	0	6,000	0	-100.0%
(D) Tax Conferee					
Attempts to resolve protests to tax adjustments and reviews issues related to "home rule" city and county sales and use taxes.					
Personal Services	828,677	1,233,247	2,599,707	0	DI#7
FTE	<u>8.0</u>	<u>10.5</u>	<u>12.1</u>	<u>0.0</u>	
General Fund	828,677	1,233,247	2,599,707	0	
Cash Funds	0	0	0	0	
Operating Expenses	20,817	42,882	69,489	0	DI#7
General Fund	20,817	42,882	69,489	0	
Cash Funds	0	0	0	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
					<i>Request v. Appropriation</i>
SUBTOTAL (D) - Tax Conferee - General Fund	849,494	1,276,129	2,669,196	0	-100.0%
FTE	8.0	10.5	12.1	0.0	-100.0%
General Fund	849,494	1,276,129	2,669,196	0	-100.0%
Cash Funds	0	0	0	0	N/A
(E) Special Purpose					
Distributes applicable percentage of gross cigarette taxes to cities, counties, and towns; distributes grants to low-income, disabled and elderly citizens. All funds are continuously appropriated by constitutional or statutory provisions.					
Cigarette Tax Rebate - General Fund	11,639,906	11,025,829	11,500,000	10,400,000	
Amendment 35 Distribution to Local Governments - Cash Funds - Tobacco Tax Cash Fund	1,336,086	1,310,383	1,338,300	1,338,300	
Old Age Heat & Fuel & Property Tax Assistance - General Fund	7,581,317	6,820,822	7,800,000	7,400,000	
Alternative Fuels Rebate - Cash Funds - Alternative Fuels Rebate Fund	352,638	310,519	0	0	
Commercial Vehicle Enterprise Sales Tax Refund - Cash Funds - Commercial Vehicle Enterprise Tax Fund	0	0	0	120,524	DI#5
					<i>Request v. Appropriation</i>
SUBTOTAL (E) - Special Purpose	<u>20,909,947</u>	<u>19,467,553</u>	<u>20,638,300</u>	<u>19,258,824</u>	-6.7%
General Fund	19,221,223	17,846,651	19,300,000	17,800,000	-7.8%
Cash Funds	1,688,724	1,620,902	1,338,300	1,458,824	9.0%

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
					<i>Request v. Appropriation</i>
SUBTOTAL (4) - TAXATION BUSINESS GROUP	44,129,507	43,773,203	47,346,391	46,117,730	-2.6%
FTE	<u>289.9</u>	<u>313.1</u>	<u>329.8</u>	<u>329.6</u>	-0.1%
General Fund	41,111,874	40,760,357	44,099,593	41,412,831	-6.1%
Cash Funds	2,192,571	2,121,180	2,355,308	3,660,426	55.4%
<i>Highway Users Tax Fund Off-the-Top</i>	0	0	6,000	0	-100.0%
Reappropriated Funds	172,179	172,553	167,789	220,085	31.2%
Federal Funds	652,883	719,113	723,701	824,388	13.9%

(5) DIVISION OF MOTOR VEHICLES

The Division includes an administrative section, driver and vehicle services section, vehicle emissions sections, titles section, the motorist insurance identification database program, and the ignition interlock program.

(A) Administration

Provides administrative support and management of the Motor Vehicle Division as well as the Motor Carrier Services Division. The cash funds sources identified in the sections of this Division.

Personal Services	905,359	895,783	895,536	0	DI#6
FTE	<u>10.5</u>	<u>10.1</u>	<u>11.0</u>	<u>0.0</u>	
General Fund	185,514	0	0	0	
Cash Funds	719,845	895,783	895,536	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	527,599	709,756	183,632	0	
Operating Expenses	<u>35,088</u>	<u>53,528</u>	<u>54,250</u>	<u>0</u>	DI#6
General Fund	14,635	0	0	0	
Cash Funds	20,453	53,528	54,250	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	10,070	43,503	11,128	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Administration	0	0	0	969,235	DI#4
FTE	0.0	0.0	0.0	11.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	969,235	
<i>Highway Users Tax Fund "Off-the-Top"</i>	0	0	0	207,577	
					<i>Request v. Appropriation</i>
SUBTOTAL (A) - Administration	940,447	949,311	949,786	969,235	2.0%
FTE	10.5	10.1	11.0	11.0	0.0%
General Fund	200,149	0	0	0	N/A
Cash Funds	740,298	949,311	949,786	969,235	2.0%
<i>Highway Users Tax Fund "Off-the-Top"</i>	537,669	753,259	194,760	207,577	6.6%

(B) Driver and Vehicle Services

Administers the issuance of driver's licenses and other official identification documents, driver control, including the administrative revocation of driver's licenses for violations of law, and the regulation of commercial driving schools. Pursuant to S.B. 09-275, H.B. 10-1387, and H.B. 11-1161, the use of Highway User Tax Fund "off-the-top" moneys has been authorized for the operation of driver's licenses offices in this section for fiscal years 2008-09 through 2011-12. The cash funds sources are primarily the Licensing Services Cash Fund and the Driver's License Administrative Revocation Account.

Personal Services	16,055,723	15,593,004	16,318,505	0	DI#6
FTE	346.7	346.9	351.6	0.0	
General Fund	808,717	0	0	0	
Cash Funds	15,247,006	15,593,004	16,318,505	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	3,580,221	2,466,527	2,314,271	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Change
	Actuals	Actuals	Appropriation	Request	Requests
Operating Expenses	<u>1,217,301</u>	<u>1,424,777</u>	<u>1,684,157</u>	<u>0</u>	DI#6
General Fund	0	0	0	0	
Cash Funds	1,217,301	1,424,777	1,684,157	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	387,626	0	0	0	
Driver's License Documents	<u>2,424,999</u>	<u>3,101,123</u>	<u>3,810,592</u>	<u>0</u>	DI#1, 6
General Fund	292,807	0	0	0	
Cash Funds	2,132,192	3,101,123	3,810,592	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	0	0	0	0	
Driver and Vehicle Services	0	0	0	22,610,762	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>350.1</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	22,610,762	
<i>Highway Users Tax Fund "Off-the-Top"</i>	0	0	0	0	
License Plate Ordering - Cash Funds	4,185,258	3,805,827	6,631,456	6,545,416	
					<i>Request v.</i>
					<i>Appropriation</i>
SUBTOTAL (B) - Driver and Vehicle Services	23,883,281	23,924,731	28,444,710	29,156,178	2.5%
FTE	<u>346.7</u>	<u>346.9</u>	<u>351.6</u>	<u>350.1</u>	-0.4%
General Fund	1,101,524	0	0	0	N/A
Cash Funds	22,781,757	23,924,731	28,444,710	29,156,178	2.5%
<i>Highway Users Tax Fund "Off-the-Top"</i>	0	0	0	0	N/A

