

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2016-17 STAFF FIGURE SETTING  
DEPARTMENT OF REVENUE**

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

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## **How to Use this Document**

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables.

Decision items, both department-requested items and staff-initiated items, are discussed either in the Decision Items Affecting Multiple Divisions or at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

## **Department Overview**

The Department of Revenue administers the state's tax laws and collects taxes due, administers motor vehicle registration and titling and driver's licensing, regulates and enforces state laws for selected industries, and operates the State Lottery.

The *Executive Director's Office* provides central budgeting, fiscal note coordination, revenue and expenditure accounting, purchasing and contract administration, human resources, internal auditing, project management, facilities safety, and security, and a hearings division for the Department. The office is funded through direct and indirect costs charged to divisions. In addition, the Executive Director's Office includes a Citizen's Advocate who assists citizens and taxpayers with problems, grievances or inquiries. It also includes a Communications Director who is the primary contact for all media queries and requests for information and a Legislative Liaison who directs all legislative matters for the Department. Additionally, the Executive Director's Office supports the Office of Research and Analysis that develops reports, such as the Department's annual report and monthly and quarterly sales tax reports. They also develop analytical data and estimate the refunding of State of Colorado excess revenues under Article X, Section 20 of the State Constitution (TABOR).

### *The Taxation Business Group:*

- Is responsible for the administration, collection, and enforcement of individual and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, and severance taxes, as well as all other taxes collected by the state;
- Collects local sales taxes on behalf of counties, many cities, and special districts;
- Provides assistance and information to taxpayers about compliance with Colorado's tax laws;
- Attempts to resolve taxpayer disputes before they reach the court system; and
- Administers several pass-through distribution of funds to local governments.

### *The Division of Motor Vehicles:*

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

### *The Enforcement Business Group:*

- Regulates and enforces laws related to the limited stakes gaming industry;
- Enforces laws regarding liquor and tobacco retailers, including laws against selling those products to minors, and licenses retailers and special events where alcohol is served;
- Regulates horse racing (dog racing is currently inactive) and pari-mutuel betting (including off-track betting);

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- Regulates retailers and sales agents in the motor vehicle sales industry;
- Regulates the medical and recreational marijuana industries; and
- Conducts hearings regarding driver’s license suspensions and other issues that affect the licensing rights of citizens.

*The State Lottery Division:*

Operates the State Lottery, which sells scratch ticket games and the multi-state lottery games, PowerBall and Mega Millions. The net proceeds of the Lottery benefit the following State funds:

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

### SUMMARY OF STAFF RECOMMENDATIONS

<b>Department of Revenue</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>						
SB 15-234 (Long Bill)	\$323,064,380	\$97,544,431	\$219,381,391	\$5,314,170	\$824,388	1,363.7
Other Legislation	1,113,077	77,166	1,035,911	0	0	3.4
SB 16-1250 (Supplemental Bill)	<u>1,121,508</u>	<u>320,560</u>	<u>800,948</u>	<u>0</u>	<u>0</u>	<u>4.3</u>
<b>TOTAL</b>	<b>\$325,298,965</b>	<b>\$97,942,157</b>	<b>\$221,218,250</b>	<b>\$5,314,170</b>	<b>\$824,388</b>	<b>1,371.4</b>
<b>FY 2016-17 Recommended Appropriation</b>						
FY 2015-16 Appropriation	\$325,298,965	\$97,942,157	\$221,218,250	\$5,314,170	\$824,388	1,371.4
R1 Division of Motor Vehicles Funding Deficit	836,501	3,200,000	(2,363,499)	0	0	0.0
R2 Earned income tax credit	1,056,290	1,056,290	0	0	0	16.7
R3 Postage fund mix adjustment	0	(23,813)	23,813	0	0	0.0
R4 Long Bill alignment	0	0	0	0	0	0.0
BA1 Income tax refund fraud prevention	1,597,864	1,597,864	0	0	0	14.5
BA2 Marijuana Enforcement Division FTE	1,313,217	0	1,313,217	0	0	17.0
Centrally appropriated line items	1,792,333	268,870	907,353	616,110	0	0.0
Gaming Commission adjustment	344,278	0	344,278	0	0	6.6
Non-prioritized requested changes	242,756	36,543	206,213	0	0	0.0
Annualize prior year budget actions	78,863	(4,095,661)	4,174,524	0	0	0.0
Annualize prior year legislation	66,674	(31,433)	98,107	0	0	2.4
Reverse supplemental	(1,121,508)	(320,560)	(800,948)	0	0	(4.3)
Reduction for CDPHE Lab	(176,292)	0	(176,292)	0	0	0.0

*JBC Staff Figure Setting: FY 2016-17*  
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<b>Department of Revenue</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
Revenue adjustment	(562,295)	(892,295)	330,000	0	0	0.0
<b>TOTAL</b>	<b>\$330,767,646</b>	<b>\$98,737,962</b>	<b>\$225,275,016</b>	<b>\$5,930,280</b>	<b>\$824,388</b>	<b>1,424.3</b>
<b>Increase/(Decrease)</b>	\$5,468,681	\$795,805	\$4,056,766	\$616,110	\$0	52.9
Percentage Change	1.7%	0.8%	1.8%	11.6%	0.0%	3.9%
<b>FY 2016-17 Executive Request</b>	<b>\$333,012,894</b>	<b>\$97,549,991</b>	<b>\$228,708,235</b>	<b>\$5,930,280</b>	<b>\$824,388</b>	<b>1,424.3</b>
Request Above/(Below) Recommendation	\$2,245,248	(\$1,187,971)	\$3,433,219	\$0	\$0	0.0

### Description of Incremental Changes

**R1 Division of Motor Vehicles Funding Deficit:** The recommendation includes an increase of \$3.2 million General Fund with a subsequent reduction of \$2.4 million cash funds to allow the Department to continue providing a consistent level of service at the State’s driver’s license offices. The recommendation includes funding to address the increased costs of identity documents as a result of the new vendor contract.

**R2 Earned income tax credit:** The recommendation includes an increase of \$1,056,290 and 16.7 FTE, to address the workload increases as a result of the Earned Income Tax Credit becoming permanent beginning in FY 2016-17.

**R3 Postage fund mix adjustment:** The recommendation includes a decrease of \$23,813 General Fund with a corresponding increase of \$23,813 cash funds because the Department is mailing more items for programs that are cash funded than for those funded through the General Fund.

**R4 Long Bill alignment:** The recommendation includes a budget neutral Long Bill reorganization. In FY 2016-17, the recommendation moved the Protest Section of the Taxation Business Group from the Taxation and Compliance Division to the Taxpayer Service Division. For FY 2017-18, the recommendation includes moving the Hearings Division from the Enforcement Business Group to a new subgroup in the Executive Director’s Office.

**BA1 Income tax refund fraud prevention:** The recommendation includes an increase of \$1.6 million General Fund and 14.5 FTE to address the increasing number of potentially fraudulent income tax filings. Of this amount, \$600,000 is for the Fraud Manager module, an upgrade to the GenTax system that shares multistate data to prevent fraud.

**BA2 Marijuana Enforcement Division FTE:** The recommendation includes an increase of \$1.4 million cash funds and 17.0 FTE to address the wait times being artificially imposed on marijuana licensees, primarily when they submit change-of-ownership petitions and new business applications.

**Centrally appropriated line items:** The recommendation includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; workers' compensation; legal services; payment to risk management and property funds; Capitol complex leased space; payments to OIT; and CORE operations. The amount shown reflects a combination of recommended items (for common policy items on which the JBC has taken action) and requested items (for common policy items that are still pending).

**Gaming Commission adjustment:** The recommendation includes an increase of \$344,278 cash funds and 6.6 FTE to reflect decisions made by the Limited Gaming Commission regarding its budget, which is included in the Long Bill for informational purposes.

**Non-prioritized requested changes:** The recommendation includes an increase of \$242,756, including \$36,543 General Fund for non-prioritized requested changes. The amount shown reflects a combination of recommended items (for items on which the JBC has taken action) and requested items (for items that are still pending).

**Annualize prior year budget actions:** The recommendation includes adjustments related to several prior year budget actions. The recommended net increase is \$78,863 total funds and is comprised of the following:

- A reduction of \$60,838, including \$36,300 General Fund to reflect annualization of the Committee's merit pay and salary survey decisions;
- R1 DMV Funding Deficit (decrease of \$4,199,062 General Fund; increase of \$4,199,062 cash funds)
- BA1 Tax document processing costs (increase \$65,073 General Fund);
- BA4 DMV Legal Services (decrease \$38,004 cash funds); and
- 2014-15 R1 Colorado Integrated Tax Architecture Maintenance and Support (increase \$112,632 General Fund);

**Annualize prior year legislation:** The recommendation includes a number of out-year adjustments related to special bills passed in the 2015 legislative session (H.B. 13-1042, H.B. 13-1317, H.B. 14-1017, H.B. 14-1072, H.B. 14-1089, H.B. 14-1119, H.B. 14-1279, H.B. 14-1311, H.B. 15-1004, H.B. 15-1026, H.B. 15-1136, H.B. 15-1181, H.B. 15-1217, H.B. 15-1219, H.B. 15-1228, H.B. 15-1313, H.B. 15-1366, H.B. 15-1367, H.B. 15-1379, S.B. 11-184, S.B. 13-001, S.B. 15-014, S.B. 15-090, S.B. 15-188, S.B. 15-206, S.B. 15-229, S.B. 15-260, and S.B. 15-282).

**Reverse supplemental:** For purposes of this document, staff has reflected the reversal of all mid-year changes to the FY 2015-16 Revenue budget.

**Reduction for CDPHE Lab:** The recommendation includes a reduction \$176,292 cash funds to reflect changes in statute that allow appropriations for the marijuana lab certification to be directly appropriated to the Department of Public Health and Environment.

**Revenue Adjustment:** The recommendation includes a number of adjustments related to projected revenue for rebates included in the Long Bill for informational purposes. The figure represents the difference between previous forecasts and the 2015 December Legislative Council Revenue Forecast estimates. Final figures will be based on the March 2016 Revenue Forecast the Committee elects to use to balance the Long Bill.

**Major Differences from the Request**

The major difference between staff recommendation and the Department request is funding R1 DMV Funding Deficit with General Fund instead of Cash Funds.

The other difference worth noting between the recommendation and the request is annualization of BA2 Marijuana Enforcement Division FTE, where JBC staff is recommending allowing the Department to include an additional 6.0 FTE in their base request for FY 2017-18.

## **Decision Items Affecting Multiple Divisions**

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### **➔ R2 Earned Income Tax Credit**

*Request:* The Department is requesting \$1.1 million General Fund and 16.7 FTE in FY 2016-17, annualizing to \$1.6 million General Fund and 23.4 FTE in FY 2017-18 to administer the EITC program. The request is made in response to data regarding the rate of fraud in the federal EITC program, which is new to the Department of Revenue.

*Recommendation:* Staff recommends the Department request.

*Analysis:* The Colorado Earned Income Tax Credit (EITC) allows low- and middle-income Colorado taxpayers to claim a refundable tax credit equal to 10 percent of the federal EITC, thereby reducing their Colorado income tax liability. A tax credit can substantially reduce the amount of taxes owed or increase the size of a tax refund. However, not all tax credits are alike. Tax credits can be nonrefundable, refundable, or partially refundable. Most, if not all, tax credits are nonrefundable and can reduce a taxpayer's tax liability to zero (\$0.00), but not below. A taxpayer must have a tax liability to claim (or benefit) from a nonrefundable tax credit.

Article X, section 20 of the Colorado Constitution (TABOR) limits the amount by which the government can grow yearly. When taxes collected exceed the amount authorized by TABOR, a TABOR surplus exists and must be refunded to the taxpayers in the state. The EITC is one of three mechanisms in current law used to refund the TABOR surplus, the Colorado credit historically was only available during years when there is a sufficient TABOR surplus. Senate Bill 13-001 (Colorado Working Families Economic Opportunity Act) makes the EITC a permanent tax credit beginning the first tax year after it is next used to refund a TABOR surplus. The Colorado EITC was used to refund TABOR surpluses in FY 1998-99, FY 1999-00, and FY 2000-01 and is being used in FY 2015-16 to refund the FY 2014-15 TABOR surplus. This will make the EITC a permanent refundable tax credit beginning tax year 2016.

The last time the state used the EITC as a TABOR refund mechanism was in FY 2000-01 when the Department processed all of its taxes in a mainframe computing environment that has since been replaced. When the EITC becomes available in 2015, the Department's new Colorado Integrated Tax Architecture (CITA) computer system, called GenTax, will be used to process returns.

According to a report by the Treasury Inspector General for Tax Administration the Internal Revenue Service (IRS) has determined that EITC improper payments result from authentication and verification errors. Refundable tax credits such as the EITC have high auditing requirements due to: taxpayer fraud through identity theft, authentication issues based on the inability to authenticate qualifying child status, verification of taxpayers' filing status, claims associated with complex or nontraditional living arrangements, and income verification that includes under- and over-reporting for self-employed taxpayers.

The fraudulent activity is tied to the financial benefit of refundable credits, namely, a taxpayer can claim a refund whether or not the taxpayer has a tax liability. The federal Office of

Management and Budget has identified the federal EITC as the only IRS program that is a high risk tax incentive for the government. For FFY 2012-13, the IRS maintained that 24 percent (totaling \$14.5 billion) of EITC's claimed were paid erroneously due to the above identified issues—this amount has grown significantly over the years. From 2003 through 2013, the IRS estimates that total EITCs paid in error is between \$124 billion and \$148 billion. The Department expects that it will have similar administrative issues as the IRS in terms of the implementation of the Colorado EITC.

Senate Bill 13-001 included appropriations for the Department, however, the final Fiscal Note explicitly states that the resources contained in it were only for administration of the Child Tax Credit. JBC staff questioned why the fiscal note did not include resources for implementing the EITC and in response, the Department revisited its working documents to explain some of the discrepancies between the final fiscal note and the actual work required to administer the EITC. The Department fully agreed with early Fiscal Notes on S.B. 13-001, which included 26.5 FTE for administration of the Child Tax Credit and the EITC. JBC staff and Department staff agree that 22.0 FTE, and its associated funding, were removed from the final version of the Fiscal Note because there was no need for the additional resources until the mechanism in S.B. 13-001 was triggered and the eligibility requirements for the EITC has not changed since it was first made law in 1999.

Delaying hiring for administering the EITC is a logical approach to the changes made by S.B. 13-001 because the credit does not become permanent until after it becomes a refund mechanism for a TABOR surplus, which was uncertain in 2013.

Another justification for the request is that the EITC will likely increase call wait times and blockage rates. For example, from FY 2013-14 to FY 2014-15, the call center received an additional 141,228 calls. The increase was largely due to the Department's response to an increase in fraudulent income tax filing activity. To address this issue, the Department stopped issuing tax refunds for several weeks during February and early March 2015. As a result, a significant number of taxpayers attempted to contact the call center and wait times increased from about 9 to 12 minutes per call. The rate for blocked calls increased from 23 percent to 40 percent. When the EITC is administered by the Department, the Department estimates call wait times will likely increase up to 2 additional minutes and the call blockage rate will also likely increase up to the same blockage rate of 40 percent that was present when the Department was responding to taxpayers who had questions about their tax refunds during March 2015. The Department's request includes 6.3 FTE in FY 2016-17 and 8.4 FTE in FY 2017-18 for staffing the call center.

The Department states that without additional funding, it will have insufficient staff to verify and audit a portion of the EITC returns that may be fraudulent. If those costs have to be permanently absorbed because new funding is not approved, the Department would have to shift work from taxpayer services, tax auditing, and taxpayer compliance to comply with new auditing and verification processes tied to EITC. The shift would result in less revenue collected by the state, potential noncompliance with the state's tax laws, and poor customer service.

**➔ R4 Long Bill alignment**

*Request:* The Department requested a budget neutral change to the appropriation structure of the Long Bill to reflect how it currently operates several programs.

*Recommendation:* Staff recommends the Committee approve the Department request.

*Analysis:* The Department request can be bifurcated into two separate realignment requests: (1) to move the Protest Section of the Taxation Business Group from one Taxation Business subgroup to another and (2) to move the Hearings Division from the Enforcement Business Group to a new subgroup within the Executive Director's Office.

***Protest Section***

The protest section in the Taxation Business Group resolves taxpayer disputes pertaining to taxpayer delinquencies and other notices sent out by the Department's tax computer system, GenTax. The protest section is currently appropriated in the *(B) Taxation and Compliance Division*. However, its duties have shifted to the *(C) Taxpayer Service Division* (TPS) because the TPS income and business tax sections are responsible for handling taxpayer issues that result from Department notices and other issues.

The Department requests a budget neutral alignment of the Long Bill. Starting in FY 2016-17, the Department requests a shift of \$596,998 General Fund and 11.0 FTE from the Long Bill subgroup *(B) Taxation and Compliance Division* to sub-group *(C) Taxpayer Service Division*. The total consists of \$586,548 and 11.0 FTE in the Personal Services line item and \$10,450 in the Operating Expenses line item. Nothing in statute prevents the protest section from moving from Taxation and Compliance to the Taxpayer Service Division.

***Hearings Division***

The Hearings Division conducts hearings on behalf of the majority of the divisions in the Department. To ensure the Division's independence, objectivity, and fairness, the Hearings Division Director reports to the Deputy Director in the Executive Director's Office.

The Hearings Division is currently appropriated in the Enforcement Business Group of the Long Bill, which does not align with its operational position within the Department.

In FY 2017-18, the Department requests that a new Long Bill sub-group titled *(A) Administration and Support* be created in group *(1) Executive Director's Office*, and that the Hearings Division sub group be moved from group *(5) Enforcement Business Group* to group *(1) Executive Director's Office* under a new sub-group titled *(B) Hearings Division*.

These changes were requested over a two-year period to provide the Department and JBC staff sufficient time to make changes in both CORE and the JBC budgeting software. If the Committee approves the Department request, the Department can then go forward with creation of the new Division and line items in preparation for the November 1, 2016 budget request submission.

The Hearings 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. Statute does not dictate which budget group the Hearings Division must reside and the Department is effectively operating the Hearings Division as a sub division of the Executive Director's Office currently. Approving this request will align the Long Bill with how the Department is operating.

**➔ BA1 Income tax refund fraud prevention**

*Request:* The Department requests \$1,791,107 General Fund and 14.5 FTE to implement changes necessary to combat income tax fraud. Of the requested amount, \$600,000 is for the annual fee for the Fraud Manager module for the GenTax system.

*Recommendation:* Staff recommends an appropriation of \$1,597,864 General Fund and 14.5 FTE. The recommendation reflects the Committees supplemental decision not to fund 4.5 FTE in FY 2015-16 related to this request and therefore the centrally appropriated costs for the second year of the 4.5 FTE are not included in the recommendation.

*Analysis:* Identity theft in the United States has received increasing levels of media attention over the past decade. Breaches of customer data at several large national retailers has increased the amount of personally identifiable information available on black markets for scam artists. At the same time, the Internet and access to mobile devices has increased the public's expectation for instantaneous results—whether it be a driver to arrive within a few minutes using a ridesharing app or the processing of a tax refund. Scammers have used these things to their advantage by targeting the tax refund process by claiming the refund of legitimate taxpayers. The Department is currently facing a conundrum where it must balance the filers desire for a quick refund and both the filer's and the state's interest in eliminating fraud from the process.

Identity-based income tax refund fraud is a costly issue for tax agencies such as the Department of Revenue and the state because it can reduce the revenue available for Colorado. While income tax refund fraud is not a new issue, the significant increase in fraud is a recent development. Over the last three years, The Department has seen an increase of about 185 percent in work related to the identification and prevention of fraudulent tax refunds. The Department reports that it is experiencing fraud at levels similar to the experiences of the Internal Revenue Service (IRS) at the federal level.

As alluded to in the introduction, a major cause of increased fraud is the prevalence of data breaches. The Department provided data from the Privacy Rights Clearinghouse that indicated over 816 million personally identifiable identification records have been breached since 2005.

Over the past decade, the Department has increased its efforts to easily accept income tax refund filings through online electronic-filing (e-filing). As of the 2014 tax season, approximately 84 percent of Colorado individual income tax returns were filed electronically. The Department is restricted by statute to a limited period of time to identify fraud. Section 39-22-622 (2) (a),

C.R.S., requires the Department to issue refunds to filers within specific time frames based on the date on which the return is filed. These timeframes are summarized below:

<b>Statutory Requirement for Timing of Income Tax Refunds</b>	
<b>Date of Filing is Before</b>	<b>Period Department has to issue refund</b>
January 31	Fourteen (14) Calendar Days from Date of Filing
February 28 (or 29)	Twenty-one (21) Calendar Days from Date of Filing
March 31	Forty-five (45) Calendar Days from Date of Filing

E-filing provides a faster way for the Department to process returns and issue refunds. Income tax refunds filed on paper go through the Department’s tax processing pipeline. The tax processing pipeline utilizes specialized scanners operated by the Department of Personnel to scan the paper filings and prepare them for review by the tax examiners. This extra step starts the tolling of the above-mentioned deadlines from the date the filing is postmarked by the United State Postal Service. E-filing also benefits the filers because it reduces the amount of time the tax return is not actively being verified. Additionally, using one of the many third-party companies that offer e-filing, such as TurboTax, consumers can reduce the amount of time they spend preparing their tax returns by populating many of the data fields with data from prior returns.

The downside to e-filing is that it makes it easier to file false returns, resulting in increased potential for fraud. Not surprisingly, when people interested in committing income tax fraud find a strategy that works for a certain state, the Department has observed these people submit a large number of filings until the strategy is uncovered.

Section 39-22-622 (4), C.R.S., does provide the Department with an exemption to the timeline required by subsection (2) of that statute described above. The exemption occurs when the Department identifies a return has the characteristics of a fraudulent refund claim. When such a return is identified, it is removed from the processing stream for a more thorough review.

Fraud detection has a cascading effect to the workload of the Department because a legitimate taxpayer’s return may be identified as potentially fraudulent, which increases the amount of time the taxpayer must wait for his or her refund. While the Department allows taxpayers to check the status of their return online, many taxpayers are still more comfortable speaking with a live person when their refund is delayed. Last year, when the Department placed a hold on issuing any tax refunds in light of potential mass-fraud that was identified, it experienced a substantial increase in both the amount of time a taxpayer had to wait on hold and the percent of calls that were blocked from even making it to the hold-queue. The table below lists call center statistics for the past several tax cycles:

<b>Department Call Center Statistics</b>			
<b>Fiscal Year</b>	<b>Calls to Call Center</b>	<b>Average Wait Time</b>	<b>Call Blockage Rate</b>
2012-13	479,344	9:34	23.75%
2013-14	467,395	9:08	23.24%
2014-15	606,772	12:18	40.01%

The Department currently has 26.0 FTE dedicated to staffing the call center, not including the supervisors. The request includes 8.4 FTE in FY 2016-17 to address increased call center demand.

The request reflects a need to increase staffing to allow the Department to continue meeting its statutory requirement for issuing refunds and also meet expectations of filers who call the tax call center with questions about delays to their refund.

As part of its fraud-related duties, the Department currently has 3.0 FTE assigned to identify potentially fraudulent refunds and then review the information associated with the tax return in order to determine the veracity of the filing. These employees are often required to examine available data and even contact the taxpayer to ensure the return's validity. The increase in the number of filings reviewed by the Department is kind of alarming. At the time of printing, the Department did not have access to the actual number of fraud cases uncovered for filing years 2011 through 2013. For filing year 2014, the Department uncovered 8,514 fraudulent claims out of the 44,743 it reviewed. The table below shows the number of income tax filings that were reviewed by tax filing season:

<b>Filings Reviewed by the Department for Fraud</b>			
<b>Filing Year</b>	<b>Department Reviews</b>	<b>Percent Change</b>	
2011	24,573		n/a
2012	28,423		15.70%
2013	50,066		76.10%
2014	44,743		(10.60%)

Between the 2012 and 2013 tax filing cycles, the Department did not make any unusual or drastic changes to its fraud detection processes. Like many other states, Colorado experienced a substantial increase in suspicious returns. It is the Department's belief that the incidence of fraud has increased substantially and this uptick was not a result of enhanced detection methodologies, rather it was a true increase in fraudulent activities being perpetrated on a more widespread and larger scale than previously encountered.

