

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2012-13 STAFF FIGURE SETTING
DEPARTMENT OF REVENUE**

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

**Prepared By:
David Meng, JBC Staff
March 13, 2012**

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

**DEPARTMENT OF REVENUE
FY 2012-13 STAFF FIGURE SETTING**

TABLE OF CONTENTS	Numbers Pages	Narrative
Summary of Major Staff Recommendations	N/A	33-34
Decision Item # 4 - Line Item Consolidation	N/A	35-36
Executive Directors Office	1-5	37-47
Central Department Operations	6-7	48-52
Information Technology Division	8-10	53-55
Systems Support	8	53
Colorado State Titling and Registration System (CSTARS)	9	54-55
Taxation Business Group	10-15	56-64
Administration	10	56-57
Taxation and Compliance Division	11-12	57-59
Taxpayer Service Division	13	59-61
Tax Conferee	14	61-62
Special Purpose	14-15	62-64
Division of Motor Vehicles	16-21	65-76
Administration	16-17	65-66
Driver and Vehicle Services	17-18	66-70
Vehicle Emissions	18-19	70-72
Titles	19	72-74
Motorist Insurance Identification Database Program	20	74-75
Ignition Interlock Program	20-21	75-76
Motor Carrier Services	21-22	77-81
Enforcement Business Group	23-30	82-
Administration	23-24	82-83
Limited Gaming Division	23-25	83-86
Liquor Enforcement Division	25	86-87
Tobacco Enforcement Program	26	86-87
Liquor and Tobacco Enforcement Division	26-27	86-87
Division of Racing Events	27-28	88-90
Hearings Division	28-29	90-92
Motor Vehicle Dealer Licensing Board	29	92-93
Medical Marijuana Enforcement Division	30	93-94

TABLE OF CONTENTS	Numbers	Narrative
	Pages	
State Lottery Division	30-32	95-98
Department Totals	32	N/A
Footnotes and Requests For Information	N/A	99-101
Budget Balancing Options	N/A	102-
Funding Driver's License Operations	N/A	102
Refinance Severance Tax Collection and Administration	N/A	102-103
Expand Old Age Heat & Fuel and Property Tax Assistance	N/A	103-104

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
--	-------------------------------	-------------------------------	-------------------------------------	-------------------------------	---------------------------------	----------------------------

DEPARTMENT OF REVENUE Barbara Brohl, Executive Director
--

(1) Executive Director's Office

Provides administrative, accounting, budgeting, human resource management, internal auditing, planning, and research and analysis. The cash funds and reappropriated funds sources are for the direct or indirect costs of administering the programs throughout the Department.

Personal Services	3,827,403	3,995,366	3,951,775	0	3,882,854	DI#6
FTE	<u>42.8</u>	<u>43.4</u>	<u>45.2</u>	<u>0.0</u>	<u>45.4</u>	
General Fund	1,989,204	1,176,752	940,919	0	1,547,289	
Cash Funds	1,284,940	2,230,967	2,475,986	0	1,716,060	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>411,465</i>	<i>1,379,601</i>	<i>381,818</i>	<i>0</i>	<i>436,921</i>	
Reappropriated Funds	553,259	587,647	534,870	0	619,505	
Department Administration	0	0	0	5,191,297	0	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>45.4</u>	<u>0.0</u>	
General Fund	0	0	0	1,485,140	0	
Cash Funds	0	0	0	3,152,929	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>523,250</i>	<i>0</i>	
Reappropriated Funds	0	0	0	553,228	0	
Health, Life, and Dental	<u>6,070,227</u>	<u>6,112,200</u>	<u>7,403,915</u>	<u>7,961,077</u>	<u>8,772,210</u>	DI#6
General Fund	3,027,692	2,139,044	2,342,713	2,836,383	5,418,093	
Cash Funds	3,042,535	3,973,156	5,061,202	5,124,694	3,354,117	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>786,639</i>	<i>709,267</i>	<i>710,909</i>	<i>687,118</i>	<i>760,567</i>	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Short-term Disability	<u>105,467</u>	<u>107,422</u>	<u>126,519</u>	<u>126,080</u>	<u>123,558</u>	DI#6
General Fund	46,242	42,178	48,327	50,078	73,868	
Cash Funds	59,225	65,244	78,192	76,002	49,691	
<i>Highway Users Tax Fund "Off-the-Top"</i>	8,215	9,145	9,950	9,502	9,312	
S.B. 04-257 Amortization Equalization Disbursement	<u>1,201,520</u>	<u>1,556,089</u>	<u>1,992,351</u>	<u>2,279,425</u>	<u>2,221,144</u>	DI#6
General Fund	616,134	601,984	755,405	905,375	1,321,781	
Cash Funds	585,386	954,105	1,236,946	1,374,050	899,363	
<i>Highway Users Tax Fund "Off-the-Top"</i>	108,034	142,585	157,395	171,793	166,954	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>852,760</u>	<u>1,136,913</u>	<u>1,596,932</u>	<u>1,958,882</u>	<u>1,903,360</u>	DI#6
General Fund	376,505	439,870	602,958	778,057	1,130,470	
Cash Funds	476,255	697,043	993,974	1,180,825	772,890	
<i>Highway Users Tax Fund "Off-the-Top"</i>	66,242	104,003	126,478	147,635	142,834	
Shift Differential	<u>133,215</u>	<u>194,571</u>	<u>123,990</u>	<u>173,714</u>	<u>170,178</u>	DI#6
General Fund	14,494	4,028	2,175	3,597	32,880	
Cash Funds	118,721	190,543	121,815	170,117	137,298	
<i>Highway Users Tax Fund "Off-the-Top"</i>	77,022	141,236	86,865	126,095	126,095	
Workers' Compensation	<u>562,242</u>	<u>570,362</u>	<u>717,073</u>	<u>838,845</u>	<u>Pending</u>	DI#6
General Fund	228,206	220,431	253,645	297,465		
Cash Funds	334,036	349,931	463,428	541,380		
<i>Highway Users Tax Fund "Off-the-Top"</i>	44,722	46,143	59,080	68,170		

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Operating Expenses	<u>982,016</u>	<u>957,628</u>	<u>1,243,123</u>	<u>0</u>	<u>1,238,643</u>	DI#6
General Fund	454,157	368,749	481,434	0	521,045	
Cash Funds	527,859	588,879	761,689	0	717,598	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>94,291</i>	<i>96,338</i>	<i>118,684</i>	<i>0</i>	<i>118,684</i>	
Legal Services for 38,842 hours	<u>805,671</u>	<u>1,534,882</u>	<u>2,896,336</u>	<u>2,908,512</u>	<u>Pending</u>	DI#6, 7
General Fund	449,981	921,991	2,189,077	2,199,064		
Cash Funds	355,690	612,891	707,259	709,448		
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>11,775</i>	<i>5,369</i>	<i>6,309</i>	<i>6,309</i>		
Administrative Law Judge Services - Cash Funds	8,808	14,756	3,798	13,752	<u>Pending</u>	
Purchase of Services from Computer Center	<u>3,539,291</u>	<u>9,071,972</u>	<u>9,146,036</u>	<u>10,145,977</u>	<u>9,880,193</u>	DI#6, 7
General Fund	3,536,239	5,258,007	5,312,062	5,888,656	6,707,704	
Cash Funds	3,052	3,442,871	3,464,044	3,846,946	2,772,864	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>1,105,624</i>	<i>279,596</i>	<i>310,164</i>	<i>302,039</i>	
Reappropriated Funds	0	371,094	369,930	410,375	399,625	
Multiuse Network Payments	<u>2,669,376</u>	<u>3,460,474</u>	<u>3,098,197</u>	<u>4,075,520</u>	<u>4,300,500</u>	DI#6
General Fund	100,185	325,203	369,370	872,879	1,942,420	
Cash Funds	2,569,191	3,124,124	2,702,421	3,171,650	2,325,378	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>50,981</i>	<i>261,413</i>	<i>196,696</i>	<i>230,849</i>	<i>243,593</i>	
Reappropriated Funds	0	11,147	26,406	30,991	32,702	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Management and Administration of OIT	<u>381,749</u>	<u>1,011,153</u>	<u>1,047,473</u>	<u>539,213</u>	<u>547,169</u>	DI#6
General Fund	381,749	732,645	759,437	390,940	424,620	
Cash Funds	0	248,814	257,629	132,620	106,665	
<i>Highway Users Tax Fund "Off-the-Top"</i>	0	67,673	22,981	11,830	12,005	
Reappropriated Funds	0	29,694	30,407	15,653	15,884	
Payment to Risk Management and Property Funds	<u>177,414</u>	<u>57,560</u>	<u>161,458</u>	<u>185,934</u>	<u>Pending</u>	DI#6
General Fund	66,176	18,138	52,585	59,214		
Cash Funds	111,238	39,422	108,873	126,720		
<i>Highway Users Tax Fund "Off-the-Top"</i>	21,444	7,414	14,277	16,216		
Vehicle Lease Payments	<u>444,815</u>	<u>509,804</u>	<u>597,523</u>	<u>729,570</u>	<u>Pending</u>	DI#6, NP#1
General Fund	92,671	93,106	90,391	119,560		
Cash Funds	352,144	416,698	507,132	610,010		
<i>Highway Users Tax Fund "Off-the-Top"</i>	46,668	49,601	43,047	52,262		
Leased Space	<u>2,517,173</u>	<u>2,900,116</u>	<u>3,437,846</u>	<u>3,517,094</u>	<u>3,517,094</u>	DI#6
General Fund	518,820	447,650	512,451	556,685	1,794,734	
Cash Funds	1,998,353	2,452,466	2,925,395	2,960,409	1,722,360	
Capitol Complex Leased Space	<u>1,664,071</u>	<u>1,621,365</u>	<u>1,723,682</u>	<u>1,893,375</u>	<u>Pending</u>	DI#6
General Fund	1,106,163	1,055,065	1,105,765	1,216,928		
Cash Funds	557,908	566,300	617,917	676,447		
<i>Highway Users Tax Fund "Off-the-Top"</i>	24,987	24,152	25,595	9,554		

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Communication Services Payments	<u>63,557</u>	<u>65,346</u>	<u>70,501</u>	<u>86,752</u>	<u>77,769</u>	0
General Fund	19,321	19,865	11,689	14,383	12,805	
Cash Funds	44,236	45,481	58,812	72,369	64,964	
<i>Highway Users Tax Fund "Off-the-Top"</i>	4,576	4,705	8,072	9,933	9,058	
Utilities	<u>199,337</u>	<u>192,837</u>	<u>252,819</u>	<u>252,819</u>	<u>252,819</u>	DI#3, 6
General Fund	2,369	0	0	0	114,978	
Cash Funds	196,968	192,837	252,819	252,819	137,841	
<i>Highway Users Tax Fund "Off-the-Top"</i>	102,280	95,589	109,116	109,116	109,116	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	26,206,112	35,070,816	39,591,347	42,877,838	Pending	8.3%
FTE	<u>42.8</u>	<u>43.4</u>	<u>45.2</u>	<u>45.4</u>	<u>45.4</u>	0.4%
General Fund	13,026,308	13,864,706	15,830,403	17,674,404		11.6%
Cash Funds	12,626,545	20,206,528	22,799,331	24,193,187		6.1%
<i>Highway Users Tax Fund "Off-the-Top"</i>	1,859,341	4,249,858	2,356,868	2,489,796		5.6%
Reappropriated Funds	553,259	999,582	961,613	1,010,247		5.1%

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
(2) CENTRAL DEPARTMENT OPERATIONS DIVISION						
Provides centralized departmental support for mail processing, forms development, transaction processing, and records management. The cash funds and reappropriated funds sources are for the direct or indirect costs of administering the programs throughout the Department.						
Personal Services	5,231,513	4,898,225	5,231,316	0	5,643,734	DI#4, 6 7
FTE	<u>99.4</u>	<u>97.2</u>	<u>97.2</u>	<u>0.0</u>	<u>97.2</u>	
General Fund	4,847,963	4,249,301	4,440,922	0	4,995,223	
Cash Funds	316,296	566,119	705,444	0	544,370	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>101,285</i>	<i>346,692</i>	<i>101,681</i>	<i>0</i>	<i>122,222</i>	
Reappropriated Funds - Limited Gaming Fund	67,254	82,805	84,950	0	104,141	
Central Department Operations	0	0	0	7,015,948	0	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>97.2</u>	<u>0.0</u>	
General Fund	0	0	0	6,078,579	0	
Cash Funds	0	0	0	842,888	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>113,171</i>	<i>0</i>	
Reappropriated Funds - Limited Gaming Fund	0	0	0	94,481	0	
Seasonal Tax Processing - General Fund	397,545	388,751	397,545	0	0	
Operating Expenses	<u>1,165,396</u>	<u>1,195,592</u>	<u>1,365,913</u>	<u>0</u>	<u>1,283,311</u>	DI#4, 7
General Fund	1,028,545	1,054,684	1,217,644	0	1,135,175	
Cash Funds	136,851	140,908	148,269	0	148,136	
Postage	<u>2,633,336</u>	<u>3,004,698</u>	<u>3,096,162</u>	<u>3,006,422</u>	<u>3,006,422</u>	DI#3, 7
General Fund	2,381,067	2,710,891	2,745,256	2,654,989	2,657,783	
Cash Funds	252,269	293,807	350,906	351,433	348,639	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>13,909</i>	<i>13,909</i>	<i>14,437</i>	<i>14,437</i>	<i>14,437</i>	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Pueblo Data Entry Center Payments	<u>1,674,840</u>	<u>1,609,454</u>	<u>1,919,014</u>	<u>0</u>	<u>0</u>	DI#7
General Fund	1,666,815	1,582,036	1,875,719	0	0	
Cash Funds	8,025	27,418	43,295	0	0	
Document Imaging and Storage	<u>394,290</u>	<u>394,183</u>	<u>396,075</u>	<u>0</u>	<u>0</u>	
General Fund	394,290	394,183	394,290	0	0	
Cash Funds - Tax Amnesty Cash Fund	0	0	1,785	0	0	
Document Management	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,309,514</u>	<u>2,309,514</u>	
General Fund	0	0	0	2,255,485	2,270,009	
Cash Funds	0	0	0	54,029	39,505	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL - (1) CENTRAL DEPARTMENT OPERATIONS DIVISION	11,496,920	11,490,903	12,406,025	12,331,884	12,242,981	-0.6%
FTE	<u>99.4</u>	<u>97.2</u>	<u>97.2</u>	<u>97.2</u>	<u>97.2</u>	0.0%
General Fund	10,716,225	10,379,846	11,071,376	10,989,053	11,058,190	-0.7%
Cash Funds	713,441	1,028,252	1,249,699	1,248,350	1,080,650	-0.1%
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>115,194</i>	<i>360,601</i>	<i>116,118</i>	<i>127,608</i>	<i>136,659</i>	<i>0</i>
Reappropriated Funds	67,254	82,805	84,950	94,481	104,141	11.2%

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
(3) INFORMATION TECHNOLOGY DIVISION						
Responsible for the maintenance of the Department's information technology systems for the three major business groups and the EDO.						
(A) Systems Support						
Provides information technology support to the majority of the Department's systems, including the taxation systems, driver's licenses and related systems, and the Enforcement Business Group's systems. The cash funds and reappropriated funds sources are for direct and indirect costs of administering the programs throughout the Department.						
Personal Services	5,828,912	217,850	420,666	202,552	202,552	
FTE	<u>70.6</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
General Fund	4,167,933	61,155	112,570	202,552	202,552	
Cash Funds	1,264,735	143,922	295,515	0	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>349,249</i>	<i>9,654</i>	<i>10,249</i>	<i>0</i>	<i>0</i>	
Reappropriated Funds	396,244	12,773	12,581	0	0	
Operating Expenses	<u>644,034</u>	<u>772,876</u>	<u>800,222</u>	<u>773,957</u>	<u>773,957</u>	
General Fund	644,034	624,163	686,024	659,759	659,759	
Cash Funds	0	148,713	114,198	114,198	114,198	
Programming Costs for Session Legislation	246,086	113,107	0	0	0	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
General Fund	132,316	23,360	0	0	0	
Cash Funds	113,770	89,747	0	0	0	
Reappropriated Funds	0	0	0	0	0	

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

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

(B) Colorado State Titling and Registration System

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

Personal Services - Cash Funds	2,023,144	355,241	442,688	442,688	442,688	
FTE	28.4	0.0	0.0	0.0	0.0	
Operating Expenses - Cash Funds	1,457,163	2,329,295	2,617,535	2,617,535	2,617,535	
County Office Asset Maintenance - Cash Funds	0	564,265	568,230	568,230	568,230	
County Office Improvements - Cash Funds	25,232	4,383	78,062	40,000	40,000	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL - (B) Colorado State Titling and Registration System - Cash Funds	3,505,539	3,253,184	3,706,515	3,668,453	3,668,453	-1.0%
FTE	28.4	0.0	0.0	0.0	0.0	N/A

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

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

(4) TAXATION BUSINESS GROUP

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

(A) Administration

Provides administrative support for the Taxation Business Group.