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
(C) Vehicle Emissions					
This section conducts compliance 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 sub-account of the Automobile Inspection and Readjustment Account.					
Personal Services - Cash Funds	941,867	945,389	1,176,893	0	
FTE	14.3	14.4	17.0	0.0	
Operating Expenses - Cash Funds	52,827	84,477	88,725	0	
Vehicle Emissions - Cash Funds	0	0	0	1,287,720	DI#4
FTE	0.0	0.0	0.0	17.0	
					<i>Request v. Appropriation</i>
SUBTOTAL (C) - Vehicle Emissions - Cash Funds	994,694	1,029,866	1,265,618	1,287,720	1.7%
FTE	14.3	14.4	17.0	17.0	0.0%

(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.

Personal Services - Cash Funds	1,503,546	1,550,327	1,614,153	0	
FTE	32.8	32.2	32.1	0.0	
Operating Expenses - Cash Funds	181,608	188,913	305,574	0	DI#2
Titles - Cash Funds	0	0	0	1,953,329	DI#4
FTE	0.0	0.0	0.0	32.1	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
					<i>Request v. Appropriation</i>
SUBTOTAL (D) - Titles - Cash Funds	1,685,154	1,739,240	1,919,727	1,953,329	1.8%
FTE	32.8	32.2	32.1	32.1	0.0%

(E) Motorist Insurance Identification Database Program

Maintains the database to compare motor vehicle registration records against insured motorist records to authorize the accurate license suspension of uninsured drivers. The cash funds source is the Motorist Insurance Identification Account.

Personal Services - Cash Funds	267,333	250,539	329,234	0	
FTE	1.0	0.9	1.0	0.0	
Operating Expenses - Cash Funds	500	473	500	0	
Motorist Insurance Identification Program - Cash Funds	0	0	0	330,517	DI#4
FTE	0.0	0.0	0.0	1.0	<i>Request v. Appropriation</i>
SUBTOTAL (E) - Motorist Insurance Identification Database Program - Cash Funds	267,833	251,012	329,734	330,517	0.2%
FTE	1.0	0.9	1.0	1.0	0.0%

(F) Ignition Interlock Program

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

Personal Services - Cash Funds	0	198,723	208,057	0	
FTE	0.0	5.0	5.0	0.0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Operating Expenses - Cash Funds	0	223,641	934,842	0	
Ignition Interlock Program - Cash Funds	0	0	0	1,146,773	DI#4
FTE	0.0	0.0	0.0	5.0	<i>Request v. Appropriation</i>
SUBTOTAL (F) - Ignition Interlock Program - CF	0	422,364	1,142,899	1,146,773	0.3%
FTE	0.0	5.0	5.0	5.0	0.0%
					<i>Request v. Appropriation</i>
SUBTOTAL (5) - DIVISION OF MOTOR VEHICLES	27,771,409	28,316,524	34,052,474	34,843,752	2.3%
FTE	<u>405.3</u>	<u>409.5</u>	<u>417.7</u>	<u>416.2</u>	-0.4%
General Fund	1,301,673	0	0	0	N/A
Cash Funds	26,469,736	28,316,524	34,052,474	34,843,752	2.3%
<i>Highway Users Tax Fund "Off-the-Top"</i>	4,505,516	3,219,786	2,509,031	207,577	-91.7%
Reappropriated Funds	0	0	0	0	N/A
(6) MOTOR CARRIER SERVICES DIVISION					
Monitors compliance with statutory weight and size restrictions for commercial vehicles, collects fuel taxes, and inspects hazardous materials transporters.					
Personal Services	7,096,415	6,758,292	6,786,695	0	DI#3
FTE	<u>125.0</u>	<u>123.3</u>	<u>120.1</u>	<u>0.0</u>	
General Fund	610,747	635,891	547,309	0	
Cash Funds	6,409,987	6,113,587	6,239,386	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	6,382,496	6,113,254	6,239,386	0	
Reappropriated Funds - Motor Carrier Safety Assistance Program	75,681	8,814	0	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Operating Expenses	<u>504,402</u>	<u>500,798</u>	<u>515,305</u>	0	DI#3
General Fund	38,045	36,974	38,045	0	
Cash Funds - Highway Users Tax Fund "Off-the-Top"	466,357	463,824	477,260	0	
Fixed and Mobile Ports Maintenance - Highway Users Tax Fund "Off-the-Top"	197,934	214,616	221,545	0	
Motor Carrier Safety Assistance Program - Federal Fund - Motor Carrier Safety Assistance Program	739,724	88,219	0	0	
FTE	8.9	0.9	0.0	0.0	
Hazardous Materials Permitting Program - Cash Funds - Hazardous Materials Safety Fund	142,474	125,459	207,973	0	
FTE	2.2	2.1	3.7	0.0	
Motor Carrier Services	0	0	0	8,067,541	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>127.8</u>	
General Fund	0	0	0	597,101	
Cash Funds	0	0	0	7,470,440	
<i>Highway Users Tax Fund "Off-the-Top"</i>	0	0	0	7,260,230	
					<i>Request v. Appropriation</i>
SUBTOTAL (6) - MOTOR CARRIER SERVICES	8,680,949	7,687,384	7,731,518	8,067,541	4.3%
FTE	<u>136.1</u>	<u>126.3</u>	<u>123.8</u>	<u>127.8</u>	3.2%
General Fund	648,792	672,865	585,354	597,101	2.0%
Cash Funds	7,216,752	6,917,486	7,146,164	7,470,440	4.5%
<i>Highway Users Tax Fund "Off-the-Top"</i>	7,046,787	6,791,694	6,938,191	7,260,230	4.6%
Reappropriated Funds	75,681	8,814	0	0	N/A
Federal Funds	739,724	88,219	0	0	N/A