With such a substantial increase in fraudulent returns, the Department has had to divert FTE from other areas in order to address each of the returns identified as potentially fraudulent. Despite receiving training on fraud processing, the FTE diverted from other units are not as efficient, and probably less effective, at addressing potentially fraudulent returns as those dedicated to fraud detection.

Finally, the request also includes funding for a module available from the GenTax vendor that provides the tax remittance computing architecture. The "Fraud Manager" module incorporates industry standard anti-fraud functionality and includes several capabilities specifically designed to combat individual income tax fraud. One of the concerns JBC staff had with this request is that whenever a bill makes a change to tax law in Colorado, it must contain an appropriation to allow the Department to reprogram the GenTax system through the vendor. This module allows

the Department to make adjustments to Colorado-specific business rules without the need for programming from the vendor. It also utilizes shared multi-state data, public records, and a variety of other data services to provide ID theft and other fraud scores back to the Department. There are currently four states that have implemented the Fraud Manager module with 11 more scheduled to have it implemented by January 2016. The module requires an annual data contract of \$600,000 beginning in FY 2016-17. Overall, 24 states, plus the District of Columbia, have a contract with the GenTax vendor. If more states make fraud detection a priority, the multi-state data will become even more useful. The Joint Budget Committee provided funding for the initial programming of the Fraud Manager module in the 2015-16 supplemental budget cycle.

**➔ BA2 Marijuana Enforcement Division FTE**

*Request:* As a continuation of supplemental request S3 Marijuana Enforcement Division FTE, the Department requests an increase of \$1,313,217 and 17.0 FTE from the Marijuana Cash Fund to reduce wait times for administrative action for businesses operating within the medical and retail marijuana industries.

*Recommendation:* Staff recommends the Committee approve the Department request with the addition of directing the Department to include annualization of this request by increasing appropriation to \$498,989 cash funds and 6.0 FTE in the base budget request for FY 2017-18.

*Analysis:* The Marijuana Enforcement Division (MED or Division) of the Department of Revenue is the state’s primary regulatory body overseeing the businesses licensed to engage in medical and recreational marijuana sales. In carrying out its duties, the MED issues licenses to the businesses and employees of those businesses, conducts background investigations, imposes disciplinary actions, enforces compliance mandates, implements legislation, and promulgates rules.

The Department and the MED continue to analyze the staffing needs of enforcing the state’s marijuana regulations, trying to balance the demands of the new, growing industry and the desire not to hire too many full-time staff if the workload fails to be consistent over time. At figure setting for FY 2015-16, the Department expected the workload related to investigations and licensing would normalize and that the newly approved 17.0 FTE in FY 2015-16 would be sufficient to address the workload of the Division. While the MED has not experienced this leveling off of the workload that it expected, it also did not anticipate how complex ownership and financial agreements would get in the face of the marijuana industry’s inability to effectively work within the United States banking system.

***Complex Business Agreements in the Industry***

At this time, it seems unlikely that marijuana businesses will have access to meaningful banking until Congress acts. Efforts to bring banking to the marijuana industry continue to meet road blocks and most recently a Federal District Judge sided with the Federal Reserve when it denied Fourth Corner Credit Union a master account due to concerns that marijuana is still illegal federally. Because the businesses do not have access to business loans and other traditional forms of financing that the rest of the business community does, JBC staff agrees with Department staff that these agreements will continue to become increasingly more complicated.

The innovative business and/or ownership structures being cobbled together by the industry increase the amount of time applications take to review by MED staff. It is crucial that the MED investigate each application thoroughly to confirm there is no undisclosed ownership or undisclosed financial interests, to comply with state law. A thorough investigation of ownership interests is also complimentary to Colorado’s goal to prevent criminal enterprises from operating in plain sight.

***Legal Requirements of the MED***

One of the primary tasks the MED performs is ensuring that criminal enterprises do not participate in the regulated market and that all individuals with direct or indirect ownership in licensed businesses meet all qualifications of licensure. In carrying out this duty, the Colorado Constitution requires the Department to process and take action on all business applications between 45 and 90 days of the submission.

To achieve its Constitutional duty, the Department allows new businesses applicants and those making change-of-ownership requests to schedule an appointment to submit its application or renewal. This has resulted in applicants waiting at least 12 weeks before being able to submit the application and once they arrive for their submission appointment, the clock starts ticking on the 90 day timeframe. The Colorado Constitution clearly states application processing should be accomplished within 90 days. JBC staff feels that while the system the MED has implemented was necessary for it to accomplish its legal duties within its resources, it does not give full faith to the intent of the Constitutional provision.

Many of the businesses regulated by the Department of Regulatory Agencies (DORA) receive renewals for their licenses within one business week. While review of those applications by DORA is probably more standardized than marijuana businesses, providing businesses legally operating in Colorado with similar levels of customer service is fair. The state should strive to take final action on new applications, renewals, and change-of-ownership petitions on the 45<sup>th</sup> day.

The MED has implemented policies that allow for the submission of some documents without the need for scheduling an appointment. These include: changes of location, modification of premises, changes of trade names and business application renewals. The changes implemented were welcome by the marijuana industry but it did not have much effect on the 12-week wait times for new applications and change-of-ownership petitions.

The Department has requested a number of different positions for FY 2016-17. A summary of those FTE is provided below:

<b>Requested Positions in FY 16-17</b>	
<b>FTE</b>	<b>Job Classification</b>
6.0	Administrative Assistant II
2.0	Administrative Assistant III
2.0	Criminal Investigator I

<b>Requested Positions in FY 16-17</b>	
FTE	Job Classification
2.0	Criminal Investigator II
4.0	Compliance Investigator I
<u>1.0</u>	Compliance Investigator II
17.0	<b>Total</b>

With the additional staff resources included in this request, the Department estimates it will be able to reduce the wait being experienced now for an appointment down to two to four weeks. In addition to reducing the time it takes to get an appointment with the MED.

JBC asked whether the MED needed more resources than those requested here to address the long wait times. These discussions resulted in JBC staff recommending additional funding in FY 2017-18. The funding being recommended for FY 2017-18 totals \$498,989 and is based off the Department estimating a need for an additional 6.0 FTE to continue to reduce the wait times being experienced by the industry. The goal of allowing this request to grow in the base budget in FY 2017-18 is to provide resources for regulating a growing industry. While the JBC should not be shocked if they get another funding request for marijuana enforcement in FY 2017-18, this will hopefully address growth without the need for asking for additional resources. JBC staff would like to provide more staff in FY 2016-17, however, the Department did not agree with JBC staff's suggestion. Ideally, many of these licensee investigations should be able to be addressed on a "on demand" basis instead of the current process of obtaining an appointment to submit your documents.

The additional positions for FY 2017-18 are provided below:

<b>Requested Positions in FY 17-18</b>	
FTE	Job Classification
3.0	Criminal Investigator I
1.0	Criminal Investigator II
2.0	Compliance Investigator I
6.0	<b>Total</b>

## (1) Executive Director’s Office

The Executive Director’s Office provides central budgeting, fiscal note coordination, revenue and expenditure accounting, purchasing and contract administration, human resources, internal auditing, project management, facilities safety, and security, and a hearings division for the Department. The office is funded through direct and indirect costs charged to divisions. Additionally, the Executive Director’s Office supports the Office of Research and Analysis that develops reports, such as the Department’s annual report and monthly and quarterly sales tax reports. They also develop analytical data and estimate the refunding of State of Colorado excess revenues under Article X, Section 20 of the State Constitution.

<b>Executive Director's Office</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$61,935,164	\$29,657,217	\$27,625,771	\$4,652,176	124.0
Other Legislation	122,008	0	122,008	0	0.0
SB 16-1250 (Supplemental Bill)	<u>2,707</u>	<u>0</u>	<u>2,707</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$62,059,879</b>	<b>\$29,657,217</b>	<b>\$27,750,486</b>	<b>\$4,652,176</b>	<b>124.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$62,059,879	\$29,657,217	\$27,750,486	\$4,652,176	124.0
R2 Earned income tax credit	211,826	211,826	0	0	0.0
R3 Postage fund mix adjustment	0	(23,813)	23,813	0	0.0
BA1 Income tax refund fraud prevention	274,298	274,298	0	0	0.1
BA2 Marijuana Enforcement Division					
FTE	309,678	0	309,678	0	0.0
Centrally appropriated line items	1,231,226	306,789	335,814	588,623	0.0
Non-prioritized requested changes	242,756	36,543	206,213	0	0.0
Annualize prior year budget actions	(1,625,446)	(623,655)	(1,001,791)	0	0.0
Reverse supplemental	(2,707)	0	(2,707)	0	0.0
Annualize prior year legislation	(36,075)	(2,142)	(33,933)	0	0.0
<b>TOTAL</b>	<b>\$62,665,435</b>	<b>\$29,837,063</b>	<b>\$27,587,573</b>	<b>\$5,240,799</b>	<b>124.1</b>
<b>Increase/(Decrease)</b>	<b>\$605,556</b>	<b>\$179,846</b>	<b>(\$162,913)</b>	<b>\$588,623</b>	<b>0.1</b>
Percentage Change	1.0%	0.6%	(0.6%)	12.7%	0.1%
<b>FY 2016-17 Executive Request:</b>	<b>\$63,126,024</b>	<b>\$30,261,091</b>	<b>\$27,624,134</b>	<b>\$5,240,799</b>	<b>124.1</b>
Request Above/(Below) Recommendation	\$460,589	\$424,028	\$36,561	\$0	0.0

## **DECISION ITEMS - EXECUTIVE DIRECTOR'S OFFICE**

### **➔ R3 Postage fund mix adjustment**

*Request:* The Department requests a fund mix adjustment in FY 2016-17 and ongoing to shift \$23,813 spending authority from General Fund to cash funds in the Executive Director's Office Postage line item to align the appropriation with postage utilization. This request decreases General Fund spending authority and increases cash fund spending authority with no increase to the Department's total appropriation.

*Recommendation:* Staff recommends approving the Department request.

*Analysis:* Beginning in FY 2013-14, the Department experienced an increase in cash fund utilization in the Postage line item due to an increase in postage expenses for marijuana enforcement activities. The Department did not anticipate the full impact of increased postage expenses related to H.B. 13-1318, which established the regulatory structure for the sale of retail marijuana. To accommodate this increase, the Department shifted marijuana postage expenses to the Marijuana Enforcement line item that funds the program's operations.

In FY 2014-15, the Department experienced an overall increase in postage cash fund utilization due to the continued increase in marijuana postage expenses along with other cash funded division utilization increases.

The General Fund appropriation in the Postage line item is adequate to implement a fund mix adjustment to shift spending authority from the General Fund to cash funds and still meet the General Fund postage needs of the Department. Further, there is sufficient revenue in the impacted cash funds to support the fund mix adjustment.

## **LINE ITEM DETAIL – EXECUTIVE DIRECTOR'S OFFICE**

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. The staff are responsible for the Department's administration, auditing, accounting, budgeting, personnel management, and research functions. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 24-50-101 *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$9,293,030, including \$3,723,767 General Fund, \$355,980 cash funds, and \$5,213,283 reappropriated funds.

*Recommendation:* Staff recommends \$9,289,455 total funds comprised of \$3,720,192 General Fund, \$355,980 cash funds, and \$5,213,283 reappropriated funds. The majority of the increase from previous year is the result of annualizing the merit pay and salary survey decisions made for FY 2015-16. Staff recommendation includes rejecting portions of BA1 Income tax refund

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

fraud prevention because the Joint Budget Committee did not provide any increases in staff in the supplemental request related to this budget amendment.

<b>Executive Director's Office, Personal Services</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$9,137,169</u>	<u>\$4,133,244</u>	<u>\$351,749</u>	<u>\$4,652,176</u>	<u>124.0</u>
<b>TOTAL</b>	<b>\$9,137,169</b>	<b>\$4,133,244</b>	<b>\$351,749</b>	<b>\$4,652,176</b>	<b>124.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$9,137,169	\$4,133,244	\$351,749	\$4,652,176	124.0
Annualize prior year budget actions	152,286	148,055	4,231	0	0.0
BA1 Income tax refund fraud prevention	0	0	0	0	0.0
Centrally appropriated line items	<u>0</u>	<u>(561,107)</u>	<u>0</u>	<u>561,107</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$9,289,455</b>	<b>\$3,720,192</b>	<b>\$355,980</b>	<b>\$5,213,283</b>	<b>124.0</b>
<b>Increase/(Decrease)</b>	\$152,286	(\$413,052)	\$4,231	\$561,107	0.0
Percentage Change	1.7%	(10.0%)	1.2%	12.1%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$9,293,030</b>	<b>\$3,723,767</b>	<b>\$355,980</b>	<b>\$5,213,283</b>	<b>124.1</b>
Request Above/(Below) Recommendation	\$3,575	\$3,575	\$0	\$0	0.1

**Health, Life, and Dental**

This line item provides funding for the employer's share of the cost of group benefit plans providing health, life, and dental insurance for state employees. The reappropriated funds portion of this line item corresponds to the health, life, and dental benefits of employees whose salaries are included in the indirect cost recovery plan.

*Statutory Authority:* Sections 24-50-609, 24-50-611, and 24-50-104 (1) (a) (II), C.R.S.

*Request:* The Department requests an appropriation of \$11,048,998 total funds, which includes \$4,734,211 General Fund, \$6,297,694 cash funds, and \$17,093 reappropriated funds.

*Recommendation:* Staff recommends \$10,731,918 total funds including \$4,417,131 General Fund, \$6,297,694 cash funds. The recommendation reflects the Committee's action on budget amendments made in the supplemental budget and Committee action on health, life, and dental common policies.

<b>Executive Director's Office, Health, Life, and Dental</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Executive Director's Office, Health, Life, and Dental</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$11,429,894</u>	<u>\$4,617,983</u>	<u>\$6,811,911</u>	<u>\$0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$11,429,894</b>	<b>\$4,617,983</b>	<b>\$6,811,911</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$11,429,894	\$4,617,983	\$6,811,911	\$0	0.0
BA2 Marijuana Enforcement Division					
FTE	134,759	0	134,759	0	0.0
R2 Earned income tax credit	0	0	0	0	0.0
BA1 Income tax refund fraud prevention	0	0	0	0	0.0
Centrally appropriated line items	<u>(832,735)</u>	<u>(200,852)</u>	<u>(648,976)</u>	<u>17,093</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$10,731,918</b>	<b>\$4,417,131</b>	<b>\$6,297,694</b>	<b>\$17,093</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	(\$697,976)	(\$200,852)	(\$514,217)	\$17,093	0.0
Percentage Change	(6.1%)	(4.3%)	(7.5%)	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$11,048,998</b>	<b>\$4,734,211</b>	<b>\$6,297,694</b>	<b>\$17,093</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$317,080	\$317,080	\$0	\$0	0.0

**Short-term Disability**

This line item provides funding for the employer's share of the state employees' short-term disability insurance premiums.

*Statutory Authority:* Sections 24-51-701 and 24-50-104(1) (a) (II), C.R.S.

*Request:* The Department's request is for \$140,093 total funds, including funding for BA1 Income tax refund fraud prevention, BA2 Marijuana Enforcement Division, and R2 Earned income tax credit.

*Recommendation:* Staff recommends \$137,294 total funds, including \$58,839 General Fund, in accordance with Committee action on compensation common policies. It includes funding for BA2 Marijuana Enforcement Division FTE because the Committee approved the supplemental request related to the budget amendment. This *excludes* funding for the Department's R2 Earned income tax credit and BA1 Income tax refund fraud prevention requests pursuant to Committee policy on first-year appropriations for new FTE.

<b>Executive Director's Office, Short-term Disability</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Executive Director's Office, Short-term Disability</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$161,525</u>	<u>\$67,780</u>	<u>\$93,745</u>	<u>\$0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$161,525</b>	<b>\$67,780</b>	<b>\$93,745</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$161,525	\$67,780	\$93,745	\$0	0.0
BA2 Marijuana Enforcement Division					
FTE	1,689	0	1,689	0	0.0
R2 Earned income tax credit	0	0	0	0	0.0
BA1 Income tax refund fraud prevention	0	0	0	0	0.0
Centrally appropriated line items	<u>(25,920)</u>	<u>(8,941)</u>	<u>(17,142)</u>	<u>163</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$137,294</b>	<b>\$58,839</b>	<b>\$78,292</b>	<b>\$163</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	(\$24,231)	(\$8,941)	(\$15,453)	\$163	0.0
Percentage Change	(15.0%)	(13.2%)	(16.5%)	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$140,093</b>	<b>\$61,638</b>	<b>\$78,292</b>	<b>\$163</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$2,799	\$2,799	\$0	\$0	0.0

**S.B. 04-257 Amortization Equalization Disbursement**

This line item provides additional funding to increase the state contribution for the Public Employees' Retirement Association (PERA).

*Statutory Authority:* Section 24-51-411, C.R.S.

*Request:* The Department's request is for \$3,544,020 total funds, including \$1,552,592 General Fund, \$1,987,234 cash funds, and \$4,194 reappropriated funds.

*Recommendation:* Staff recommends \$3,482,946 total funds, including \$1,491,518 General Fund, in accordance with Committee action on compensation common policies. It includes funding for BA2 Marijuana Enforcement Division FTE because the Committee approved the supplemental request related to the budget amendment. This *excludes* funding for the Department's R2 Earned income tax credit and BA1 Income tax refund fraud prevention requests pursuant to Committee policy on first-year appropriations for new FTE.

<b>Executive Director's Office, S.B. 04-257 Amortization Equalization Disbursement</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Executive Director's Office, S.B. 04-257 Amortization Equalization Disbursement</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$3,256,984</u>	<u>\$1,364,916</u>	<u>\$1,892,068</u>	<u>\$0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$3,256,984</b>	<b>\$1,364,916</b>	<b>\$1,892,068</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$3,256,984	\$1,364,916	\$1,892,068	\$0	0.0
Centrally appropriated line items	189,116	126,602	58,320	4,194	0.0
BA2 Marijuana Enforcement Division					
FTE	36,846	0	36,846	0	0.0
R2 Earned income tax credit	0	0	0	0	0.0
BA1 Income tax refund fraud prevention	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$3,482,946</b>	<b>\$1,491,518</b>	<b>\$1,987,234</b>	<b>\$4,194</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$225,962	\$126,602	\$95,166	\$4,194	0.0
Percentage Change	6.9%	9.3%	5.0%	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$3,544,020</b>	<b>\$1,552,592</b>	<b>\$1,987,234</b>	<b>\$4,194</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$61,074	\$61,074	\$0	\$0	0.0

**S.B. 06-235 Supplemental Amortization Equalization Disbursement**

This line item provides additional funding to increase the state contribution for PERA

*Statutory Authority:* Section 24-51-411, C.R.S.

*Request:* The Department's request is for \$3,507,103 total funds including \$1,475,982 General Fund, \$1,966,535 cash funds, and \$4,151 reappropriated funds.

*Recommendation:* Staff recommends \$3,446,668 total funds, including \$1,475,982 General Fund, in accordance with Committee action on compensation common policies. It includes funding for BA2 Marijuana Enforcement Division FTE because the Committee approved the supplemental request related to the budget amendment. This *excludes* funding for the Department's R2 Earned income tax credit and BA1 Income tax refund fraud prevention requests pursuant to Committee policy on first-year appropriations for new FTE.

**Salary Survey**

This line item funds salary adjustments resulting from the Department of Personnel and Administration's annual compensation report.

*Statutory Authority:* Section 24-50-104, C.R.S.

*Request:* The Department requests an appropriation of \$326,822 total funds, including \$105,296

General Fund.

*Recommendation:* Staff recommends the Department request, in accordance with Committee action on compensation common policies.

**Merit Pay**

This line item funds salary increases to employees based on formulas that reward performance.

*Statutory Authority:* Section 24-50-104 (1) (c), C.R.S.

*Request:* The Department requests an appropriation of \$0 total funds.

*Recommendation:* Staff recommends the Department request, in accordance with Committee action on compensation common policies.

**Shift Differential**

This line item funds the adjustment made to compensate employees whose work schedule is outside of the regular Monday through Friday, 8:00 a.m. to 5:00 p.m. work schedule.

*Statutory Authority:* Section 24-50-104, C.R.S.

*Request:* The Department's request is for \$124,573 total funds, including \$3,500 General Fund and represents continuation level of funding.

*Recommendation:* Staff recommends the Department request, in accordance with Committee action on compensation common policies.

**Workers' Compensation**

This line item is used to pay the Department's estimated share for inclusion in the State's worker's compensation program for state employees. The program is administered by the Department of Personnel and Administration.

*Statutory Authority:* Section 24-30-150.7, C.R.S.

*Request:* The Department request is for \$1,130,947 total funds, including \$457,879 General Fund.

*Recommendation:* Staff recommends an appropriation of \$1,053,760, including \$426,628 General Fund, in accordance with Committee action on operating common policies. The recommendation includes adjustments approved through Committee action for the non-prioritized budget amendment.

**Operating Expenses**

This line item provides funding for the Executive Director's Office expenses, including office supplies and materials, telecommunications, travel, training, printing, information technology updates and equipment maintenance and replacement, variable vehicle expenses including

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maintenance, fuel and insurance for the Department's assigned fleet, and a large portion of the Department capital outlay needs.

*Statutory Authority:* Section 24-35-105, C.R.S.

*Request:* The Department request is for \$2,269,658 total funds, including \$1,570,378 General Fund.

*Recommendation:* Staff recommends \$2,269,563 total funds, including \$1,570,283 General Fund. The recommendation includes funding for BA2 Marijuana Enforcement Division FTE but excludes funding for BA1 Income tax refund fraud prevention to reflect decisions made during the supplemental budget process.

<b>Executive Director's Office, Operating Expenses</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$2,266,808	\$1,570,428	\$696,380	\$0	0.0
SB 16-1250 (Supplemental Bill)	<u>967</u>	<u>0</u>	<u>967</u>	<u>\$0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$2,267,775</b>	<b>\$1,570,428</b>	<b>\$697,347</b>		<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$2,267,775	\$1,570,428	\$697,347	\$0	0.0
BA2 Marijuana Enforcement Division FTE	2,900	0	2,900	0	0.0
BA1 Income tax refund fraud prevention	0	0	0	0	0.0
Reverse supplemental	(967)	0	(967)	0	0.0
Annualize prior year legislation	<u>(145)</u>	<u>(145)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$2,269,563</b>	<b>\$1,570,283</b>	<b>\$699,280</b>	<b>\$0</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$1,788	(\$145)	\$1,933	<b>\$0</b>	0.0
Percentage Change	0.1%	(0.0%)	0.3%	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$2,269,658</b>	<b>\$1,570,378</b>	<b>\$699,280</b>	<b>\$0</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$95	\$95	\$0	\$0	0.0

**Postage**

Due to the volume of mail that it handles, the Department operates its own mail center, as opposed to most Departments that use the centralized mail center in the Department of Personnel and Administration. The Department mails a wide variety of items to taxpayers and licensees, including tax forms, motor vehicle titles, driver license renewal applications, reminders, bill, refund warrants, inquiries, licenses, hearing notices, tax booklets, and other miscellaneous documents. This line item was added during the FY 2014-15 budget cycle and used to reside in

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the Central Department Operations long bill group, which is why the FY 2013-14 Actual column is blank in the Numbers Pages.

*Statutory Authority:* Section 24-35-105, C.R.S.

*Request:* The Department requests an appropriation of \$3,282,665 total funds including \$2,922,509 General Fund.

*Recommendation:* Staff recommends that the Committee approve the Department request. The recommendation includes funding for R2 Earned Income Tax Credit, R3 Postage fund mix adjustment, and BA1 Income tax refund fraud prevention.

<b>Executive Director's Office, Postage</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$3,008,040	\$2,670,430	\$337,610	\$0	0.0
SB 16-1250 (Supplemental Bill)	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$3,008,040</b>	<b>\$2,670,430</b>	<b>\$337,610</b>		<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$3,008,040	\$2,670,430	\$337,610	\$0	0.0
BA1 Income tax refund fraud prevention	192,423	192,423	0	0	0.0
R2 Earned income tax credit	85,466	85,466	0	0	0.0
R3 Postage fund mix adjustment	0	(23,813)	23,813	0	0.0
Annualize prior year legislation	<u>(3,264)</u>	<u>(1,997)</u>	<u>(1,267)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$3,282,665</b>	<b>\$2,922,509</b>	<b>\$360,156</b>	<b>\$0</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$274,625	\$252,079	\$22,546	<b>\$0</b>	0.0
Percentage Change	9.1%	9.4%	6.7%	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$3,282,665</b>	<b>\$2,922,509</b>	<b>\$360,156</b>	<b>\$0</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

**Legal Services**

This line item funds the cost of purchasing legal services from the Department of Law based of the Department's level of legal service hours and the hourly rate which will be set by the Committee.