Personal Services	545,641	552,526	542,004	0	547,363	DI#7
FTE	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>0.0</u>	<u>6.0</u>	
General Fund	539,619	547,317	537,068	0	544,767	
Cash Funds	6,022	5,209	4,936	0	2,596	
Operating Expenses - General Fund	14,108	13,849	14,050	0	14,050	DI#7

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Tax Administration	0	0	0	26,858,906	0	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>329.6</u>	<u>0.0</u>	
General Fund	0	0	0	24,336,474	0	
Cash Funds	0	0	0	1,477,959	0	
Reappropriated Funds	0	0	0	220,085	0	
Federal Funds - Mineral Audit Program	0	0	0	824,388	0	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (A) - Administration	559,749	566,375	556,054	26,858,906	561,413	4730.3%
FTE	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>329.6</u>	<u>6.0</u>	5393.3%
General Fund	553,727	561,166	551,118	24,336,474	558,817	4315.8%
Cash Funds	6,022	5,209	4,936	1,477,959	2,596	29842.4%
Reappropriated Funds	0	0	0	220,085	0	N/A
Federal Funds	0	0	0	824,388	0	N/A

(B) Taxation and Compliance Division

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

Personal Services	14,709,271	15,125,978	15,610,759	0	15,682,048	DI#7
FTE	<u>191.5</u>	<u>209.4</u>	<u>224.8</u>	<u>0.0</u>	<u>224.3</u>	
General Fund	14,580,829	14,974,186	15,456,880	0	15,475,873	
Cash Funds	1,237	4,139	52,090	0	52,090	
Reappropriated Funds - Mineral Audit Program for indirect cost recoveries	127,205	147,653	101,789	0	154,085	

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

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	JBC Staff	Change
	Actuals	Actuals	Appropriation	Request	Recommend.	Requests
Operating Expenses	<u>891,439</u>	<u>1,002,480</u>	<u>1,054,468</u>	<u>0</u>	1,054,468	DI#7
General Fund	891,439	1,002,480	1,044,002	0	1,044,002	
Cash Funds - Tobacco Tax Enforcement Cash Fund	0	0	10,466	0	10,466	
Joint Audit Program - General Fund	131,244	131,244	131,244	0	131,244	
Mineral Audit Program	697,857	744,013	789,701	0	890,388	
FTE	<u>11.0</u>	<u>11.0</u>	<u>10.2</u>	<u>0.0</u>	<u>10.2</u>	
Reappropriated Funds	44,974	24,900	66,000	0	66,000	
Federal Funds	652,883	719,113	723,701	0	824,388	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (B) - Taxation and Compliance Division	16,429,811	17,003,715	17,586,172	0	17,758,148	-100.0%
FTE	<u>202.5</u>	<u>220.4</u>	<u>235.0</u>	<u>0.0</u>	<u>234.5</u>	-100.0%
General Fund	15,603,512	16,107,910	16,632,126	0	16,651,119	-100.0%
Cash Funds	1,237	4,139	62,556	0	62,556	-100.0%
Reappropriated Funds	172,179	172,553	167,789	0	220,085	-100.0%
Federal Funds	652,883	719,113	723,701	0	824,388	-100.0%

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
(C) Taxpayer Service Division						
Assists individuals and business taxpayers through regional service centers and a call center; issues tax licenses and permits to businesses; collects local sales and use taxes for many cities, counties, and special districts; and issues individual and business tax refunds. The Fuel Tracking System tracks the movement of gasoline and special fuels with the goal of expediting the collection of excise taxes.						
Personal Services	4,518,471	4,547,269	4,991,639	0	4,608,929	DI#7
FTE	<u>72.1</u>	<u>74.9</u>	<u>75.2</u>	<u>0.0</u>	<u>75.4</u>	
General Fund	4,494,771	4,520,514	4,545,143	0	4,510,344	
Cash Funds	23,700	26,755	446,496	0	98,585	
<i>Highway Users Tax Fund Off-the-Top</i>	<i>0</i>	<i>0</i>	<i>6,000</i>	<i>0</i>	<i>0</i>	
Operating Expenses	<u>389,147</u>	<u>447,987</u>	<u>420,471</u>	<u>0</u>	<u>402,510</u>	DI#7
General Fund	389,147	447,987	402,010	0	402,010	
Cash Funds	0	0	18,461	0	500	
Fuel Tracking System - Cash Funds - Highway Users Tax Fund Exempt from Statutory Limit	472,888	464,175	484,559	0	485,400	
FTE	1.3	1.3	1.5	0.0	1.5	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (C) - Taxpayer Service Division	5,380,506	5,459,431	5,896,669	0	5,496,839	-100.0%
FTE	<u>73.4</u>	<u>76.2</u>	<u>76.7</u>	<u>0.0</u>	<u>76.9</u>	-100.0%
General Fund	4,883,918	4,968,501	4,947,153	0	4,912,354	-100.0%
Cash Funds	496,588	490,930	949,516	0	584,485	-100.0%
<i>Highway Users Tax Fund Off-the-Top</i>	<i>0</i>	<i>0</i>	<i>6,000</i>	<i>0</i>	<i>0</i>	-100.0%

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
(D) Tax Conferee						
Attempts to resolve protests to tax adjustments and reviews issues related to "home rule" city and county sales and use taxes.						
Personal Services	828,677	1,233,247	2,599,707	0	2,606,253	DI#7
FTE	<u>8.0</u>	<u>10.5</u>	<u>12.1</u>	<u>0.0</u>	<u>12.2</u>	
General Fund	828,677	1,233,247	2,599,707	0	2,606,253	
Cash Funds	0	0	0	0	0	
Operating Expenses	20,817	42,882	69,489	0	<u>61,174</u>	DI#7
General Fund	20,817	42,882	69,489	0	61,174	
Cash Funds	0	0	0	0	0	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (D) - Tax Conferee - General Fund	849,494	1,276,129	2,669,196	0	2,667,427	-100.0%
FTE	8.0	10.5	12.1	0.0	12.2	-100.0%
General Fund	849,494	1,276,129	2,669,196	0	2,667,427	-100.0%
Cash Funds	0	0	0	0	0	N/A

(E) Special Purpose

Distributes applicable percentage of gross cigarette taxes to cities, counties, and towns; distributes grants to assist low-income, disabled and elderly citizens with payment of heat and fuel expenses and with their property tax payments. The Cigarette Tax Rebate, Amendment 35 Distribution to local governments, and the Old Age Heat & Fuel & Property Tax Assistance program are continuously appropriated by constitutional or statutory provisions. There are shown here for informational purposes.

Cigarette Tax Rebate - General Fund	11,639,906	11,025,829	11,500,000	10,400,000	11,200,000
Amendment 35 Distribution to Local Governments - Cash Funds - Tobacco Tax Cash Fund	1,336,086	1,310,383	1,338,300	1,338,300	1,305,548

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Old Age Heat & Fuel & Property Tax Assistance - General Fund	7,581,317	6,820,822	7,800,000	7,400,000	7,600,000	
Alternative Fuels Rebate - Cash Funds - Alternative Fuels Rebate Fund	352,638	310,519	0	0	0	
Commercial Vehicle Enterprise Sales Tax Refund - Cash Funds - Commercial Vehicle Enterprise Tax Fund	0	0	81,434	120,524	120,524	DI#5 <i>Recommendation v. Appropriation</i>
SUBTOTAL (E) - Special Purpose	<u>20,909,947</u>	<u>19,467,553</u>	<u>20,719,734</u>	<u>19,258,824</u>	<u>20,226,072</u>	-7.1%
General Fund	19,221,223	17,846,651	19,300,000	17,800,000	18,800,000	-7.8%
Cash Funds	1,688,724	1,620,902	1,419,734	1,458,824	1,426,072	2.8%
SUBTOTAL (4) - TAXATION BUSINESS GROUP	44,129,507	43,773,203	47,427,825	46,117,730	46,709,899	-2.8%
FTE	<u>289.9</u>	<u>313.1</u>	<u>329.8</u>	<u>329.6</u>	<u>329.6</u>	-0.1%
General Fund	41,111,874	40,760,357	44,099,593	42,136,474	43,589,716	-4.5%
Cash Funds	2,192,571	2,121,180	2,436,742	2,936,783	2,075,709	20.5%
<i>Highway Users Tax Fund Off-the-Top</i>	0	0	6,000	0	0	-100.0%
Reappropriated Funds	172,179	172,553	167,789	220,085	220,085	31.2%
Federal Funds	652,883	719,113	723,701	824,388	824,388	13.9%

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
(5) DIVISION OF MOTOR VEHICLES						
The Division includes an administrative section, driver and vehicle services section, vehicle emissions sections, titles section, the motorist insurance identification database program, and the ignition interlock program.						
(A) Administration						
Provides administrative support and management of the Motor Vehicle Division as well as the Motor Carrier Services Division. The cash funds sources identified in the sections of this Division.						
Personal Services	905,359	895,783	895,536	0	899,811	DI#6
FTE	<u>10.5</u>	<u>10.1</u>	<u>11.0</u>	<u>0.0</u>	<u>11.0</u>	
General Fund	185,514	0	0	0	367,613	
Cash Funds	719,845	895,783	895,536	0	532,198	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>527,599</i>	<i>709,756</i>	<i>183,632</i>	<i>0</i>	<i>211,233</i>	
Operating Expenses	<u>35,088</u>	<u>53,528</u>	<u>54,250</u>	<u>0</u>	<u>54,250</u>	DI#6
General Fund	14,635	0	0	0	33,404	
Cash Funds	20,453	53,528	54,250	0	20,846	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>10,070</i>	<i>43,503</i>	<i>11,128</i>	<i>0</i>	<i>11,128</i>	
Administration	0	0	0	969,235	0	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>11.0</u>	<u>0.0</u>	
General Fund	0	0	0	0	0	
Cash Funds	0	0	0	969,235	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>207,577</i>	<i>0</i>	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (A) - Administration	940,447	949,311	949,786	969,235	954,061	2.0%
FTE	<u>10.5</u>	<u>10.1</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	0.0%
General Fund	200,149	0	0	0	401,017	N/A
Cash Funds	740,298	949,311	949,786	969,235	553,044	2.0%
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>537,669</i>	<i>753,259</i>	<i>194,760</i>	<i>207,577</i>	<i>222,361</i>	<i>6.6%</i>

(B) Driver and Vehicle Services

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

Personal Services	16,055,723	15,593,004	16,318,505	0	16,330,923	DI#6
FTE	<u>346.7</u>	<u>346.9</u>	<u>351.6</u>	<u>0.0</u>	<u>350.1</u>	
General Fund	808,717	0	0	0	9,324,172	
Cash Funds	15,247,006	15,593,004	16,318,505	0	7,006,751	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>3,580,221</i>	<i>2,466,527</i>	<i>2,314,271</i>	<i>0</i>	<i>0</i>	
Operating Expenses	<u>1,217,301</u>	<u>1,424,777</u>	<u>2,071,591</u>	<u>0</u>	<u>1,682,732</u>	DI#6
General Fund	0	0	0	0	1,216,876	
Cash Funds	1,217,301	1,424,777	2,071,591	0	465,856	
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>387,626</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	
Driver's License Documents	<u>2,424,999</u>	<u>3,101,123</u>	<u>3,810,592</u>	<u>0</u>	<u>4,314,318</u>	DI#1, 6
General Fund	292,807	0	0	0	3,561,141	
Cash Funds	2,132,192	3,101,123	3,810,592	0	753,177	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Driver and Vehicle Services	0	0	0	22,610,762	0	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>350.1</u>	<u>0.0</u>	
General Fund	0	0	0	0	0	
Cash Funds	0	0	0	22,610,762	0	
License Plate Ordering - Cash Funds	4,185,258	3,805,827	6,631,456	6,545,416	5,295,416	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (B) - Driver and Vehicle Services	23,883,281	23,924,731	28,832,144	29,156,178	27,623,389	1.1%
FTE	<u>346.7</u>	<u>346.9</u>	<u>351.6</u>	<u>350.1</u>	<u>350.1</u>	-0.4%
General Fund	1,101,524	0	0	0	14,102,189	N/A
Cash Funds	22,781,757	23,924,731	28,832,144	29,156,178	13,521,200	1.1%
<i>Highway Users Tax Fund "Off-the-Top"</i>	3,967,847	2,466,527	2,314,271	0	0	-100.0%
Reappropriated Funds	0	0	0	0	0	N/A

(C) Vehicle Emissions

This section conducts compliance audits of inspection and readjustment stations and facilities to ensure compliance with vehicle emissions testing standards under the Automobile Inspection and Readjustment Program. The cash funds source is the Department of Revenue sub-account of the Automobile Inspection and Readjustment Account.

Personal Services - Cash Funds	941,867	945,389	1,062,390	0	1,063,169	
FTE	14.3	14.4	15.0	0.0	15.0	
Operating Expenses - Cash Funds - Department of Revenue	52,827	84,477	86,825	0	86,825	
Vehicle Emissions - Cash Funds	0	0	0	1,168,693	0	DI#4
FTE	0.0	0.0	0.0	15.0	0.0	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (C) - Vehicle Emissions - Cash Funds	994,694	1,029,866	1,149,215	1,168,693	1,149,994	1.7%
FTE	14.3	14.4	15.0	15.0	15.0	0.0%
(D) Titles						
Provides administrative and accounting support for the issuance of motor vehicle titles; certifies vehicle ownership for tax assessment and other purposes; and ensures uniformity among the county clerks that provide the interface for the public in these transactions. The cash funds source is the Colorado State Titling and Registration Account.						
Personal Services - Cash Funds	1,503,546	1,550,327	1,614,153	0	1,621,393	
FTE	32.8	32.2	32.1	0.0	32.1	
Operating Expenses - Cash Funds	181,608	188,913	305,574	0	305,574	DI#2
Titles - Cash Funds	0	0	0	1,953,329	0	DI#4
FTE	0.0	0.0	0.0	32.1	0.0	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (D) - Titles - Cash Funds	1,685,154	1,739,240	1,919,727	1,953,329	1,926,967	1.8%
FTE	32.8	32.2	32.1	32.1	32.1	0.0%

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
(E) Motorist Insurance Identification Database Program						
Maintains the database to compare motor vehicle registration records against insured motorist records to authorize the accurate license suspension of uninsured drivers. The cash funds source is the Motorist Insurance Identification Account.						
Personal Services - Cash Funds	267,333	250,539	329,234	0	0	
FTE	1.0	0.9	1.0	0.0	0.0	
Operating Expenses - Cash Funds	500	473	500	0	0	
Motorist Insurance Identification Program - Cash Funds	0	0	0	330,517	329,791	DI#4
FTE	0.0	0.0	0.0	1.0	1.0	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (E) - Motorist Insurance Identification Database Program - Cash Funds	267,833	251,012	329,734	330,517	329,791	0.2%
FTE	1.0	0.9	1.0	1.0	1.0	0.0%

(F) Ignition Interlock Program

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

Personal Services - Cash Funds	0	198,723	208,057	0	208,214	
FTE	0.0	5.0	5.0	0.0	5.0	
Operating Expenses - Cash Funds	0	223,641	934,842	0	934,842	
Ignition Interlock Program - Cash Funds	0	0	0	1,146,773	0	DI#4
FTE	0.0	0.0	0.0	5.0	0.0	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (F) - Ignition Interlock Program - CF	0	422,364	1,142,899	1,146,773	1,143,056	0.3%
FTE	0.0	5.0	5.0	5.0	5.0	0.0%
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (5) - DIVISION OF MOTOR VEHICLES	27,771,409	28,316,524	34,323,505	34,724,725	33,127,258	1.2%
FTE	<u>405.3</u>	<u>409.5</u>	<u>415.7</u>	<u>414.2</u>	<u>414.2</u>	-0.4%
General Fund	1,301,673	0	0	0	14,503,206	N/A
Cash Funds	26,469,736	28,316,524	34,323,505	34,724,725	18,624,052	1.2%
<i>Highway Users Tax Fund "Off-the-Top"</i>	4,505,516	3,219,786	2,509,031	207,577	222,361	-91.7%
Reappropriated Funds	0	0	0	0	0	N/A

(6) MOTOR CARRIER SERVICES DIVISION

Monitors compliance with statutory weight and size restrictions for commercial vehicles, collects fuel taxes, and inspects hazardous materials transporters.