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
(7) ENFORCEMENT BUSINESS GROUP					
This group consists of the Limited Gaming Division, the Liquor Enforcement Division, the Tobacco Enforcement Program, the Division of Racing Events, the Hearings Division, the Motor Vehicle Dealer Licensing Board, and the Medical Marijuana Enforcement Division.					
(A) Administration					
Provides administrative support for the divisions in the Group. The cash funds sources are identified in each of the division, the reappropriated funds source is the Limited Gaming Fund.					
Personal Services	524,210	574,177	617,579	0	
FTE	<u>6.0</u>	<u>7.5</u>	<u>8.0</u>	<u>0.0</u>	
General Fund	32,313	(3,303)	26,826	0	
Cash Funds	385,926	455,799	490,641	0	
Reappropriated Funds	105,971	121,681	100,112	0	
Operating Expenses	<u>10,283</u>	<u>12,400</u>	<u>12,780</u>	<u>0</u>	
General Fund	(14)	144	598	0	
Cash Funds	8,073	9,719	10,940	0	
Reappropriated Funds	2,224	2,537	1,242	0	
Administration	0	0	0	642,683	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>8.0</u>	
General Fund	0	0	0	14,408	
Cash Funds	0	0	0	529,038	
Reappropriated Funds	0	0	0	99,237	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
					<i>Request v. Appropriation</i>
SUBTOTAL (A) - Administration	534,493	586,577	630,359	642,683	0.0%
FTE	<u>6.0</u>	<u>7.5</u>	<u>8.0</u>	<u>8.0</u>	0.0%
General Fund	32,299	(3,159)	27,424	14,408	0.0%
Cash Funds	393,999	465,518	501,581	529,038	0.0%
Reappropriated Funds	108,195	124,218	101,354	99,237	0.0%

(B) Limited Gaming Division

Licenses and regulates limited gaming establishments. Conducts background investigations on all gaming employees and monitors compliance with State gaming laws. 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. The cash funds source is the Limited Gaming Fund.

Personal Services - Cash Funds	6,084,986	6,004,899	6,709,930	0	
FTE	83.3	81.9	85.4	0.0	
Operating Expenses - Cash Funds	362,426	465,553	887,228	0	
Licensure Activities - Cash Funds	123,096	104,984	181,497	0	
Investigations - Cash Funds	64,961	37,160	263,964	0	
Limited Gaming Administration - Cash Funds	0	0	0	8,182,023	DI#4
FTE	0.0	0.0	0.0	85.4	
Payments to other State Agencies - Cash Funds	3,200,581	3,339,714	3,853,589	3,853,589	
Distribution to Gaming Cities and Counties - Cash Funds	21,283,328	20,972,017	23,788,902	23,788,902	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Indirect Cost Assessment - Cash Funds	610,868	711,203	665,631	411,194	DI#6 <i>Request v. Appropriation</i>
SUBTOTAL (B) - Limited Gaming Division - Cash Funds	107,189,320	105,971,508	36,350,741	36,235,708	-0.3%
FTE	83.3	81.9	85.4	85.4	0.0%

(C) Liquor Enforcement Division

Enforces the State's alcohol laws and regulations; issues licenses and permits to manufacturers, importers, distributors, and retailers of alcoholic beverages. Provides administration of the Tobacco Enforcement Program. The cash funds source is the Liquor Enforcement Division and State Licensing Authority Cash Fund.

Personal Services - Cash Funds	1,464,979	1,559,906	1,630,521	0	
FTE	17.8	18.7	19.5	0.0	
Operating Expenses - Cash Funds	60,105	55,069	56,326	0	<i>Request v. Appropriation</i>
SUBTOTAL (C) - Liquor Enforcement Division - Cash Funds	1,525,084	1,614,975	1,686,847	0	-100.0%
FTE	17.8	18.7	19.5	0.0	-100.0%

(D) Tobacco Enforcement Program

Enforces State laws prohibiting the sales of tobacco products to minors.

Personal Services	426,075	431,726	488,310	0	
FTE	<u>5.7</u>	<u>6.7</u>	<u>7.0</u>	<u>0.0</u>	
General Fund	130,462	131,474	139,971	0	
Cash Funds	295,613	300,252	348,339	0	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Operating Expenses	<u>26,634</u>	<u>28,314</u>	<u>31,379</u>	<u>0</u>	
General Fund	6,864	6,902	7,201	0	
Cash Funds	19,770	21,412	24,178	0	
					<i>Request v. Appropriation</i>
SUBTOTAL (D) - Tobacco Enforcement Program	452,709	460,040	519,689	0	-100.0%
FTE	<u>5.7</u>	<u>6.7</u>	<u>7.0</u>	<u>0.0</u>	-100.0%
General Fund	137,326	138,376	147,172	0	-100.0%
Cash Funds	315,383	321,664	372,517	0	-100.0%
 (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. Enforces State laws prohibiting the sales of tobacco products to minors. The cash funds sources are the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Tobacco Tax Enforcement Cash Fund, and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act					
Enforcement Fund.					
Personal Services	0	0	0	2,247,159	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>26.5</u>	
General Fund	0	0	0	149,652	
Cash Funds	0	0	0	2,097,507	
					<i>Request v. Appropriation</i>
SUBTOTAL (C) - Liquor and Tobacco Enforcement Division	0	0	0	2,247,159	N/A
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>26.5</u>	N/A
General Fund	0	0	0	149,652	N/A
Cash Funds	0	0	0	2,097,507	N/A

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
(E) Division of Racing Events					
Licenses racetracks and individuals involved in horse and dog racing, allcoates race days among racetracks, tests animals for drugs, and oversees wagering. Currently, dog racing is not active in the State. Cash funds sources are the Racing Cash Fund, application fees, and the Hores Breeders' and Owners' Awards and Supplemental Purse Fund.					
Personal Services - Cash Funds	665,540	687,154	1,107,222	0	
FTE	6.8	6.1	8.7	0.0	
Operating Expenses - Cash Funds	55,875	77,751	91,385	0	
Laboratory Services - Cash Funds	25,841	26,055	104,992	0	
Commission Meeting Costs - Cash Funds	750	929	1,200	0	
Racetrack Applications - Cash Funds	21,912	24,234	25,000	0	
Racing Administration - Cash Funds	0	0	0	1,346,700	DI#4
FTE	0.0	0.0	0.0	8.7	
Purses and Breeders Awards - Cash Funds	1,381,360	1,299,203	1,106,142	1,106,142	
					<i>Request v. Appropriation</i>
SUBTOTAL (E) - Division of Racing Events - Cash Funds	2,151,278	2,115,326	2,435,941	2,452,842	0.7%
FTE	6.8	6.1	8.7	8.7	0.0%