*Statutory Authority:* Section 24-31-101, C.R.S.

*Request:* The Department requests an appropriation of \$4,195,701 total funds, including \$2,485,414 General Fund for a total of 43,637 legal service hours.

*Recommendation:* Staff recommends 43,637 total hours. The recommendation includes increase of 950 hours for annualization of two bills: S.B. 15-014 and 350 hours for H.B. 15-1379. The amount of the recommendation is *pending* the setting of a legal services blended rate. Staff requests permission to apply the approved hourly rate for legal services to the hours approved to calculate the appropriation.

**Administrative Law Judge Services**

This line item funds the purchase of administrative law judge and paralegal services from the Division of Administrative Hearings. This line is adjusted for past usage, and the Department of Personnel, which administers the program, "trues-up" the billings after the fact in subsequent fiscal years.

*Statutory Authority:* Section 24-30-1001, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$9,003 cash funds.

*Recommendation:* Staff recommends \$9,077 cash funds, in accordance with Committee action on operating common policies.

**Payment to Risk Management and Property Funds**

Payment to Risk Management and Property Funds is an allocation appropriated to each department based on a shared statewide risk formula for two programs, the Liability Program and the Property Program. The state's liability program is used to pay liability claims and expenses brought against the state. The property program provides insurance coverage for state buildings and their contents.

*Statutory Authority:* Section 24-30-1510, C.R.S.

*Request:* The Department's request is for \$332,733 total funds including \$134,942 General Fund.

*Recommendation:* Staff recommends \$312,968, including \$126,926 General Fund, in accordance with Committee action on operating common policies.

**Vehicle Lease Payments**

This line item provides funding for annual payments to the Department of Personnel and Administration for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles.

*Statutory Authority:* Section 24-30-1104 (2), C.R.S.

*Request:* The Department requests an appropriation of \$666,156 total funds including, \$171,542

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General Fund.

*Recommendation:* Staff recommends an appropriation of \$659,130 total funds, including \$169,718 General Fund, which reflects Committee action on operating common policies plus the JBC staff recommendation on BA2 Marijuana Enforcement Division FTE.

<b>Executive Director's Office, Vehicle Lease Payments</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>				
SB 15-234 (Long Bill)	\$604,671	\$156,556	\$448,115	0.0
SB 16-1250 (Supplemental Bill)	<u>1,740</u>	<u>0</u>	<u>1,740</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$606,411</b>	<b>\$156,556</b>	<b>\$449,855</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>				
FY 2015-16 Appropriation	\$606,411	\$156,556	\$449,855	0.0
Non-prioritized requested changes	49,239	13,162	36,077	0.0
BA2 Marijuana Enforcement Division FTE	5,220	0	5,220	0.0
Reverse supplemental	<u>(1,740)</u>	<u>0</u>	<u>(1,740)</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$659,130</b>	<b>\$169,718</b>	<b>\$489,412</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$52,719	\$13,162	\$39,557	0.0
Percentage Change	8.7%	8.4%	8.8%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$666,156</b>	<b>\$171,542</b>	<b>\$494,614</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$7,026	\$1,824	\$5,202	0.0

**Leased Space**

This line item funds leasing costs for more than 80 office locations throughout the state, mostly for Driver's License Offices and State Lottery Offices.

*Statutory Authority:* Section 24-35-105, C.R.S.

*Request:* The Department has requested an appropriation of \$4,446,811, including \$901,810 General Fund.

*Recommendation:* Staff recommends approval of the Department's request, which includes funding for R2 Earned income tax credit, BA1 Income tax refund fraud prevention, and BA2 Marijuana Enforcement Division FTE. The Department explains that it is completely out of leased space and any additional FTE added to the Department require new leased space.

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<b>Executive Director's Office, Leased Space</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>				
SB 15-234 (Long Bill)	<u>\$3,899,690</u>	<u>\$682,040</u>	<u>\$3,217,650</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$3,899,690</b>	<b>\$682,040</b>	<b>\$3,217,650</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>				
FY 2015-16 Appropriation	\$3,899,690	\$682,040	\$3,217,650	0.0
Centrally appropriated line items	250,661	15,110	235,551	0.0
R2 Earned income tax credit	126,360	126,360	0	0.0
BA2 Marijuana Enforcement Division FTE	91,800	0	91,800	0.0
BA1 Income tax refund fraud prevention	<u>78,300</u>	<u>78,300</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$4,446,811</b>	<b>\$901,810</b>	<b>\$3,545,001</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$547,121	\$219,770	\$327,351	0.0
Percentage Change	14.0%	32.2%	10.2%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$4,446,811</b>	<b>\$901,810</b>	<b>\$3,545,001</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	0.0

**Capitol Complex Leased Space**

This line item is used to pay the Department of Personnel for the costs of maintaining state buildings that are part of the capitol complex. Capitol Complex Leased Space is appropriated based on usable square footage utilized by each state department.

*Statutory Authority:* Section 24-30-1104, C.R.S.

*Request:* The Department has requested an appropriation of \$2,221,828 total funds, including \$1,537,840 General Fund.

*Recommendation:* Staff recommends an appropriation of \$2,315,184 total funds, including \$310,443 General Fund, in accordance with Committee-approved common policy.

**Payments to OIT**

This line item is administered by the Governor's Office of Information Technology (OIT). This line item reflects the consolidation of Department appropriations for information technology services made during the FY 2014-15 budget cycle. The consolidated lines include the following previously discrete line items: Management and Administration of OIT, Purchase of Services from Computer Center, Multiuse Network Payments, Communication Services Payments, and Information Technology Security.

*Statutory Authority:* Section 24-37.5-104, C.R.S.

*Request:* The Department request for this line item is for \$12,520,066 total funds.

*Staff Recommendation:* Staff recommendation is *pending* Committee action on IT common policies. Staff requests permission to reflect Committee-approved common policy on Payments to OIT in the Department's Long Bill.

**CORE Operations**

This line item provides funds for the Department's share of the operational costs of Colorado Operations Resource Engine (CORE).

*Statutory Authority:* Section 24-30-1104, C.R.S.

*Request:* The Department requests an appropriation of \$431,083, including \$174,529 General Fund.

*Recommendation:* Staff recommends an appropriation of \$422,525 total funds, including \$171,064 General Fund, in accordance with Committee action on operating common policies.

**Utilities**

This line item provides funding to support the cost of utilities at the Department's state-owned facilities that include driver's license offices and gaming offices.

*Statutory Authority:* Section 24-35-105, C.R.S.

*Request:* The Department has requested an appropriation of \$143,703 cash funds, which represents a continuation level of funding.

*Recommendation:* Staff recommends approval of the Department's request for a continuation appropriation.

**LINE ITEMS APPEARING IN THE NUMBERS PAGES FROM PRIOR BUDGETS**

**Purchase of Services from Computer Center**

This item provided funding for the Department's share of Statewide computer services provided by the Governor's Office of Information Technology. The Office plans, manages, operates, and delivers the computing infrastructure to customer entities, which include all State agencies and certain institutions of higher education. The Office is responsible for managing the operating system, transaction processing scheduling, and systems management software associated with these resources. This line item was consolidated into the Payments to OIT line item during the FY 2014-15 budget cycle.

**Colorado State Network (Multiuse Network Payments)**

This line item was used to pay the Department's share of the statewide multiuse network. The multiuse network is a service providing secure, high-speed broadband access to State agencies, schools, colleges, libraries, hospitals, and local governments. It is essentially the state's wide area network, providing network connectivity to every county in the state. Payments represent the cost to the State for administering its share of the network build-out with the private consortium. Reimbursements for this functional area are expended for contracts with vendors, and are based on anticipated billings, using a circuit inventory conducted department by department, for all agencies. This line item was consolidated into the Payments to OIT line item during the FY 2014-15 budget cycle.

**Management and Administration of OIT**

Senate Bill 08-155 (Cadman/Kerr, A.) required that billing methodologies be developed to allocate costs for central OIT administrative services, including a "back office" business services staff for financial and human resource services to the consolidated office. Beginning with FY 2008-09, allocation appropriations were made to executive branch agencies for this function. This line item was consolidated into the Payments to OIT line item during the FY 2014-15 budget cycle.

**Communication Services Payments**

This line item was used to pay the Department's share of the state's microwave radio infrastructure and the Digital Trunked Radio System (DTRS). DTRS provides interoperability between public safety agencies and emergency responders. This line item was consolidated into the Payments to OIT line item during the FY 2014-15 budget cycle.

**Information Technology Security**

This line item was added during the FY 2013-14 budget cycle for the Governor's Office of Information Technology to address the State's most pressing cyber security needs. The moneys for FY 2013-14 are being used for intrusion detection, threat and vulnerability management, network segmentation equipment, centralized firewall management, and sensitive network authentication. This line item was consolidated into the Payments to OIT line item during the FY 2014-15 budget cycle.

## (2) Information Technology Division

The Division is responsible for the support and maintenance of the Department systems that are not supported and maintained by the Governor's Office of Information Technology. These are entirely made up of contract services. The division has two subdivisions, Systems Support, which supports most of the Department's information technology services, and the Colorado State Titling and Registration System (CSTARS) unit, which supports the CSTARS that connects the county clerks with the state's information systems.

<b>Information Technology Division</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$4,708,427</u>	<u>\$957,265</u>	<u>\$3,751,162</u>	<u>\$0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$4,708,427</b>	<b>\$957,265</b>	<b>\$3,751,162</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$4,708,427	\$957,265	\$3,751,162	\$0	0.0
Annualize prior year legislation	<u>(7,150)</u>	<u>0</u>	<u>(7,150)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$4,701,277</b>	<b>\$957,265</b>	<b>\$3,744,012</b>	<b>\$0</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	(\$7,150)	\$0	(\$7,150)	\$0	0.0
Percentage Change	(0.2%)	0.0%	(0.2%)	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$4,701,277</b>	<b>\$957,265</b>	<b>\$3,744,012</b>	<b>\$0</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

### DECISION ITEMS – INFORMATION TECHNOLOGY DIVISION (NONE)

#### (A) SYSTEM SUPPORT

This unit currently supports the tax information systems; systems for driver's licenses, vehicle records, accident statistics, and fuel taxes; the International Registration Plan and the Commercial Vehicle Electronic Credentialing system; and enforcement systems for licensing, reporting, tax filing, and case management.

#### LINE ITEM DETAIL – SYSTEM SUPPORT

**Personal Services**

This line item pays for contract services. Although this is a personal services line, there are no FTE in the line. The line item pays for contract services to maintain those systems that are not maintained by the Governor's Office of Information Technology. This line item also provides funding for appropriations to implement bills passed by the General Assembly that require programming expenses in the Department's information systems (even if the programming is provided by OIT).

*Statutory Authority:* Section 24-50-101 *et seq.*, C.R.S.

*Request:* The Department has requested an appropriation of \$147,506 General Fund.

*Recommendation:* Staff recommends the Committee approve the Department request, which represents a continuation level of funding.

**Operating Expenses**

This line funds information technology related contracts for the Department, telecommunications expenses, general office supplies, and printing costs.

*Statutory Authority:* Section 24-35-105, C.R.S.

*Request:* The Department requests an appropriation of \$885,318 total funds, including \$809,759 General Fund.

*Recommendation:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

**(B) COLORADO STATE TITLING AND REGISTRATION SYSTEM**

The Colorado State Titling and Registration System (CSTARS) is the state's centralized database for the distribution of registration taxes between the state, all its counties, and the Highway Users Tax Fund (HUTF). CSTARS was created in 1983 to automate the distribution of vehicle registration taxes. CSTARS enables Colorado's 64 county clerks' offices to issue more than 2 million vehicle titles and 4.3 million vehicle registrations every year. This appropriation funds hardware, software, and technical support to maintain the system and ensure adequate access for the county clerks.

The CSTARS unit is supported by the Colorado State Titling and Registration Account, a subaccount of the Highway Users Tax Fund, under Section 42-1-211 (2), C.R.S. Sources of Revenue include a share of fees and taxes for titling and registering motor vehicles; for titling manufactured homes; and for the sale of some special license plates.

## **LINE ITEM DETAIL – COLORADO STATE TITLING AND REGISTRATION SYSTEM**

### **Personal Services**

This line item pays for contract services. Although this is a personal services line, there are no FTE in the line. The line item pays for contract services to maintain those systems related to CSTARS that are not maintained by the Governor's Office of Information Technology.

*Statutory Authority:* Section 24-50-101, *et seq.*, and section 42-1-211, C.R.S.

*Request:* The Department requests continuation funding of \$442,688 cash funds.

*Recommendation:* Staff recommends approval of the Department request, which represents a continuation level of funding.

### **Operating Expenses**

This line item funds information technology related contracts for the Department as they relate specifically to the Colorado State Titling and Registration System. Other costs include telecommunications expenses, general office supplies and printing expenses.

*Statutory Authority:* Section 42-1-211, C.R.S.

*Request:* The Department has requested a continuation appropriation of \$2,617,535 cash funds.

*Recommendation:* Staff recommends approval of the Department request, which represents a continuation level of funding.

### **County Office Asset Maintenance**

This line item provides funding for replacement of infrastructure every four years (the Office of Information Technology standard for replacement of this type of equipment is every three years).

*Statutory Authority:* Section 42-1-211, C.R.S.

*Request:* The Department is requesting continuation funding of \$568,230 cash funds.

*Recommendation:* Staff recommends approval of the Department request, which represents a continuation level of funding.

### **County Office Improvements**

This line item provides funding for improvements to and expansion of county offices to provide services related to CSTARS. Counties are required by statute (Section 42-1-210, C.R.S.) to provide motor vehicle title and registration services in a manner that is convenient and easily accessible to the public. The State (Department of Revenue) is required to provide necessary data processing equipment, software, support, and training to support the counties (Section 42-1-211, C.R.S.) The line item was established to provide for a stable appropriation to fund the expansion

and improvements to the CSTAR system. Funding requests for this line item are based on approval from the CSTARs Advisory Committee (Section 42-1-211 (4), C.R.S.), which receives and prioritizes requests from the counties for funding the expansions and improvements in county offices.

*Statutory Authority:* Section 42-1-211, C.R.S.

*Request:* The Department is requesting continuation funding of \$40,000 cash funds from the CSTARs account.

*Recommendation:* Staff recommends approval of the Department request, which represents a continuation level of funding.

### (3) Taxation Business Group

The Taxation Business Group is charged with the collection, administration, audit, and enforcement responsibilities pertaining to all taxes, fees, bonds, and licenses covered under Colorado’s tax laws. The business group is directed by an administrative section. Senior management, policy-making, and budgetary support for the division are contained in this section. This division is primarily funded from General Fund appropriations, but does receive some moneys from the Highway Users Tax Fund (HUTF) and federal programs.

<b>Taxation Business Group</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>						
SB 15-234 (Long Bill)	\$62,200,138	\$58,271,832	\$2,883,833	\$220,085	\$824,388	380.9
Other Legislation	242,633	74,300	168,333	0	0	1.0
SB 16-1250 (Supplemental Bill)	<u>320,560</u>	<u>320,560</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$62,763,331</b>	<b>\$58,666,692</b>	<b>\$3,052,166</b>	<b>\$220,085</b>	<b>\$824,388</b>	<b>381.9</b>
<b>FY 2016-17 Recommended Appropriation</b>						
FY 2015-16 Appropriation	\$62,763,331	\$58,666,692	\$3,052,166	\$220,085	\$824,388	381.9
R2 Earned income tax credit	844,464	844,464	0	0	0	16.7
R4 Long Bill alignment	0	0	0	0	0	0.0
BA1 Income tax refund fraud prevention	1,323,566	1,323,566	0	0	0	14.4
Annualize prior year budget actions	659,038	629,548	29,490	0	0	0.0
Revenue adjustment	(562,295)	(892,295)	330,000	0	0	0.0
Reverse supplemental	(320,560)	(320,560)	0	0	0	0.0
Annualize prior year legislation	(116,163)	(26,425)	(89,738)	0	0	0.8
Centrally appropriated line items	<u>(672)</u>	<u>(26,784)</u>	<u>26,112</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$64,590,709</b>	<b>\$60,198,206</b>	<b>\$3,348,030</b>	<b>\$220,085</b>	<b>\$824,388</b>	<b>413.8</b>
<b>Increase/(Decrease)</b>	\$1,827,378	\$1,531,514	\$295,864	\$0	\$0	31.9
Percentage Change	2.9%	2.6%	9.7%	0.0%	0.0%	8.4%
<b>FY 2016-17 Executive Request:</b>						
Request Above/(Below) Recommendation	\$1,608,367	\$1,588,001	\$20,366	\$0	\$0	0.0

## DECISION ITEMS – TAXATION BUSINESS GROUP (NONE)

### (A) ADMINISTRATION

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The Group's administrative functions are located here, including senior management, budget, and other support functions.

<b>Administration</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>				
SB 15-234 (Long Bill)	\$4,368,555	\$4,356,202	\$12,353	5.0
SB 16-1250 (Supplemental Bill)	312,000	312,000	0	0.0
Other Legislation	<u>98,540</u>	<u>73,100</u>	<u>25,440</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$4,779,095</b>	<b>\$4,741,302</b>	<b>\$37,793</b>	<b>5.0</b>
<b>FY 2016-17 Recommended Appropriation</b>				
FY 2015-16 Appropriation	\$4,779,095	\$4,741,302	\$37,793	5.0
BA1 Income tax refund fraud prevention	600,000	600,000	0	0.0
Annualize prior year budget actions	121,650	121,650	0	0.0
Centrally appropriated line items	0	(26,784)	26,784	0.0
Reverse supplemental	(312,000)	(312,000)	0	0.0
Annualize prior year legislation	<u>(41,509)</u>	<u>(30,900)</u>	<u>(10,609)</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$5,147,236</b>	<b>\$5,093,268</b>	<b>\$53,968</b>	<b>5.0</b>
<b>Increase/(Decrease)</b>	\$368,141	\$351,966	\$16,175	0.0
Percentage Change	7.7%	7.4%	42.8%	0.0%
<b>FY 2016-17 Executive Request</b>	<b>\$5,147,236</b>	<b>\$5,093,268</b>	<b>\$53,968</b>	<b>5.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	0.0

## LINE ITEM DETAIL – ADMINISTRATION

### Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 24-50-101, *et seq.*, and 24-35-101 *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$532,823 total funds and 5.0 FTE, including \$503,686 General Fund. The request includes base adjustments.

*Recommendation:* Staff recommends approval of the Department's request.

**Operating Expenses**

This line item funds the Taxation Group's portion of a high volume printer that several groups share. This printer is capable of producing the forms and mass billings that the Taxation Group requires. The line also funds general office expenses needed for this section.

*Statutory Authority:* Section 27-35-105, C.R.S.

*Request:* The Department requests a continuation appropriation of \$13,100 General Fund.

*Recommendation:* Staff recommends approval of the Department request, which represents a continuation level of funding.

**Colorado Integrated Tax Architecture (CITA) Maintenance and Support**

This is new line item provides funding for the managed services contract that supports and maintains the Department's GenTax software tax collection and administration system.

The GenTax software is the culmination of the Colorado Integrated Tax Architecture (CITA) project, a five-phase project to replace the Department of Revenue's tax collection systems. The project received funding of \$53.6 million of capital construction moneys.

The table below shows the 5-year costs of maintenance of CITA. The contract costs include an annual 3.0 percent escalator in future years.

<b>Contracted Maintenance and Support Payments by Year</b>		
<b>Fiscal Year</b>	<b>Amount</b>	<b>Increase</b>
FY 2013-14	\$1,500,000	N/A
FY 2014-15	3,645,000	2,145,000
FY 2015-16	3,754,350	109,350
FY 2016-17	3,866,982	112,632
FY 2017-18	3,983,003	116,021

The contract is referred to as a "managed service contract" and includes software licenses; application support of GenTax, Revenue Online, and a third party audit selection software package called KXEN; production environment support; version upgrade and installation; training, documentation, and assessment reports of business processes. The contract includes 10 to 12 support contractor personnel, in addition, the Department provides 4.0 business analysts, and the Governor's OIT provides six to eight personnel to oversee the network, servers, and storage systems, as well as perform some development work.

*Statutory Authority:* Section 24-35-101, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$4,601,313, including \$4,576,482 General Fund.

*Recommendation:* Staff recommends the Committee approve the Department request. The recommendation includes \$600,000 General Fund for BA1 income tax refund fraud prevention for the fraud manager module for the GenTax system.

**(B) TAXATION AND COMPLIANCE DIVISION**

The Taxation and Compliance Division utilizes various methods to assist in the collection of monies due the State such as: filing bankruptcy claims; recording and releasing tax liens and judgments; garnishment of wages and bank accounts; income tax distraint warrants; resolution of taxpayer disputes; and the utilization of private collection agencies. The Division also audits or examines Colorado tax returns both at the Department through its Discovery Program and at business locations through its Field Audit program. Audits are also conducted for the purpose of ascertaining whether royalties have been properly submitted to the State from operating and royalty mineral interests in Colorado.

This division conducts more than 7,000 field audits each year, primarily for retail sales tax, consumer use tax, corporate income tax, and mineral royalties. Tax agents are located in Denver and in six district offices around Colorado, as well as out-of-state offices located in the New York City metro area, Chicago, Houston, Dallas, Los Angeles, and San Francisco. The Division also manages the Joint Audit Program, the Joint Federal/State Motor Fuel Tax program and the Mineral Audit Program.

<b>Taxation and Compliance Division</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>						
SB 15-234 (Long Bill)	\$19,504,078	\$17,392,829	\$1,066,776	\$220,085	\$824,388	249.8
SB 16-1250 (Supplemental Bill)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$19,504,078</b>	<b>\$17,392,829</b>	<b>\$1,066,776</b>	<b>\$220,085</b>	<b>\$824,388</b>	<b>249.8</b>
<b>FY 2016-17 Recommended Appropriation</b>						
FY 2015-16 Appropriation	\$19,504,078	\$17,392,829	\$1,066,776	\$220,085	\$824,388	249.8
Annualize prior year budget actions	294,462	270,070	24,392	0	0	0.0
R2 Earned income tax credit	289,422	289,422	0	0	0	5.0
BA1 Income tax refund fraud prevention	282,111	282,111	0	0	0	6.0
R4 Long Bill alignment	(596,998)	(596,998)	0	0	0	(11.0)
Annualize prior year legislation	<u>(13,488)</u>	<u>(13,488)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$19,759,587</b>	<b>\$17,623,946</b>	<b>\$1,091,168</b>	<b>\$220,085</b>	<b>\$824,388</b>	<b>249.8</b>
<b>Increase/(Decrease)</b>	\$255,509	\$231,117	\$24,392	\$0	\$0	0.0
Percentage Change	1.3%	1.3%	2.3%	0.0%	0.0%	0.0%

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Taxation and Compliance Division</b>						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
<b>FY 2016-17 Executive Request</b>	<b>\$19,759,587</b>	<b>\$17,623,946</b>	<b>\$1,091,168</b>	<b>\$220,085</b>	<b>\$824,388</b>	<b>249.8</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

**LINE ITEM DETAIL – TAXATION AND COMPLIANCE DIVISION**

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 24-50-101, *et seq.*, and 24-35-101 *et seq.*, C.R.S.

*Request:* The Department requested an appropriation of \$17,620,827 total funds and 239.6 FTE including \$16,401,715 General Fund.

*Recommendation:* Staff recommends approving the Department's request. The recommendation includes funding for R2 Earned income tax credit, R4 Long Bill alignment, and BA1 Income tax refund fraud prevention.