Personal Services	7,096,415	6,758,292	6,951,026	0	6,977,307	DI#3
FTE	<u>125.0</u>	<u>123.3</u>	<u>124.1</u>	<u>0.0</u>	<u>124.1</u>	
General Fund	610,747	635,891	547,309	0	549,560	
Cash Funds	6,409,987	6,113,587	6,403,717	0	6,427,747	
<i>Highway Users Tax Fund "Off-the-Top"</i>	6,382,496	6,113,254	6,403,717	0	6,427,747	
Reappropriated Funds - Motor Carrier Safety Assistance Program	75,681	8,814	0	0	0	
Operating Expenses	<u>504,402</u>	<u>500,798</u>	<u>537,917</u>	<u>0</u>	<u>537,917</u>	DI#3
General Fund	38,045	36,974	38,045	0	38,045	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Cash Funds - Highway Users Tax Fund "Off-the-Top"	466,357	463,824	499,872	0	499,872	
Fixed and Mobile Ports Maintenance - Cash Funds - Highway Users Tax Fund "Off-the-Top"	197,934	214,616	221,545	0	221,545	
Motor Carrier Safety Assistance Program - Federal Fund - Motor Carrier Safety Assistance Program	739,724	88,219	0	0	0	
FTE	8.9	0.9	0.0	0.0	0.0	
Hazardous Materials Permitting Program - Cash Funds - Hazardous Materials Safety Fund	142,474	125,459	207,973	0	206,949	
FTE	2.2	2.1	3.7	0.0	3.7	
Motor Carrier Services	0	0	0	8,067,541	0	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>127.8</u>	<u>0.0</u>	
General Fund	0	0	0	597,101	0	
Cash Funds	0	0	0	7,470,440	0	
<i>Highway Users Tax Fund "Off-the-Top"</i>	0	0	0	7,260,230	0	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (6) - MOTOR CARRIER SERVICES						
DIVISION	8,680,949	7,687,384	7,918,461	8,067,541	7,943,718	1.9%
FTE	<u>136.1</u>	<u>126.3</u>	<u>127.8</u>	<u>127.8</u>	<u>127.8</u>	0.0%
General Fund	648,792	672,865	585,354	597,101	587,605	2.0%
Cash Funds	7,216,752	6,917,486	7,333,107	7,470,440	7,356,113	1.9%
<i>Highway Users Tax Fund "Off-the-Top"</i>	7,046,787	6,791,694	7,125,134	7,260,230	7,149,164	1.9%
Reappropriated Funds	75,681	8,814	0	0	0	N/A
Federal Funds	739,724	88,219	0	0	0	N/A

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
(7) ENFORCEMENT BUSINESS GROUP						
This group consists of the Limited Gaming Division, the Liquor Enforcement Division, the Tobacco Enforcement Program, the Division of Racing Events, the Hearings Division, the Motor Vehicle Dealer Licensing Board, and the Medical Marijuana Enforcement Division.						
(A) Administration						
Provides administrative support for the divisions in the Group. The cash funds sources are identified in each of the division, the reappropriated funds source is the Limited Gaming Fund.						
Personal Services	524,210	574,177	617,579	0	618,164	
FTE	<u>6.0</u>	<u>7.5</u>	<u>8.0</u>	<u>0.0</u>	<u>8.0</u>	
General Fund	32,313	(3,303)	26,826	0	13,553	
Cash Funds	385,926	455,799	490,641	0	508,442	
Reappropriated Funds	105,971	121,681	100,112	0	96,169	
Operating Expenses	<u>10,283</u>	<u>12,400</u>	<u>12,780</u>	<u>0</u>	<u>12,780</u>	
General Fund	(14)	144	598	0	598	
Cash Funds	8,073	9,719	10,940	0	10,940	
Reappropriated Funds	2,224	2,537	1,242	0	1,242	
Administration	0	0	0	642,683	0	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>8.0</u>	<u>0.0</u>	
General Fund	0	0	0	14,408	0	
Cash Funds	0	0	0	529,038	0	
Reappropriated Funds	0	0	0	99,237	0	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (A) - Administration	534,493	586,577	630,359	642,683	630,944	2.0%
FTE	<u>6.0</u>	<u>7.5</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	0.0%
General Fund	32,299	(3,159)	27,424	14,408	14,151	-47.5%
Cash Funds	393,999	465,518	501,581	529,038	519,382	5.5%
Reappropriated Funds	108,195	124,218	101,354	99,237	97,411	-2.1%

(B) Limited Gaming Division

Licenses and regulates limited gaming establishments. Conducts background investigations on all gaming employees and monitors compliance with State gaming laws. Conducts audits to ensure tax remittances from gaming establishments are correct. Line allocations are determined by the Limited Gaming Commission and are not subject to appropriation by the General Assembly. The cash funds source is the Limited Gaming Fund.

Personal Services - Cash Funds	6,084,986	6,004,899	6,709,930	0	6,733,305	
FTE	83.3	81.9	85.4	0.0	85.4	
Operating Expenses - Cash Funds	362,426	465,553	887,228	0	1,332,689	
Licensure Activities - Cash Funds	123,096	104,984	181,497	0	0	
Investigations - Cash Funds	64,961	37,160	263,964	0	0	
Limited Gaming Administration - Cash Funds	0	0	0	8,182,023	0	DI#4
FTE	0.0	0.0	0.0	85.4	0.0	
Payments to other State Agencies - Cash Funds	3,200,581	3,339,714	3,853,589	3,853,589	3,853,589	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Distribution to Gaming Cities and Counties - Cash Funds	96,742,402	95,307,995	23,788,902	23,788,902	23,788,902	
Indirect Cost Assessment - Cash Funds	610,868	711,203	665,631	411,194	443,219	DI#6
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (B) - Limited Gaming Division - Cash Funds	107,189,320	105,971,508	36,350,741	36,235,708	36,151,704	-0.3%
FTE	83.3	81.9	85.4	85.4	85.4	0.0%

(C) Liquor Enforcement Division

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

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

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
(D) Tobacco Enforcement Program						
Enforces State laws prohibiting the sales of tobacco products to minors.						
Personal Services	426,075	431,726	488,310	0	0	
FTE	<u>5.7</u>	<u>6.7</u>	<u>7.0</u>	<u>0.0</u>	<u>0.0</u>	
General Fund	130,462	131,474	139,971	0	0	
Cash Funds	295,613	300,252	348,339	0	0	
Operating Expenses	<u>26,634</u>	<u>28,314</u>	<u>31,379</u>	<u>0</u>	<u>0</u>	
General Fund	6,864	6,902	7,201	0	0	
Cash Funds	19,770	21,412	24,178	0	0	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (D) - Tobacco Enforcement Program	452,709	460,040	519,689	0	0	-100.0%
FTE	<u>5.7</u>	<u>6.7</u>	<u>7.0</u>	<u>0.0</u>	<u>0.0</u>	-100.0%
General Fund	137,326	138,376	147,172	0	0	-100.0%
Cash Funds	315,383	321,664	372,517	0	0	-100.0%

(C) Liquor and Tobacco Enforcement Division

Enforces the State's alcohol laws and regulations; issues licenses and permits to manufacturers, importers, distributors, and retailers of alcoholic beverages. Enforces State laws prohibiting the sales of tobacco products to minors. The cash funds sources are the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Tobacco Tax Enforcement Cash Fund, and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund.

Personal Services	0	0	0	2,247,159	2,124,610	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>26.5</u>	<u>26.5</u>	
General Fund	0	0	0	149,652	134,498	
Cash Funds	0	0	0	2,097,507	1,990,112	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	87,705	
General Fund	0	0	0	0	7,201	
Cash Funds	0	0	0	0	80,504	
						<i>v. Appropriation</i>
SUBTOTAL (C) - Liquor and Tobacco Enforcement Division	0	0	0	2,247,159	2,212,315	N/A
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>26.5</u>	<u>26.5</u>	N/A
General Fund	0	0	0	149,652	141,699	N/A
Cash Funds	0	0	0	2,097,507	2,070,616	N/A

(E) Division of Racing Events

Licenses racetracks and individuals involved in horse and dog racing, allocates race days among racetracks, tests animals for drugs, and oversees wagering. Currently, dog racing is not active in the State. Cash funds sources are the Racing Cash Fund, application fees, and the Hores Breeders' and Owners' Awards and Supplemental Purse Fund.

Personal Services - Cash Funds	665,540	687,154	1,107,222	0	1,111,010
FTE	6.8	6.1	8.7	0.0	8.7
Operating Expenses - Cash Funds	55,875	77,751	91,385	0	222,577
Laboratory Services - Cash Funds	25,841	26,055	104,992	0	0
Commission Meeting Costs - Cash Funds	750	929	1,200	0	0
Racetrack Applications - Cash Funds	21,912	24,234	25,000	0	0

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Racing Administration - Cash Funds	0	0	0	1,346,700	0	DI#4
FTE	0.0	0.0	0.0	8.7	0.0	
Purses and Breeders Awards - Cash Funds	1,381,360	1,299,203	1,106,142	1,106,142	1,400,000	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (E) - Division of Racing Events - Cash Funds	2,151,278	2,115,326	2,435,941	2,452,842	2,733,587	0.7%
FTE	6.8	6.1	8.7	8.7	8.7	0.0%

(F) Hearings Division

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

Personal Services	1,789,273	1,975,288	2,151,172	0	2,166,011	
FTE	<u>25.6</u>	<u>26.1</u>	<u>29.5</u>	<u>0.0</u>	<u>29.4</u>	
General Fund	0	0	168,295	0	176,222	
Cash Funds	1,789,273	1,975,288	1,982,877	0	1,989,789	
Operating Expenses	<u>59,611</u>	<u>94,235</u>	<u>115,513</u>	<u>0</u>	<u>101,408</u>	
General Fund	0	0	16,575	0	2,470	
Cash Funds	59,611	94,235	98,938	0	98,938	
Hearings Division	0	0	0	2,303,698	0	DI#4
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>29.4</u>	<u>0.0</u>	
General Fund	0	0	0	181,425	0	
Cash Funds	0	0	0	2,122,273	0	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (F) - Hearings Division	1,848,884	2,069,523	2,266,685	2,303,698	2,267,419	1.6%
FTE	<u>25.6</u>	<u>26.1</u>	<u>29.5</u>	<u>29.4</u>	<u>29.4</u>	-0.3%
General Fund	0	0	184,870	181,425	178,692	-1.9%
Cash Funds	1,848,884	2,069,523	2,081,815	2,122,273	2,088,727	1.9%
(G) Motor Vehicle Dealer Licensing Board						
Licenses automobile dealers, wholesalers, and sales persons; regulates the distribution and sale of motor vehicles; and investigates and resolves complaints and legal violations against Board licensees. The cash funds source is the Auto Dealers License Fund.						
Personal Services - Cash Funds	1,677,806	1,691,845	1,762,994	0	1,768,174	
FTE	26.3	26.7	26.2	0.0	26.2	
Operating Expenses - Cash Funds	150,617	117,672	119,023	0	119,023	
Motor Vehicle Dealer Licensing Board - Cash Funds	0	0	0	1,919,288	0	DI#4
FTE	0.0	0.0	0.0	26.2	0.0	
						<i>Recommendation v. Appropriation</i>
SUBTOTAL (G) - Motor Vehicle Dealer Licensing Board -						
Cash Funds	1,828,423	1,809,517	1,882,017	1,919,288	1,887,197	2.0%
FTE	26.3	26.7	26.2	26.2	26.2	0.0%

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
--	-------------------------------	-------------------------------	-------------------------------------	-------------------------------	---------------------------------	----------------------------

(H) Medical Marijuana Enforcement

Licenses and regulates medical marijuana dispensaries, growing facilities, and medical marijuana infused products manufacturing facilities. Investigates complaints and enforces laws and regulations regarding such facilities. The cash funds source is the Medical Marijuana License Cash Fund.

Medical Marijuana Enforcement - Cash Funds	0	4,097,790	5,616,609	5,689,621	5,625,493	
FTE	0.0	11.2	55.2	55.2	55.2	
<i>Recommendation v. Appropriation</i>						
SUBTOTAL (H) - Medical Marijuana Enforcement - Cash Funds	0	4,097,790	5,616,609	5,689,621	5,625,493	1.3%
FTE	0.0	11.2	55.2	55.2	55.2	0.0%

SUBTOTAL (7) - ENFORCEMENT BUSINESS GROUP	115,530,191	118,725,256	51,388,888	51,490,999	51,508,659	0.2%
FTE	<u>171.5</u>	<u>184.9</u>	<u>239.5</u>	<u>239.4</u>	<u>239.4</u>	0.0%
General Fund	169,625	135,217	359,466	345,485	334,542	-3.9%
Cash Funds	115,252,371	118,465,821	50,928,068	51,046,277	51,076,706	0.2%
Reappropriated Funds	108,195	124,218	101,354	99,237	97,411	-2.1%

(8) STATE LOTTERY DIVISION

Operates the State's Lottery through the sales of scratch and online tickets, including tickets for multi-state lottery games. Effective with FY 2011-12, and pursuant to State law, the budget no longer reflects appropriations for prizes paid to lottery customers.