(F) Hearings Division

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

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Personal Services	1,789,273	1,975,288	2,151,172	0	
FTE	<u>25.6</u>	<u>26.1</u>	<u>29.5</u>	<u>0.0</u>	
General Fund	0	0	168,295	0	
Cash Funds	1,789,273	1,975,288	1,982,877	0	
Operating Expenses	<u>59,611</u>	<u>94,235</u>	<u>115,513</u>	<u>0</u>	
General Fund	0	0	16,575	0	
Cash Funds	59,611	94,235	98,938	0	
Hearings Division	0	0	0	2,303,698	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>29.4</u>	
General Fund	0	0	0	181,425	
Cash Funds	0	0	0	2,122,273	
					<i>Request v. Appropriation</i>
SUBTOTAL (F) - Hearings Division	1,848,884	2,069,523	2,266,685	2,303,698	1.6%
FTE	<u>25.6</u>	<u>26.1</u>	<u>29.5</u>	<u>29.4</u>	-0.3%
General Fund	0	0	184,870	181,425	-1.9%
Cash Funds	1,848,884	2,069,523	2,081,815	2,122,273	1.9%

(G) Motor Vehicle Dealer Licensing Board

Licenses automobile dealers, wholesalers, and sales persons; regulates the distribution and sale of motor vehicles; and investigates and resolves complaints and legal violations against Board licensees. The cash funds source is the Auto Dealers License Fund.

Personal Services - Cash Funds	1,677,806	1,691,845	1,762,994	0
FTE	26.3	26.7	26.2	0.0
Operating Expenses - Cash Funds	150,617	117,672	119,023	0

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
Motor Vehicle Dealer Licensing Board - Cash Funds	0	0	0	1,919,288	DI#4
FTE	0.0	0.0	0.0	26.2	
					<i>Request v. Appropriation</i>
SUBTOTAL (G) - Motor Vehicle Dealer Licensing Board - Cash Func	1,828,423	1,809,517	1,882,017	1,919,288	2.0%
FTE	26.3	26.7	26.2	26.2	0.0%
 (H) Medical Marijuana Enforcement					
Licenses and regulates medical marijuana dispensaries, growing facilities, and medical marijuana infused products manufacturing facilities. Investigates complaints and enforces laws and regulations regarding such facilities. The cash funds source is the Medical Marijuana License Cash Fund.					
Medical Marijuana Enforcement - Cash Funds	0	4,097,790	5,616,609	5,689,621	
FTE	0.0	11.2	55.2	55.2	
					<i>Request v. Appropriation</i>
SUBTOTAL (H) - Medical Marijuana Enforcement - Cash Funds	0	4,097,790	5,616,609	5,689,621	1.3%
FTE	0.0	11.2	55.2	55.2	0.0%
 SUBTOTAL (7) - ENFORCEMENT BUSINESS GROUP					
	115,530,191	118,725,256	51,388,888	51,490,999	0.2%
FTE	<u>171.5</u>	<u>184.9</u>	<u>239.5</u>	<u>239.4</u>	0.0%
General Fund	169,625	135,217	359,466	345,485	-3.9%
Cash Funds	115,252,371	118,465,821	50,928,068	51,046,277	0.2%
Reappropriated Funds	108,195	124,218	101,354	99,237	-2.1%

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	Change Requests
(8) STATE LOTTERY DIVISION					
Operates the State's Lottery through the sales of scratch and online tickets, including tickets for multi-state lottery games. Effective with FY 2011-12, and pursuant to State law, the budget no longer reflects appropriations for prizes paid to lottery customers. Cash funds source is the State Lottery Fund.					
Personal Services - Cash Funds	8,093,583	8,185,856	8,793,014	0	
FTE	113.1	113.9	117.1	0.0	
Operating Expenses - Cash Funds	1,000,098	1,046,128	1,203,156	0	
Payments to Other State Agencies - Cash Funds	130,188	118,199	239,410	0	
Travel - Cash Funds	105,120	113,498	113,498	0	
State Lottery Administration - Cash Funds	0	0	0	10,517,220	DI#4
FTE	0.0	0.0	0.0	117.1	
Marketing and Communications - Cash Funds	14,599,002	14,615,981	14,700,000	14,700,000	
Multi-state Lottery Fees - Cash Funds	103,370	116,175	177,433	177,433	
Vendor Fees - Cash Funds	9,623,664	8,789,827	12,571,504	12,571,504	
Prizes - Cash Funds	313,919,655	328,719,521	0	0	
Powerball Prize Variance - Cash Funds	7,575,512	5,384,038	0	0	
Retailer Compensation - Cash Funds	38,146,774	39,584,085	52,241,350	52,241,350	
Ticket Costs - Cash Funds	3,262,844	4,033,841	6,578,000	6,578,000	

FY 2012-13 Joint Budget Committee Staff Briefing

Department of Revenue

Appendix A: Numbers Pages

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Change
	Actuals	Actuals	Appropriation	Request	Requests
Research - Cash Funds	250,000	207,273	250,000	250,000	
Indirect Costs Assessment - Cash Funds	528,898	528,542	495,867	334,509	DI#6 <i>Request v. Appropriation</i>
SUBTOTAL (8) - STATE LOTTERY DIVISION - Cash Funds	397,338,708	411,442,964	97,363,232	97,370,016	0.0%
FTE	113.1	113.9	117.1	117.1	0.0%
					<i>Request v. Appropriation</i>
TOTAL - DEPARTMENT OF REVENUE	641,378,367	660,864,067	294,730,727	297,681,895	1.0%
FTE	<u>1,357.1</u>	<u>1,288.3</u>	<u>1,370.3</u>	<u>1,372.7</u>	0.2%
General Fund	71,918,780	66,521,669	72,746,170	71,818,605	-1.3%
Cash Funds	566,694,168	592,134,321	219,932,569	223,614,852	1.7%
<i>Highway Users Tax Fund Off-the-Top</i>	<i>13,876,087</i>	<i>14,631,593</i>	<i>11,940,308</i>	<i>10,085,177</i>	<i>-15.5%</i>
Reappropriated Funds	1,372,812	1,400,745	1,328,287	1,424,050	7.2%
Federal Funds	1,392,607	807,332	723,701	824,388	13.9%