<b>Taxation Business Group, Taxation and Compliance Division, Personal Expenses</b>					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	FTE
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$17,406,855	\$16,212,135	\$1,040,635	\$154,085	239.6
SB 16-1250 (Supplemental Bill)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$17,406,855</b>	<b>\$16,212,135</b>	<b>\$1,040,635</b>	<b>\$154,085</b>	<b>239.6</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$17,406,855	\$16,212,135	\$1,040,635	\$154,085	239.6
Annualize prior year budget actions	294,462	270,070	24,392	0	0.0
BA1 Income tax refund fraud prevention	276,411	276,411	0	0	6.0
R2 Earned income tax credit	229,647	229,647	0	0	5.0
R4 Long Bill alignment	<u>(586,548)</u>	<u>(586,548)</u>	<u>0</u>	<u>0</u>	<u>(11.0)</u>
<b>TOTAL</b>	<b>\$17,620,827</b>	<b>\$16,401,715</b>	<b>\$1,065,027</b>	<b>\$154,085</b>	<b>239.6</b>
<b>Increase/(Decrease)</b>	\$213,972	\$189,580	\$24,392	\$0	0.0
Percentage Change	1.2%	1.2%	2.3%	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$17,620,827</b>	<b>\$16,401,715</b>	<b>\$1,065,027</b>	<b>\$154,085</b>	<b>239.6</b>

*JBC Staff Figure Setting: FY 2016-17*  
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<b>Taxation Business Group, Taxation and Compliance Division, Personal Expenses</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	(0.0)

**Operating Expenses**

This line item funds the out-of-state travel needs of its senior auditors, as well as providing the general office expenses for the Division, and the expenses of five programs supporting the Division: Office Collection; Office Audit; Protest Resolution; Field Compliance; and Field Audit.

*Statutory Authority:* Section 24-35-105, C.R.S.

*Request:* The Department requests an appropriation of \$1,117,128 total funds, including \$1,090,987 General Fund.

*Recommendation:* Staff recommends approval of the Department's request. The recommendation includes funding for R2 Earned income tax credit, R4 Long Bill alignment, and BA1 Income tax refund fraud prevention.

<b>Taxation Business Group, Taxation and Compliance Division, Operating Expenses</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$1,075,591	\$1,049,450	\$26,141	\$0	0.0
SB 16-1250 (Supplemental Bill)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$1,075,591</b>	<b>\$1,049,450</b>	<b>\$26,141</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$1,075,591	\$1,049,450	\$26,141	\$0	0.0
R2 Earned income tax credit	59,775	59,775	0	0	0.0
BA1 Income tax refund fraud prevention	5,700	5,700	0	0	0.0
Annualize prior year legislation	(13,488)	(13,488)	0	0	0.0
R4 Long Bill alignment	<u>(10,450)</u>	<u>(10,450)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$1,117,128</b>	<b>\$1,090,987</b>	<b>\$26,141</b>	<b>\$0</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$41,537	\$41,537	\$0	\$0	0.0
Percentage Change	3.9%	4.0%	0.0%	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$1,117,128</b>	<b>\$1,090,987</b>	<b>\$26,141</b>	<b>\$0</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

**Joint Audit Program**

This line item provides funding for the state's membership in the Multi-State Tax Commission (MTC). The MTC conducts audits on out-of-state businesses, which complements the Department's efforts in the Field Audit Program. The Department has had a partnership with the MTC for over 20 years.

*Statutory Authority:* Section 24-35-101, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$131,244 General Fund.

*Recommendation:* Staff recommends approval of the Department request, which represents a continuation level of funding.

**Mineral Audit Program**

Pursuant to Section 24-35-115, C.R.S., the Department audits royalties associated with oil, gas, and mineral mining activity on federal, state, and private land. Audits are conducted by a work group in the Department which statutorily can have no other duties. The majority of the funding comes from the federal government, with the remainder coming from the State Land Board and the Oil and Gas Conservation Commission, both in the Department of Natural Resources. Federal funds are from the Federal Minerals Management Service (MMS) as the Department conducts audits on their behalf on lands under federal control.

*Statutory Authority:* Section 24-35-115, C.R.S.

*Request:* The Department requests a continuation appropriation of \$890,388 and 10.2 FTE, which is comprised of \$66,000 reappropriated funds from the two programs in the Department of Natural Resources, the State Board of Land Commissioners for \$65,500 and the Oil and Gas Conservation Commission for \$500 and \$824,388 federal funds.

*Recommendation:* Staff recommends approval of the Department request, which represents a continuation level of funding.

**(C) TAXPAYER SERVICE DIVISION**

The Taxpayer Service Division (TPS) administers the State's tax programs and provides assistance and information to Colorado taxpayers. The Division maintains five service centers in Colorado Springs, Denver, Fort Collins, Grand Junction, and Pueblo, as well as a tax information call center. The Division produces public information campaigns, administers tax classes to promote voluntary compliance, and distributes information to the public to explain the State's tax laws and policies. TPS also issues licenses and permits, processes tax forms and requests for refunds, resolves taxpayer problems, and intercepts income tax refunds for payment of debts owed to other State agencies and the Internal Revenue Service.

This Division also collects local sales taxes on behalf of non-home-rule cities, counties, and special districts. The division administers the property tax/rent heat/fuel grant program; severance taxes; the gasoline, special fuel, and aviation fuel environmental response surcharge;

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the International Fuel Tax Agreement; cigarette, tobacco, liquor and marijuana excise taxes; public utility assessments; and food service licensing.

<b>Taxpayer Service Division</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$11,092,991	\$10,308,811	\$784,180	\$0	113.6
Other Legislation	144,093	1,200	142,893	0	1.0
SB 16-1250 (Supplemental Bill)	<u>8,560</u>	<u>8,560</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$11,245,644</b>	<b>\$10,318,571</b>	<b>\$927,073</b>	<b>\$0</b>	<b>114.6</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$11,245,644	\$10,318,571	\$927,073	\$0	114.6
R4 Long Bill alignment	596,998	596,998	0	0	11.0
R2 Earned income tax credit	555,042	555,042	0	0	11.7
BA1 Income tax refund fraud prevention	441,455	441,455	0	0	8.4
Annualize prior year budget actions	209,669	204,571	5,098	0	0.0
Annualize prior year legislation	(77,724)	1,405	(79,129)	0	0.4
Reverse supplemental	(8,560)	(8,560)	0	0	0.0
Centrally appropriated line items	<u>(672)</u>	<u>0</u>	<u>(672)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$12,961,852</b>	<b>\$12,109,482</b>	<b>\$852,370</b>	<b>\$0</b>	<b>146.1</b>
<b>Increase/(Decrease)</b>	<b>\$1,716,208</b>	<b>\$1,790,911</b>	<b>(\$74,703)</b>	<b>\$0</b>	<b>31.5</b>
Percentage Change	15.3%	17.4%	(8.1%)	0.0%	0.0%
<b>FY 2016-17 Executive Request</b>	<b>\$12,961,852</b>	<b>\$12,109,482</b>	<b>\$852,370</b>	<b>\$0</b>	<b>146.1</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

## LINE ITEM DETAIL – TAXPAYER SERVICE DIVISION

### Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 24-50-101, *et seq.*, and 24-35-101 *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$8,577,944 total funds, including \$8,273,079.

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

*Recommendation:* Staff recommends approval of the Department's request. The recommendation includes funding for R2 Earned income tax credit, R4 Long Bill alignment, and BA1 Income tax refund fraud prevention. A summary of the budget build is provided below.

<b>Taxation Business Group, Taxpayer Service Division, Personal Services</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$6,866,694	\$6,628,771	\$237,923	\$0	112.1
Other Legislation	63,800	0	63,800	0	1.0
SB 16-1250 (Supplemental Bill)	<u>7,360</u>	<u>7,360</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$6,937,854</b>	<b>\$6,636,131</b>	<b>\$301,723</b>	<b>\$0</b>	<b>113.1</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$6,937,854	\$6,636,131	\$301,723	\$0	113.1
R4 Long Bill alignment	586,548	586,548	0	0	11.0
R2 Earned income tax credit	523,333	523,333	0	0	11.7
BA1 Income tax refund fraud prevention	386,975	386,975	0	0	8.4
Annualize prior year budget actions	142,640	139,498	3,142	0	0.0
Annualize prior year legislation	7,954	7,954	0	0	0.4
Reverse supplemental	<u>(7,360)</u>	<u>(7,360)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$8,577,944</b>	<b>\$8,273,079</b>	<b>\$304,865</b>	<b>\$0</b>	<b>144.6</b>
<b>Increase/(Decrease)</b>	\$1,640,090	\$1,636,948	\$3,142	\$0	31.5
Percentage Change	23.6%	24.7%	1.0%	0.0%	27.9%
<b>FY 2016-17 Executive Request:</b>	<b>\$8,577,944</b>	<b>\$8,273,079</b>	<b>\$304,865</b>	<b>\$0</b>	<b>144.6</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

**Operating Expenses**

The largest expenditure in this line is for transaction fees (which are capped at \$13,000 per month) for the automated call system. These fees are assessed per interactive voice response system call and web hits. It also funds general office supplies and expenses.

*Statutory Authority:* Section 24-35-105, C.R.S.

*Request:* The Department requests an appropriation of \$531,305 total funds including \$526,625 General Fund. The recommendation includes funding for R2 Earned income tax credit, R4 Long Bill alignment, and BA1 Income tax refund fraud prevention. A summary of the budget build is provided below.

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

*Recommendation:* Staff recommends approval of the Department's request. The recommendation includes funding for R2 Earned income tax credit, R4 Long Bill alignment, and BA1 Income tax refund fraud prevention. A summary of the budget build is provided below

<b>Taxation Business Group, Taxpayer Service Division, Operating Expenses</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$479,238	\$475,508	\$3,730	\$0	0.0
Other Legislation	<u>5,653</u>	<u>0</u>	<u>5,653</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$484,891</b>	<b>\$475,508</b>	<b>\$9,383</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$484,891	\$475,508	\$9,383	\$0	0.0
BA1 Income tax refund fraud prevention	50,307	50,307	0	0	0.0
R2 Earned income tax credit	11,115	11,115	0	0	0.0
R4 Long Bill alignment	10,450	10,450	0	0	0.0
Annualize prior year legislation	(16,052)	(11,349)	(4,703)	0	0.0
Annualize prior year budget actions	<u>(9,406)</u>	<u>(9,406)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$531,305</b>	<b>\$526,625</b>	<b>\$4,680</b>	<b>\$0</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$46,414	\$51,117	(\$4,703)	\$0	0.0
Percentage Change	9.6%	10.7%	(50.1%)	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$531,305</b>	<b>\$526,625</b>	<b>\$4,680</b>	<b>\$0</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

**Seasonal Tax Processing**

This is a new line item in this division created in FY 2014-15 budget cycle. This line item funds the seasonal processing expenses that occur during the individual income tax filing season.

*Statutory Authority:* Section 24-35-101, *et seq.*, C.R.S.

*Request:* The Department requests \$296,391 General Fund.

*Recommendation:* Staff recommends the Committee approve this request, which represents a continuation level of funding.

**Document Management**

This line item provides funding for the data entry services provided by the Department of Personnel to capture information from paper tax forms and from driver's license documentation,

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and image and store tax returns and related documentation primarily for audit purposes, account error resolutions, or taxpayer requests and inquiries.

*Statutory Authority:* Section 24-30-1104, C.R.S.

*Request:* The Department requests \$3,051,906 total funds, including \$3,013,387 General Fund.

*Recommendation:* Staff recommends approval of the Department's request. The recommendation includes funding for R2 Earned income tax credit, R4 Long Bill alignment, and BA1 Income tax refund fraud prevention. A summary of the budget build is provided below

<b>Taxation Business Group, Taxpayer Service Division, Document Management</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$2,947,646	\$2,908,141	\$39,505	\$0	0.0
Other Legislation	1,200	1,200	0	0	0.0
SB 16-1250 (Supplemental Bill)	<u>1,200</u>	<u>1,200</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$2,950,046</b>	<b>\$2,910,541</b>	<b>\$39,505</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$2,950,046	\$2,910,541	\$39,505	\$0	0.0
Annualize prior year budget actions	74,479	74,479	0	0	0.0
R2 Earned income tax credit	20,594	20,594	0	0	0.0
BA1 Income tax refund fraud prevention	4,173	4,173	0	0	0.0
Annualize prior year legislation	3,814	4,800	(986)	0	0.0
Reverse supplemental	<u>(1,200)</u>	<u>(1,200)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$3,051,906</b>	<b>\$3,013,387</b>	<b>\$38,519</b>	<b>\$0</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$101,860	\$102,846	(\$986)	\$0	0.0
Percentage Change	3.5%	3.5%	(2.5%)	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$3,051,906</b>	<b>\$3,013,387</b>	<b>\$38,519</b>	<b>\$0</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

**Fuel Tracking System**

Pursuant to Section 39-27-109, C.R.S., the Department of Revenue tracks the movement of gasoline and special fuel with the goal of expediting the collection of excise taxes. Most funding provides an electronic tracking system maintained by a third party. Funding for this program is from the Highway Users Trust Fund (not from HUTF Off the Top), pursuant to Section 43-4-201 (3) (a) (V), C.R.S.

*Statutory Authority:* Section 39-27-109.7, C.R.S.

*Request:* The Department requests \$494,598 cash funds and 1.5 FTE.

*Recommendation:* Staff recommends the Committee approve the Department request.

**Indirect Cost Assessment**

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs.

*Statutory Authority:* Section 24-75-1401, C.R.S

*Request:* The Department requests \$9,708 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

**(D) TAX CONFEREE**

The Tax Conferee serves as an intermediary in the hearing process and acts as the Executive Director's official designee for tax hearings. These can include tax assessment disputes and refund denials. Employees in this unit conduct reviews, legal research, investigations, interviews, and negotiations. They also assist taxpayers in clarifying decisions. If a hearing with the Tax Conferee fails to achieve a successful resolution, then a formal hearing with the Executive Director is granted. Finally, if a feasible resolution is not attained, the aggrieved party may elevate the dispute to the judicial system. Under Section 29-2-106.1, C.R.S., Department staff may hear appeals of final decisions from home rule cities and counties.

<b>Tax Conferee</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>				
SB 15-234 (Long Bill)	<u>\$2,713,990</u>	<u>\$2,713,990</u>	<u>\$0</u>	<u>12.5</u>
<b>TOTAL</b>	<b>\$2,713,990</b>	<b>\$2,713,990</b>	<b>\$0</b>	<b>12.5</b>
<b>FY 2016-17 Recommended Appropriation</b>				
FY 2015-16 Appropriation	\$2,713,990	\$2,713,990	\$0	12.5
Annualize prior year budget actions	33,257	33,257	0	0.0
Annualize prior year legislation	<u>16,558</u>	<u>16,558</u>	<u>0</u>	<u>0.4</u>
<b>TOTAL</b>	<b>\$2,763,805</b>	<b>\$2,763,805</b>	<b>\$0</b>	<b>12.9</b>
<b>Increase/(Decrease)</b>	\$49,815	\$49,815	\$0	0.4

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Tax Conferee</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
Percentage Change	1.8%	1.8%	0.0%	0.0%
<b>FY 2016-17 Executive Request</b>	<b>\$2,763,805</b>	<b>\$2,763,805</b>	<b>\$0</b>	<b>12.9</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	0.0

**LINE ITEM DETAIL – TAX CONFEREE**

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 39-21-103, 39-21-104, 29-2-106.1, and 24-50-101, *et seq.*, C.R.S.

*Request:* The Department requests \$2,699,033 General Fund and 12.9 FTE.

*Recommendation:* Staff recommends the Committee approve the Department request.

**Operating Expenses**

This line item funds subscriptions to legal research materials and phone charges, plus general office supplies and expenses.

*Statutory Authority:* Sections 39-21-103, 39-21-104, 29-2-106.1, and 24-50-105, C.R.S.

*Request:* The Department requests a continuation appropriation of \$64,722 General Fund.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**(E) SPECIAL PURPOSE**

This section of the Long Bill provides funding for four "pass-through" programs administered by the Department. The oversight costs are relatively small and are absorbed by other divisions within the Taxation Business Group.

<b>Special Purpose</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>				
SB 15-234 (Long Bill)	<u>\$24,520,524</u>	<u>\$23,500,000</u>	<u>\$1,020,524</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$24,520,524</b>	<b>\$23,500,000</b>	<b>\$1,020,524</b>	<b>0.0</b>

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Special Purpose</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
<b>FY 2016-17 Recommended Appropriation</b>				
FY 2015-16 Appropriation	\$24,520,524	\$23,500,000	\$1,020,524	0.0
Revenue adjustment	(562,295)	(892,295)	330,000	0.0
<b>TOTAL</b>	<b>\$23,958,229</b>	<b>\$22,607,705</b>	<b>\$1,350,524</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	(\$562,295)	(\$892,295)	\$330,000	0.0
Percentage Change	(2.3%)	(3.8%)	32.3%	0.0%
<b>FY 2016-17 Executive Request</b>				
Request Above/(Below) Recommendation	\$1,608,367	\$1,588,001	\$20,366	0.0

## LINE ITEM DETAIL – SPECIAL PURPOSE

### Cigarette Tax Rebate

Pursuant to Section 39-22-623, C.R.S., this program distributes 27 percent of the gross state revenue from state cigarette tax to incorporated cities and towns that levy taxes and adopt formal budgets as well as to counties. These distributions are made in proportion to the state sales taxes collected in the jurisdiction to the total state sales taxes collected, which the Department of Revenue annually certifies to the State Treasurer. In order to qualify for the rebate, units of local government are prohibited from imposing fees, licenses, or taxes on cigarettes.

This appropriation is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S. and is included in the Long Bill for informational purposes.

*Statutory Authority:* Section 39-22-623, C.R.S.

*Request:* The Department requests an appropriation of \$9,111,999.

*Recommendation:* Staff recommends an appropriation based on the March 2016 economic forecast that the JBC adopts as its revenue forecast. Based on Legislative Council Staff December 2015 economic forecast, the appropriation would be \$10,700,000. Staff requests permission to reflect, for this line, the estimate from the March 2016 forecast that the Committee elects to utilize.

### Amendment 35 Distribution to Local Governments

House Bill 05-1262 implemented Amendment 35, passed by the voters in November 2004. Three percent of the total revenue and interest earned on proceeds deposited into the Tobacco Tax Cash Fund are earmarked for municipal and county governments to "compensate proportionately for tax Revenue reductions attributable to lower cigarette and tobacco sales resulting from implementation of the tax." These moneys are allocated to local governments according to the provisions set forth in Section 39-22-623, C.R.S. The Department of Revenue receives part of

the 3 percent allocation to the General Fund (20%), the Old Age Pension Medical Fund (50%), and the Department of Revenue (30%).

This appropriation is authorized by Section 21 of Article X of the Colorado Constitution and thus, is not subject to the limitation on state fiscal year spending imposed by Section 20 of Article X of the State Constitution. The appropriation is included in the Long Bill for informational purposes.

*Statutory Authority:* Section 21, Article X, Colorado Constitution.

*Request:* The Department requests an appropriation of \$1,230,000 cash funds from the Tobacco Tax Cash Fund.

*Recommendation:* Staff recommendation is for \$1,270,890 cash funds, which represents Committee Action on Tobacco Master Settlement Agreement decisions.

**Old Age Heat and Fuel and Property Tax Assistance Grant**

Pursuant to Sections 39-31-101 and 104, C.R.S., the Department distributes heat, fuel and property tax assistance grants to qualified low-income individuals age 65 and over or disabled. This appropriation is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S. and is included in the Long Bill for informational purposes. Homeowners and renters who are senior citizens (65 years of age or older) or disabled and who meet the income eligibility limits for the program receive a rebate of up to \$600 for property taxes and a rebate of up to \$192 for heat or fuel expenses. Both the Governor’s Office of State Planning and Budgeting and Legislative Council often refer to this program as the “Aged Property Tax & Heating Credit.”

*Statutory Authority:* Section 39-31-101, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$5,300,000 General Fund. The Department's request is based on the September 2015 Office of State Planning and Budgeting (OSPB) economic forecast.

*Recommendation:* Staff recommends an appropriation based on the March 2016 economic forecast that the JBC adopts as its revenue forecast. Based on Legislative Council Staff December 2015 economic forecast, the appropriation would be \$5,500,000. Staff requests permission to reflect, for this line, the estimate from the March 2016 forecast that the Committee elects to utilize.

**Commercial Vehicle Enterprise Sales Tax Refund**

Section 42-1-225, C.R.S., requires the Department of Revenue to issue sales tax refunds for entities that paid sales taxes on qualified purchases or lease of commercial vehicles used for interstate commerce. The sales tax refund comes from the Commercial Vehicle Enterprise Tax Fund. Moneys in the cash fund are derived from a portion of the fines on overweight vehicles and pursuant to Section 42-1-225 (1), C.R.S., moneys in the fund is continuously appropriated to the Department of Revenue.

*Statutory Authority:* Section 42-1-225, C.R.S.

*Request:* The Department requests an informational appropriation of \$120,524 cash funds from the Commercial Vehicle Enterprise Tax Fund.

*Recommendation:* Staff recommends an informational appropriation of \$100,000 to more closely approximate actual expenditures for the Department.

**Retail Marijuana Sales Tax Distribution to Local Governments**

This line item was added during the FY 2013-14 supplemental process. Section 39-28.8-203 (1) (a) (V), C.R.S., requires that moneys apportioned to local governments (15.0 percent of the special sales tax) as a result of the Proposition AA 10.0 percent special sales tax on retail marijuana products be included for informational purposes in the general appropriation bill or in supplemental appropriation bills and is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S.

*Statutory Authority:* Section 39-28.8-203, C.R.S.

*Request:* The Department requests that \$8,195,706 be reflected in the Long Bill. The Department's request is based on the September 2015 Office of State Planning and Budgeting (OSPB) economic forecast.

*Recommendation:* Staff recommends an appropriation based on the March 2016 economic forecast that the JBC adopts as its revenue forecast. Based on Legislative Council Staff December 2015 economic forecast, the appropriation would be \$9,000,000. Staff requests permission to reflect the estimate from the March 2016 forecast that the Committee elects to utilize.

## (4) Division of Motor Vehicles

The Division of Motor Vehicles consists of Administration, Driver Services and Vehicle Services sections. These sections are responsible for the enforcement and administration of the laws governing driver licensing and vehicle registration.

<b>Division of Motor Vehicles</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$41,489,917	\$8,288,166	\$33,027,727	\$174,024	490.1
Other Legislation	522,073	2,866	519,207	0	0.0
SB 16-1250 (Supplemental Bill)	<u>527,630</u>	<u>0</u>	<u>527,630</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$42,539,620</b>	<b>\$8,291,032</b>	<b>\$34,074,564</b>	<b>\$174,024</b>	<b>490.1</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$42,539,620	\$8,291,032	\$34,074,564	\$174,024	490.1
R1 Division of Motor Vehicles Funding Deficit	836,501	3,200,000	(2,363,499)	0	0.0
Annualize prior year budget actions	589,653	(4,110,098)	4,699,751	0	0.0
Annualize prior year legislation	165,809	(2,866)	168,675	0	0.0
Centrally appropriated line items	(168,192)	5,420	(173,612)	0	0.0
Reverse supplemental	<u>(527,630)</u>	<u>0</u>	<u>(527,630)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$43,435,761</b>	<b>\$7,383,488</b>	<b>\$35,878,249</b>	<b>\$174,024</b>	<b>490.1</b>
<b>Increase/(Decrease)</b>	\$896,141	(\$907,544)	\$1,803,685	\$0	0.0
Percentage Change	2.1%	(10.9%)	5.3%	0.0%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$43,435,761</b>	<b>\$4,183,488</b>	<b>\$39,078,249</b>	<b>\$174,024</b>	<b>490.1</b>
Request Above/(Below) Recommendation	\$0	(\$3,200,000)	\$3,200,000	\$0	0.0

## DECISION ITEMS – DIVISION OF MOTOR VEHICLES

### ➔ R1 Division of Motor Vehicles Funding Deficit

*Request:* The Department requests an increase of \$3.2 million cash funds spending authority from the Highway Users Tax Fund Off the Top to fund ongoing operations of the Division of Motor Vehicles. The request includes a reduction of \$2.4 million cash funds from the Licensing Services Cash Fund, due to insufficient fee revenue.

*Recommendation:* Staff recommends an increase of \$3.2 million General Fund with a subsequent reduction in \$2.4 million from the Licensing Services Cash Fund to fund continued operations of the Division of Motor Vehicles.