Personal Services - Cash Funds - State Lottery Fund	8,093,583	8,185,856	8,793,014	0	8,818,248	
FTE	113.1	113.9	117.1	0.0	117.1	
Operating Expenses - Cash Funds - State Lottery Fund	1,000,098	1,046,128	1,203,156	0	1,556,064	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Payments to Other State Agencies - Cash Funds - State Lottery Fund	130,188	118,199	239,410	0	0	
Travel - Cash Funds - State Lottery Fund	105,120	113,498	113,498	0	0	
State Lottery Administration - Cash Funds - State Lottery Fund	0	0	0	10,517,220	0	DI#4
FTE	0.0	0.0	0.0	117.1	0.0	
Marketing and Communications - Cash Funds - State Lottery Fund	14,599,002	14,615,981	14,700,000	14,700,000	14,700,000	
Multi-state Lottery Fees - Cash Funds - State Lottery Fund	103,370	116,175	177,433	177,433	177,433	
Vendor Fees - Cash Funds - State Lottery Fund	9,623,664	8,789,827	12,571,504	12,571,504	12,571,504	
Prizes - Cash Funds - State Lottery Fund	313,919,655	328,719,521	0	0	0	
Powerball Prize Variance - Cash Funds - State Lottery Fund	7,575,512	5,384,038	0	0	0	
Retailer Compensation - Cash Funds - State Lottery Fund	38,146,774	39,584,085	52,241,350	52,241,350	52,241,350	
Ticket Costs - Cash Funds - State Lottery Fund	3,262,844	4,033,841	6,578,000	6,578,000	6,578,000	

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

	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Appropriation	FY 2012-13 Request	JBC Staff Recommend.	Change Requests
Research - Cash Funds - State Lottery Fund	250,000	207,273	250,000	250,000	250,000	
Indirect Costs Assessment - Cash Funds - State Lottery Fund	528,898	528,542	495,867	334,509	378,422	DI#6 <i>Recommendation v. Appropriation</i>
SUBTOTAL (8) - STATE LOTTERY DIVISION - Cash						
Funds	397,338,708	411,442,964	97,363,232	97,370,016	97,271,021	0.0%
FTE	113.1	113.9	117.1	117.1	117.1	0.0%
						<i>Recommendation v. Appropriation</i>
TOTAL - DEPARTMENT OF REVENUE	641,378,367	660,864,067	295,346,686	297,625,695	296,905,978	0.8%
FTE	<u>1,357.1</u>	<u>1,288.3</u>	<u>1,372.3</u>	<u>1,370.7</u>	<u>1,370.7</u>	-0.1%
General Fund	71,918,780	66,521,669	72,744,786	72,604,828	96,652,522	-0.2%
Cash Funds	566,694,168	592,134,321	220,549,912	222,772,429	197,939,715	1.0%
<i>Highway Users Tax Fund Off-the-Top</i>	<i>13,876,087</i>	<i>14,631,593</i>	<i>12,123,400</i>	<i>10,085,211</i>	<i>10,097,874</i>	<i>-16.8%</i>
Reappropriated Funds	1,372,812	1,400,745	1,328,287	1,424,050	1,489,353	7.2%
Federal Funds	1,392,607	807,332	723,701	824,388	824,388	13.9%

**DEPARTMENT OF REVENUE
FY 2012-13 FIGURE SETTING**

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

Summary of Staff Recommendations (Does not include pending items)						
	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2011-12 Long Bill	\$292,804,713	\$70,546,702	\$220,190,461	\$1,343,849	\$723,701	1,365.4
S.B. 11-076 (PERA Contributions)	(1,741,453)	(563,224)	(1,162,667)	(15,562)	0	0.0
S.B. 11-184 (Tax Reporting)	483,895	0	483,895	0	0	0.8
H.B. 11-1300	2,742,991	2,742,991	0	0	0	3.6
Other Special Bills	440,581	19,701	420,880	0	0	0.5
H.B. 12-1197 (Supplemental)	<u>615,959</u>	<u>(1,384)</u>	<u>617,343</u>	<u>0</u>	<u>0</u>	<u>2.0</u>
Current FY 2011-12 Appropriation	\$295,346,686	\$72,744,786	\$220,549,912	\$1,328,287	\$723,701	1,372.3
<i>Recommended Changes from FY 2011-12 appropriation</i>						
Annualize Special Bills, Supplemental, and Budget Actions	1,410,549	22,936,311	(21,798,149)	171,700	100,687	(4.0)
<u>Decision Items</u>						
DI#1 - Driver's License Document Mailing Expense	389,755	389,755	0	0	0	0.0
DI#2 - National Motor Vehicle Title Information System Operating Expenses	95,000	0	95,000	0	0	0.0
DI#3 - Loma Port Staffing	193,171	0	193,171	0	0	4.0
DI#4 - Line Item Consolidation	0	0	0	0	0	0.0
DI#5 - H.B. 10-1285 Sales Tax Refunds	120,524	0	120,524	0	0	0.0
DI#6 - Funding of Driver's License Operations	0	0	0	0	0	0.0
DI#7 - Refinance Severance Tax Collection and Administration	0	0	0	0	0	0.0
<u>Budget Amendments</u>						
BA#1 - Cigarette Tax Stamp	62,531	62,531	0	0	0	0.0
BA#2 - Vehicle Emissions Program FTE Reduction	(119,027)	0	(119,027)	0	0	(2.0)
Non-Prioritized Decision Items	202,443	35,612	166,831	0	0	0.0

Summary of Staff Recommendations (Does not include pending items)						
	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
<u>JBC Staff Initiated Budget Reductions</u>						
License Plate Ordering	(1,250,000)	0	(1,250,000)	0	0	0.0
"True-up" Purses and Breeders Awards	<u>293,858</u>	<u>0</u>	<u>293,858</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Total of Recommended Changes	1,398,804	23,424,209	(22,297,792)	171,700	100,687	(2.0)

Summary of Budget Balancing Options Requiring Legislation						
	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
<u>General Fund Expenditure Reductions (Refinancing Requires Legislation)</u>						
Funding Driver's License Offices (H.B. 12-1219)	(\$75,937)	(\$22,683,078)	\$22,683,078	(\$75,937)	\$0	0.0
Refinance Severance Tax Collection and Administration	<u>0</u>	<u>(881,079)</u>	<u>881,079</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Total for Recommended Legislation	(\$75,937)	(\$23,564,157)	\$23,564,157	(\$75,937)	\$0	0.0
<u>Other Balancing Options (Requires Legislation)</u>						
Suspend Senior Citizen Homestead Exemption / Expand Old Age Heat & Fuel and Property Tax Grants /a	(\$76,900,000)	(\$76,900,000)	\$0	\$0	\$0	0.0

a/ House Bill 12-1253, if enacted, implements the proposed expansion of the Old Age Heat and Fuel and Property Tax Assistance Grants program.

SMART ACT COMMITTEE OF REFERENCE RECOMMENDATIONS

Pursuant to the SMART Government Act, the House and Senate Finance Committees have each written a letter to the Joint Budget Committee regarding recommendations they have for setting the budget for the Department of the Revenue. Both committees advised the JBC, in their respective letters, that the committees did not make any recommendations regarding the Department of the Revenue. For reference, the letters are included in the Appendix of this document.

DECISION ITEM # 4 - LINE ITEM CONSOLIDATION

Like several other executive departments, the Department of Revenue has requested a decision item to consolidate a number of line items, primarily Personal Services and Operating Expenses line items. These line items, when consolidated, would become "program" lines. In addition, the Department has requested to consolidate divisions within its business groups and to consolidate other line items. Overall, the Department requests to reduce the structure of the Long Bill from 25 subdivisions to 21, and to reduce the number of lines in the Long Bill from 98 to 57. Staff believes that while some of the consolidations make sense, staff does not recommend a blanket approval of this request in whole.

Pursuant to the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act (H.B. 10-1119), if a department submits a plan approved by the Office of State Planning and Budgeting to consolidate line items, the Joint Budget Committee (JBC) "shall consider" such a plan. The allowable purposes of proposed consolidations pursuant to H.B. 10-1119 are "to improve budgetary efficiency or administrative flexibility." Note that the Act requires the JBC to consider such requests, but does not require the JBC to recommend approval of the requests to the General Assembly.

Members of the JBC staff who were affected by this request met to discuss common ground-rules for evaluating requests by each Department. The following criteria were developed for this evaluation.

1. Has the Department demonstrated a problem with the current appropriations that results in inefficiencies?
2. Has the department made a business case that greater administrative flexibility will improve the operations?
3. Has the department identified strong performance measures by which the effectiveness of the program can be assessed?
4. Is there a known reason why the line items were separated in the first place?
5. How big are the line items that will be consolidated and what are the fund sources?
6. Will detailed information about expenditure patterns still be available after the consolidation?
7. Have there been large reversions from the line item?

Based on the criteria cited above, Staff does not recommend, with some exceptions, approval of the Department's request. Staff's reasoning is as follows:

1. The Department's request states:
"In the current environment, the separation of appropriations for personal services and operating expenses forces a perverse incentive to efficiency. The prescriptive budgetary structure compels departments to eschew opportunities for more effective operations that may come through the exchange of operating expenses for personal services (or vice versa). These limitations frequently prohibit the timely replacement of aging equipment, restrict the implementation of time-saving technologies, facilitate circumstances that create backlogs, and allow for degradation in the level of service provided to Coloradans. Improving flexibility in this area is a critical component in allowing State departments to operate like private sector entities; as needs and circumstances change, so too can managerial decisions."

The Department did not cite any examples, however, of opportunities where the exchange of personal services with operating expenses would have improved the operations of a Department or permitted the savings of State moneys in the process. Had the Department cited such examples where the budget or supplemental processes had been too constricting upon managerial action, staff would have had a more complete opportunity to judge the merits of the request. Staff believes it is incumbent upon the Executive Branch to cite examples of where these opportunities for efficiencies have been missed in the past and why the existing supplemental process would not have allowed for these opportunities to be implemented.

2. The Department acknowledged the loss of transparency with the requested consolidations. In an effort to address that, the Department has, with this budget request (the first budget request by the new administration), continued with the practice of providing two prior years of object code detail, but added the current year and the request year to that level of detail. From staff's perspective, this is a welcome change, regardless of the outcome of this decision item, but it is the initiative of this Governor, and could well revert to only giving the JBC the two actual years when a different governor is in office. The last governor had stopped this practice and the next governor could do the same. This would leave the JBC without the level of detail it will have come to expect. While the JBC could respond by breaking apart the lines at some future time, it will be more involved to split the lines apart than consolidation was.
3. The Office of State Planning and Budgeting has directed Executive Branch departments to provide specific, detailed reports in future budget submissions detailing the following: (1) Specific reporting on how the department has expended personal services and operating expenses in the two prior fiscal years; (2) Estimate of how the department anticipates expending personal services and operating expenses appropriations in the current fiscal year and the request year; and (3) Narrative description of how the department has made use of its enhanced budgetary flexibility to improve service delivery to Colorado's citizens.

Staff believes the Department should have provided reports detailing examples of *already* foregone opportunities that this consolidation would have afforded management, as well as detailing why the supplemental budget process would not have worked to implement the requested change. Staff would note that the longest a Department has to wait for the JBC to meet to consider an interim supplemental is the four months from the May meeting to the September meeting. After the September meeting, the JBC meets starting in November and can consider interim supplementals at that time. And, just this last year, the JBC met in July to consider an interim supplemental and it could meet at any time during the interim to consider a time critical supplemental.

For these reasons, **Staff recommends against a blanket approval of the Department's request for line item consolidation.** In specific circumstances, staff will recommend line item and subdivision consolidations that it believes would provide benefit to the efficiency of the Department's operations. Those exceptions will be discussed in the appropriate sections of this document.

(1) EXECUTIVE DIRECTOR'S OFFICE

The Executive Director's Office includes a citizens' advocate, a public information officer, and the following units: Central Budget Office, Accounting and Financial Services, Internal Audit, Office of Human Resources, and Office of Research and Analysis. The Executive Director's Office section of the Long Bill includes centrally appropriated direct and indirect costs.

Executive Director's Office				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management and Administration	3.7	4.4	4.6	4.6
Central Budget Office	4.1	5.0	5.0	5.0
Accounting and Financial Services	15.0	15.3	15.3	15.3
Internal Auditor	4.5	5.0	5.0	5.0
Human Resources	8.7	8.5	8.5	8.5
Research and Analysis	<u>7.4</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
Total	43.4	45.2	45.4	45.4

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Department's request prior to the consolidation of this line into a program line is for an appropriation of \$3,952,654, including \$1,003,706 General Fund. The Department's request incorporates appropriations from 2011 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 11-076), annualization of FY 2011-12 decision items and budget amendments. The request also includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Staff recommends an appropriation of \$3,882,854 and 45.4 FTE comprised of \$1,547,289 General Fund, \$1,716,060 cash funds from various sources, including \$436,921 from HUTF "off-the-top" moneys, and \$619,505 reappropriated funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Executive Director's Office						
	Total	FTE	General Fund	Cash Funds	Reapprop. Funds	HUTF /a
FY 2011-12 Long Bill	\$3,886,382	44.4	\$961,815	\$2,377,819	\$546,748	\$390,297
S.B. 11-076 (PERA Contributions)	(84,433)	0.0	(20,896)	(51,659)	(11,878)	(8,479)
Other 2011 Special Bill Appropriations	149,826	0.8	0	149,826	0	0

Personal Services Calculation Executive Director's Office						
	Total	FTE	General Fund	Cash Funds	Reapprop. Funds	HUTF /a
FY 2011-12 Supplemental Appropriation to Department	<u>76,023</u>	<u>0.0</u>	<u>(1,384)</u>	<u>77,407</u>	<u>0</u>	<u>0</u>
FY 2011-12 Appropriation	\$4,027,798	45.2	\$939,535	\$2,553,393	\$534,870	\$381,818
Annualization of S.B. 11-076 PERA contribution change	84,433	0.0	20,896	51,659	11,878	8,479
Annualization of Other Special Bills	(83,554)	0.2	991,690	(1,075,244)	0	0
Annualization of Supplemental Bill	(76,023)	0.0	1,384	(77,407)	0	0
Department Indirect costs adjustments	0	0.0	(248,392)	195,097	53,295	34,152
Statewide Indirect cost adjustments	<u>0</u>	<u>0.0</u>	<u>(88,024)</u>	<u>68,562</u>	<u>19,462</u>	<u>12,472</u>
FY 2012-13 Base Request	\$3,952,654	45.4	\$1,617,089	\$1,716,060	\$619,505	\$436,921
<u>Staff Recommendations</u>						
DI#4 - Line Item Consolidation	0	0.0	0	0	0	0
DI#6 - Funding Driver's License Operations	0	0.0	0	0	0	0
2.0% Personal Services Base Reduction	<u>(69,800)</u>	<u>0.0</u>	<u>(69,800)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Staff Recommendation	\$3,882,854	45.4	\$1,547,289	\$1,716,060	\$619,505	\$436,921

/a HUTF (Highway Users Tax Fund) is included here for informational purposes. The amounts shown for the HUTF are included in the Cash Funds column.

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 Department request is for a total of \$7,961,077, including \$2,836,383 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Pursuant to Committee policy, Staff recommends an appropriation of \$8,772,210, comprised of \$5,418,093 General Fund, and \$3,354,117 cash funds, including \$760,567 from HUTF "off-the-top" moneys. The increase from the Department's request is the result of the JBC approving a common policy to bring the employer's contribution to the market compensation rate for health, life, and dental insurance.

Short-term Disability

This line item provides funding for the employer's share of the state employees' short-term disability insurance premiums. The Department's request is for \$126,080, including \$50,078 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Pursuant to Committee policy, Staff recommends an appropriation of \$123,558, comprised of \$73,868 General Fund, \$49,691 cash funds, including \$9,312 cash funds from Highway Users Tax Fund (HUTF). This implements the JBC's approved policy to continue the FY 2011-12 appropriation to FY 2012-13 and applies the 2.0 percent personal services base reduction.

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). The Department's request is for \$2,279,425, including \$905,375 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Pursuant to Committee policy, staff recommends, an appropriation of \$2,221,144, comprised of \$1,321,781 General Fund and \$899,363 cash funds, including 166,954 from the HUTF. Included in the Staff recommendation is the implementation of the 2.0 percent personal services base reduction.

S.B. 06-235 Supplemental Amortization Equalization Disbursement

This line item provides additional funding to increase the state contribution for PERA. The Department's request is for \$1,958,882, including \$778,057 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Pursuant to Committee policy, staff recommends, an appropriation of \$1,903,360, comprised of \$1,130,470 General Fund and \$772,890 cash funds including \$142,834 from the HUTF. Included in the Staff recommendation is the implementation of the 2.0 percent personal services base reduction.

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. The Department's request is for \$173,714 including \$3,597 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Committee policy is to take 80 percent of FY 2010-11 actual expenditures. **Pursuant to Committee policy, Staff recommends an appropriation of \$170,178**, comprised of \$32,880 General Fund,

\$137,298 cash funds from various sources of cash funds, including \$126,095 from HUTF "off-the-top" moneys.

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. The Department request is for \$838,845, including \$297,465 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Staff recommendation is pending Committee common policy. Staff will ultimately reflect Committee policy in the appropriation for this line item.

Operating Expenses (Decision Item #4 - Line Item Consolidation)

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 maintenance, fuel and insurance for the Department's assigned fleet, and a large portion of the Department capital outlay needs. The Department has requested an appropriation \$1,248,265, including \$492,006 General Fund. The Department's request includes both a supplemental appropriation and a common policy increase that the Committee has disapproved. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Staff recommends an appropriation of \$1,238,643, comprised of \$521,045 General Fund, \$717,598 cash funds, including \$118,684 from the HUTF. The calculation of the recommended appropriation is detailed in the following table.