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- S.B. 11-037 (Heath/Kerr J.):** Creates the "Veteran of World War II" special license plates to identify that the owner of the motor vehicle is a veteran of World War II. Appropriates \$2,960 cash funds from the Colorado State Titling and Registration Account for implementation. These moneys are reappropriated to the Governor's Office of Information Technology. Also appropriates \$9,080 cash funds from the License Plate Cash Fund for the purchase of said license plates from Correctional Industries.
- S.B. 11-051 (Giron/Swerdfeger):** Adds debts owed to the State as a justification for withholding lottery and gambling winnings from the payout to the winner of lottery prizes or gambling prizes at a casino. Appropriates \$94,600 cash funds from the Debt Collection Fund for computer programming changes required by the State Internet Portal Authority for implementation.
- S.B. 11-076 (Steadman/Becker):** For the 2011-12 state fiscal year only, reduces the employer contribution rate for the State and Judicial divisions of the Public Employee Retirement Association (PERA) by 2.5 percent and increases the member contribution rate for these divisions by the same amount. In effect, continues the FY 2010-11 PERA contribution adjustments authorized through S.B. 10-146 for one additional year. Reduces the Department's total appropriation by \$1,741,453, of which \$563,224 is General Fund, \$1,162,667 is cash funds, and \$15,562 is reappropriated funds.
- S.B. 11-102 (Williams S./Todd):** Establishes a new voluntary donation line on income tax forms for the Families in Action for Mental Health Fund, which will go into a queue that is established in the bill that provides procedures for putting the voluntary donation line on the income tax forms when there are more than 14 such donation lines already on the tax form. Appropriates \$29,600 from the Fund for programming of computer systems to implement the voluntary contribution line and reappropriates those moneys to the Governor's Office of Information Technology, which will implement those changes.
- S.B. 11-109 (Shaffer B./Solano):** Establishes a new voluntary donation line on income tax forms for the Public Education Fund, which will go into a queue that has been established for putting the voluntary donation line on the income tax forms when there are more than 14 such donation lines already on the tax form. Appropriates \$29,600 from the Fund for programming of computer systems to implement the voluntary contribution line and reappropriates those moneys to the Governor's Office of Information Technology, which will implement those changes. Also appropriates \$3,656 from the Fund for the annual expenses associated with crediting the donation to the Fund.
- S.B. 11-152 (Hodge/Gerou):** Supplemental appropriation to the Department of Revenue for FY 2010-11.

- ❑ **S.B. 11-163 (Lambert/Gerou):** Repeals the Alternative Fuels Rebate program, which provides a rebate to state and local governments and qualified non-profit organization that purchase certain high efficiency vehicles. Eliminates cash funds expenditures of \$310,000, and ends the diversion of approximately \$400,000 from the General Fund to the Alternative Fuels Rebate Fund. The net General Fund revenue impact will be an increase of \$400,000 less an undetermined amount that State agencies would have been eligible to receive from the rebate fund for purchases of vehicles with General Fund moneys.
- ❑ **S.B. 11-184 (Steadman/Ferrandino):** Establishes a tax amnesty program from October 1, 2011 to November 15, 2011 that allows taxpayers who owe taxes to the State to pay those taxes without penalty and at an interest rate set at one-half of the established rate. Also requires the Department of Revenue to prepare a "tax profile and expenditure" report biennially. Appropriates \$12,096 General Fund to the Department of Revenue in FY 2010-11 to begin preparations for the tax amnesty. Appropriates \$483,895 cash funds (\$20,740 reappropriated to the Governor's Office of Information Technology) from the Tax Amnesty Cash Fund to the Department of Revenue in FY 2011-12 for implementation of the tax amnesty and for preparation of the first tax profile and expenditure report. The tax amnesty is expected to increase revenues to the State Education Fund by \$9.7 million in FY 2011-12.
- ❑ **S.B. 11-197 (Boyd/Acree):** Establishes the "Girl Scout Centennial" special license plate. Appropriates \$2,960 cash funds from the Colorado State Titling and Registration Account to the Department of Revenue in FY 2011-12, and reappropriates those moneys to the Governor's Office of Information Technology for computer programming changes necessary to implement the license plate. Also appropriates \$17,760 cash funds from the License Plate Cash Fund for the purchase of the license plates from Correctional Industries.
- ❑ **S.B. 11-209 (Hodge/Gerou):** General appropriations act for FY 2011-12.
- ❑ **S.B. 11-223 (Hodge/Gerou):** Temporarily reduces the "vendor fee" (the fee that retailers are allowed to retain as compensation for their costs in collecting State sales tax) from 3.33 percent to 2.22 percent. The reduction will be in place for two years. Increases General Fund revenue by \$22.8 million in FY 2011-12.
- ❑ **S.B. 11-263 (Tochtrop/Becker):** Provides that the following shall be exempt from Colorado sales and use taxes: prescription drugs prescribed by a licensed provider; non-prescription drugs or materials furnished by a licensed provider; and all sales of therapeutic devices, appliances, or related products, sold in accordance with a written recommendation of a licensed provider.
- ❑ **H.B. 11-1004 (Baumgardner/Harvey):** Exempts a person whose vehicle is used primarily for agriculture on a farm or ranch classified as agricultural land for property tax purposes and repeals the farm truck and tractor exemption from having to pay the motorist insurance identification fee. Appropriates \$22,200 cash funds from the Colorado State Titling and

Registration Account to the Department of Revenue in FY 2011-12 for implementation of bill. These moneys are reappropriated to the Governor's Office of Information Technology.