JBC staff also has identified the following options for the Committee to consider related to the requested legislation:

- If the Committee wishes to run a bill to make statutory changes to allow the Department of Revenue to receive cash fund appropriations from Off the Top of the Highway Users Tax Fund (HUTF), staff will prepare an appropriation clause for the bill to reduce the Long Bill appropriation and replace it with one from the HUTF Off the Top. This option may be helpful for balancing purposes.
- If the Committee is concerned that the HUTF is the Department of Revenue's long-term solution to funding the DMV, the Committee could choose to include in the legislation an expiration date for the new use of HUTF. JBC staff believes 2 years will be an acceptable time period some of the stakeholders concerned about the 6 percent growth of Off the Top HUTF funding. In previous years, Off the Top appropriations have been allowed for the DMV for between 2 years and 6 years.
- Staff recommends against eliminating the end-of-year sweep from the Licensing Services Cash Fund to the HUTF *if* the Committee runs legislation to allow Off the Top appropriations for the DMV. The end-of-year sweep is the only direct connection between the HUTF and the service provided.

*Analysis:*

***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 (and other identity documents) were deposited into the HUTF, 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, because the issuance of driver's license is an essential element of highway and driver supervision.

During the early 2000s downturn, 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, 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 (Drivers and Plate License Fees), 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.

When the Great Recession 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 (Use HUTF for Division of Motor Vehicles Driver's License), 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 LSCF, 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 (Finance Driver's Licenses DOR), which continued the diversion of driver's license fees to the LSCF for two years and continued the authorization to use HUTF Off the Top 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.

Facing the expiration of the temporary authorization to allow Off the Top appropriations to support operations of the DMV provided by H.B. 10-1387 (Finance Driver's Licenses DOR), the Department requested legislation to direct all fees to the Licensing Services Cash Fund. After finding an agreeable solution, the Committee sponsored S.B. 14-194 (Driver's License Fee Allocations), which increased fees, provided fee setting authority for the Department with some restrictions, consolidated several small cash funds, and allowed online renewals of licenses for two consecutive renewal periods.

***Fee Setting Authority***

Senate Bill 14-194 (Driver's License Fee Allocations), amongst other things, provided the Department of Revenue with the ability to raise fees for driver's licenses and other services provided by the DMV. This authority allowed the Department to raise fees by 20 percent in the first year (FY 2015-16) and up to 5 percent in each subsequent year. The Department raised fees in the first year, which are summarized below. The table also summarizes each of the fees before the increase, what that increase would be if the Department increased fees by 20 percent across the board, and what the actual percent increase equaled.

<b>Division of Motor Vehicle Fee Schedule</b>							
<b>Fee Description</b>	<b>Fee before S.B. 14-194</b>	<b>Fee Plus 20 Percent</b>	<b>Current Fee</b>	<b>Difference</b>	<b>Actual Percent Increase</b>	<b>Cost to Provide<sup>1</sup></b>	<b>Difference between cost and current fee</b>
Driver's License	\$21.00	\$25.20	\$25.00	\$0.20	19.0%	\$27.88	(\$2.88)
Identification Card	10.50	12.60	11.50	1.10	9.5%	11.52	(0.02)
Driving Permit	14.00	16.80	16.80	0.00	20.0%	26.95	(10.15)
Duplicate License or Permit	7.50	9.00	9.00	0.00	20.0%	12.33	(3.33)
Driver's License Extension	3.00	3.60	3.60	0.00	20.0%	6.51	(2.91)
Commercial Driving Permit	14.00	16.80	16.80	0.00	20.0%	101.72	(84.92)
Driving Record	2.20	2.64	2.60	0.04	18.2%	17.37	(14.77)
Certified Driving Record	2.70	3.24	3.20	0.04	18.5%	21.72	(18.52)
Road Test (Retest)	0.00	0.00	15.00	n/a	n/a	60.21	(45.21)
Written Test (Retest)	0.00	0.00	11.15	n/a	n/a	11.16	(0.01)
Return of Driver's License	5.00	6.00	6.00	0.00	20.0%	12.33	(6.33)

*JBC Staff Figure Setting: FY 2016-17*  
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<b>Division of Motor Vehicle Fee Schedule</b>							
Fee Description	Fee before	Fee Plus	Current	Difference	Actual	Cost to Provide <sup>1</sup>	Difference between cost and current fee
	S.B. 14-194	20	Fee		Percent Increase		
Surrendered License Replacement	5.00	6.00	6.00	0.00	20.0%	12.33	(6.33)
Commercial Driver's License (CDL)	35.00	42.00	15.50	26.50	(55.7%)	15.51	(0.01)
CDL Drive Test	100.00	120.00	120.00	0.00	20.0%	353.50	(233.50)
CDL Testing Unit License (Initial)	300.00	360.00	360.00	0.00	20.0%	3,093.17	(2,733.17)
CDL Testing Unit License (Renewal)	100.00	120.00	120.00	0.00	20.0%	1,051.49	(931.49)
CDL Tester License (Initial)	100.00	120.00	120.00	0.00	20.0%	147.29	(27.29)
CDL Tester License (Renewal)	50.00	60.00	60.00	0.00	20.0%	139.11	(79.11)

<sup>1</sup>Cost to provide includes all fixed and variable costs to provide the service.

The Department indicated to JBC staff it will not be increasing fees by the 5 percent growth allowed by statute in FY 2016-17. This is likely because increased fee revenue will result in increased TABOR refunds. The Governor’s Office also explained that because fees were raised by 20 percent in FY 2015-16, it does not want raise fees again in FY 2016-17. The fee setting authority provided by S.B. 14-194 is permissive and does not require the Department to raise fees by 5 percent in each subsequent year.

Also, included in the table above is data taken from the cost accounting study performed by the Department. The cost-to-provide number is calculated based on all fixed and variable costs. JBC staff requested data specific to just the variable cost of providing each service. However, the Department reports that their cost accounting study does not break down the driver services costs into fixed and variable costs.

***End of Year Sweep***

The Department requested the elimination of the sweep from the Licensing Services Cash Fund (LSCF) to the Highway Users Tax Fund. Section 42-2-114.5 (1), C.R.S., requires the State Treasurer to transfer any revenue in the LSCF in excess of 16.5 percent of the appropriation at the end of each fiscal year. The Department requests the elimination of the transfer to build a revenue surplus during years in which revenues are higher to pay for operating the DMV in years where the revenue cycle dips.

The issue that arises when considering this part of the request is that since the creation of the LSCF and its end-of-year sweep the LSCF has only been swept in two fiscal years. The largest transfer to the HUTF occurred in the year the Department set the new fees.

<b>LSCF Transfers to the HUTF</b>	
Fiscal Year	Amount Transferred to HUTF
FY 2007-08	Fund and sweep created
FY 2008-09	0
FY 2009-10	0
FY 2010-11	2,095,729
FY 2011-12	0
FY 2012-13	0
FY 2013-14	0

<b>LSCF Transfers to the HUTF</b>	
<b>Fiscal Year</b>	<b>Amount Transferred to HUTF</b>
FY 2014-15 <sup>1</sup>	4,228,140
FY 2015-16 <sup>2</sup>	1,740,521

<sup>1</sup>Department implemented new fees allowed by SB 14-194

<sup>2</sup>Projected

### ***Funding Source Nexus***

After researching the history of driver’s license fees, it is JBC staff’s contention that the connection between the HUTF and driver’s licenses is attenuated under current law. In previous years when the HUTF Off the Top was used as a funding source for the DMV, most if not all of the revenue generated from the license fees were transferred to the HUTF. This nexus made the HUTF Off the Top a more obvious funding source. Under current law, all fees are credited to the Licensing Services Cash Fund (LSCF) and if the revenue in the fund at the end of the year exceeds 16.5 percent of the appropriation, that amount is swept to the HUTF. While JBC staff concedes that the sweep creates an attenuated nexus between HUTF and the fees charged by the DMV, the cash flow projection for the LSCF (provided in Appendix B) does not project a transfer to the HUTF from the end-of-year sweep for the next four fiscal years, which is the last year projections are made.

If the JBC were to run legislation to eliminate the sweep from the LSCF, there would no longer be a connection between the HUTF and the fees charged by the DMV. The HUTF is the primary source of state highway funds in Colorado. HUTF revenue include gas and special-fuel taxes, motor vehicle title and registration fees, fines, license plate fees, and passenger-mile taxes. Pursuant to Article X, Section 18 of the Colorado Constitution, HUTF revenues are required to be used exclusively for the construction, maintenance, and supervision of state public highways, and associated administrative costs. There is an argument to be made that by licensing drivers, the DMV assists in supervision of state public highways and therefore has a connection to the HUTF; however, the connection is fairly weak.

### ***General Fund Recommendation***

JBC staff believes the General Fund is a more appropriate source for the DMV’s base funding. Providing identification documents and ensuring the safety of drivers who use state-provided highways is a central role of government. The General Fund was the primary source of funding for the DMV for many years until the state experiences a few tough budget years.

The most likely reason the Department is seeking a source other than General Fund is because in previous tough budget years, the General Fund provided to the DMV has been drastically reduced.

### **(A) ADMINISTRATION**

The Administration subgroup includes the Senior Director, Deputy Director, administrative support staff, division financial staff, and the Investigations Unit. The Administration subgroup supports the administrative and financial management of all DMV operations. The Investigations Unit is responsible for conducting investigations on both driver and vehicle records. This unit is accountable for preserving and protecting the integrity of motor vehicle records by investigating

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and preventing fraud, ensuring statutory compliance, and providing victim advocacy. The unit is also responsible for all Exception Processing for Colorado residents who cannot meet the established requirements for driver licenses or identification cards.

<b>Administration</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$1,658,910</u>	<u>\$241,834</u>	<u>\$1,362,341</u>	<u>\$54,735</u>	<u>18.9</u>
<b>TOTAL</b>	<b>\$1,658,910</b>	<b>\$241,834</b>	<b>\$1,362,341</b>	<b>\$54,735</b>	<b>18.9</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$1,658,910	\$241,834	\$1,362,341	\$54,735	18.9
Annualize prior year budget actions	17,727	0	17,727	0	0.0
Centrally appropriated line items	<u>0</u>	<u>5,420</u>	<u>(5,420)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$1,676,637</b>	<b>\$247,254</b>	<b>\$1,374,648</b>	<b>\$54,735</b>	<b>18.9</b>
<b>Increase/(Decrease)</b>	\$17,727	\$5,420	\$12,307	\$0	0.0
Percentage Change	1.1%	2.2%	0.9%	0.0%	0.0%
<b>FY 2016-17 Executive Request</b>					
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

## **LINE ITEM DETAIL – ADMINISTRATION**

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 24-50-101, *et seq.* and 42-2-101, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$1,591,393 and 18.9 FTE, including \$234,776 General Fund

*Recommendation:* Staff recommends approval of the Department's request.

### **Operating Expenses**

This line item funds telecommunications, general office supplies, and printing costs.

*Statutory Authority:* Sections 24-50-105 and 42-2-101, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$85,244 total funds.

*Recommendation:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

**(B) DRIVER SERVICES**

The *Driver Services subgroup* includes three programs: Driver License (including the Commercial Driver License Program (CDL), Driver Control, and Ignition Interlock.

The *Driver License Program* is responsible for issuing driver licenses, instruction permits, identification cards, and commercial driver licenses to the citizens of Colorado. Additionally, this section also issues copies of driving records, oversees the curriculum and training of commercial driving schools, and licenses and oversees third-party testers who administer driving and motorcycle skill tests.

The *Driver Control Program* is responsible for collecting, maintaining, analyzing, and producing all driver records for the state. It receives and processes penalty assessment citations and processes fine payments and administers driver license sanctions by imposing license suspensions and revocations in accordance with the law. The Driver Control Program also supports law enforcement with a 24/7 communications center that provides information on drivers and vehicles and supports prosecutors and courts with the production of evidence packets. This section also monitors drive log data on interlock restricted drivers and imposes restraints.

The *Ignition Interlock Program* oversees the leasing and data reporting functions of various contractors who install and monitor blood alcohol ignition interlock devices in the vehicles of drivers required to have such devices under the state's drunken driving laws. The program provides financial support for indigent drivers required to have the devices by making subsidy payments to contractors that reduce the drivers' costs.

<b>Driver Services</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$29,449,068	\$7,566,351	\$21,763,428	\$119,289	406.0
SB 16-1250 (Supplemental Bill)	<u>527,630</u>	<u>0</u>	<u>527,630</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$29,976,698</b>	<b>\$7,566,351</b>	<b>\$22,291,058</b>	<b>\$119,289</b>	<b>406.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$29,976,698	\$7,566,351	\$22,291,058	\$119,289	406.0
R1 Division of Motor Vehicles Funding Deficit	836,501	3,200,000	(2,363,499)	0	0.0
Annualize prior year budget actions	507,306	(4,117,206)	4,624,512	0	0.0
Reverse supplemental	(527,630)	0	(527,630)	0	0.0

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Driver Services</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
Centrally appropriated line items	(178,873)	0	(178,873)	0	0.0
<b>TOTAL</b>	<b>\$30,614,002</b>	<b>\$6,649,145</b>	<b>\$23,845,568</b>	<b>\$119,289</b>	<b>406.0</b>
<b>Increase/(Decrease)</b>	\$637,304	(\$917,206)	\$1,554,510	\$0	0.0
Percentage Change	2.1%	(12.1%)	7.0%	0.0%	0.0%
<b>FY 2016-17 Executive Request</b>	<b>\$30,614,002</b>	<b>\$3,449,145</b>	<b>\$27,045,568</b>	<b>\$119,289</b>	<b>406.0</b>
Request Above/(Below) Recommendation	\$0	(\$3,200,000)	\$3,200,000	\$0	(0.0)

## **LINE ITEM DETAIL – DRIVER SERVICES**

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions. The cash funds are primarily from the Licensing Services Cash Fund, the following accounts of the Highway Users Tax Fund: the Colorado State Titling and Registration Account, Driver's License Administrative Revocation Account, and the First-time Drunk Driving Offender Account, and several funds that provide minimal funding.

*Statutory Authority:* Sections 24-50-101, *et seq.* and 42-2-125, C.R.S.

*Request:* The Department requests an appropriation of \$19,812,451 total funds and 399.1 FTE, including \$3,031,041 General Fund.

*Recommendation:* Staff recommends \$19,812,451 total funds and 399.1 FTE, including \$6,231,041. The major difference between the request and the recommendation is that JBC staff is reflecting General Fund instead of Highway Users Tax Fund Off the Top cash funds for R1 DMV Funding Deficit, discussed at the beginning of the Division.

### **Operating Expenses**

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Sections 24-50-105 and 42-2-101, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$2,096,686 total funds, including \$418,104 General Fund.

*Recommendation:* Staff recommends the Committee approve the Department request.

**Driver's License Documents**

This line item funds all material costs associated with the production of driver's licenses, instructional permits, and identification cards including related security features. The physical driver's license is produced by a third party vendor under contract to the Department, who also mails the document to the customer. The line also provides funding for verification of Social Security information, and verification of an applicant's legal immigration/visa status. In addition to receiving funding from the Licensing Services Cash Fund, this line receives funding for security purposes from the Identification Security Fund.

*Statutory Authority:* Section 42-2-101, C.R.S.

*Request:* The Department requests a continuation appropriation of \$5,201,840 cash funds.

*Recommendation:* Staff recommends approval of the Department's request. The recommendation includes an increase of \$836,501 for increased document costs from the new card vendor included in R1 DMV Funding Deficit.

**Ignition Interlock Program**

House Bill 08-1194 requires first time drunk driving offenders to obtain an ignition interlock for their vehicle in order to reinstate their licenses. It increased the driver's license reinstatement fee by \$35 and credited that increase to the newly created "First Time Drunk Driver Offender account". The moneys in the account were to be used to assist those who cannot afford an ignition interlock system to purchase them so they can continue to drive for employment related purposes. The fund also supports high-visibility drunk-driving enforcement actions administered by the Department of Transportation.

*Statutory Authority:* Section 42-2-125, C.R.S.

*Request:* The Department requests \$1,231,243 cash funds and 6.9 FTE.

*Recommendation:* Staff recommends approval of the Department's request.

**Indirect Cost Assessment**

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*Statutory Authority:* Sections 42-2-114.2, 42-2-132, and 24-75-1401, C.R.S.  
C.R.S.

*Request:* The Department requests \$2,271,782 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

**(C) VEHICLE SERVICES**

The Vehicle Services subgroup includes the following programs: Titles, Registrations, Motor Insurance Identification Database (MIIDB), and Vehicle Emissions. Additionally, the License Plate Ordering line item resides in this subgroup.

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

<b>Vehicle Services</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>				
SB 15-234 (Long Bill)	\$10,381,939	\$479,981	\$9,901,958	65.2
Other Legislation	<u>522,073</u>	<u>2,866</u>	<u>519,207</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$10,904,012</b>	<b>\$482,847</b>	<b>\$10,421,165</b>	<b>65.2</b>
<b>FY 2016-17 Recommended Appropriation</b>				
FY 2015-16 Appropriation	\$10,904,012	\$482,847	\$10,421,165	65.2
Annualize prior year legislation	165,809	(2,866)	168,675	0.0
Annualize prior year budget actions	64,620	7,108	57,512	0.0
Centrally appropriated line items	<u>10,681</u>	<u>0</u>	<u>10,681</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$11,145,122</b>	<b>\$487,089</b>	<b>\$10,658,033</b>	<b>65.2</b>
<b>Increase/(Decrease)</b>	\$241,110	\$4,242	\$236,868	0.0
Percentage Change	2.2%	0.9%	2.3%	0.0%
<b>FY 2016-17 Executive Request</b>	<b>\$11,145,122</b>	<b>\$487,089</b>	<b>\$10,658,033</b>	<b>65.2</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	0.0

**LINE ITEM DETAIL – VEHICLE SERVICES**

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 24-50-101, *et seq.*, 42-4-301, and 42-7-601, *et seq.*, C.R.S.

*Request:* The Department requests \$2,605,702 total funds and 49.2 FTE.

*Recommendation:* Staff recommends approval of the Department's request.

**Operating Expenses**

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Sections 24-50-105, 42-4-301, and 42-7-601, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$454,034 total funds, including \$27,169 General Fund and \$426,865 cash funds.

*Recommendation:* Staff recommends approval of the Department's request

**License Plate Ordering**

This line item funds payments to the Department of Correction, Correctional Industries for producing and distributing license plates, permits, placards, tabs, and other related items. These products are distributed to the State's 64 counties and the State offices for timely distribution to customers. The funding comes from the License Plate Cash Fund, which is funded by fees charged for license plates and associated products. Funding comes from the Identification Security Fund and the Licensing Services Cash Fund.

*Statutory Authority:* Sections 17-24-109 and 42-3-201, C.R.S.

*Request:* The Department requests an appropriation of \$6,117,753, including \$6,673 cash funds.

*Recommendation:* Staff recommends approval of the Department's request.

**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. A \$0.10 motorist insurance identification fee is credited to the Motorist Insurance Identification (MII) Account, a special purpose account within the Highway Users Tax Fund (HUTF), whenever a motor vehicle is registered. All funding for the program is from the MII Account.

*Statutory Authority:* Section 42-7-601, *et seq.*, C.R.S.

*Request:* The Department requests \$337,228 cash funds and 1.0 FTE.

*Recommendation:* Staff recommends approval of the Department's continuation request.

**Emissions Program**

This program 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 AIR account, a subaccount of the Highway Users Tax Fund.

*Statutory Authority:* Section 42-4-301, C.R.S.

*Request:* The Department requests \$1,253,399 cash funds and 15.0 FTE.

*Recommendation:* Staff recommends approval of the Department's request.

**Indirect Cost Assessment**

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*Statutory Authority:* Section 24-75-1401, C.R.S

*Request:* The Department requests \$377,228 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

## (5) Enforcement Business Group

This group regulates and enforces laws related to: limited gaming; the State's liquor wholesalers and retailers and tobacco retailers; licenses liquor retailers, wholesalers, and manufacturers; issues alcohol licenses for special events; regulates live horse racing events and pari-mutuel wagering (including off-track simulcast establishments); regulates and licenses the motor vehicle dealer industry; adjudicates complaints and other issues related to drivers licenses, liquor licenses, certain racing licenses, and some tax disputes; and licenses and regulates the marijuana industry (including cultivation, manufacturing, and retail facilities).

<b>Enforcement Business Group</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$54,860,447	\$369,951	\$54,222,611	\$267,885	251.6
Other Legislation	226,363	0	226,363	0	2.4
SB 16-1250 (Supplemental Bill)	<u>270,611</u>	<u>0</u>	<u>270,611</u>	<u>0</u>	<u>4.3</u>
<b>TOTAL</b>	<b>\$55,357,421</b>	<b>\$369,951</b>	<b>\$54,719,585</b>	<b>\$267,885</b>	<b>258.3</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$55,357,421	\$369,951	\$54,719,585	\$267,885	258.3
BA2 Marijuana Enforcement Division FTE	1,003,539	0	1,003,539	0	17.0
Centrally appropriated line items	443,254	(16,555)	432,322	27,487	0.0
Gaming Commission adjustment	344,278	0	344,278	0	6.6
Annualize prior year budget actions	300,384	8,544	291,840	0	0.0
Annualize prior year legislation	60,253	0	60,253	0	1.6
Reverse supplemental	(270,611)	0	(270,611)	0	(4.3)
Reduction for CDPHE Lab	<u>(176,292)</u>	<u>0</u>	<u>(176,292)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$57,062,226</b>	<b>\$361,940</b>	<b>\$56,404,914</b>	<b>\$295,372</b>	<b>279.2</b>
<b>Increase/(Decrease)</b>	\$1,704,805	(\$8,011)	\$1,685,329	\$27,487	20.9
Percentage Change	3.1%	(2.2%)	3.1%	10.3%	8.1%
<b>FY 2016-17 Executive Request:</b>	<b>\$57,238,518</b>	<b>\$361,940</b>	<b>\$56,581,206</b>	<b>\$295,372</b>	<b>279.2</b>
Request Above/(Below) Recommendation	\$176,292	\$0	\$176,292	\$0	(0.0)

### DECISION ITEMS – ENFORCEMENT BUSINESS GROUP (NONE)

#### (A) ADMINISTRATION

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

The Enforcement Business Group's administrative functions are contained in this separate long bill group, which contains senior management, budget, and support functions of the Enforcement Business Group.

<b>Administration</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$716,053</u>	<u>\$22,218</u>	<u>\$425,950</u>	<u>\$267,885</u>	<u>8.0</u>
<b>TOTAL</b>	<b>\$716,053</b>	<b>\$22,218</b>	<b>\$425,950</b>	<b>\$267,885</b>	<b>8.0</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	716,053	22,218	425,950	267,885	8.0
Annualize prior year budget actions	12,965	374	12,591	0	0.0
Indirect cost assessment adjustment	<u>0</u>	<u>(16,555)</u>	<u>(10,932)</u>	<u>27,487</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$729,018</b>	<b>\$6,037</b>	<b>\$427,609</b>	<b>\$295,372</b>	<b>8.0</b>
<b>Increase/(Decrease)</b>	\$12,965	(\$16,181)	\$1,659	\$27,487	0.0
Percentage Change	1.8%	(72.8%)	0.4%	10.3%	0.0%
<b>FY 2016-17 Executive Request</b>					
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

**LINE ITEM DETAIL – ADMINISTRATION**

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Section 24-50-101 *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$716,238 total funds and 8.0 FTE, including \$5,931 General Fund.

*Recommendation:* Staff recommends approval of the Department's request.

**Operating Expenses**

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Section 24-35-105, C.R.S.

*Request:* The Department requests an appropriation of \$12,780 total funds.

*Recommendation:* Staff recommends approval of the Department's request.

**(B) LIMITED GAMING DIVISION**

This division licenses, regulates, and supervises any devices, persons, locations, and activities related to limited gaming in the cities of Black Hawk, Central City, and Cripple Creek. This includes conducting background checks on gaming license applicants, patrolling casinos to observe potential violations of gaming laws, and conducting audits to verify that regulated businesses remit the proper amount of gaming taxes.