Executive Director's Office - Operating Expenses Appropriation Detail				
	Total	General Fund	Cash Funds	HUTF /a
FY 2011-12 Long Bill Appropriation (SB 11-209)	\$1,237,693	\$481,434	\$756,259	\$118,684
SB 11-184	5,430	0	5,430	0
FY 2011-12 Appropriation	\$1,243,123	\$481,434	\$761,689	\$118,684
Annualization of Special Bills	(4,480)	20,403	(24,883)	0
Statutory Changes to DVS	0	19,208	(19,208)	0
Base FY 2012-13 Appropriation	\$1,238,643	\$521,045	\$717,598	\$118,684
<u>Staff Recommendations</u>				
Decision Item #4 - Line Item Consolidation	0	0	0	0

Executive Director's Office - Operating Expenses				
Appropriation Detail				
	Total	General Fund	Cash Funds	HUTF /a
Decision Item #6 - Funding Driver's License Operations	0	0	0	0
Staff Recommendation	\$1,238,643	\$521,045	\$717,598	\$118,684

/a HUTF Off-the-top amounts are included in the Cash Funds column.

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. The Department requests an appropriation \$2,908,512, including \$2,166,064 General Fund, \$709,448 cash funds from various sources including \$6,309 from the HUTF. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

The Department's request is detailed in the following table:

Legal Services Hours		
	Legal Services Hours	Requested Appropriation
Long Bill Base Appropriation	15,455	\$1,170,098
Temporary Long Bill (through FY 2014-15) appropriation for conservation easement backlog (2010 Budget Amendment)	5,400	\$408,834
H.B. 11-1300 (Conservation Easement Dispute Resolution)	17,826	\$1,349,581
Annualization of H.B. 11-1300 (Conservation Easement Dispute Resolution)	425	\$32,176
Annualization of H.B. 10-1193 (Sales Tax Out-of-State Retailers)	(264)	(\$20,000)
Department Request	38,842	\$2,940,689
Staff Recommendation	38,842	Pending

Staff recommendation is for an appropriation sufficient to purchase 38,842 legal services hours. The appropriation recommendation is pending Committee common policy on the rate for legal service

hours. Staff will ultimately reflect the Committee's common policy decision in the appropriation for this line.

Administrative Law Judge Services

This line item funds the purchase of administrative law judge and paralegal services from the Division of Administrative Hearings. The Department has requested an appropriation of \$13,752 cash funds, an increase of \$10,176. The reason for the increase is that this line is adjusted for past usage, and the Department of Personnel and Administration, which administers the program, "true-up" the billings after the in subsequent fiscal years.

Staff recommendation is pending Committee common policy. Staff will ultimately reflect the Committee's common policy decision in the appropriation for this line.

Purchase of Services from Computer Center

This line item is for the purchase of services from the Computer Center from the Department of Personnel and Administration. The Department's request is for \$10,145,977 including \$3,846,946 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Pursuant to committee common policy, staff recommends an appropriation of \$9,880,193, comprised of \$6,707,704 General Fund, \$2,772,864 cash funds, including \$302,039 from the Highway Users Tax Fund (HUTF) off-the-top, and \$399,625 reappropriated funds.

Multiuse Network Payments

This line item is used to pay the Department's share of the statewide multi-use network. The Department's request is for \$4,075,520, including \$872,879 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Pursuant to committee common policy, staff recommends an appropriation of \$4,300,500, comprised of \$1,942,420 General Fund, \$2,325,378 cash funds, including \$243,593 from the Highway Users Tax Fund (HUTF) off-the-top, and \$32,702 reappropriated funds.

Management and Administration of OIT

This line item provides funding for the Department's share of the expenses of the Administration Division in the Office of Information and Technology (OIT). The Department's request is for \$539,213, including \$390,940 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Pursuant to committee common policy, staff recommends an appropriation of \$547,169, comprised of \$426,620 General Fund, \$106,665 cash funds, including \$12,005 from the Highway Users Tax Fund (HUTF) off-the-top, and \$15,884 reappropriated funds.

Payment to Risk Management and Property Funds

This line item provides funding for the Department's share of the statewide costs for two programs operated by the Department of Personnel and Administration: (1) the liability program (which provides coverage related to liability claims); and (2) the property program (which provides insurance coverage for state buildings and their contents). The Department's request is for \$729,570, including \$119,560 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Staff recommendation is pending Committee common policy. Staff will ultimately reflect the Committee's common policy decision in the appropriation for this line.

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. The Department requested \$729,570, including \$119,560 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216. The request also includes a non-prioritized common policy adjustment for fleet replacement of \$202,148, including \$35,564 General Fund.

Vehicle Replacements

The Department is requesting the replacement of 22 vehicles in several divisions across the Department. All of the vehicles requested for replacement meet the State's mileage requirements (recommend replacement after 100,000 miles). Of the 22 vehicles, 11 are sedans, 5 are 4X4 utility vehicles, and 6 are cargo vans. The request is to replace the old vehicles with similar type vehicles. Staff recommends replacing the 11 sedans with similar type vehicles.

The divisions and types of vehicles to be replaced are listed in the following table.

Vehicle Replacement Recommendations					
Division	Purpose	Vehicle Type	Projected Mileage /a	Asset ID	Staff Recommendation
Motor Vehicle Dealers	Criminal investigations	Sedan	121,323	16570	Replace Same Type
Driver's Licenses	Motor Pool	Sedan	129,093	14990	Replace Same Type
Driver's Licenses	Statewide	Sedan	171,917	14774	Replace Same Type
Limited Gaming	Criminal Investigations	4X4 Utility Vehicle	109,398	20411	Replace Same Type

Vehicle Replacement Recommendations					
Division	Purpose	Vehicle Type	Projected Mileage /a	Asset ID	Staff Recommendation
Limited Gaming	Criminal Investigations	4X4 Utility Vehicle	134,785	19034	Replace Same Type
Lottery Division	Delivery	Cargo Van	183,838	22649	Replace Same Type
Lottery Division	Delivery	Cargo Van	178,852	22646	Replace Same Type
Lottery Division	Delivery	Cargo Van	164,518	20812	Replace Same Type
Lottery Division	Delivery	Cargo Van	148,903	20162	Replace Same Type
Lottery Division	Delivery	Cargo Van	143,709	20810	Replace Same Type
Lottery Division	Delivery	Cargo Van	143,111	20809	Replace Same Type
Lottery Division	Criminal Investigations	4X4 Utility Vehicle	123,204	19329	Replace with Sedan
Lottery Division	Motor Pool	Sedan	109,041	16705	Replace Same Type
Motor Carrier Services	Ports of Entry	4X4 Utility Vehicle	140,602	19634	Replace Same Type
Taxation	Tax Compliance	Sedan	169,160	15455	Replace Same Type
Taxation	Tax Compliance	Sedan	188,025	19551	Replace Same Type
Taxation	Tax Compliance	Sedan	185,242	14985	Replace Same Type
Taxation	Tax Compliance	4X4 Utility Vehicle	182,802	20835	Replace with Sedan
Taxation	Tax Compliance	Sedan	180,592	22217	Replace Same Type
Taxation	Tax Compliance	Sedan	174,418	14698	Replace Same Type
Taxation	Tax Compliance	Sedan	171,192	14682	Replace Same Type
Taxation	Tax Compliance	Sedan	170,258	19550	Replace Same Type

/a Mileage projected in March 2013

Staff questioned the Department on the need for the replacement of these vehicles, specifically the cargo vans and 4X4 utility vehicles.

The Limited Gaming Division has requested two 4X4 utility vehicles for the Division's criminal investigators. These individuals are required to respond for duty regardless of weather and road conditions. Because the limited gaming operations are located in mountain cities and routinely subject to adverse weather conditions on roads that may not be well maintained in winter, staff recommends replacement of these vehicles with the same type of vehicle.

The cargo vans are for the State Lottery and are used for delivering lottery products to retailers. Staff recommends same-type replacement of these vehicles. The 4X4 utility vehicle is used by the department's criminal investigators. According to the Department, lottery investigators are required to respond to any retailer in the state for investigations regarding stolen tickets, employee theft, license revocation, etc. They are also required to conduct a physical inspection and verification of the selling retailer of high-tier and jackpot prizes within 24 hours of a winning numbers being selected. The

security department's responsibilities take them to all parts of the State including traveling over mountain passes in the winter months.

Staff is unconvinced of the necessity for the lottery to purchase utility vehicles that cost about 40 percent more to purchase and operate than sedans. For FY 2011-12, Staff obtained data from the Department of Personnel and Administration on the cost to purchase and operate these vehicles, detailed in the table below.

2011 Vehicle Purchase Price and Operating Costs Sedan vs. SUV 4X4							
Vehicle Type	Purchase Price	Lease Term (months)	Lease Rate/Month	Maint. CPM	Fuel CPM	Total CPM /a	Operating Costs for 150,000 miles
Sedan	\$18,399	120	\$195	\$0.057	\$0.080	\$0.137	\$20,550
SUV 4X4 /b	\$18,114/ \$21,900	96	\$255/ \$309	\$0.071	\$0.120	\$0.191	\$28,650

/a Does not include common accident rate CPM across all classes of vehicles of \$0.016.

/b Two different types of SUV are slated for purchase. The Department of Personnel and Administration classifies them as one type for cost per mile for maintenance and fuel expense.

The Department states that it has to go to all parts of the state as the reason for requiring 4X4 utility vehicles in order to check on retailers compliance with law and regulations. In 2011, staff looked at the other enforcement operations in the Department of Revenue. The Liquor Enforcement Division and the Tobacco Enforcement Program, which also must travel throughout the state and must respond in a timely manner to complaints, operate 18 vehicles, of which 16 are sedans and two are small vans. The Tax Compliance section, also with statewide responsibilities, has 31 vehicles, of which 30 are sedans and one is an SUV.

Staff cannot justify to the Committee the purchase of 4X4 utility vehicles for the occasional need to travel over mountain passes during storms. As seen in the table above, these vehicles cost almost 40 percent more to operate over their lifetimes. Most retailers are located on paved roads that do not require 4X4 vehicles to reach. **Staff recommends replacing the 4X4 utility vehicle for the State Lottery Division with a sedan.**

The Ports of Entry section of the Motor Carrier Services Division is requesting replacement of a 4X4 utility vehicle with a similar type vehicle. According to the Department, these vehicles are used to travel to fixed and mobile port locations at any time during the year the deliver or repair necessary equipment. A sedan would not be suitable for delivering many types of equipment necessary for ports operations, and therefore, **Staff recommends replacing this vehicle with a similar type vehicle.**

The Taxation and Compliance Division is requesting, in addition to seven sedans, the replacement of one 4X4 utility vehicle. Staff notes that the Taxation and Compliance Division has 31 vehicles, all but one a sedan. Even though this tax examiner is located in Durango and must travel mountainous roads that are not always well maintained in the winter, for the reasons identified in the discussion of

the State Lottery's request above, **Staff recommends replacing the 4X4 utility vehicle for the Taxation and Compliance Division with a sedan.**

Staff recommendation for the appropriation is pending Committee common policy. Staff will ultimately reflect the Committee's common policy decision in the appropriation for this line.

Leased Space

This line item funds leasing costs for more than 80 office locations throughout the state, mostly for Drivers License Offices and State Lottery Offices. The breakdown of the uses of the leased space is shown in the table below. The Department has requested an appropriation of \$3,437,846, including \$512,451 General Fund, and \$2,925,395 cash funds from various cash fund sources. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

The following table shows a breakdown of the Department's leased space base request for the various programs within the Department.

Department of Revenue Allocation of Leased Space							
	FY 2010-11 <u>Actual</u>		FY 2011-12 <u>Appropriation</u>		FY 2012-13 <u>Request</u>		
	Sq. Ft.	Total	Sq. Ft.	Total	Sq. Ft.	Total	
Cash Documents	17,962	\$ 27,500	13,743	\$ 20,000	13,743	\$ 20,000	
Information Technology	264	4,878	255	4,784	255	4,784	
Taxation	22,269	409,066	24,861	469,596	24,861	469,596	
Motor Vehicle	82,796	1,383,113	83,053	1,453,775	83,053	1,519,684	
Enforcement Group	12,705	377,764	42,768	771,546	42,768	771,546	
Other	<u>62,038</u>	<u>697,795</u>	<u>68,435</u>	<u>718,145</u>	<u>68,435</u>	<u>731,484</u>	
Total	198,034	\$2,900,116	233,115	\$3,437,846	233,115	\$3,517,094	

The increase from FY 2010-11 to the FY 2012-13 request is primarily the result of the appropriation for leased space in H.B. 10-1284, which regulates the dispensing, cultivating and manufacturing of medical marijuana and medical marijuana infused products.

Staff recommends an appropriation of \$3,517,094, comprised of \$1,794,734 General Fund, and \$1,722,360 cash funds.

Capitol Complex Leased Space

This line item funds payments to the Department of Personnel and Administration for the costs of maintaining state buildings that are part of the Capitol Complex. The Department has requested a total of \$1,893,375, including \$1,216,928 General Fund for the following leased space within the Capitol Complex Facilities. The request includes fund source adjustments related to the refinancing of

Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Capitol Complex Leased Space Allocation Location			
	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Recommendation
Location	Square Feet	Square Feet	Square Feet
Capitol Complex	74,580	74,580	74,580
Grand Junction	5,869	5,869	5,869
North Campus	5,700	5,700	5,700
Pierce Street	<u>116,448</u>	<u>116,448</u>	<u>116,448</u>
Total	202,597	202,597	202,597

Staff recommends providing sufficient funding to cover the leased space costs for a total of 202,597 square feet, as identified in the table above. Staff recommendation for the appropriation is pending Committee common policy on lease rates. Staff will ultimately reflect the Committee's common policy decision in the appropriation for this line.

Communications Services Payments

This line item funds the Department's payments to the Department of Personnel and Administration to support the statewide Digital Trunked Radio system per Common policy. The Department's request is for \$86,752, including \$14,383 General Fund. The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Pursuant to committee common policy, staff recommends an appropriation of \$77,769, comprised of \$12,805 General Fund and \$64,964 cash funds, including \$9,058 from the Highway Users Tax Fund (HUTF) off-the-top.

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, ports-of-entry, and gaming offices. The Department has requested a continuation appropriation of \$247,119 cash funds plus \$5,700 cash funds from the HUTF for Decision Item #3 (Loma Port of Entry staffing). The request includes fund source adjustments related to the refinancing of Driver's License Offices, which is the subject of H.B. 12-1216. Since staff sets the Long Bill to current law, these adjustments are excluded from the recommendation for this line and will be adjusted through the appropriations clause in H.B. 12-1216.

Staff recommends an appropriation of \$252,819, comprised of \$114,978 General Fund and \$137,841 cash funds, including \$109,116 cash funds from the HUTF.

(2) CENTRAL DEPARTMENT OPERATIONS

This division receives, sorts, and distributes documents, checks, cash, correspondence, and other documents for the Department. It maintains business tax account registrations and prepares business tax documents, validating each non-processable document with an identification number. It batches and prepares processable documents, encodes and endorses checks, assigns validation numbers and captures information from tax documents with scan lines, produces images of all checks and most documents, and prepares checks for deposit.

The division enters tax data into the tax information systems, and reviews and corrects data before it posts to the master files. It establishes taxpayer accounts and taxpayer liability, and deposits payments, including electronic funds transfers, and prepares refunds. Last year the division processed approximately 6.4 million pieces of outgoing mail and approximately \$10 billion in of tax and fee payments. The division also designs and produces the Department's more than 2,448 forms and publications, including web-based forms, and mails motor vehicle titles, income tax refund warrants, tax forms, tax coupon books, notices of driver hearings and other confidential and time sensitive materials. The division ensures proper storage, retention, and disposition of all Department records.

Central Department Operations				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management/Supervisors	7.1	7.8	7.8	7.8
Administrative Support	48.2	45.4	45.4	45.4
Accountants	8.0	8.0	8.0	8.0
Professionals	11.9	12.0	12.0	12.0
Tax Examiners	<u>22.0</u>	<u>24.0</u>	<u>24.0</u>	<u>24.0</u>
Total	97.2	97.2	97.2	97.2

Personal Services (Decision Item #4 and #7)

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.