- ❑ **H.B. 11-1005 (Sonnenberg/Brophy):** Reinstates the sales and use tax exemption for certain agricultural products. Decreases General Fund revenue by \$3.7 million in FY 2011-12.
- ❑ **H.B. 11-1014 (DelGrosso/Roberts):** Repeals, effective with the 2013 income tax year, the trigger for allowing taxpayers to claim an income tax credit for donations to child care facilities. Under the trigger, projected General Fund revenues must be sufficient to increase General Fund appropriations by at least 6.0 percent in the pertinent State fiscal year. For the 2013 income tax year, allows no more than 50.0 percent of the credit to be claimed in that tax year, and allows the remainder of the credit to be carried forward to the subsequent income tax year. For the 2014 income tax year, allows no more than 75.0 percent of the credit to be claimed in that tax year, and allows the remainder to be carried forward to the subsequent income tax year.
- ❑ **H.B. 11-1043 (Massey/Steadman):** Revises statutes concerning medical marijuana. Appropriates \$7,696 cash funds from the Medical Marijuana License Cash Fund (MMLCF) to the Department of Revenue, Information Technology Division for reprogramming the Department's computers systems, and reappropriates those moneys to the Governor's Office of Information Technology which will perform the reprogramming services. Decreases the appropriation to the Department of Revenue, Enforcement Business Group, Medical Marijuana Enforcement, by \$7,696 cash funds from the MMLCF. For more information on H.B. 11-1043, please see the "Recent Legislation" Section at the end of the Department of Human Services section of this document.
- ❑ **H.B. 11-1071 (Hamner/Bacon):** Establishes a new voluntary donation line on income tax forms for the Roundup River Ranch Fund, which will go into a queue that has been established for putting the voluntary donation line on the income tax forms when there are more than 14 such donation lines already on the tax form. Appropriates \$29,600 from the Fund for programming of computer systems to implement the voluntary contribution line and reappropriates those moneys to the Governor's Office of Information Technology, which will implement those changes.
- ❑ **H.B. 11-1091 (Liston/Morse):** Clarifies and modifies the sales and use tax exemption for medical equipment and therapeutic devices by providing a sales and use tax exemption for all medical equipment that is dispensed with a prescription, expands the definition of durable medical equipment to include mobility enhancing equipment (including repair and replacement parts for that equipment). Eliminates the sales and use tax exemption for medical equipment purchased without a prescription.
- ❑ **H.B. 11-1097 (Barker/Guzman):** Establishes a new voluntary donation line on income tax forms for the Goodwill Industries Fund, which will go into a queue that is established in the bill that provides procedures for putting the voluntary donation line on the income tax forms when there are more than 14 such donation lines already on the tax form. Appropriates

\$29,600 from the Fund for programming of computer systems to implement the voluntary contribution line and reappropriates those moneys to the Governor's Office of Information Technology, which will implement those changes.

- ❑ **H.B. 11-1157 (Casso/White):** Allows the owner of a diesel powered vehicle registered in a vehicle emissions program area, but primarily based outside of that area, to be exempt from the requirements of vehicles based in the program area. Appropriates \$6,000 cash funds from the Highway Users Tax Fund and \$592 cash funds from the Colorado State Titling and Registration Account to the Department of Revenue in FY 2011-12 for implementation. Of this amount, \$592 is reappropriated to the Governor's Office of Information Technology for computer programming changes required for implementation.
- ❑ **H.B. 11-1161 (Gerou/Hodge):** Extends for FY 2011-12 the authorization to use Highway Users Tax Fund "off-the-top" moneys in the Department of Revenue, Division of Motor Vehicles, for the operation of driver's license offices.
- ❑ **H.B. 11-1163 (Vaad/Tochtrop):** Defines conditions under which the Department of Transportation may issue a "super-load" permit. Appropriates \$740 to the Department of Revenue in FY 2011-12 for implementation. For more information on H.B. 11-1163, please see the "Recent Legislation" section in the Department of Transportation section of this document.
- ❑ **H.B. 11-1166 (Murray/Aguilar):** Establishes the "Type I Diabetes" special license plate. Appropriates \$2,960 cash funds from the Colorado State Titling and Registration Account to the Department of Revenue in FY 2011-12, and reappropriates those moneys to the Governor's Office of Information Technology for computer programming changes necessary to implement the license plate, and appropriates \$17,760 cash funds from the License Plate Cash Fund for the purchase of the license plates from Correctional Industries.
- ❑ **H.B. 11-1182 (Ferrandino/Hodge):** Establishes a fee for registration of vehicles to support the Colorado State Titling and Registration (CSTAR) Account of the Highway Users Tax Fund (HUTF) and decreases the fee that supports the Motorist Insurance Identification (MII) Account of the HUTF. Increases revenues to the CSTAR Account by \$2.28 million and decreases revenues to the MII Account by \$1.96 million.
- ❑ **H.B. 11-1216 (Riesberg/Aguilar):** Authorizes public and private sales of unique combinations of letters and numbers on license plates by a license plate auction group created in the Governor's Office. Appropriates \$2,960 cash funds from the Colorado State Titling and Registration System to implement the bill. Those moneys are reappropriated to the Governor's Office for implementation of the bill.
- ❑ **H.B. 11-1234 (Vaad/Spence):** Creates a taxicab license plate which will be required of all vehicles engaged in the taxicab business and only those vehicles authorized to provide taxicab service. Specifies that the taxicab license plate is to be used for vehicles that are used as both a taxicab and luxury limousine. Appropriates \$8,880 cash funds from the Colorado

State Titling and Registration Account and \$2,072 cash funds from the Licensing Services Cash Fund to the Department of Revenue in FY 2011-12 for programming changes to the Department's computer systems. These moneys are reappropriated to the Governor's Office of Information Technology. In addition, appropriates \$14,800 cash funds from the License Plate Cash Fund for the purchase of the license plates from Correctional Industries.