The Colorado Limited Gaming Commission has the constitutional authority to allocate funds for the Division; funding is not subject to appropriation by the General Assembly. Thus, the appropriations for this Division are shown for informational purposes. The Commission has generally adopted the Committee's common policies where applicable. The source of cash funds is the Limited Gaming Fund

The Division's direct costs for Health, Life, and Dental and Short-term Disability Insurance, Amortization Equalization and Supplemental Amortization Equalization Disbursements, Worker's Compensation, Legal Services, Payment to Risk Management and Property Funds, Vehicle Lease Payments, and Leased Space for Gaming Site Offices are shown in the Executive Director's Office centrally-appropriated budget lines.

<b>Limited Gaming Division</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$36,276,230</u>	<u>\$0</u>	<u>\$36,276,230</u>	<u>\$0</u>	<u>84.4</u>
<b>TOTAL</b>	<b>\$36,276,230</b>	<b>\$0</b>	<b>\$36,276,230</b>	<b>\$0</b>	<b>84.4</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$36,276,230	\$0	\$36,276,230	\$0	84.4
Gaming Commission adjustment	344,278	0	344,278	0	6.6
Indirect cost assessment adjustment	267,161	0	267,161	0	0.0
Annualize prior year budget actions	<u>91,473</u>	<u>0</u>	<u>91,473</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$36,979,142</b>	<b>\$0</b>	<b>\$36,979,142</b>	<b>0\$</b>	<b>91.0</b>
<b>Increase/(Decrease)</b>	\$702,912	\$0	\$702,912	\$0	6.6
Percentage Change	1.9%	0.0%	1.9%	0.0%	7.8%
<b>FY 2016-17 Executive Request</b>	<b>\$36,979,142</b>	<b>\$0</b>	<b>\$36,979,142</b>	<b>\$0</b>	<b>91.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

## **LINE ITEM DETAIL – LIMITED GAMING DIVISION**

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Section 12-47.1-201, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$7,061,007 cash funds and 91.0 FTE.

*Recommendation:* Staff recommends reflecting the Department's request as an informational appropriation, which includes an increase of 6.6 FTE.

### **Operating Expenses**

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Section 12-47.1-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$1,032,595 cash funds.

*Recommendation:* Staff recommends reflecting the Department's request as an informational appropriation.

### **Payments to Other State Agencies**

This line item funds the costs associated with other State agencies performing work for the Limited Gaming Division. These agencies include the Colorado State Patrol, Colorado Bureau of Investigations, Division of Fire Safety, and Department of Local Affairs.

*Statutory Authority:* Sections 12-47.1-1601, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$4,497,011 cash funds.

*Recommendation:* Staff recommends reflecting the Department's request as an informational appropriation.

### **Distribution to Gaming Cities and Counties**

The Distribution to Gaming Cities and Counties line item reflects the net proceeds distribution of Limited Gaming Funds to eligible counties and cities, including Gilpin and Teller counties, and the Cities of Black Hawk, Central City, and Cripple Creek. The Constitutional provisions provide directions as to the distribution of revenues: funding for historic preservation in the three gaming cities as well as statewide, funding for the host cities and counties for the impacts of gaming, and the General Fund for state impacts.

If one looks at the two years of actual expenditures in the numbers pages, you will notice that the expenditures greatly exceed the appropriations for those years. This is because the Office of the Controller accounts for all distributions, such as to the State Historical Society and other funds, through this line, but codes each category differently. Distributions to the limited gaming cities and counties are coded as expenditures, while transfers to the State Historical Society and other transfers are coded as transfers. This makes the line item appear to be over-expended, while the actual expenditures are well within the appropriation.

*Statutory Authority:* Section 9, Article XVIII, Colorado Constitution and Section 12-47.1-701, et seq., C.R.S.

*Request:* The Department requests a continuation appropriation of \$23,788,902 cash funds.

*Recommendation:* Staff recommends reflecting the Department's request as an informational appropriation.

**Indirect Cost Assessment**

This line item reflects the total indirect cost assessment against the Limited Gaming Fund for the Department of Revenue. The request is based on the Departmental and Statewide Indirect Cost Allocation Plan. The plan is updated each year to reflect accurate assessments against the Limited Gaming Fund.

*Statutory Authority:* Section 24-75-1401, C.R.S

*Request:* The Department requests an appropriation of \$599,627 cash funds.

*Recommendation:* Staff recommends reflecting an appropriation of \$599,627 cash funds based on the Department indirect cost plan as an informational appropriation.

**(C) LIQUOR AND TOBACCO ENFORCEMENT DIVISION**

This Division licenses and regulates liquor wholesalers and retailers, licenses special events to serve alcohol, and enforces federal and state laws regarding the sales of liquor and tobacco products to minors. The major sources of funding are the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Tobacco Education Programs Fund, the General Fund and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund.

Starting with the 2012 Long Bill, the former Liquor Enforcement Division and Tobacco Enforcement Program merged to form the Liquor and Tobacco Enforcement Division.

<b>Liquor and Tobacco Enforcement Division</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Liquor and Tobacco Enforcement Division</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
SB 15-234 (Long Bill)	\$2,574,889	\$166,308	\$2,408,581	\$0	26.5
Other Legislation	<u>3,060</u>	<u>0</u>	<u>3,060</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$2,577,949</b>	<b>\$166,308</b>	<b>\$2,411,641</b>	<b>\$0</b>	<b>26.5</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$2,577,949	\$166,308	\$2,411,641	\$0	26.5
Annualize prior year budget actions	37,491	8,170	29,321	0	0.0
Indirect cost assessment adjustment	35,736	0	35,736	0	0.0
Annualize prior year legislation	<u>(3,060)</u>	<u>0</u>	<u>(3,060)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$2,648,116</b>	<b>\$174,478</b>	<b>\$2,473,638</b>	<b>\$0</b>	<b>26.5</b>
<b>Increase/(Decrease)</b>	\$70,167	\$8,170	\$61,997	\$0	0.0
Percentage Change	2.7%	4.9%	2.6%	0.0%	0.0%
<b>FY 2016-17 Executive Request</b>	<b>\$2,648,116</b>	<b>\$174,478</b>	<b>\$2,473,638</b>	<b>\$0</b>	<b>26.5</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

## LINE ITEM DETAIL – LIQUOR AND TOBACCO ENFORCEMENT

### Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Section 24-35-401, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$2,385,112 total funds and 26.5 FTE, including \$167,277 General Fund.

*Recommendation:* Staff recommends approval of the Department's request.

### Operating Expenses

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Section 24-35-401, *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$97,919 total funds, including \$7,201 General Fund.

*Recommendation:* Staff recommends approval of the Department's request.

**Indirect Cost Assessment**

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*Statutory Authority:* Section 24-75-1401, C.R.S

*Request:* The Department requests \$165,085 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

**(D) DIVISION OF RACING EVENTS**

This division regulates greyhound and horse racing events, and supervises pari-mutuel betting at the race tracks. It is also responsible for allocating race dates to racing associations, and adopting rules for the supervision of racing events, racing officials and licenses. The source of funds is the Division of Racing Cash Fund.

The division regulates and oversees one horse racetrack and nine licensed off-track betting facilities offering simulcast racing from out-of-state venues. After the last greyhound race track in the State shut down, the appropriation was decreased by \$332,823 and 6.8 FTE to account for the reduced responsibilities of the Division with regard to greyhound racing.

<b>Division of Racing Events</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$2,583,383</u>	<u>\$0</u>	<u>\$2,583,383</u>	<u>\$0</u>	<u>7.7</u>
<b>TOTAL</b>	<b>\$2,583,383</b>	<b>\$0</b>	<b>\$2,583,383</b>	<b>\$0</b>	<b>7.7</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$2,583,383	\$0	\$2,583,383	\$0	7.7
Annualize prior year budget actions	12,996	0	12,996	0	0.0
Indirect cost assessment adjustment	<u>1,337</u>	<u>0</u>	<u>1,337</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$2,597,716</b>		<b>\$2,597,716</b>		<b>7.7</b>
<b>Increase/(Decrease)</b>	\$14,333	\$0	\$14,333	\$0	0.0
Percentage Change	0.6%	0.0%	0.6%	0.0%	0.0%

<b>Division of Racing Events</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2016-17 Executive Request</b>	<b>\$2,597,716</b>	<b>\$0</b>	<b>\$2,597,716</b>	<b>\$0</b>	<b>7.7</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

## **LINE ITEM DETAIL –DIVISION OF RACING EVENTS**

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 12-60-201, *et seq.*, and 12-60-501 *et seq.*, C.R.S.

*Request:* The Department requests an appropriation of \$925,806 cash funds and 7.7 FTE.

*Recommendation:* Staff recommends the Committee approve the Department request.

### **Operating Expenses**

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Sections 12-60-201, *et seq.*, and 12-60-501 *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$221,627 cash funds

*Recommendation:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

### **Purses and Breeders Awards**

This line item represents a pass-through appropriation. The Division does not spend the appropriation associated with this line item. Section 12-60-704, C.R.S., created a trust fund that contains moneys deposited by licensees and operators of in-state simulcast facilities for horse racing. The Racing Commission promulgates rules that allow for distributions from this fund to owners and breeders of Colorado-bred horses.

The funds available for distribution for this line item are driven by pari-mutuel wagering. Section 12-60-701 (2) (b), C.R.S., provide that the operator of a race track or licensed in-state facility that receives simulcast races shall pay 0.5 percent of the gross receipts of pari-mutuel wagers on win, place, or show, and 1.5 percent of all other pari-mutuel wagers. The moneys deposited under this section are paid into a trust account. The moneys are distributed according to statute and rules established by the racing commission to the breeder associations, whose by-laws govern the distributions.

*Statutory Authority:* Section 12-60-704, C.R.S.

*Request:* The Department requests a continuation appropriation of \$1,400,000 cash funds from the Horse Breeders' and Owners' Awards and Supplemental Purse Fund.

*Recommendation:* Staff recommends approval of the Department's request.

**Indirect Cost Assessment**

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*Statutory Authority:* Section 24-75-1401, C.R.S

*Request:* The Department requests \$50,283 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

**(E) 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.

<b>Hearings Division</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$2,573,203</u>	<u>\$181,425</u>	<u>\$2,391,778</u>	<u>\$0</u>	<u>29.6</u>
<b>TOTAL</b>	<b>\$2,573,203</b>	<b>\$181,425</b>	<b>\$2,391,778</b>	<b>\$0</b>	<b>29.6</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$2,573,203	\$181,425	\$2,391,778	\$0	29.6
Annualize prior year budget actions	35,725	0	35,725	0	0.0
Indirect cost assessment adjustment	<u>32,832</u>	<u>0</u>	<u>32,832</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$2,641,760</b>	<b>\$181,425</b>	<b>\$2,460,335</b>	<b>\$0</b>	<b>29.6</b>
<b>Increase/(Decrease)</b>	\$68,557	\$0	\$68,557	\$0	0.0

*JBC Staff Figure Setting: FY 2016-17  
Staff Working Document – Does Not Represent Committee Decision*

	<b>Hearings Division</b>				
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
Percentage Change	2.7%	0.0%	2.9%	0.0%	0.0%
<b>FY 2016-17 Executive Request</b>	<b>\$2,641,760</b>	<b>\$181,425</b>	<b>\$2,460,335</b>	<b>\$0</b>	<b>29.6</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

**LINE ITEM DETAIL – HEARINGS DIVISION**

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Sections 42-2-132, and 12-6-123, C.R.S.

*Request:* The Department requests an appropriation of \$2,365,531 total funds and 29.6 FTE.

*Recommendation:* Staff recommends the Committee approve the Department request.

**Operating Expenses**

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Sections 42-2-132, and 12-6-123, C.R.S.

*Request:* The Department requests a continuation appropriation of \$101,408 total funds, comprised of \$2,470 General Fund and \$98,938 cash funds.

*Recommendation:* Staff recommends approval of the continuation request.

**Indirect Cost Assessment**

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*Statutory Authority:* Section 24-75-1401, C.R.S

*Request:* The Department requests \$174,821 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

**(F) MOTOR VEHICLE DEALER LICENSING BOARD**

The Motor Vehicle Dealer Licensing Board is responsible for licensing and regulation of automobile dealers and sales people as well as promulgating consumer protection regulations. Additionally, the Board conducts licensing and disciplinary hearings, and investigates suspected violations.

<b>Motor Vehicle Dealer Licensing Board</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	<u>\$2,295,523</u>	<u>\$0</u>	<u>\$2,295,523</u>	<u>\$0</u>	<u>27.2</u>
<b>TOTAL</b>	<b>\$2,295,523</b>	<b>\$0</b>	<b>\$2,295,523</b>	<b>\$0</b>	<b>27.2</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$2,295,523	\$0	\$2,295,523	\$0	27.2
Annualize prior year budget actions	31,670	0	31,670	0	0.0
Indirect cost assessment adjustment	<u>(9,114)</u>	<u>0</u>	<u>(9,114)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$2,318,079</b>	<b>\$0</b>	<b>\$2,318,079</b>	<b>\$0</b>	<b>27.2</b>
<b>Increase/(Decrease)</b>	\$22,556	\$0	\$22,556	\$0	0.0
Percentage Change	1.0%	0.0%	1.0%	0.0%	0.0%
<b>FY 2016-17 Executive Request</b>	<b>\$2,318,079</b>	<b>\$0</b>	<b>\$2,318,079</b>	<b>\$0</b>	<b>27.2</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

**LINE ITEM DETAIL – MOTOR VEHICLE DEALER LICENSING BOARD**

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Section 12-6-123, C.R.S.

*Request:* The Department requests \$2,005,769 cash funds and 27.2 FTE.

*Recommendation:* Staff recommends the Committee approve the Department request.

**Operating Expenses**

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Section 12-6-123, C.R.S.

*Request:* The Department requests \$134,684 cash funds.

*Recommendation:* Staff recommends the Committee approve the Department request.

**Indirect Cost Assessment**

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*Statutory Authority:* Section 24-75-1401, C.R.S

*Request:* The Department requests \$177,626 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

**(G) MARIJUANA ENFORCEMENT**

The Medical Marijuana Enforcement Division (MMED) was created by H.B. 10-1284, which created the State Licensing Authority. House Bill 13-1317 implemented major provisions of Amendment 64 by creating the Colorado Retail Marijuana Code. The bill also renamed the MMED to the Marijuana Enforcement Division (MED) and gave the division the authority to regulate both medical and retail marijuana. The Division regulated and controlled the licensing of cultivation and manufacture, distribution, and sale of marijuana or marijuana-infused products in the State. The Authority is authorized to adopt rules, forms, and applications to enforce the provisions of the Constitution and statutes. The Medical Marijuana License Cash Fund was also renamed to the Marijuana Cash Fund and is the funding source for the Division.

<b>Marijuana Enforcement</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$7,841,166	\$0	\$7,841,166	\$0	68.2
SB 16-1250 (Supplemental Bill)	270,611	0	270,611	0	4.3
Other Legislation	<u>223,303</u>	<u>0</u>	<u>223,303</u>	<u>0</u>	<u>2.4</u>
<b>TOTAL</b>	<b>\$8,335,080</b>	<b>\$0</b>	<b>\$8,335,080</b>	<b>\$0</b>	<b>74.9</b>
<b>FY 2016-17 Recommended Appropriation</b>					
FY 2015-16 Appropriation	\$8,335,080	\$0	\$8,335,080	\$0	74.9

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

<b>Marijuana Enforcement</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>FTE</b>
BA2 Marijuana Enforcement Division					
FTE	1,003,539	0	1,003,539	0	17.0
Centrally appropriated line items	115,302	0	115,302	0	0.0
Annualize prior year budget actions	78,064	0	78,064	0	0.0
Annualize prior year legislation	63,313	0	63,313	0	1.6
Reverse supplemental	(270,611)	0	(270,611)	0	(4.3)
Reduction for CDPHE Lab	<u>(176,292)</u>	<u>0</u>	<u>(176,292)</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$9,148,395</b>		<b>\$9,148,395</b>		<b>89.2</b>
<b>Increase/(Decrease)</b>	\$813,315	\$0	\$813,315	\$0	14.3
Percentage Change	9.8%	0.0%	9.8%	0.0%	19.1%
<b>FY 2016-17 Executive Request</b>	<b>\$9,324,687</b>	<b>\$0</b>	<b>\$9,324,687</b>	<b>\$0</b>	<b>89.2</b>
Request Above/(Below) Recommendation	\$176,292	\$0	\$176,292	0\$	0.0

## **LINE ITEM DETAIL – MARIJUANA ENFORCEMENT**

### **Marijuana Enforcement**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions. The line also funds the operating expenses, including telecommunications, general office supplies, and printing costs.

*Statutory Authority:* Sections 12-43.3-101, *et seq.* and 39-28.8-501, *et seq.*, C.R.S.

*Request:* The Department requests \$8,684,540 cash funds and 89.2 FTE. The request includes an increase related to BA2 Marijuana Enforcement Division FTE, a reduction to reflect annualization of prior year legislation (S.B. 15-014, S.B. 15-260, and H.B. 15-1379).

*Recommendation:* Staff recommends \$8,684,540 and 89.2 FTE, which reflects a reduction of \$176,292 that was appropriated to Marijuana Enforcement. The funding was reappropriated to the Department of Public Health and Environment for the lab certification, which is now authorize to receive direct appropriations.

### **Indirect Cost Assessment**

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

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*Statutory Authority:* Section 24-75-1401, C.R.S

*Request:* The Department requests \$640,147 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

## (6) State Lottery Division

The State Lottery Division is a TABOR enterprise under Article X, Section 20, of the Colorado Constitution. Cash funds appropriations are from the Lottery Fund. The Lottery sells scratch lottery and jackpot (PowerBall, MegaMillions, and Lotto) tickets.

Expenses are paid from the Lottery Fund. After expenses of the State Lottery Division, the remainder is distributed to the Conservation Trust Fund, Great Outdoors Colorado, Parks and Outdoor Recreation in the Department of Natural Resources, and Public School Capital Construction Fund.

The Executive Director of the Department of Revenue has budgetary control over the State Lottery and thus can limit the budget internally. This is the same control the Executive Director has over all areas of the budget for the Department, however, for the State Lottery Division every dollar that is not expended on administering the program is an extra dollar that is included for distributions to State Lottery Fund recipients.

<b>State Lottery Division</b>				
	Total Funds	General Fund	Cash Funds	FTE
<b>FY 2015-16 Appropriation</b>				
SB 15-234 (Long Bill)	<u>\$97,870,287</u>	<u>\$0</u>	<u>\$97,870,287</u>	<u>117.1</u>
<b>TOTAL</b>	<b>\$97,870,287</b>	<b>\$0</b>	<b>\$97,870,287</b>	<b>117.1</b>
<b>FY 2016-17 Recommended Appropriation</b>				
FY 2015-16 Appropriation	\$97,870,287	\$0	\$97,870,287	117.1
Centrally appropriated line items	286,717	0	286,717	0.0
Annualize prior year budget actions	<u>155,234</u>	<u>0</u>	<u>155,234</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$98,312,238</b>	<b>\$0</b>	<b>\$98,312,238</b>	<b>117.1</b>
<b>Increase/(Decrease)</b>	\$441,951	\$0	\$441,951	0.0
Percentage Change	0.5%	0.0%	0.5%	0.0%
<b>FY 2016-17 Executive Request:</b>	<b>\$98,312,238</b>	<b>\$0</b>	<b>\$98,312,238</b>	<b>117.1</b>
Request Above/(Below) Recommendation	\$0		\$0	0.0

### **DECISION ITEMS – STATE LOTTERY DIVISION (NONE)**

### **LINE ITEM DETAIL – STATE LOTTERY DIVISION**

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests \$9,490,911 cash funds and 117.1 FTE

*Recommendation:* Staff recommends approval of the Department's request.

**Operating Expenses**

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$1,203,156 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Payments to Other State Agencies**

This line item funds the costs of various audits, fingerprint and name checks through CBI, and data storage fees provided by the Department of Personnel and Administration's Document Solutions Group.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$239,410 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Travel**

This line item is used for travel in-state as well as out-of-state expenses including hotel, air, per-diem, and reimbursements for personal vehicle use. The Department is requesting a continuation appropriation.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$113,498 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Marketing and Communications**

This line item is used to reimburse vendors for goods and services related to the marketing, sale, advertising, public relations, consumer awareness, retailer awareness, drawings, customer

support, and retailer support of Lottery games and products. These include sponsorships, newspaper and television advertising, promotional coupons, free tickets, Lottery Bucks and billboards.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$14,700,000 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Multi-State Lottery Fees**

This line item is used to pay vendors for goods and services related to administering multi-state games of which Colorado is, or may become, a participating Lottery. These payments include the costs of maintaining compliance with multi-state game rules and policies. These costs vary year to year based on many factors such as per-capita sales of each state participating in a multi-state lottery, the number of states participating, the level of service provided by the multi-state game vendors, changes in multi-state rules and policies, and inflation.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$177,433 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Vendor Fees**

This line is used to pay vendors for two categories of services: variable vendor fees and fixed vendor fees.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$12,571,504 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Retailer Compensation**

These payments are commissions, cashing bonuses, and marketing agreement bonuses to compensate retailers for selling State Lottery products. Retailers are paid a 7.0 percent commission on scratch sales, and a 6.0 percent commission for online sales. The bonus for selling to a PowerBall jackpot winner is \$50,000. Retailers receiving these payments include convenience stores; gas stations; supermarkets such as; tobacco shops; and liquor stores. This is a variable appropriation and is usually adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$52,241,350 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Ticket Costs**

This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$6,578,000 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Research**

This line funds marketing research on lottery products.

*Statutory Authority:* Section 24-35-201, *et seq.*, C.R.S.

*Request:* The Department requests a continuation appropriation of \$250,000 cash funds.

*Recommendation:* Staff recommends approval of the continuation appropriation.

**Indirect Cost Assessment**

This line item reflects the total indirect cost assessment against the Limited Gaming Fund for the Department of Revenue. The request is based on the Departmental and Statewide Indirect Cost Allocation Plan. The plan is updated each year to reflect accurate assessments against the Lottery Fund.

*Statutory Authority:* Section 24-75-1401, C.R.S.

*Request:* The Department requests an appropriation of \$746,976 cash funds.

*Recommendation:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

## **Long Bill Footnotes and Requests for Information**

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### **LONG BILL FOOTNOTES**

Staff recommends **continuing** the following footnotes, with modifications in struck type and small caps:

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

Comment: Based on current projections provided by the Department, the S.B. 13-251 Program is expected to serve 66,000 applicants in FY 2017-18. This footnote continues the compromise made for FY 2015-16.

### **REQUESTS FOR INFORMATION**

Staff recommends **continuing** the following requests for information, with modifications in struck type and small caps:

- X Department of Revenue, Division of Motor Vehicles, Driver Services, Operating Expenses – The Department is requested to continue to submit to the Joint Technology Committee and Joint Budget Committee, quarterly reports about the progress of installation of the Wait Less technology the Department is implementing in 31 of its offices.

Comment: Explain the recommendation. Note if the Governor previously vetoed the footnote.

- X Department of Revenue, Division of Motor Vehicles, Driver Services, Personal Services – The Department is requested to submit to the Joint Budget Committee by the first of every month, beginning May 1, 2015, a report about the progress made on meeting the demand for services offered under S.B. 13-251, which was estimated at 66,000 individuals. For individuals served who are not lawfully present, the report should include the number of appointments made available, the number of “no shows” for appointments, the number of appointments that resulted in no document issuance, the number of documents issued, and a justification based in data for why there is a continued need to offer services for individuals who cannot demonstrate a lawful presence in the United States at more than one location.

Comment: Based on current projections provided by the Department, the S.B. 13-251 Program is expected to serve 66,000 applicants in FY 2017-18. This RFI continues the compromise made for FY 2015-16.

## Indirect Cost Assessment Methodology

### Description of Indirect Cost Assessment Methodology

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

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

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

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

### FY 2016-17 Indirect Cost Assessment Request

For FY 2016-17 the Department has requested \$5,213,283 for indirect cost assessments.

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

The table below shows the FY 2016-17 Department indirect cost assessment based on the November 1 request for each division.