Decision Item #7, which is to refinance Severance Tax collection and administration, requires legislation and is not included in staff's recommendation for this line item.

Pursuant to approved Committee policy, staff has included a 2.0 percent personal services base reduction in its recommendation. **Staff recommends an appropriation of \$5,643,734 and 97.2 FTE**, comprised of \$4,995,223 General Fund, \$544,370 cash funds from various sources, including \$122,222 from HUTF "off-the-top" moneys, and \$104,141 reappropriated funds from the Limited Gaming Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Central Department Operations					
		FTE	General Fund	Cash Funds	Reapprop. Funds
FY 2011-12 Long Bill	\$5,335,092	97.2	\$4,529,019	\$719,438	\$86,635
S.B. 11-076 (PERA Contributions)	<u>(103,776)</u>	<u>0.0</u>	<u>(88,097)</u>	<u>(13,994)</u>	<u>(1,685)</u>
FY 2011-12 Appropriation	\$5,231,316	97.2	\$4,440,922	\$705,444	\$84,950
Annualize H.B. 10-1387 (Finance DVS)	0	0.0	248,906	(248,906)	0
Annualize S.B. 11-076 (PERA Contributions)	103,776	0.0	88,097	13,994	1,685
Indirect Cost Adjustments	0	0.0	(91,344)	73,838	17,506
FY 2012-13 Base Appropriation	\$5,335,092	97.2	\$4,686,581	\$544,370	\$104,141
DI # 6 (Funding of Driver's License Operations) and DI #7 (Refinance Severance Tax Collection and Admin)	Not Recommended in this Document. Both decision items require legislation to implement.				
Line Item Consolidation (Personal Services and Seasonal Tax Processing)	397,545	0.0	397,545	0	0
2 Percent Personal Services Base Reduction	<u>(88,903)</u>	<u>0.0</u>	<u>(88,903)</u>	<u>0</u>	<u>0</u>
Staff Recommendation	\$5,643,734	97.2	\$4,995,223	\$544,370	\$104,141

Seasonal Tax Processing (Decision Item #4 - Consolidation of Line Items)

While the Department receives and processes tax and fee payments year-round, this line item funds the seasonal processing expenses that occur during the individual income tax filing season. As part of its decision item to consolidate line items, the Department did not request an appropriation for this line item.

Staff recommends that the Committee approve the consolidation of this line item into the personal services line item. In most cases in the State, seasonal and contract employees are included in the personal services line item, so this would be a more consistent approach to this appropriation. In light of staff's recommendation for consolidation of this line, **Staff recommends an appropriation of \$0 for FY 2012-13.**

Operating Expenses (Decision Item #4 - Line Item Consolidation and Budget Amendment #1)

This line item provides the Department its forms creation and processing (approximately 50% of the line), and general office supplies for the Division. As part of its decision item to consolidate line items, the Department did not request an appropriation for this line item.

Budget Amendment #1- Cigarette Tax Stamps. Colorado uses cigarette tax stamps as the method of collecting cigarette excise taxes, and the stamp is the method of ascertaining that the proper taxes have been paid on a pack of cigarettes. Wholesalers are required to purchase the stamps from the State and affix the stamps to packages of cigarettes prior to selling the packages to Colorado retailers.

The vendor that provides the stamps has recently been purchased and the new vendor, SICPA, Incorporated has notified the Department that it will no longer be providing the old stamps, but will be providing a new stamp that includes technologies to deter counterfeiting. The price will go from \$0.76 per 1,000 stamps to \$1.05 per 1,000 stamps, a 38.2 percent increase. The Department reports that there are 215,625,000 stamps sold on average for each of the last four years, requiring an increased appropriation of \$62,531 General Fund.

The Department states that it has explored whether other vendors can provide the stamps to the State at a lower cost, however, to date it has not found other vendors. The Department has also explored whether Correctional Industries could produce the stamps to the security specifications that the Department requires. Correctional Industries indicated it was unable to produce the stamps.

If the Department does not have stamps to sell to wholesalers, sales of cigarettes will be illegal (unstamped cigarettes are by definition contraband) and retailers will suffer lost sales and the State will see both sales and excise taxes reduced.

Staff recommends approval of Budget Amendment #1, Cigarette Tax Stamp, an increase of \$62,531 General Fund.

Staff recommends an appropriation of \$1,283,311, comprised of \$1,135,175 General Fund and \$148,136 cash funds from various sources. Staff's calculation of the recommended appropriation is detailed in the following table.

Central Department Operations Operating Expense				
	Total	General Fund	Cash Funds	Reapprop. Funds
FY 2011-12 Long Bill Appropriation	\$1,365,601	\$1,217,644	\$147,957	\$0
S.B. 11-184 (Tax Amnesty and Tax Reporting)	<u>312</u>	<u>0</u>	<u>312</u>	<u>0</u>
FY 2011-12 Appropriation	\$1,365,913	\$1,217,644	\$148,269	\$0
Annualization of FY 2011-12 decision item	(145,000)	(145,000)	0	0
Annualization of S.B. 11-184	(133)	0	(133)	0
Budget Amendment #1 - Cigarette Tax Stamp	<u>62,531</u>	<u>62,531</u>	<u>0</u>	<u>0</u>
Staff Recommendation	\$1,283,311	\$1,135,175	\$148,136	\$0

Postage (Decision Items #1, 3, and 7)

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.

The Department has requested an appropriation of \$3,006,422, including \$2,654,989 General. The request incorporates appropriations from special bills passed during the 2010 session, the annualization of those bills, and Decision Items # 1, 3, and 7.

Decision Item #1 - Driver's license document mailing expense will be discussed in detail in the Division of Motor Vehicles, Driver and Vehicle Services section of this document. Staff recommends approval of the request to reduce the appropriation by \$86,945 General Fund in this line item.

Decision Item #3 - Loma Port Staffing will be discussed in detail in the Motor Carrier Services section of this document. Staff recommends approval of an appropriation of \$528 cash funds from the Highway Users Tax Fund (HUTF) off-the-top moneys for this line item.

Decision Item #7 - Refinance Severance Tax collection and administration requires legislation and is not included in staff's recommendation for this line item.

Staff recommends an appropriation of \$3,006,422, comprised of \$2,657,783 General Fund, \$348,639 cash funds from various sources, including \$14,437 from the HUTF.

Pueblo Data Entry Center Payments (Decision Items #4 and 7)

This line item provides funding for the data entry services provided by the Department of Personnel and Administration to capture information from paper tax forms and from driver's license documentation. The Department does not request an appropriation for this line as it has requested to consolidate this line item with the Document Imaging and Storage line item.

Decision Item #4 - Line Item Consolidation. The Department has requested to consolidate this line item with the Document Imaging and Storage line item. This line item is primarily used for data entry performed by the Integrated Data Solutions (IDS) Group of the Department of Personnel and Administration in Pueblo. The Document Imaging and Storage line item pays for document imaging and storage of those documents, also primarily from IDS in Pueblo.

The Department states that because both lines are driven by workload and the number of documents to be data entered or imaged, this consolidation would allow the Department to better manage its workload fluctuations. These two lines have similar purposes in that their purpose is to convert submitted data (from tax returns and other sources) into an electronic format so that the Department's tax examiners and others authorized users can access the data on-line for tax auditing and other purposes. Having data available in this form means that auditors and others with a need to access the data can do so without have to put in requests for the physical copies of the submitted documents.

Staff recommends approval of Decision Item #4 in this case, for the consolidation of the Pueblo Data Entry Center Payments and the Document Imaging and Storage line items. It is a budget neutral request. Approval of the request eliminates this line item from the Long Bill.

Decision Item #7 - Refinance Severance Tax collection and administration requires legislation and is not included in staff's recommendation for this line item.

Staff recommends consolidating this line item into a new line item, Document Management. Approval of the request eliminates this line item from the Long Bill.

DOCUMENT IMAGING AND STORAGE

This line provides funding for the Department to image and store tax returns and related documentation primarily for audit purposes, account error resolutions, or taxpayer requests and inquiries. The Department does not request an appropriation for this line as it has requested to consolidate this line item with the Document Imaging and Storage line item.

As discussed in the line item above, **Staff recommends consolidating this line item into a new line item, Document Management.** Approval of the request eliminates this line item from the Long Bill.

DOCUMENT MANAGEMENT

This is a new line, and as discussed above, combines the appropriations for the Pueblo Data Entry Center Payments and the Document Imaging and Storage line items. The Department has requested an appropriation of \$2,309,514, including \$2,255,485 General Fund.

Staff recommends an appropriation of \$2,309,514, comprised of \$2,270,009 General Fund and \$39,505 cash funds from various sources.

(3 INFORMATION TECHNOLOGY DIVISION

The Division is responsible for the maintenance of the Department systems for three business groups and the Executive Director's Office. The division has two subdivisions, Systems Support, which provides most of the Department's information technology services, and the Colorado State Titling and Registration System (CSTARS) unit, which supports the CSTARS information system.

Due to the FY 2010-11 consolidation of information technology services into the Governor's Office of Information Technology (OIT), most of the appropriations in this Division were transferred to OIT. The Department is charged back for those services through centrally-appropriated line items in the Executive Director's Office.

(A) SYSTEMS SUPPORT

This unit currently the tax information systems; systems for driver's licenses, vehicle records, accident statistics, and fuel taxes; the International Registration Plan, the Commercial Vehicle Electronic Credentialing system and ports of entry business system; and enforcement systems for licensing, reporting, tax filing, and case management. It also provides production and enterprise services, data and voice communication infrastructure, information security, personal computer support, and centralized print operations.

Personal Services

This line item pays for contract services. The Department has requested an appropriation of \$202,552 General Fund. The request incorporates appropriations from special bills passed during the 2011 session, the annualization of those bills, and FY 2011-12 Decision Item # 1, Remittance Processing System Software Upgrade and annualization of the decision item.

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 (such as the State Internet Portal Authority).

Staff recommends an appropriation of \$202,552 General Fund.

Operating Expenses

This line funds information technology related contracts for the Department, telecommunications expenses, general office supplies, and printing costs. The Department requests an appropriation of \$773,957, including \$659,759 General Fund and \$114,198 cash funds. The request includes annualizations FY 2011-12 Decision Item #1 - Remittance Processing System Upgrade.

Staff recommends a appropriation of \$773,957, comprised of \$659,759 General Fund and \$114,198 cash funds from various sources.

Programming Costs for Session Legislation

Pursuant to adopted JBC policy, this line item was eliminated in the FY 2011-12 Long Bill. All appropriations for the programming costs of legislation are now appropriated in each bill.

(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.

Personal Services

This line item pays for contract services. The personnel that were formerly funded by this line have been transferred to OIT and are funded from centrally appropriated line items in the Executive Director's Office. The Department requests funding of \$442,688 cash funds.

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.

Staff recommends an appropriation of \$442,688 cash funds from the CSTARS account.

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. The Department has requested a continuation appropriation of \$2,617,535 cash funds from the CSTARS account.

Staff recommends an appropriation of \$2,617,535 cash funds from the CSTARS account.

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). The Department is requesting continuation funding of \$568,230 cash funds from the CSTAR account.

Staff recommends an appropriation of \$568,230 cash funds from the CSTAR Account.

County Office Improvements

This line item provide 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.

Staff recommends an appropriation of \$40,000 cash funds from the Colorado State Titling and Registration Account. This is the base appropriation the Committee approved when the line was established in 2008.

(4) TAXATION BUSINESS GROUP

This group is charged with collection, administration, auditing and enforcement responsibilities for all taxes, fees, bonds, and licenses covered under Colorado tax laws. This group includes the Administrative Division, the Taxation and Compliance Division, the Taxpayer Service Division, the Tax Conferee, which carry out programmatic functions, and a Special Purpose section for administering various rebates, distributions, and grants.

Decision Item #7 - Refinance Severance Tax Collection and Administration

The Department has requested a decision item to refinance the costs of the collection and administration of the severance tax from the General Fund to the Severance Tax. Since current statutes require the General Fund to finance these costs, this issue can not be dealt with as a decision item. Therefore staff's recommendations will not include this refinancing. The request will be discussed later in the document in the section to discuss potential legislation.

(A) ADMINISTRATION

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

Staffing Summary	Taxation Business Group Administration			
	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management and Administration	2.0	2.0	2.0	2.0
Financial Services	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Total	6.0	6.0	6.0	6.0

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends an appropriation of \$547,363 and 6.0 FTE, comprised of \$544,767 General Fund and \$2,596 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Taxation Business Group - Administration				
	Total	FTE	General Fund	Cash Funds
FY 2011-12 Long Bill Appropriation	\$557,305	6.0	\$552,230	\$5,075
S.B. 11-076 (PERA Contributions)	<u>(15,301)</u>	<u>0.0</u>	<u>(15,162)</u>	<u>(139)</u>
FY 2011-12 Appropriation	\$542,004	6.0	\$537,068	\$4,936
Annualize S.B. 11-076 (PERA Contributions)	15,301	0.0	15,162	139
Indirect Costs Adjustments	<u>0</u>	<u>0.0</u>	<u>2,479</u>	<u>(2,479)</u>
FY 2011-12 Base Budget Request	\$557,305	6.0	\$554,709	\$2,596
2.0 Percent Personal Services Base Reduction	<u>(9,942)</u>	<u>0.0</u>	<u>(9,896)</u>	<u>(46)</u>
Staff Recommendation	\$547,363	6.0	\$544,813	\$2,550

Operating Expenses (Decision Item #4 - Line Item Consolidation)

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. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends an appropriation of \$14,050 General Fund.

(B) TAXATION AND COMPLIANCE DIVISION

This division enforces Colorado's tax laws. It 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's new Discovery Unit investigates the nexus or legal presence of taxpayers to determine if their presence in Colorado is sufficient to subject them to Colorado tax laws. Division staff also contacts delinquent taxpayers; verify licensing; issues distraint warrants; file property tax liens, transcripts of judgment, bankruptcy claims, writs of garnishment; and refer cases for criminal prosecution when necessary. The Division also manages the Joint Audit Program, the Joint Federal/State Motor Fuel Tax program and the Mineral Audit Program.

Taxpayer Business Group Taxation and Compliance (Including Mineral Audit Program)				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 request	FY 2012-13 Recommendation
Management and Administration	22.5	25.6	24.6	24.6
Revenue Agent	88.2	89.4	89.9	89.9
Compliance Agent	35.4	36.0	36.0	36.0
Tax Examiners	71.3	81.0	81.0	81.0

Taxpayer Business Group Taxation and Compliance (Including Mineral Audit Program)				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 request	FY 2012-13 Recommendation
Criminal Investigator	1.0	1.0	1.0	1.0
Program Assistants	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total	220.4	235.0	234.5	234.5

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends funding of \$15,682,048 and 224.3 FTE, comprised of \$15,475,873 General Fund, \$52,090 cash funds and \$154,085 reappropriated funds from the Mineral Audit Program. The recommendation includes an adjustment in reappropriated funds that results from a federal funding adjustment for the Mineral Audit Program, and the 2.0 percent personal services base adjustment. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Taxation Business Group - Taxation and Compliance Division					
	Total	FTE	General Fund	Cash Funds	Reapprop. Funds
FY 2011-12 Long Bill	\$15,927,078	224.8	\$15,773,199	\$52,090	\$101,789
SB 11-076 (PERA Contributions)	<u>(316,319)</u>	<u>0.0</u>	<u>(316,319)</u>	<u>0</u>	<u>0</u>
FY 2011-12 Appropriation	\$15,610,759	224.8	\$15,456,880	\$52,090	\$101,789
Annualization of SB 11-076	316,319	0.0	316,319	0	0
Annualization of HB 10-1193	(31,692)	(0.5)	(31,692)	0	0
Federal Grant Adjustment	<u>52,296</u>	<u>0.0</u>	<u>0</u>	<u>0</u>	<u>52,296</u>
FY 2012-13 Base Request	\$15,947,682	224.3	\$15,741,507	\$52,090	\$154,085
2.0 Percent Personal Services Base Reduction	(265,634)	0.0	(265,634)	0	0
Staff Recommendation	\$15,682,048	224.3	\$15,475,873	\$52,090	\$154,085

Operating Expenses (Decision Item #4 - Line Item Consolidation)

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. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends an appropriation of \$1,054,468, comprised of \$1,044,002 General Fund and \$10,466 cash funds.