- ❑ **H.B. 11-1265 (Stephens/Johnston):** Establishes a three-year period after a sale of a taxable item for the taxpayer to claim a sales or use tax refund when a dispute arises over whether the item is taxable under State sales and use tax law.
- ❑ **H.B. 11-1293 (Stephens/Jahn):** Repeals H.B. 10-1192 regarding sales and use tax on standardized software, effective July 1, 2012. Adopts in statutes standards for determining when sales and use tax applies to the purchase of software. Appropriates \$19,701 General Fund and 0.5 FTE to the Department of Revenue for FY 2011-12.
- ❑ **H.B. 11-1295 (Acree/Newell):** Establishes a new voluntary donation line on income tax forms for the Multiple Sclerosis Fund, which will go into a queue that is established in the bill that provides procedures for putting the voluntary donation line on the income tax forms when there are more than 14 such donation lines already on the tax form. Appropriates \$29,600 from the Fund for programming of computer systems to implement the voluntary contribution line and reappropriates those moneys to the Governor's Office of Information Technology, which will implement those changes.
- ❑ **H.B. 11-1296 (Kagan/Steadman):** Extends for two years, until July 1, 2013, the suspension of the exemption from State sales and use tax on the sale of cigarettes. Increases General Fund revenue by \$27.3 million in FY 2011-12.
- ❑ **H.B. 11-1298 (Tyler/Spence):** Establishes the "Craig Hospital" special license plate to be sold to vehicle owners. Purchasers of the license plate must donate to Craig Hospital. Appropriates \$2,960 cash funds from the Colorado State Titling and Registration Account to the Department of Revenue in FY 2011-12, and reappropriates those moneys to the Governor's Office of Information Technology for computer programming changes necessary to implement the license plate. Also appropriates \$17,760 cash funds from the License Plate Cash Fund for the purchase of the license plates from Correctional Industries.
- ❑ **H.B. 11-1300 (Looper/Grantham):** Authorizes the use of an expedited process for resolving disputed claims over conservation easement tax credits with the following provisions:
 - Allows taxpayers to waive the hearing before the Executive Director of the Department of Revenue and instead appeal directly to a district court;
 - establishes venues for the appeals in a manner that allows cases to be consolidated regionally;
 - eliminates surety bond requirements for taxpayers appealing directly to district court;

- suspends the imposition of additional interest and penalties during the appeal for taxpayers who appeal directly to district court;
- provides procedures for the administrative process;
- establishes a process for courts to publish notices to taxpayers who cannot be located;
- allows taxpayer claims to be consolidated and settled, and allows additional parties to intervene at the discretion of the court; and
- specifies procedures related to discovery, case management conferences, disclosure of information by the parties, trial management orders, and the phasing of issue to be resolved by the court.

Modifies the aggregate cap for claims for conservation easements that was a part of H.B. 10-1197. For income tax years 2011 and 2012, the cap is lowered from \$26.0 million to \$22.0 million, and for income tax year 2013, the cap is increased to \$34.0 million from \$26.0 million. The reduction in the cap is slightly more than the General Fund appropriations listed below, making the act neutral with regard to the General Fund revenues and expenditures.

Appropriates from the General Fund to the Department of Revenue \$1,974 in FY 2010-11, and \$2,742,991 and 3.6 FTE in FY 2011-12. In addition, appropriates \$553,000 General Fund to the Judicial Department in FY 2011-12 for expenses related to the increased use of the district courts, including using retired judges to hear the cases, appropriates \$12,112 cash fund from the Conservation Easement Holder Certification Fund to the Department of Regulatory Agencies in FY 2011-12. Finally, the Department of Law is appropriated \$1,349,581 reappropriated funds and 9.1 FTE from the Department of Revenue and \$2,352 reappropriated funds from the Department of Regulatory Agencies in FY 2011-12.

- ❑ **H.B. 11-1316 (Priola/Johnston):** Establishes the Denver Nuggets and Colorado Avalanche special license plates to be sold to vehicle owners. Purchasers of the license plate must make a contribution to Kroenke Sports Charities. Appropriates \$6,660 cash funds from the Colorado State Titling and Registration Account to the Department of Revenue in FY 2011-12, and reappropriates those moneys to the Governor's Office of Information Technology for computer programming changes necessary to implement the license plate. Also appropriates \$35,520 cash funds from the License Plate Cash Fund for the purchase of the license plates from Correctional Industries.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

**APPENDIX C: UPDATE OF FY 2011-12
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

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

Comment: The Governor vetoed this footnote, stating the footnote: "clearly violates the separation of powers in Article III of the Colorado Constitution by attempting to administer the appropriation. This footnote stipulates the General Assembly's intention that the Department of Revenue limit the proportion of Amendment 50 revenues expended by the Limited Gaming Division for administrative purposes. This constitutes an exercise of the powers of close supervision of appropriations, which inherently belong to the executive. In addition, this footnote may violate Article V, Section 32 of the Colorado Constitution because it constitutes substantive legislation that cannot be included in the general appropriation bill."

Requests for Information

REQUESTS AFFECTING MULTIPLE DEPARTMENTS

- 5. All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee, by November 1, 2011, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that are applied for or received during FY 2010-11. The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2011-12.

Comment: This request does not apply to the Department of Revenue.

REQUESTS AFFECTING THE DEPARTMENT OF REVENUE

- 1. Department of Revenue, Executive Director's Office, Taxation Business Group, Taxation and Compliance Division, Taxpayer Service Division, and Tax Conferee** -- The Department is requested to provide to the Joint Budget Committee, no later than September 30, 2011, a report detailing the amount of additional General Fund revenue realized during the fiscal year ending on June 30, 2011 from the General Assembly's funding

of the Department's decision item to address the "conservation easement backlog". A similar report is requested by September 30, 2012 for additional General Fund revenue realized during FY 2011-12.

Comment: The Department provided the requested report. The terms of the decision item were that the Department would resolve a minimum of 46 cases per year. During FY 2010-11, 51 cases went to mediation, none were resolved. The Department states that the cases that did go to mediation had a difference in valuation between the Department and the claimant of \$34.6 million (an average of \$678,000 per disputed claim). The large difference between the State and the claimant is the main reason that none of the cases were resolved.

For more information, including the requested report, please see the Briefing Issue that begins on Page 49 of this document.

- 2. Department of Revenue, Taxation Business Group, Taxation and Compliance Division**
-- The Department is requested to provide to the Joint Budget Committee, by September 30, 2011, a report detailing the amount of additional General Fund revenue realized in during FY 2010-11 by the General Assembly's funding of 2009 Decision Item #1 - "Out-of-state tax law compliance and enforcement". A similar report is requested by September 30, 2012 for additional General Fund revenue realized during FY 2011-12.

Comment: The Department provided the requested report. The decision item increased the number of out-of-state audit offices from three to six, and increased the number of out-of-state based auditor from three to twenty-one. The decision item annualized to \$1.8 million General Fund and 20.0 FTE in FY 2010-11.

The Department had originally projected that the expansion would result in increased audit production of \$29.9 million. Utilizing the Department's assumption that 40 percent of audit production is realized as revenue, the projection was an increase in revenue of \$12.0 million. Actual audit production attributed to out-of-state offices in FY 2010-11 was \$81.0 million, which translates to increased General Fund revenue of \$32.4 million, an increase of \$20.4 million over what the Department projected as increased revenue when requesting the decision item.