Department of Revenue Indirect Cost Assessment FY 2016-17 Request	
Division	Cash Funds
Taxation Business Group	\$9,708
Division of Motor Vehicles	2,649,010
Enforcement Business Group	1,807,589
State Lottery Division	<u>746,976</u>
<b>Total Indirect Costs Request</b>	<b>\$5,213,283</b>

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

**Appendix A: Number Pages**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
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**DEPARTMENT OF REVENUE**  
**Barbara Brohl, Executive Director**

**(1) EXECUTIVE DIRECTOR'S OFFICE**

Personal Services	<u>5,505,676</u>	<u>9,800,874</u>	<u>9,137,169</u>	<u>9,293,030</u>	<u>9,293,030</u> *
FTE	61.0	104.1	124.0	124.1	124.1
General Fund	1,748,922	5,215,909	4,133,244	3,723,767	3,723,767
Cash Funds	144,635	268,116	351,749	355,980	355,980
Reappropriated Funds	3,612,119	4,316,849	4,652,176	5,213,283	5,213,283
Health, Life, and Dental	<u>8,182,768</u>	<u>8,924,637</u>	<u>11,429,894</u>	<u>11,048,998</u>	<u>10,731,918</u> *
General Fund	3,196,134	3,212,467	4,617,983	4,734,211	4,417,131
Cash Funds	4,775,200	5,403,539	6,811,911	6,297,694	6,297,694
Reappropriated Funds	211,434	308,631	0	17,093	17,093
Short-term Disability	<u>117,770</u>	<u>153,779</u>	<u>161,525</u>	<u>140,093</u>	<u>137,294</u> *
General Fund	48,925	57,926	67,780	61,638	58,839
Cash Funds	65,242	89,498	93,745	78,292	78,292
Reappropriated Funds	3,603	6,355	0	163	163
S.B. 04-257 Amortization Equalization					
Disbursement	<u>2,206,774</u>	<u>2,817,337</u>	<u>3,256,984</u>	<u>3,544,020</u>	<u>3,482,946</u> *
General Fund	925,665	1,060,378	1,364,916	1,552,592	1,491,518
Cash Funds	1,217,456	1,641,420	1,892,068	1,987,234	1,987,234
Reappropriated Funds	63,653	115,539	0	4,194	4,194

\* denotes this line item includes a decision item.

P denotes this line item is pending future Committee action.

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
S.B. 06-235 Supplemental Amortization					
Equalization Disbursement	<u>1,990,862</u>	<u>2,641,254</u>	<u>3,145,951</u>	<u>3,507,103</u>	<u>3,446,668</u> *
General Fund	832,728	994,105	1,318,385	1,536,417	1,475,982
Cash Funds	1,100,731	1,538,832	1,827,566	1,966,535	1,966,535
Reappropriated Funds	57,403	108,317	0	4,151	4,151
Salary Survey	<u>1,583,162</u>	<u>1,882,386</u>	<u>1,013,694</u>	<u>326,822</u>	<u>326,822</u>
General Fund	593,035	984,502	437,145	105,296	105,296
Cash Funds	990,127	897,884	576,549	219,611	219,611
Reappropriated Funds	0	0	0	1,915	1,915
Merit Pay	<u>913,775</u>	<u>640,667</u>	<u>726,034</u>	0	0
General Fund	371,263	253,483	296,561	0	0
Cash Funds	542,512	387,184	429,473	0	0
Reappropriated Funds	0	0	0	0	0
Shift Differential	<u>35,690</u>	<u>123,439</u>	<u>123,728</u>	<u>124,573</u>	<u>124,573</u>
General Fund	3,743	3,988	3,858	3,500	3,500
Cash Funds	31,947	119,451	119,870	121,073	121,073
Reappropriated Funds	0	0	0	0	0
Workers' Compensation	<u>793,612</u>	<u>932,407</u>	<u>998,853</u>	<u>1,130,947</u>	<u>1,053,760</u> *
General Fund	321,756	356,425	381,825	457,879	426,628
Cash Funds	471,856	575,982	617,028	673,068	627,132
Reappropriated Funds	0	0	0	0	0
Operating Expenses	<u>1,085,749</u>	<u>2,013,374</u>	<u>2,267,775</u>	<u>2,269,658</u>	<u>2,269,563</u> *
General Fund	503,869	1,475,126	1,570,428	1,570,378	1,570,283
Cash Funds	581,880	538,248	697,347	699,280	699,280

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Appropriation</b>	<b>FY 2016-17 Request</b>	<b>FY 2016-17 Recommendation</b>
Postage	0	<u>3,001,380</u>	<u>3,008,040</u>	<u>3,282,665</u>	<u>3,282,665</u> *
General Fund	0	2,663,773	2,670,430	2,922,509	2,922,509
Cash Funds	0	337,607	337,610	360,156	360,156
Legal Services	<u>3,306,147</u>	<u>4,077,024</u>	<u>4,150,402</u>	<u>4,195,701</u>	<u>4,195,701</u> P
General Fund	2,101,747	2,410,984	2,494,963	2,485,414	2,485,414
Cash Funds	1,204,400	1,666,040	1,655,439	1,710,287	1,710,287
Administrative Law Judge Services	<u>16,777</u>	<u>10,246</u>	<u>8,063</u>	<u>9,003</u>	<u>9,077</u> *
General Fund	0	0	0	0	0
Cash Funds	16,777	10,246	8,063	9,003	9,077
Reappropriated Funds	0	0	0	0	0
Payment to Risk Management and Property Funds	<u>218,016</u>	<u>250,807</u>	<u>265,490</u>	<u>332,733</u>	<u>312,968</u>
General Fund	82,705	97,131	102,817	134,942	126,926
Cash Funds	135,311	153,676	162,673	197,791	186,042
Vehicle Lease Payments	<u>537,546</u>	<u>539,127</u>	<u>606,411</u>	<u>666,156</u>	<u>659,130</u> *
General Fund	137,908	135,959	156,556	171,542	169,718
Cash Funds	399,638	403,168	449,855	494,614	489,412
Leased Space	<u>3,434,088</u>	<u>3,714,225</u>	<u>3,899,690</u>	<u>4,446,811</u>	<u>4,446,811</u> *
General Fund	597,725	616,949	682,040	901,810	901,810
Cash Funds	2,836,363	3,097,276	3,217,650	3,545,001	3,545,001
Capitol Complex Leased Space	<u>2,153,455</u>	<u>1,666,699</u>	<u>2,326,019</u>	<u>2,221,828</u>	<u>2,315,184</u>
General Fund	1,375,688	1,100,014	1,690,798	1,475,829	1,537,840
Cash Funds	777,767	566,685	635,221	745,999	777,344

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
Payments to OIT	0	<u>16,304,703</u>	<u>15,093,157</u>	<u>16,011,097</u>	<u>16,011,097</u> * P
General Fund	0	8,379,236	7,546,246	8,248,838	8,248,838
Cash Funds	0	7,925,467	7,546,911	7,762,259	7,762,259
Reappropriated Funds	0	0	0	0	0
CORE Operations	<u>313,444</u>	<u>340,291</u>	<u>297,297</u>	<u>431,083</u>	<u>422,525</u>
General Fund	80,654	151,912	121,242	174,529	171,064
Cash Funds	232,790	188,379	176,055	256,554	251,461
Utilities	<u>77,614</u>	<u>79,354</u>	<u>143,703</u>	<u>143,703</u>	<u>143,703</u>
Cash Funds	77,614	79,354	143,703	143,703	143,703
Purchase of Services from Computer Center	<u>13,373,621</u>	0	0	0	0
General Fund	8,285,427	0	0	0	0
Cash Funds	5,088,194	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Colorado State Network	<u>3,791,850</u>	0	0	0	0
General Fund	539,476	0	0	0	0
Cash Funds	3,252,374	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Management and Administration of OIT	<u>605,439</u>	0	0	0	0
General Fund	120,546	0	0	0	0
Cash Funds	484,893	0	0	0	0
Reappropriated Funds	0	0	0	0	0

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
Communication Services Payments	<u>82,173</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	14,066	0	0	0	0
Cash Funds	68,107	0	0	0	0
Information Technology Security	<u>151,324</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	71,081	0	0	0	0
Cash Funds	80,243	0	0	0	0
<b>TOTAL - (1) Executive Director's Office</b>	50,477,332	59,914,010	62,059,879	63,126,024	62,665,435
<b>FTE</b>	<u>61.0</u>	<u>104.1</u>	<u>124.0</u>	<u>124.1</u>	<u>124.1</u>
General Fund	21,953,063	29,170,267	29,657,217	30,261,091	29,837,063
Cash Funds	24,576,057	25,888,052	27,750,486	27,624,134	27,587,573
Reappropriated Funds	3,948,212	4,855,691	4,652,176	5,240,799	5,240,799

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
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**(2) INFORMATION TECHNOLOGY DIVISION**

**(A) System Support**

Personal Services	<u>281,165</u>	<u>540,752</u>	<u>154,656</u>	<u>147,506</u>	<u>147,506</u>
General Fund	174,983	540,752	147,506	147,506	147,506
Cash Funds	106,182	0	7,150	0	0
Reappropriated Funds	0	0	0	0	0
Operating Expenses	<u>1,433,923</u>	<u>1,339,879</u>	<u>885,318</u>	<u>885,318</u>	<u>885,318</u>
General Fund	1,358,934	1,265,178	809,759	809,759	809,759
Cash Funds	74,989	74,701	75,559	75,559	75,559

<b>SUBTOTAL - (A) System Support</b>	1,715,088	1,880,631	1,039,974	1,032,824	1,032,824
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	1,533,917	1,805,930	957,265	957,265	957,265
Cash Funds	181,171	74,701	82,709	75,559	75,559
Reappropriated Funds	0	0	0	0	0

**(B) Colorado State Titling and Registration System**

Personal Services	<u>309,502</u>	<u>59,882</u>	<u>442,688</u>	<u>442,688</u>	<u>442,688</u>
Cash Funds	309,502	59,882	442,688	442,688	442,688
Operating Expenses	<u>2,217,956</u>	<u>2,555,941</u>	<u>2,617,535</u>	<u>2,617,535</u>	<u>2,617,535</u>
Cash Funds	2,217,956	2,555,941	2,617,535	2,617,535	2,617,535
County Office Asset Maintenance	<u>481,794</u>	<u>554,614</u>	<u>568,230</u>	<u>568,230</u>	<u>568,230</u>
Cash Funds	481,794	554,614	568,230	568,230	568,230

\* denotes this line item includes a decision item.

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
County Office Improvements	<u>32,964</u>	<u>34,983</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Cash Funds	32,964	34,983	40,000	40,000	40,000
<b>SUBTOTAL - (B) Colorado State Titling and Registration System</b>	3,042,216	3,205,420	3,668,453	3,668,453	3,668,453
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds	3,042,216	3,205,420	3,668,453	3,668,453	3,668,453
<b>TOTAL - (2) Information Technology Division</b>	4,757,304	5,086,051	4,708,427	4,701,277	4,701,277
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	1,533,917	1,805,930	957,265	957,265	957,265
Cash Funds	3,223,387	3,280,121	3,751,162	3,744,012	3,744,012
Reappropriated Funds	0	0	0	0	0

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
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**(3) TAXATION BUSINESS GROUP**

**(A) Administration**

Personal Services	<u>452,003</u>	<u>496,954</u>	<u>523,805</u>	<u>532,823</u>	<u>532,823</u>
FTE	4.7	5.0	5.0	5.0	5.0
General Fund	450,332	495,254	521,452	503,686	503,686
Cash Funds	1,671	1,700	2,353	29,137	29,137
Operating Expenses	<u>8,576</u>	<u>9,280</u>	<u>13,100</u>	<u>13,100</u>	<u>13,100</u>
General Fund	8,576	9,280	13,100	13,100	13,100
Colorado Integrated Tax Architecture Maintenance and Support	<u>2,917,000</u>	<u>3,715,658</u>	<u>4,242,190</u>	<u>4,601,313</u>	<u>4,601,313</u> *
General Fund	1,587,600	3,715,658	4,206,750	4,576,482	4,576,482
Cash Funds	1,329,400	0	35,440	24,831	24,831

<b>SUBTOTAL - (A) Administration</b>	3,377,579	4,221,892	4,779,095	5,147,236	5,147,236
FTE	<u>4.7</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
General Fund	2,046,508	4,220,192	4,741,302	5,093,268	5,093,268
Cash Funds	1,331,071	1,700	37,793	53,968	53,968

**(B) Taxation and Compliance Division**

Personal Expenses	<u>15,380,359</u>	<u>15,231,360</u>	<u>17,406,855</u>	<u>17,620,827</u>	<u>17,620,827</u> *
FTE	0.0	227.0	239.6	239.6	239.6
General Fund	14,843,976	14,561,621	16,212,135	16,401,715	16,401,715
Cash Funds	309,766	669,739	1,040,635	1,065,027	1,065,027
Reappropriated Funds	226,617	0	154,085	154,085	154,085

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Appropriation</b>	<b>FY 2016-17 Request</b>	<b>FY 2016-17 Recommendation</b>
Operating Expenses	<u>906,698</u>	<u>858,018</u>	<u>1,075,591</u>	<u>1,117,128</u>	<u>1,117,128</u> *
General Fund	879,433	853,582	1,049,450	1,090,987	1,090,987
Cash Funds	27,265	4,436	26,141	26,141	26,141
Joint Audit Program	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>
General Fund	131,244	131,244	131,244	131,244	131,244
Mineral Audit Program	<u>815,882</u>	<u>40,815</u>	<u>890,388</u>	<u>890,388</u>	<u>890,388</u>
FTE	11.6	10.0	10.2	10.2	10.2
General Fund	0	0	0	0	0
Reappropriated Funds	22,047	40,815	66,000	66,000	66,000
Federal Funds	793,835	0	824,388	824,388	824,388
<b>SUBTOTAL - (B) Taxation and Compliance</b>					
<b>Division</b>	17,234,183	16,261,437	19,504,078	19,759,587	19,759,587
FTE	<u>11.6</u>	<u>237.0</u>	<u>249.8</u>	<u>249.8</u>	<u>249.8</u>
General Fund	15,854,653	15,546,447	17,392,829	17,623,946	17,623,946
Cash Funds	337,031	674,175	1,066,776	1,091,168	1,091,168
Reappropriated Funds	248,664	40,815	220,085	220,085	220,085
Federal Funds	793,835	0	824,388	824,388	824,388
<b>(C) Taxpayer Service Division</b>					
Personal Services	<u>4,596,929</u>	<u>5,808,828</u>	<u>6,937,854</u>	<u>8,577,944</u>	<u>8,577,944</u> *
FTE	78.6	103.2	113.1	144.6	144.6
General Fund	4,472,749	5,642,180	6,636,131	8,273,079	8,273,079
Cash Funds	124,180	166,648	301,723	304,865	304,865
Reappropriated Funds	0	0	0	0	0

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
Operating Expenses	<u>349,547</u>	<u>316,073</u>	<u>484,891</u>	<u>531,305</u>	<u>531,305</u> *
General Fund	349,547	313,986	475,508	526,625	526,625
Cash Funds	0	2,087	9,383	4,680	4,680
Reappropriated Funds	0	0	0	0	0
Seasonal Tax Processing	<u>0</u>	<u>320,638</u>	<u>296,391</u>	<u>296,391</u>	<u>296,391</u>
General Fund	0	320,638	296,391	296,391	296,391
Document Management	<u>0</u>	<u>2,907,883</u>	<u>2,950,046</u>	<u>3,051,906</u>	<u>3,051,906</u> *
General Fund	0	2,905,724	2,910,541	3,013,387	3,013,387
Cash Funds	0	2,159	39,505	38,519	38,519
Reappropriated Funds	0	0	0	0	0
Fuel Tracking System	<u>627,572</u>	<u>518,220</u>	<u>566,082</u>	<u>494,598</u>	<u>494,598</u>
FTE	1.5	0.0	1.5	1.5	1.5
General Fund	0	0	0	0	0
Cash Funds	627,572	518,220	566,082	494,598	494,598
Indirect Cost Assessment	<u>6,450</u>	<u>7,332</u>	<u>10,380</u>	<u>9,708</u>	<u>9,708</u>
Cash Funds	6,450	7,332	10,380	9,708	9,708
<b>SUBTOTAL - (C) Taxpayer Service Division</b>	5,580,498	9,878,974	11,245,644	12,961,852	12,961,852
<b>FTE</b>	<u>80.1</u>	<u>103.2</u>	<u>114.6</u>	<u>146.1</u>	<u>146.1</u>
General Fund	4,822,296	9,182,528	10,318,571	12,109,482	12,109,482
Cash Funds	758,202	696,446	927,073	852,370	852,370
Reappropriated Funds	0	0	0	0	0

\* denotes this line item includes a decision item.

P denotes this line item is pending future Committee action.

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Appropriation</b>	<b>FY 2016-17 Request</b>	<b>FY 2016-17 Recommendation</b>
<b>(D) Tax Conferee</b>					
Personal Services	<u>1,625,748</u>	<u>1,214,326</u>	<u>2,649,239</u>	<u>2,699,033</u>	<u>2,699,033</u>
FTE	12.9	12.4	12.5	12.9	12.9
General Fund	1,625,748	1,214,326	2,649,239	2,699,033	2,699,033
Cash Funds	0	0	0	0	0
Operating Expenses	<u>25,172</u>	<u>29,060</u>	<u>64,751</u>	<u>64,772</u>	<u>64,772</u>
General Fund	25,172	29,060	64,751	64,772	64,772
Cash Funds	0	0	0	0	0
<b>SUBTOTAL - (D) Tax Conferee</b>	<b>1,650,920</b>	<b>1,243,386</b>	<b>2,713,990</b>	<b>2,763,805</b>	<b>2,763,805</b>
<b>FTE</b>	<b>12.9</b>	<b>12.4</b>	<b>12.5</b>	<b>12.9</b>	<b>12.9</b>
General Fund	1,650,920	1,243,386	2,713,990	2,763,805	2,763,805
Cash Funds	0	0	0	0	0

**(E) Special Purpose**

Cigarette Tax Rebate	<u>10,428,361</u>	<u>10,461,631</u>	<u>10,600,000</u>	<u>10,700,000</u>	<u>9,111,999</u> *
General Fund	10,428,361	10,461,631	10,600,000	10,700,000	9,111,999
Cash Funds	0	0	0	0	0
Amendment 35 Distribution to Local Governments	<u>1,264,830</u>	<u>1,304,900</u>	<u>900,000</u>	<u>1,270,890</u>	<u>1,230,000</u> *
General Fund	0	1,304,900	0	0	0
Cash Funds	1,264,830	0	900,000	1,270,890	1,230,000
Old Age Heat and Fuel and Property Tax Assistance Grant	<u>6,030,061</u>	<u>5,622,987</u>	<u>6,600,000</u>	<u>5,300,000</u>	<u>5,300,000</u>
General Fund	6,030,061	5,622,987	6,600,000	5,300,000	5,300,000

\* denotes this line item includes a decision item.

P denotes this line item is pending future Committee action.

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
Commercial Vehicle Enterprise Sales Tax Refund	<u>27,142</u>	<u>55,586</u>	<u>120,524</u>	<u>100,000</u>	<u>120,524</u> *
Cash Funds	27,142	55,586	120,524	100,000	120,524
Retail Marijuana Sales Tax Distribution to Local					
Governments	<u>1,359,814</u>	<u>5,908,308</u>	<u>6,300,000</u>	<u>8,195,706</u>	<u>8,195,706</u>
General Fund	1,359,814	5,908,308	6,300,000	8,195,706	8,195,706
Cash Funds	0	0	0	0	0
<b>SUBTOTAL - (E) Special Purpose</b>	19,110,208	23,353,412	24,520,524	25,566,596	23,958,229
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	17,818,236	23,297,826	23,500,000	24,195,706	22,607,705
Cash Funds	1,291,972	55,586	1,020,524	1,370,890	1,350,524
<b>TOTAL - (3) Taxation Business Group</b>	46,953,388	54,959,101	62,763,331	66,199,076	64,590,709
<i>FTE</i>	<u>109.3</u>	<u>357.6</u>	<u>381.9</u>	<u>413.8</u>	<u>413.8</u>
General Fund	42,192,613	53,490,379	58,666,692	61,786,207	60,198,206
Cash Funds	3,718,276	1,427,907	3,052,166	3,368,396	3,348,030
Reappropriated Funds	248,664	40,815	220,085	220,085	220,085
Federal Funds	793,835	0	824,388	824,388	824,388

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
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**(4) DIVISION OF MOTOR VEHICLES**

**(A) Administration**

Personal Services	<u>0</u>	<u>1,489,513</u>	<u>1,573,666</u>	<u>1,591,393</u>	<u>1,591,393</u>
FTE	0.0	9.6	18.9	18.9	18.9
General Fund	0	29,761	229,494	234,776	234,776
Cash Funds	0	1,413,009	1,292,827	1,305,272	1,305,272
Reappropriated Funds	0	46,743	51,345	51,345	51,345
Operating Expenses	<u>0</u>	<u>81,190</u>	<u>85,244</u>	<u>85,244</u>	<u>85,244</u>
General Fund	0	1,670	12,340	12,478	12,478
Cash Funds	0	76,221	69,514	69,376	69,376
Reappropriated Funds	0	3,299	3,390	3,390	3,390

<b>SUBTOTAL - (A) Administration</b>	0	1,570,703	1,658,910	1,676,637	1,676,637
FTE	<u>0.0</u>	<u>9.6</u>	<u>18.9</u>	<u>18.9</u>	<u>18.9</u>
General Fund	0	31,431	241,834	247,254	247,254
Cash Funds	0	1,489,230	1,362,341	1,374,648	1,374,648
Reappropriated Funds	0	50,042	54,735	54,735	54,735

**(B) Driver Services**

Personal Services	<u>0</u>	<u>15,482,311</u>	<u>19,309,721</u>	<u>19,812,451</u>	<u>19,812,451</u> *
FTE	0.0	355.1	399.1	399.1	399.1
General Fund	0	9,035,849	7,148,247	3,031,041	6,231,041
Cash Funds	0	6,403,097	12,052,355	16,672,291	13,472,291
Reappropriated Funds	0	43,365	109,119	109,119	109,119

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Appropriation</b>	<b>FY 2016-17 Request</b>	<b>FY 2016-17 Recommendation</b>
Operating Expenses	<u>0</u>	<u>1,737,745</u>	<u>2,096,686</u> 0.0	<u>2,096,686</u>	<u>2,096,686</u>
General Fund	0	355,113	418,104	418,104	418,104
Cash Funds	0	1,372,158	1,668,412	1,668,412	1,668,412
Reappropriated Funds	0	10,474	10,170	10,170	10,170
Drivers License Documents	<u>0</u>	<u>4,304,131</u>	<u>4,892,969</u>	<u>5,201,840</u>	<u>5,201,840</u> *
General Fund	0	0	0	0	0
Cash Funds	0	4,304,131	4,892,969	5,201,840	5,201,840
Ignition Interlock Program	<u>0</u>	<u>835,857</u>	<u>1,226,667</u>	<u>1,231,243</u>	<u>1,231,243</u>
FTE	0.0	6.2	6.9	6.9	6.9
General Fund	0	0	0	0	0
Cash Funds	0	835,857	1,226,667	1,231,243	1,231,243
Reappropriated Funds	0	0	0	0	0
Indirect Cost Assessment	<u>0</u>	<u>1,641,119</u>	<u>2,450,655</u>	<u>2,271,782</u>	<u>2,271,782</u>
Cash Funds	0	1,641,119	2,450,655	2,271,782	2,271,782
<b>SUBTOTAL - (B) Driver Services</b>	<u>0</u>	<u>24,001,163</u>	<u>29,976,698</u>	<u>30,614,002</u>	<u>30,614,002</u>
<b>FTE</b>	<u>0.0</u>	<u>361.3</u>	<u>406.0</u>	<u>406.0</u>	<u>406.0</u>
General Fund	0	9,390,962	7,566,351	3,449,145	6,649,145
Cash Funds	0	14,556,362	22,291,058	27,045,568	23,845,568
Reappropriated Funds	0	53,839	119,289	119,289	119,289