Joint Audit Program (Decision Item #4 - Line Item Consolidation)

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. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends a continuation appropriation of \$131,244 General Fund.

Mineral Audit Program (Decision Item #4 - Line Item Consolidation)

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. Federal funds are from the Federal Minerals Management Service (MMS) as the Department conducts audits on their behalf on lands under federal control. There is a federal adjustment in the grant requested for this year that will increase the grant by \$100,687.

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. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends an appropriation of \$890,388 and 10.2 FTE, comprised of \$66,000 reappropriated funds from the State Land Board Administration Fund and the Oil and Gas Conservation Fund, and \$824,388 federal funds. Since this line item is primarily federal funded, staff has not included it in the 2.0 percent Personal Services base reduction.

(C) TAXPAYER SERVICE DIVISION

The Taxpayer Services Division facilitates the process of filing tax returns and understanding the state's tax system through outreach activities and by staffing a call center which answers questions from the taxpaying public. Efforts are also focused on distributing information through the media and by maintaining a website. The division maintains regional service centers in Grand Junction, Fort Collins, Denver, Colorado Springs, and Pueblo to serve walk-in taxpayers. It produces public information and education programs that enhance voluntary compliance. The staff not only provides information but also may resolve problems by updating or correcting a taxpayer's account or by explaining the department's position on the basis of tax law and policy.

This division collects local sales taxes on behalf of non-home-rule cities, counties, and special districts. It ensures that all taxpayer liabilities have been paid to other state agencies, as well as to the U.S. Internal Revenue Service, before a refund is issued. The division administers the property tax/rent heat/fuel grant program; severance taxes; the gasoline, special fuel, and aviation fuel

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

The following table provides information on the Division's personnel assignments.

Taxation Business Group Taxpayer Service Division				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management and Administration	4.0	4.0	4.0	4.0
Professionals	5.5	6.8	6.8	6.8
Tax Examiners	<u>66.7</u>	<u>65.9</u>	<u>66.1</u>	<u>66.1</u>
Total	76.2	76.7	76.9	76.9

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends an appropriation of \$4,608,929, and 75.4 FTE, comprised of \$4,510,344 General Fund and \$98,585 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Taxation Business Group - Taxpayer Service Division				
	Total	FTE	General Fund	Cash Funds
FY 2011-12 Long Bill	\$4,656,012	74.7	\$4,557,427	\$98,585
SB 11-076 (PERA Contribution Shift)	(86,558)	0.0	(86,558)	0
SB 11-184 (Tax Amnesty and Tax Expenditure Reporting)	341,911	0.0	0	341,911
HB 11-1300 (Conservation Easement Dispute Resolution)	55,048	0.0	55,048	0
Other Special Bills	<u>25,226</u>	<u>0.5</u>	<u>19,226</u>	<u>6,000</u>
FY 2011-12 Appropriation	\$4,991,639	75.2	\$4,545,143	\$446,496
Annualization of SB 11-076	86,558	0.0	86,558	0
Annualization of 2011 Special Bills	<u>(392,438)</u>	<u>0.2</u>	<u>(44,527)</u>	<u>(347,911)</u>
FY 2012-13 Base Request	\$4,685,759	75.4	\$4,587,174	\$98,585
2.0 Percent Personal Services Base Reduction	(76,830)	<u>0.0</u>	<u>(76,830)</u>	<u>0</u>
Staff Recommendation	\$4,608,929	75.4	\$4,510,344	\$98,585

Operating Expenses (Decision Item #4 - Line Item Consolidation)

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. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends an appropriation of \$402,510, comprised of \$402,010 General Fund and \$500 cash funds.

Fuel Tracking System (Decision Item #4 - Line Item Consolidation)

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 "off-the-top" moneys), pursuant to Section 43-4-201 (3) (a) (V), C.R.S. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

The Department's request incorporates the annualization of the S.B. 10-146 Statewide PERA contribution shift and the extension of the PERA contribution shift for FY 2011-12.

Staff recommends an appropriation of \$485,400 cash funds and 1.5 FTE from the Highway Users Tax Fund (HUTF). Under Section 43-4-201 (3) (a) (V), C.R.S., expenditures to administer this program are appropriated from the HUTF (not "off-the-top" moneys). The recommendation includes the 2.0 percent personal services base reduction approved by the Committee and annualization of S.B. 11-076 (PERA contribution rates).

(D) TAX CONFEREE

This section conducts pre-hearing conferences to resolve protests of tax assessments and refund denials, so that the dispute does not need to proceed to a formal administrative hearing. The tax conferee resolves about 95 percent of disputes at a pre-hearing conference. If a pre-hearing fails, tax conferee staff coordinate legal representation in hearings and lawsuits and facilitate settlements at any stage. Under section 29-2-106.1, C.R.S., Department staff may hear appeals of final decisions from home rule cities and counties.

Staffing Summary	Taxpayer Business Group Tax Conferee			
	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management and Administration	1.8	2.0	2.0	2.0
Tax Conferees	<u>8.7</u>	<u>10.1</u>	<u>10.2</u>	<u>10.2</u>
Total	10.5	12.1	12.2	12.2

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

Staff recommends an appropriation of \$2,606,253 and 12.2 FTE General Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table. The recommendation includes annualization of 2011 special bills and the 2.0 percent personal services base reduction.

Personal Services Calculation Taxation Business Group - Tax Conferee		
	FTE	General Fund
FY 2011-12 Long Bill	11.2	\$1,513,643
HB 11-1300 (Conservation Easement Dispute Resolution)	0.9	1,107,499
SB 11-076 (PERA Contributions)	<u>0.0</u>	<u>(21,435)</u>
FY 2011-12 Appropriation	12.1	\$2,599,707
Annualization of HB 11-1300	0.1	6,590
Annualization of SB 11-076	<u>0.0</u>	<u>21,435</u>
FY 2012-13 Base Request	12.2	\$2,627,732
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(21,479)</u>
Staff Recommendation	12.2	\$2,606,253

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds subscriptions to legal research materials and phone charges, plus general office supplies. The Department requests an appropriation of \$69,489 General Fund. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Tax Administration line item.

The Department received an appropriation for H.B. 11-1300 (Conservation Easement Tax Credit Dispute Resolution) of \$44,885 General Fund for this line item in FY 2011-12 and the annualization of that appropriation reduced that appropriation by \$8,315.

Staff recommends an appropriation of \$61,174 General Fund.

(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.

Cigarette Tax Rebate

Pursuant to Section 39-22-623, C.R.S., this program distributes 27 percent of the gross state cigarette tax to incorporated cities and towns that levy taxes and adopt formal budgets as well as to counties. These distributions are made according to the state sales tax collection formula, 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.

Staff recommends reflecting Legislative Council staff's December 2011 estimate of \$11.2 million General Fund for this line. Staff requests permission to update and include the March 2012 Legislative Council estimate in the Long Bill. This figure is included in the Long Bill for informational purposes only.

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 is part of the 3 percent allocation to the General Fund (20%), the Old Age Pension Medical Fund (50%), and the Department of Revenue (30%). The Department requests a continuation budget of \$1,338,548 cash funds.

Based on the December 2011 Legislative Council Staff Economic Forecast, staff estimates that \$1,305,548 will be available for this line in FY 2011-12.

Staff recommends an appropriation of \$1,305,548 cash funds from the Tobacco Tax Cash Fund.

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. The Department requests an appropriation of \$7.8 million General Fund.

Staff recommends reflecting the Legislative Council staff's December 2010 estimate of \$7.6 million General Fund for this line. Staff requests permission to update and include the March 2012 Legislative Council estimate in the Long Bill. This figure is included in the Long Bill for informational purposes only.

Alternative Fuels Rebate

Pursuant to S.B. 11-163, the Alternative Fuels Rebate program has been eliminated. **Staff recommends an appropriation of \$0 for this line item.**

Commercial Vehicle Enterprise Sales Tax Refund (Decision Item #5)

House Bill 10-1286 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 bill stipulated that the General Assembly would annually appropriate the moneys required for the refund in the Long Bill.

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.

Decision Item #5 - Commercial Vehicle Enterprise Sales Tax Refunds

The Department has requested inclusion of this required appropriation in the Long Bill. It was included for FY 2011-12 in the Department of Revenue Supplemental. Staff discussed this issue in detail for supplementals and recommends the continuation of this line item in the FY 2012-13 Long Bill and subsequent years.

Staff recommends an appropriation of \$120,524 cash funds.

(5) DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles issues drivers licenses and state identification cards; keeps driver records; issues titles for and registers motor vehicles; regulates commercial driving schools; enforces interstate trucking laws through the ports of entry system; enforces the state's auto emissions program; oversees the Motorist Insurance Identification Database, and assists drivers who have been convicted of drunk driving with obtaining ignition interlock devices to enable those drivers to operate motor vehicles with restrictions placed upon them.

Decision Item #6 - Funding of Driver's License Operations

The Department has requested a decision item that would refinance driver's license office operations from the General Fund to the Licensing Services Cash Fund. This request has been included in a Joint Budget Committee bill (H.B. 12-1216), but staff will not include the refinancing in its recommendations. The bill itself contains an appropriation clause that refinances the driver's license operations.

(A) ADMINISTRATION

The Division's administrative functions are contained in this long bill group. Senior management and the budget and support functions of the entire division are contained within this section. The personnel of the section are shown in the table below. This section also administers the Motor Carrier Services Division.

Division of Motor Vehicles Administration				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Managers and Administration	0.4	1.0	1.0	1.0
Professionals	2.7	3.0	3.0	3.0
Policy Analysts and Financial Services	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
Total	10.1	11.0	11.0	11.0

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Division of Motor Vehicles Administration line item. The personal services component of that request is for \$914,985 cash funds and 11.0 FTE. The request only includes adjustments and annualizations.

Staff recommends an appropriation of \$899,811 cash funds and 11.0 FTE, comprised of \$367,613 General Fund, \$532,198 cash funds, including \$211,233 from HUTF "off-the-top" moneys. The recommendation includes the 2.0 percent personal services base reduction approved by the Committee. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Division of Motor Vehicles - Administration				
	Total	FTE	General Fund	Cash Funds
FY 2011-12 Long Bill	\$914,985	11.0	\$0	\$914,985
SB 11-076 (PERA Contribution Rates)	<u>(19,449)</u>	<u>0.0</u>	<u>0</u>	<u>(19,449)</u>
FY 2011-12 Appropriation	\$895,536	11.0	\$0	\$895,536
Annualization of HB 10-1387 (Finance Driver's Licenses)	0	0.0	522,292	(522,292)
FY 2012-13 Statutory Changes - Driver and Vehicle Services - Indirect Costs	0	0.0	9,939	(9,939)
Annualization of SB 11-076	19,449	0.0	0	19,449
Indirect Costs Adjustments	<u>0</u>	<u>0.0</u>	<u>(149,444)</u>	<u>149,444</u>
FY 2012-13 Base Request	\$914,985	11.0	\$382,787	\$532,198
2.0 Percent Personal Services Base Reduction	<u>(15,174)</u>	<u>0.0</u>	<u>(15,174)</u>	<u>0</u>
Staff Recommendation	\$899,811	11.0	\$367,613	\$532,198

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds telecommunications, general office supplies and printing costs. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Division of Motor Vehicles Administration line item. The operating expenses component of that request is for \$54,250 cash funds, including \$11,128 from the highway users tax fund. The request only includes adjustments and annualizations.

Staff recommends an appropriation of \$54,250, comprised of \$33,404 General Fund and \$20,846 cash funds, including \$11,128 cash funds from HUTF "off-the-top" moneys.

(B) DRIVER AND VEHICLE SERVICES

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

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

Division of Motor Vehicles Driver and Vehicle Services				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management and Administration	124.6	132.4	130.9	130.9
Accounting	2.9	3.0	3.0	3.0
Driver's License Managers	3.0	3.0	3.0	3.0
Driver's License Examiners	194.0	200.6	200.6	200.6
Professionals	13.4	5.9	5.9	5.9
Micrographic Equipment Operators	4.0	6.7	6.7	6.7
Compliance Investigators	<u>4.0</u>	<u>6.7</u>	<u>6.7</u>	<u>6.7</u>
Total	345.9	358.3	356.8	356.8

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Driver and Vehicle Services line item. The personal services component of that request is for \$16,613,712 cash funds and 350.1 FTE. The request only includes adjustments and annualizations.

Staff recommends an appropriation of \$16,330,923 total funds and 350.1 FTE, comprised of \$9,324,172 General Fund and \$7,006,751 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Division of Motor Vehicles - Driver and Vehicle Services Personal Services Calculation				
	Total	FTE	General Fund	Cash Funds
2010 Special bill appropriations	16,665,210	351.6	0	16,665,210
SB 11-076 (PERA Contribution Rates)	<u>(346,705)</u>	<u>0.0</u>	<u>0</u>	<u>(346,705)</u>
FY 2011-12 Appropriation	16,318,505	351.6	0	16,318,505
Annualization of FY 2011-12 Decision Item #4 (Funding Driver and Vehicle Services) /a	0	0.0	0	0
Annualization of HB 10-1387 (Finance Driver's License Offices)	0	0.0	9,351,125	(9,351,125)
Annualize SB 11-076	346,705	0.0	0	346,705
FY 2012-13 Statutory Changes - Driver and Vehicle Services - Indirect Costs	0	0.0	255,836	(255,836)
Annualization of Other Special Bills	<u>(51,498)</u>	<u>(1.5)</u>	<u>0</u>	<u>(51,498)</u>
FY 2012-13 Base Request	\$16,613,712	350.1	\$9,606,961	\$7,006,751

Division of Motor Vehicles - Driver and Vehicle Services Personal Services Calculation				
	Total	FTE	General Fund	Cash Funds
2.0 Percent Personal Services Base Reduction	(282,789)	0.0	(282,789)	0
Staff Recommendation	\$16,330,923	350.1	\$9,324,172	\$7,006,751

/a FY 2011-12 Decision Item #4 refinanced \$2,314,271 from the Licensing Services Cash Fund to the Highway Users Tax Fund off-the-top moneys.

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds costs including telecommunications, general office supplies, and printing costs. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Driver and Vehicle Services line item. The operating expenses component of that request is for \$2,070,166 cash funds. The Department's calculation unintentionally omitted the annualization of an FY 2011-12 supplemental (Driver's License Office Network Upgrades)

Staff recommends an appropriation of \$1,682,732 total funds, comprised of \$1,216,876 General Fund and \$465,856 cash funds. Staff's recommendation is detailed in the following table:

Division of Motor Vehicles - Driver and Vehicle Services Operating Expenses Calculation			
Description	Total	General Fund	Cash Funds
FY 2011-12 Long Bill	\$1,684,157	\$0	\$1,684,157
FY 2011-12 Supplemental #3 - Driver's License Office Network Upgrades	387,434	0	387,434
FY 2011-12 Appropriation	\$2,071,591	\$0	\$2,071,591
Annualization of FY 2011-12 Supplemental	(387,434)	0	(387,434)
Annualization of other Special Bills	(1,425)	0	(1,425)
Annualization of SB 10-1387 (Finance Driver's Licenses)	0	1,214,937	(1,214,937)
FY 2012-13 Statutory Changes - Driver and Vehicle Services - Indirect Costs	0	1,939	(1,939)
Staff Recommendation	\$1,682,732	\$1,216,876	\$465,856

Drivers License Documents (Decision Item # 1)

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.

The Department requests an appropriation of \$3,810,592 cash funds from the Licensing Services Cash Fund from the Identification Security Fund, which is funded through a fee of \$0.60 charged for each document issued.

Decision Item # 1 - Driver's License Document Mailing Expense

The Department requests an appropriation of \$389,755 General Fund, which includes an increase of \$476,700 in this line, offset by a decrease of \$86,945 in the Central Department Operations Division, Operating Expenses.