- 3. Department of Revenue, Taxation Business Group, Taxation and Compliance Division**
-- The Department is requested to provide to the Joint Budget Committee, by September 30, 2010, a report on the effectiveness of 2010 Decision Item #1 - "Treasury Offset Program". The report should provide the amount of additional revenue gained by the state by the implementation of the program authorized by the General Assembly during the 2010 legislative session.

Comment: The Department provided the requested report. The Treasury Offset Program allows the Department to intercept federal tax refunds from taxpayers that owe Colorado taxes. The cost of \$158,680 General Fund involved meeting federal notification

requirements. The Department had projected that the program would increase General Fund revenue by \$4.2 million in FY 2010-11. Actual net collections totaled \$6.5 million.

4. **Department of Revenue, Taxation Business Group, Taxation and Compliance Division**
-- The Department is requested to provide to the Joint Budget Committee, by September 30, 2010, a report on the effectiveness of 2010 Decision Item #2 - "Delinquency Billings". The report should provide the amount of additional revenue gained by the state by the implementation of the program authorized by the General Assembly during the 2010 legislative session.

Comment: The Department provided the requested report. This decision item increased the number of billing made to delinquent taxpayers at a cost of \$163,849 General Fund. The Department had projected that the program would increase General Fund revenue by \$4.2 million. During FY 2010-11, total delinquent tax collections increased by \$10.3 million.

5. **Department of Revenue, Taxation Business Group, Taxation and Compliance Division**
-- The Department is requested to provide to the Joint Budget Committee, by September 30, 2010, a report on the effectiveness of 2010 Budget Amendment # 5 - "Tax Code Compliance Initiative". The report should provide the amount of additional revenue gained by the state by the implementation of the program authorized by the General Assembly during the 2010 legislative session.

Comment: The Department provided the requested report. This decision item included an increase of \$350,750 and 5.5 FTE for three tax compliance initiatives. The first initiative was to identify overdue tax accounts that had been either "over claimed" or never billed. The second was to increase the comparison of 1099 forms (for non-wage) filed by businesses with the tax returns of the individuals who should have reported that income. The third was to begin a voluntary compliance program that would target low-value 1099 recipients for compliance.

The Department increased its assessments by \$87.6 million in FY 2010-11 from FY 2008-09.

6. **Department of Revenue, State Lottery Division** -- The Department is requested to submit a report to the Joint Budget Committee, by September 30, 2011, on the employment location of senior management employees of the State Lottery Division, pursuant to Section 24-35-202 (1), C.R.S., which requires the Lottery headquarters to be located in the city of Pueblo. This report should identify each position in senior management of the Division, and where the primary offices of the incumbents in those positions are located.

Comment: The Department has responded that the following primary officers of the Lottery are located as follows:

Abel Tapia, Director- Primary office located in Pueblo
Dale Stinson, Security Director - Primary office located in Pueblo
Vacant, Deputy Director - Primary office located in Denver

7. **Department of Revenue, Information Technology Division** -- The Department is requested to submit a report to the Joint Budget Committee with its supplemental budget requests on January 1, 2012, on the actual costs, by fund type, for programming 2011 session legislation, including any economies of scale realized from combining like programming.

Comment: This report is not due until January 1, 2012.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Revenue**

APPENDIX D:

State Auditor's Office Recommendations Not Entirely Implemented



LOIS TOCHTROP, CHAIR
Senator
CINDY ACREE, VICE CHAIR
Representative
DEB GARDNER
Representative
LUCIA GUZMAN
Senator

State of Colorado

LEGISLATIVE AUDIT COMMITTEE
Legislative Services Building - Second Floor
200 East 14th Avenue
Denver, Colorado 80203

JAMES KERR
Representative
STEVE KING
Senator
JOE MIKLOSI
Representative
SCOTT RENFROE
Senator

October 31, 2011

Representative Cheri Gerou, Chair
Joint Budget Committee

Dear Representative Gerou:

The Legislative Audit Committee has been concerned about departments not implementing audit recommendations that they have agreed to implement. The State Auditor and her staff have developed a database to track recommendations and produce reports identifying those not implemented. We are providing this report for your consideration as you evaluate the budget requests for the Department of Revenue.

Attached you will find information regarding the following recommendations:

Department of Revenue		
<u>Number of Recommendations</u>	<u>Audit of Origination</u>	<u>Audit Date</u>
4	State of Colorado Statewide Single Audit	Fiscal Years Ended June 30, 2008 and 2009

Thank you for integrating this into your budget process.

Sincerely,

Senator Lois Tochtrop, Chair
Legislative Audit Committee

Office of the State Auditor Recommendations

Financial Recommendations Not Entirely Implemented As of Fiscal Year Ending June 30, 2010

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Revenue	Strengthen its internal controls over the processing of severance tax returns by: (b) ensuring that severance tax processes and procedures are followed.	33	Deficiency in Internal Control	Not Implemented	January 2011	37b	Significant Deficiency	N/A	Agree - original implementation date is December 2009								
Department of Revenue	Strengthen its information systems controls over the Income Tax, Revenue Accounting, and Severance Tax Systems related to network configuration and management, application development and change management, and user access management by: (e) requiring management to perform a periodic review of source code changes to ensure that only authorized and appropriate changes are implemented into production.	44e	Deficiency in Internal Control	Partially Implemented	June 2011	44e	Deficiency in Internal Control	Partially Implemented	June 2012	44e	Significant Deficiency	N/A	Agree - original implementation date is June 2009				
Department of Revenue	Strengthen its information systems controls over the Income Tax, Revenue Accounting, and Severance Tax Systems related to network configuration and management, application development and change management, and user access management by: (f) developing and implementing a formalized user access management program, including periodically producing and reviewing a list of current system users and linking the human resources and user access management functions.	44f	Deficiency in Internal Control	Partially Implemented	August 2012	44f	Deficiency in Internal Control	Deferred	December 2009	44f	Significant Deficiency	N/A	Agree - original implementation date is December 2009				
Department of Revenue	Improve controls over the preparation of fiscal year-end exhibits submitted to the Office of the State Controller by strengthening its review process over exhibits to include an in-depth, detailed review of all supporting documentation used to prepare the exhibits.	48	Deficiency in Internal Control	Partially Implemented	September 2011	48	Deficiency in Internal Control	Partially Implemented	September 2010	48	Deficiency in Internal Control	N/A	Agree - original implementation date is June 2009				