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
<b>(C) Vehicle Services</b>					
Personal Services	0	<u>2,489,250</u>	<u>2,560,635</u>	<u>2,605,702</u>	<u>2,605,702</u>
FTE	0.0	44.0	49.2	49.2	49.2
General Fund	0	436,648	446,139	453,247	453,247
Cash Funds	0	2,052,602	2,114,496	2,152,455	2,152,455
Operating Expenses	0	<u>454,034</u>	<u>454,034</u>	<u>454,034</u>	<u>454,034</u>
General Fund	0	27,169	27,169	27,169	27,169
Cash Funds	0	426,865	426,865	426,865	426,865
License Plate Ordering	0	<u>5,224,811</u>	<u>5,951,944</u>	<u>6,117,753</u>	<u>6,117,753</u>
General Fund	0	70,026	9,539	6,673	6,673
Cash Funds	0	5,154,785	5,942,405	6,111,080	6,111,080
Motorist Insurance Identification Database Program	0	<u>231,109</u>	<u>337,006</u>	<u>337,006</u>	<u>337,006</u>
FTE	0.0	0.6	1.0	1.0	1.0
Cash Funds	0	231,109	337,006	337,006	337,006
Emissions Program	0	<u>1,063,814</u>	<u>1,233,846</u>	<u>1,253,399</u>	<u>1,253,399</u>
FTE	0.0	13.9	15.0	15.0	15.0
Cash Funds	0	1,063,814	1,233,846	1,253,399	1,253,399
Indirect Cost Assessment	0	<u>572,040</u>	<u>366,547</u>	<u>377,228</u>	<u>377,228</u>
Cash Funds	0	572,040	366,547	377,228	377,228
<b>SUBTOTAL - (C) Vehicle Services</b>	0	10,035,058	10,904,012	11,145,122	11,145,122
<b>FTE</b>	<u>0.0</u>	<u>58.5</u>	<u>65.2</u>	<u>65.2</u>	<u>65.2</u>
General Fund	0	533,843	482,847	487,089	487,089
Cash Funds	0	9,501,215	10,421,165	10,658,033	10,658,033

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Appropriation</b>	<b>FY 2016-17 Request</b>	<b>FY 2016-17 Recommendation</b>
<b>TOTAL - (4) Division of Motor Vehicles</b>	0	35,606,924	42,539,620	43,435,761	43,435,761
<i>FTE</i>	<u>0.0</u>	<u>429.4</u>	<u>490.1</u>	<u>490.1</u>	<u>490.1</u>
General Fund	0	9,956,236	8,291,032	4,183,488	7,383,488
Cash Funds	0	25,546,807	34,074,564	39,078,249	35,878,249
Reappropriated Funds	0	103,881	174,024	174,024	174,024

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
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**(5) ENFORCEMENT BUSINESS GROUP**

**(A) Administration**

Personal Services	<u>599,795</u>	<u>659,909</u>	<u>703,273</u>	<u>716,238</u>	<u>716,238</u>
FTE	0.0	7.6	8.0	8.0	8.0
General Fund	18,727	19,864	21,821	5,931	5,931
Cash Funds	327,225	375,925	418,348	420,113	420,113
Reappropriated Funds	253,843	264,120	263,104	290,194	290,194
Operating Expenses	<u>11,744</u>	<u>12,078</u>	<u>12,780</u>	<u>12,780</u>	<u>12,780</u>
General Fund	400	369	397	106	106
Cash Funds	6,419	6,898	7,602	7,496	7,496
Reappropriated Funds	4,925	4,811	4,781	5,178	5,178

<b>SUBTOTAL - (A) Administration</b>	611,539	671,987	716,053	729,018	729,018
FTE	<u>0.0</u>	<u>7.6</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>
General Fund	19,127	20,233	22,218	6,037	6,037
Cash Funds	333,644	382,823	425,950	427,609	427,609
Reappropriated Funds	258,768	268,931	267,885	295,372	295,372

**(B) Limited Gaming Division**

Personal Services	<u>6,217,594</u>	<u>6,304,904</u>	<u>6,969,534</u>	<u>7,061,007</u>	<u>7,061,007</u> *
FTE	82.6	81.6	84.4	91.0	91.0
Cash Funds	6,217,594	6,304,904	6,969,534	7,061,007	7,061,007
Operating Expenses	<u>0</u>	<u>525,112</u>	<u>1,331,739</u>	<u>1,032,595</u>	<u>1,032,595</u> *
Cash Funds	0	525,112	1,331,739	1,032,595	1,032,595

\* denotes this line item includes a decision item.

P denotes this line item is pending future Committee action.

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Appropriation</b>	<b>FY 2016-17 Request</b>	<b>FY 2016-17 Recommendation</b>
Payments to Other State Agencies	<u>3,873,005</u>	<u>3,807,263</u>	<u>3,853,589</u>	<u>4,497,011</u>	<u>4,497,011</u> *
Cash Funds	3,873,005	3,807,263	3,853,589	4,497,011	4,497,011
Distribution to Gaming Cities and Counties	<u>92,211,148</u>	<u>97,201,481</u>	<u>23,788,902</u>	<u>23,788,902</u>	<u>23,788,902</u>
Cash Funds	92,211,148	97,201,481	23,788,902	23,788,902	23,788,902
Indirect Cost Assessment	<u>640,282</u>	<u>682,531</u>	<u>332,466</u>	<u>599,627</u>	<u>599,627</u>
Cash Funds	640,282	682,531	332,466	599,627	599,627
<b>SUBTOTAL - (B) Limited Gaming Division</b>	102,942,029	108,521,291	36,276,230	36,979,142	36,979,142
<b>FTE</b>	<u>82.6</u>	<u>81.6</u>	<u>84.4</u>	<u>91.0</u>	<u>91.0</u>
Cash Funds	102,942,029	108,521,291	36,276,230	36,979,142	36,979,142

**(C) Liquor and Tobacco Enforcement Division**

Personal Services	<u>2,117,008</u>	<u>2,125,114</u>	<u>2,350,681</u>	<u>2,385,112</u>	<u>2,385,112</u>
FTE	0.0	27.1	26.5	26.5	26.5
General Fund	135,022	90,031	159,107	167,277	167,277
Cash Funds	1,981,986	2,035,083	2,191,574	2,217,835	2,217,835
Operating Expenses	<u>95,030</u>	<u>93,679</u>	<u>97,919</u>	<u>97,919</u>	<u>97,919</u>
General Fund	7,029	6,744	7,201	7,201	7,201
Cash Funds	88,001	86,935	90,718	90,718	90,718
Indirect Cost Assessment	<u>130,872</u>	<u>131,668</u>	<u>129,349</u>	<u>165,085</u>	<u>165,085</u>
Cash Funds	130,872	131,668	129,349	165,085	165,085

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**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
<b>SUBTOTAL - (C) Liquor and Tobacco</b>					
<b>Enforcement Division</b>	2,342,910	2,350,461	2,577,949	2,648,116	2,648,116
<i>FTE</i>	<u>0.0</u>	<u>27.1</u>	<u>26.5</u>	<u>26.5</u>	<u>26.5</u>
General Fund	142,051	96,775	166,308	174,478	174,478
Cash Funds	2,200,859	2,253,686	2,411,641	2,473,638	2,473,638
<b>(D) Division of Racing Events</b>					
Personal Services	<u>754,594</u>	<u>847,841</u>	<u>912,810</u>	<u>925,806</u>	<u>925,806</u>
<i>FTE</i>	<u>7.7</u>	<u>8.1</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>
Cash Funds	754,594	847,841	912,810	925,806	925,806
Operating Expenses	<u>190,821</u>	<u>162,207</u>	<u>221,627</u>	<u>221,627</u>	<u>221,627</u>
Cash Funds	190,821	162,207	221,627	221,627	221,627
Purses and Breeders Awards	<u>1,287,072</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>
Cash Funds	1,287,072	1,400,000	1,400,000	1,400,000	1,400,000
Indirect Cost Assessment	<u>88,255</u>	<u>65,834</u>	<u>48,946</u>	<u>50,283</u>	<u>50,283</u>
Cash Funds	88,255	65,834	48,946	50,283	50,283
<b>SUBTOTAL - (D) Division of Racing Events</b>					
<i>FTE</i>	<u>7.7</u>	<u>8.1</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>
Cash Funds	2,320,742	2,475,882	2,583,383	2,597,716	2,597,716

\* denotes this line item includes a decision item.

P denotes this line item is pending future Committee action.

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
<b>(E) Hearings Division</b>					
Personal Services	<u>1,759,199</u>	<u>1,864,858</u>	<u>2,329,806</u>	<u>2,365,531</u>	<u>2,365,531</u>
FTE	0.0	26.6	29.6	29.6	29.6
General Fund	0	0	178,955	178,955	178,955
Cash Funds	1,759,199	1,864,858	2,150,851	2,186,576	2,186,576
Operating Expenses	<u>81,195</u>	<u>92,217</u>	<u>101,408</u>	<u>101,408</u>	<u>101,408</u>
General Fund	0	0	2,470	2,470	2,470
Cash Funds	81,195	92,217	98,938	98,938	98,938
Indirect Cost Assessment	<u>0</u>	<u>423,379</u>	<u>141,989</u>	<u>174,821</u>	<u>174,821</u>
Cash Funds	0	423,379	141,989	174,821	174,821
<b>SUBTOTAL - (E) Hearings Division</b>	1,840,394	2,380,454	2,573,203	2,641,760	2,641,760
FTE	<u>0.0</u>	<u>26.6</u>	<u>29.6</u>	<u>29.6</u>	<u>29.6</u>
General Fund	0	0	181,425	181,425	181,425
Cash Funds	1,840,394	2,380,454	2,391,778	2,460,335	2,460,335

**(F) Motor Vehicle Dealer Licensing Board**

Personal Services	<u>1,696,659</u>	<u>1,815,118</u>	<u>1,974,099</u>	<u>2,005,769</u>	<u>2,005,769</u>
FTE	25.6	26.1	27.2	27.2	27.2
Cash Funds	1,696,659	1,815,118	1,974,099	2,005,769	2,005,769
Operating Expenses	<u>118,400</u>	<u>296,999</u>	<u>134,684</u>	<u>134,684</u>	<u>134,684</u>
Cash Funds	118,400	296,999	134,684	134,684	134,684
Indirect Cost Assessment	<u>147,944</u>	<u>142,643</u>	<u>186,740</u>	<u>177,626</u>	<u>177,626</u>
Cash Funds	147,944	142,643	186,740	177,626	177,626

\* denotes this line item includes a decision item.

P denotes this line item is pending future Committee action.

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
<b>SUBTOTAL - (F) Motor Vehicle Dealer</b>					
<b>Licensing Board</b>	1,963,003	2,254,760	2,295,523	2,318,079	2,318,079
<i>FTE</i>	<u>25.6</u>	<u>26.1</u>	<u>27.2</u>	<u>27.2</u>	<u>27.2</u>
Cash Funds	1,963,003	2,254,760	2,295,523	2,318,079	2,318,079
<b>(G) Marijuana Enforcement</b>					
Marijuana Enforcement	<u>3,593,823</u>	<u>4,734,175</u>	<u>7,810,235</u>	<u>8,684,540</u>	<u>8,508,248</u> *
<i>FTE</i>	27.2	46.6	74.9	89.2	89.2
Cash Funds	3,593,823	4,734,175	7,810,235	8,684,540	8,508,248
Indirect Cost Assessment	<u>318,170</u>	<u>414,853</u>	<u>524,845</u>	<u>640,147</u>	<u>640,147</u>
Cash Funds	318,170	414,853	524,845	640,147	640,147
<b>SUBTOTAL - (G) Marijuana Enforcement</b>					
<i>FTE</i>	<u>27.2</u>	<u>46.6</u>	<u>74.9</u>	<u>89.2</u>	<u>89.2</u>
Cash Funds	3,911,993	5,149,028	8,335,080	9,324,687	9,148,395
<b>TOTAL - (5) Enforcement Business Group</b>					
<i>FTE</i>	<u>143.1</u>	<u>223.7</u>	<u>258.3</u>	<u>279.2</u>	<u>279.2</u>
General Fund	161,178	117,008	369,951	361,940	361,940
Cash Funds	115,512,664	123,417,924	54,719,585	56,581,206	56,404,914
Reappropriated Funds	258,768	268,931	267,885	295,372	295,372

\* denotes this line item includes a decision item.

P denotes this line item is pending future Committee action.

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	FY 2016-17 Recommendation
<b>(6) STATE LOTTERY DIVISION</b>					
Personal Services	<u>7,833,796</u>	<u>8,047,988</u>	<u>9,335,677</u>	<u>9,490,911</u>	<u>9,490,911</u>
FTE	119.5	116.7	117.1	117.1	117.1
Cash Funds	7,833,796	8,047,988	9,335,677	9,490,911	9,490,911
Operating Expenses	<u>833,529</u>	<u>1,039,886</u>	<u>1,203,156</u>	<u>1,203,156</u>	<u>1,203,156</u>
Cash Funds	833,529	1,039,886	1,203,156	1,203,156	1,203,156
Payments to Other State Agencies	<u>134,175</u>	<u>95,569</u>	<u>239,410</u>	<u>239,410</u>	<u>239,410</u>
Cash Funds	134,175	95,569	239,410	239,410	239,410
Travel	<u>51,803</u>	<u>103,705</u>	<u>113,498</u>	<u>113,498</u>	<u>113,498</u>
Cash Funds	51,803	103,705	113,498	113,498	113,498
Marketing and Communications	<u>13,439,653</u>	<u>13,692,689</u>	<u>14,700,000</u>	<u>14,700,000</u>	<u>14,700,000</u>
Cash Funds	13,439,653	13,692,689	14,700,000	14,700,000	14,700,000
Multi-State Lottery Fees	<u>85,228</u>	<u>127,709</u>	<u>177,433</u>	<u>177,433</u>	<u>177,433</u>
Cash Funds	85,228	127,709	177,433	177,433	177,433
Vendor Fees	<u>9,595,025</u>	<u>9,182,204</u>	<u>12,571,504</u>	<u>12,571,504</u>	<u>12,571,504</u>
Cash Funds	9,595,025	9,182,204	12,571,504	12,571,504	12,571,504
Retailer Compensation	<u>40,212,982</u>	<u>39,815,292</u>	<u>52,241,350</u>	<u>52,241,350</u>	<u>52,241,350</u>
Cash Funds	40,212,982	39,815,292	52,241,350	52,241,350	52,241,350
Ticket Costs	<u>3,609,710</u>	<u>3,354,635</u>	<u>6,578,000</u>	<u>6,578,000</u>	<u>6,578,000</u>
Cash Funds	3,609,710	3,354,635	6,578,000	6,578,000	6,578,000

\* denotes this line item includes a decision item.

P denotes this line item is pending future Committee action.

**JBC Staff Staff Figure Setting - FY 2016-17**  
**Staff Working Document - Does Not Represent Committee Decision**

	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Appropriation</b>	<b>FY 2016-17 Request</b>	<b>FY 2016-17 Recommendation</b>
Research	<u>189,629</u>	<u>130,765</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Cash Funds	189,629	130,765	250,000	250,000	250,000
Indirect Cost Assessment	<u>486,936</u>	<u>529,826</u>	<u>460,259</u>	<u>746,976</u>	<u>746,976</u>
Cash Funds	486,936	529,826	460,259	746,976	746,976
<b>TOTAL - (6) State Lottery Division</b>	76,472,466	76,120,268	97,870,287	98,312,238	98,312,238
<i>FTE</i>	<u>119.5</u>	<u>116.7</u>	<u>117.1</u>	<u>117.1</u>	<u>117.1</u>
Cash Funds	76,472,466	76,120,268	97,870,287	98,312,238	98,312,238
<b>TOTAL - Department of Revenue</b>	294,593,100	355,490,217	325,298,965	333,012,894	330,767,646
<i>FTE</i>	<u>432.9</u>	<u>1,231.5</u>	<u>1,371.4</u>	<u>1,424.3</u>	<u>1,424.3</u>
General Fund	65,840,771	94,539,820	97,942,157	97,549,991	98,737,962
Cash Funds	223,502,850	255,681,079	221,218,250	228,708,235	225,275,016
Reappropriated Funds	4,455,644	5,269,318	5,314,170	5,930,280	5,930,280
Federal Funds	793,835	0	824,388	824,388	824,388

\* denotes this line item includes a decision item.

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*JBC Staff Figure Setting: FY 2016-17*  
*Staff Working Document – Does Not Represent Committee Decision*

## Appendix D: Licensing Services Cash Fund Cash Flow

### Cash Flow Projection Assuming R1 DMV Funding Deficit is Approved as Requested

Colorado Department of Revenue  
Fund 4370 - Licensing Services Cash Fund (LSCF)  
Executive Fund Summary

	FY 2015-16 Spending Authority	FY 2015-16 Projection	FY 2016-17 Requested	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected
<b>Beginning Fund Balance (LSCF)</b>	\$ 4,510,927	\$ 4,510,927	\$ 5,815,032	\$ 5,003,949	\$ 2,895,839	\$ (1,677,059)
<b>Revenue (LSCF)</b>						
Document Fee Revenue	\$ 27,528,954	\$ 27,528,954	\$ 26,539,349	\$ 25,565,159	\$ 23,423,570	\$ 29,283,838
Special Plate Fee Revenue	\$ 2,839,263	\$ 2,839,263	\$ 2,896,484	\$ 2,954,432	\$ 3,012,017	\$ 3,024,874
Interest Income	\$ 76,121	\$ 76,121	\$ 83,316	\$ 90,511	\$ 97,706	\$ 75,126
<b>Total Revenue</b>	<b>\$ 30,444,338</b>	<b>\$ 30,444,338</b>	<b>\$ 29,519,149</b>	<b>\$ 28,610,102</b>	<b>\$ 26,533,293</b>	<b>\$ 32,383,838</b>
<b>Expenditures (LSCF)</b>						
Personal Services	\$ 15,574,529	\$ 15,574,529	\$ 16,573,591	\$ 16,961,571	\$ 17,349,550	\$ 17,737,530
Document Costs	\$ 4,365,339	\$ 5,010,902	\$ 5,201,840	\$ 5,201,840	\$ 5,201,840	\$ 5,201,840
Operating Expenses	\$ 6,135,267	\$ 6,135,267	\$ 6,135,267	\$ 6,135,267	\$ 6,135,267	\$ 6,135,267
Indirect Cost Assessment	\$ 2,419,534	\$ 2,419,534	\$ 2,419,534	\$ 2,419,534	\$ 2,419,534	\$ 2,419,534
<b>Total Expenditures<sup>1,2</sup></b>	<b>\$ 28,494,669</b>	<b>\$ 29,140,232</b>	<b>\$ 30,330,232</b>	<b>\$ 30,718,212</b>	<b>\$ 31,106,191</b>	<b>\$ 31,494,171</b>
Net Income	\$ 1,949,669	\$ 1,304,105	\$ (811,083)	\$ (2,108,109)	\$ (4,572,898)	\$ 889,667
<b>Fund Balance Prior to HUTF Sweep</b>	<b>\$ 6,460,595</b>	<b>\$ 5,815,032</b>	<b>\$ 5,003,949</b>	<b>\$ 2,895,839</b>	<b>\$ (1,677,059)</b>	<b>\$ (787,392)</b>
HUTF Sweep	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending Fund Balance (LSCF)</b>	<b>\$ 6,460,595</b>	<b>\$ 5,815,032</b>	<b>\$ 5,003,949</b>	<b>\$ 2,895,839</b>	<b>\$ (1,677,059)</b>	<b>\$ (787,392)</b>

1. Includes growth assumptions for salary survey and merit pay in FY18, FY19, and FY20. Includes costs related to POTS.

2. Assumes 100% of Spending Authority is spent. Vacancy and turnover savings may impact this projection. In FY2015-16 a supplemental will likely be needed for the Driver's License Documents line based on current projections.

<b>Additional Resources:</b>						
Additional GF support	\$ 4,199,062	\$ 4,199,062	\$ -	\$ -	\$ -	\$ -
Base GF Support	\$ 4,272,405	\$ 4,272,405	\$ 4,272,405	\$ 4,325,590	\$ 4,378,775	\$ 4,431,960
<b>Total GF support</b>	<b>\$ 8,471,467</b>	<b>\$ 8,471,467</b>	<b>\$ 4,272,405</b>	<b>\$ 4,325,590</b>	<b>\$ 4,378,775</b>	<b>\$ 4,431,960</b>
HUTF Support	\$ -	\$ -	\$ 3,200,000	\$ 3,239,835	\$ 3,279,671	\$ 3,319,506
<b>Total Expenditures LSCF, HUTF, and GF</b>	<b>\$ 36,966,136</b>	<b>\$ 37,611,699</b>	<b>\$ 37,802,637</b>	<b>\$ 38,283,637</b>	<b>\$ 38,764,637</b>	<b>\$ 39,245,637</b>

**JBC Staff Figure Setting: FY 2016-17**  
**Staff Working Document – Does Not Represent Committee Decision**

Colorado Department of Revenue  
Fund 4370 - Licensing Services Cash Fund (LSCF)  
Executive Fund Summary

**Cash Flow Projection Assuming no Change in Current Law**

	FY 2015-16 Spending Authority	FY 2015-16 Projection	FY 2016-17 Requested	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected
<b>Beginning Fund Balance (LSCF)</b>	\$ 4,510,927	\$ 4,510,927	\$ 4,808,138	\$ 797,055	\$ (4,550,890)	\$ (12,403,459)
<b>Revenue (LSCF)</b>						
Document Fee Revenue	\$ 27,528,954	\$ 27,528,954	\$ 26,539,349	\$ 25,565,159	\$ 23,423,570	\$ 29,283,838
Special Plate Fee Revenue	\$ 2,839,263	\$ 2,839,263	\$ 2,896,484	\$ 2,954,432	\$ 3,012,017	\$ 3,024,874
Interest Income	\$ 76,121	\$ 76,121	\$ 83,316	\$ 90,511	\$ 97,706	\$ 75,126
<b>Total Revenue</b>	\$ 30,444,338	\$ 30,444,338	\$ 29,519,149	\$ 28,610,102	\$ 26,533,293	\$ 32,383,838
<b>Expenditures (LSCF)</b>						
Personal Services	\$ 15,574,529	\$ 15,574,529	\$ 19,773,591	\$ 20,201,406	\$ 20,629,221	\$ 21,057,036
Document Costs	\$ 4,365,339	\$ 5,010,902	\$ 5,201,840	\$ 5,201,840	\$ 5,201,840	\$ 5,201,840
Operating Expenses	\$ 6,135,267	\$ 6,135,267	\$ 6,135,267	\$ 6,135,267	\$ 6,135,267	\$ 6,135,267
Indirect Cost Assessment	\$ 2,419,534	\$ 2,419,534	\$ 2,419,534	\$ 2,419,534	\$ 2,419,534	\$ 2,419,534
<b>Total Expenditures<sup>1,2</sup></b>	\$ 28,494,669	\$ 29,140,232	\$ 33,530,232	\$ 33,958,047	\$ 34,385,862	\$ 34,813,677
Net Income	\$ 1,949,669	\$ 1,304,105	\$ (4,011,083)	\$ (5,347,945)	\$ (7,852,569)	\$ (2,429,838)
<b>Fund Balance Prior to HUTF Sweep</b>	\$ 6,460,595	\$ 5,815,032	\$ 797,055	\$ (4,550,890)	\$ (12,403,459)	\$ (14,833,297)
HUTF Sweep	\$ 1,758,975	\$ 1,006,894	\$ -	\$ -	\$ -	\$ -
<b>Ending Fund Balance (LSCF)</b>	\$ 4,701,620	\$ 4,808,138	\$ 797,055	\$ (4,550,890)	\$ (12,403,459)	\$ (14,833,297)

1. Includes growth assumptions for salary survey and merit pay in FY18, FY19, and FY20. Includes costs related to POTS.

2. Assumes 100% of Spending Authority is spent. Vacancy and turnover savings may impact this projection. In FY2015-16 a supplemental will likely be needed for the Driver's License Documents line based on current projections.

<b>Additional Resources:</b>						
Additional GF support	\$ 4,199,062	\$ 4,199,062	\$ -	\$ -	\$ -	\$ -
Base GF Support	\$ 4,272,405	\$ 4,272,405	\$ 4,272,405	\$ 4,325,590	\$ 4,378,775	\$ 4,431,960
<b>Total GF support</b>	\$ 8,471,467	\$ 8,471,467	\$ 4,272,405	\$ 4,325,590	\$ 4,378,775	\$ 4,431,960
HUTF Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Appropriation LSCF, HUTF, and GF</b>	\$ 36,966,136	\$ 37,611,699	\$ 37,802,637	\$ 38,283,637	\$ 38,764,637	\$ 39,245,637