The Department contracts with L1 Secure Credentialing, Inc. (the successor to Digimarc Corporation) to produce and mail driver's licenses to driver's license applicants and renewals. Digimarc original contract had a fixed price for the mailing of driver's licenses for \$86,945. The Department projects that approximately 1.4 million documents will be mailed, which at the fixed price works out to a price of about \$0.06 per document.

L1 has notified the State that it does not intend to extend that provision of the contract beyond June 30, 2012. The Department estimates that postage will cost increase by \$389,755 from the current \$86,945 for a total cost of \$476,700. The Department request is also to transfer the entire postage expense to this line item, which will result in the entire appropriation for the production and mailing of driver's license in one line item of the Long Bill.

Because of the federal Real ID Act, producing driver's licenses today is a highly specialized services. Materials and security features offered by L1 are not commercially available. The Real ID Act requirements include the need for factory security, in-depth background checks of all employees, and secure materials handling and card construction process. The Department is not aware of any other company in the country that can provide these services.

If the appropriation is not increased, the Department will not have sufficient funds to mail all driver's licenses that have been requested by citizens of Colorado. By the Department's estimate, the appropriation will be unable to mail approximately 120,000 licenses (out of almost 1.4 million).

Staff recommends approval of Decision Item #1, Driver's License Document mailing expenses, an increase of \$389,755 General Fund. If H.B. 12-1216 (Refinance driver's licenses) is enacted into law, these expenses would be appropriated from the Licensing Services Cash Fund.

Staff recommends an appropriation of \$4,314,318 cash funds, comprised of \$3,561,141 from the General Fund and \$753,177 cash funds from the Identification Security Fund.

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. The Department requests \$6,545,416 cash funds from the License Plate Cash Fund, which includes 2011 session special bill appropriations of \$112,680 and annualization of those bills that decreases the appropriation by \$86,040.

Staff Initiated Reduction

Staff has noted large reversions in this line for several years. The following table shows the appropriations and expenditures for the last four actual years, the estimates for the current year, and the request year.

License Plate Appropriations and Expenditures						
	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Estimate	FY 2012-13 Request
Appropriation	\$5,449,178	\$5,465,550	\$6,580,143	\$6,568,860	\$6,631,456	\$6,545,416
Expenditures	5,449,138	5,979,714	4,185,258	3,805,827	3,881,692	3,918,956
Reversions	\$40	(\$514,164)	\$2,394,885	\$2,763,033	\$2,749,764	\$2,626,460

Starting with FY 2009-10, the Department changed its policy towards ordering license plates from Correctional Industries. Prior to FY 2009-10, the Department had purchased all of the license plates it was appropriated and the counties kept large inventories of license plates. Starting in FY 2009-10, the Department instituted a license plate management system, and has moved to quarterly ordering of license plates. The counties were compelled to hold much leaner inventories of license plates through inventory management and redistribution of excess inventory among the counties. These practices have allowed the Department to utilize the excess plate inventory rather than manufacture new license plates.

With the new inventory management system in place, and with the reduction in motor vehicles sold because of the 2008-09 recession, the Department has stated that it could manage its license plate inventory with a lower appropriation. It is important to note that as inventory is being worked off, and (if) automobile sales return to 2007 levels, the Department will not be able to continue to manage inventories within the levels indicated by expenditures in FY 2009-10 and FY 2010-11. The Department agrees that it could reduce appropriations by \$1.25 million in FY 2012-13.

Staff recommends an appropriation of \$5,295,416 cash funds from the License Plate Cash Fund. This will provide a cushion for increased sales of vehicles.

(C) VEHICLE EMISSIONS

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

Division of Motor Vehicles Vehicle Emissions				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Administration	3.3	2.0	2.0	2.0
Professionals	10.1	2.0	2.0	2.0
Inspectors	<u>1.0</u>	<u>13.0</u>	<u>11.0</u>	<u>11.0</u>
Total	14.4	17.0	15.0	15.0

Personal Services (Budget Amendment #2, Decision Item #4 - Line Item Consolidation)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Vehicle Emissions line item. The personal services component of that request is for \$1,082,592 cash funds and 15.0 FTE. The request includes continuation of a negative supplemental appropriation that reduced the appropriation by \$114,503 and 2.0 FTE.

Budget Amendment #2 - Vehicle Emission Program FTE Reduction

Pursuant to a recommendation made in a performance audit conducted by the Office of the State Auditor (OSA) and released in September 2010, the Department conducted a detailed analysis of the operations of the Vehicle Emissions Section of the Division of Motor Vehicles. This Section is charged with monitoring the State's vehicle emissions testing program

The majority of the findings of the OSA of the OSA recommendation relate to the program's field staff. In response to the OSA recommendation, the Department analyzed detailed accounts of weekly and monthly activities reported on employee time-keeping reports. The analysis found that approximately 17,787 hours per year are required of the field staff, which equates to 9.0 FTE. The program is currently appropriated 11.0 FTE. The Department requests a reduction of 2.0 FTE, and the concurrent spending authority, which annualizes to \$117,127. The Operating Expense component of this adds \$1,900 to the personal services component for a total FY 2012-13 reduction of \$119,027

Staff recommends a continuation appropriation of \$1,063,169 cash funds and 15.0 FTE from the AIR Account. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Division of Motor Vehicles - Vehicle Emissions		
	FTE	Cash Funds
FY 2011-12 Long Bill Appropriation	17.0	\$1,198,995
SB 11-076 (PERA Contribution Rates)	0.0	(22,102)
FY 2011-12 Supplemental (FTE Reduction)	(2.0)	(114,503)
FY 2012-12 Appropriation	15.0	\$1,062,390

Personal Services Calculation Division of Motor Vehicles - Vehicle Emissions		
	FTE	Cash Funds
Annualization of SB 11-076	0.0	22,102
Annualization of Supplement (FTE Reduction)	0.0	(2,624)
FY 2012-13 Base Request	15.0	\$1,081,868
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(18,699)</u>
Staff Recommendation	15.0	\$1,063,169

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds telecommunications, general office supplies, and printing costs. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Vehicle Emissions line item. The operating expenses component of that request is for \$86,825 cash funds.

Staff recommends a continuation appropriation of \$86,825 cash funds from the AIR Account.

(D) TITLES

The Titles program is responsible for the issuance of legal, negotiable certificates of title to prove vehicle ownership and protect the public when purchasing motor vehicles. Program staff review all high-risk title applications to verify that the assignment of ownership has been properly made. The program also assists the public, counties, law enforcement agencies and other state agencies by responding to other information requests and is responsible for managing and maintaining all title records. The program is funded through the Colorado State Titling and Registration (CSTARS) Account, a sub-account of the Highway Users Tax Fund.

Division of Motor Vehicles Titles				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Professionals and Managers	2.9	4.3	4.3	4.3
Administration	<u>29.4</u>	<u>27.8</u>	<u>27.8</u>	<u>27.8</u>
Total	32.3	32.1	32.1	32.1

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Titles Services line item. The personal services component of that request is for \$1,647,755 cash funds and 32.1 FTE.

Staff recommends a continuation appropriation of \$1,621,393 and 32.1 FTE cash funds from the CSTARS Account. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Division of Motor Vehicles - Titles		
	FTE	Cash Funds
FY 2011-12 Long Bill Appropriation	32.1	\$1,647,755
SB 11-076 (PERA Contribution Rates)	<u>0.0</u>	<u>(33,602)</u>
FY 2011-12 Appropriation	32.1	\$1,614,153
Annualization of SB 11-076	<u>0.0</u>	<u>33,602</u>
FY 2012-13 Base Request	32.1	\$1,647,755
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(26,362)</u>
Staff Recommendation	32.1	\$1,621,393

Operating Expenses (Decision Item #5 and Decision Item #4 - Line Item Consolidation)

This line item funds the programs telecommunications costs, general office supplies, and printing costs. In addition this program funds Titles Digital Imaging Storage Costs. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Titles line item. The operating expenses component of that request is for \$305,574 cash funds. The request only includes adjustments and annualizations.

Decision Item # 5 - National Motor Vehicle Title Information System Operating Expenses

The Department is requesting \$95,000 cash funds from the CSTAR Account to fund the State's participation in and use of the National Motor Vehicle Title Information System (NMVTIS). This was approved as a budget amendment in FY 2010-11 and a decision item in FY 2011-12 as one-time increases due to the solvency issues with the CSTAR account. As legislation passed in the 2011 session that addressed the solvency of the CSTAR account, the Department requests permanent funding of this appropriation.

The Department was informed, that beginning October 1, 2010, it will be charged for the maintenance and use of the NMVTIS. The system was created under the Federal Anti Car Theft Act of 1992, which was to deter trafficking in stolen vehicles by strengthening law enforcement against auto theft, combating auto title fraud, preventing "chop shop" related thefts, and inspecting exports for stolen vehicles. In 1996, the act was revised and responsibility for the system was transferred to the U.S. Department of Justice (DOJ).

Federal law allows the DOJ to contract the operation of the system to a third party. The American Association of Motor Vehicle Administrators has been the system operator since 1992. The system was designed to allow the titling agency to verify the information on the paper title with the electronic data from the state that issued the title, and the system provides law enforcement agencies with a tool to assist in reducing auto theft and vehicle title related crimes.

Prior to October 1, 2010, the system had been funded by the DOJ. DOJ notified the system operator that as of that date, it would no longer fund the system's operating costs. These costs must now be borne by the states that use the system. Colorado's share of the annual operating costs are \$95,000 for FY 2012-13.

The Department's base appropriation for Operating Expenses is \$210,574, so this request, if not approved, would represent almost half of the appropriation. The use of the system is mandated by Federal law and non-compliance by the State could jeopardize federal highway dollars designated for Colorado. Therefore, the Department would have to forego other expenses, primarily imaging and storage of title related documents.

Staff recommends approval of the Department's request for an increase of \$95,000 cash funds for the expenses of operating the NMVTIS.

Staff recommends an appropriation of \$305,574 cash funds from the CSTAR Account.

(E) 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 \$0.50 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 MIIDB Account. House Bill 11-1182 reduced the fee to \$0.10 effective July 1, 2011.

Division of Motor Vehicles Motorist Insurance Identification Database Program				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Administration	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total	0.9	1.0	1.0	1.0

Personal Services (Decision Item #4)

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Motorist Insurance Identification Database Program line item. The personal services component of that request is for \$333,017 cash funds and 32.1 FTE. The appropriation is primarily for contract services which pays the State Internet Portal Authority to maintain this database.

Decision Item #4 - Line Item Consolidation

Because this line item contain only 1.0 FTE, and the majority of the appropriation goes for contracts to maintain the database, and because the Operating Expenses line item appropriation is \$500, **Staff**

recommends approval of the Department's request to consolidate the Personal Services and Operating Expenses lines in this division.

Staff recommends an appropriation of \$0 and 0.0 FTE.

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds telecommunications, general office supplies, and printing costs. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Motorist Insurance Identification Database Program line item.

Staff recommends an appropriation of \$0 cash funds.

Motorist Insurance Identification Database Program (New Line Item)

Staff's recommendation for this line, as discussed in the Personal Services line above, is to consolidate this line item, with an **appropriation of \$329,791 cash funds** and 1.0 FTE from the Motorist Insurance Identification Database Account of the HUTF. The appropriation is detailed in the following table.

Personal Services Calculation Division of Motor Vehicles - Motorist Insurance Identification Database Program		
	FTE	General Fund
<u>FY 2010-11 Long Bill Appropriation</u>		
Personal Services	1.0	\$330,017
Operating Expenses	0.0	500
SB 11-076 (PERA Contribution Rates)	<u>0.0</u>	<u>(783)</u>
FY 2011-12 Appropriation	1.0	\$329,734
Annualize SB 11-076	<u>0.0</u>	<u>783</u>
FY 2012-13 Base Request	1.0	\$330,517
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(726)</u>
Staff Recommendation	1.0	\$329,791
Personal Services	1.0	329,291
Operating Expenses	0.0	500

(F) 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 can not afford an ignition interlock system to purchase them so they can continue to drive to work. The fund also supports high-visibility drunk-driving enforcement actions administered by the Department of Transportation.

Division of Motor Vehicles Ignition Interlock Program				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management and Administration	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total	5.0	5.0	5.0	5.0

Personal Services (Decision Item #4 - Line Item Consolidation)

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 personal services component of that request is for \$211,931 cash funds and 5.0 FTE.

Staff recommends an appropriation of \$208,214 and 5.0 FTE cash funds from the First Time Drunk Driving Offender Account. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Division of Motor Vehicles - Ignition Interlock Program		
	FTE	General Fund
FY 2011-12 Long Bill Appropriation	5.0	\$211,931
SB 11-076 (PERA Contribution Rates)	0.0	(3,874)
FY 2011-12 Appropriation	5.0	\$208,057
Annualization of SB 11-076	0.0	3,874
FY 2012-13 Base Request	5.0	\$211,931
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(3,717)</u>
Staff Recommendation	5.0	\$208,214

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line pays for the purchase of ignition interlock devices that are then provided to first-time drunk-driving offenders who cannot afford them. It also pays for office supplies, telecommunications services and printing costs. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Ignition Interlock Program line item. The personal services component of that request is for \$934,842 cash funds.

Staff recommends an appropriation of \$934,842 cash funds from the First Time Drunk Driving Offender Account.

(6) MOTOR CARRIER SERVICES

This Division includes the Port of Entry (POE) Section and the International Registration Plan (IRP) section. The Port of Entry Section ensures compliance with statutory weight and size restrictions for commercial vehicles and is required to file an annual State Size and Weight Enforcement Plan for approval by the Federal Highway Administration, which qualifies Colorado for Federal funding of its highway infrastructure. The POE also enforces hazardous material transport requirements and verifies compliance with registration requirements for the various state and federal programs.

This division registers motor carriers; collects fuel taxes; collects registration fees charged to fuel distributors, petroleum storage companies, and interstate carriers; and enforces laws concerning both owners and operators of motor carriers. As part of these responsibilities, the Division operates ten static (with 17 facilities) and ten mobile ports.

House Bill 10-1113 transferred the Motor Carrier Safety Assistance Program to the Department of Public Safety, Colorado State Patrol on August 15, 2010. That transfer included 10.0 FTE that were in this Division. House Bill 12-1019 proposes to transfer the Ports of Entry and the Hazardous Material Permitting Program to the Colorado State Patrol in the Department of Public Safety.

Highway Users Tax Fund Off-the-Top Appropriation

Highway Users Tax Fund (HUTF) off-the-top moneys are authorized by Section 43-4-201 (3) (a) (III) (C), C.R.S. to be appropriated, for the supervision of the highways, to the Department of Public Safety for the Colorado State Patrol and the Department of Revenue for the Ports of Entry Program. The term "off-the-top" refers to these uses that are appropriated from the total HUTF revenues before the statutory distributions to the State Highway Fund and the cities and counties.

Off-the-top appropriations are allowed to grow by no more than 6.0 percent over the previous fiscal year's appropriation, regardless of the growth of the revenues to the HUTF. The following table details the FY 2012-13 HUTF off-the-top appropriations.

FY 2012-13 HUTF Off-the-top JBC Staff Recommendations		
	FY 2011-12 Appropriation	FY 2012-13 Request
Allowable appropriation for off-the-top moneys (6% growth over the prior year appropriation)	\$122,374,828	\$118,982,354
<u>Appropriations to the Department of Public Safety</u>		
Long Bill appropriation for the Colorado State Patrol	99,950,034	105,550,782
S.B. 11-076 (PERA Contribution Rates)	(1,306,630)	0
H.B. 11-1195 (Supplemental to Dept. Public Safety)	1,473,950	0
<u>Appropriations to the Department of Revenue</u>		
Long Bill appropriation for the Ports of Entry	9,733,526	10,085,211
Long Bill appropriation for Division of Motor Vehicles	2,349,622	0
S.B. 11-076 (PERA Contribution Rates)	(149,580)	0
Other 2011 Session Legislation	6,740	0

FY 2012-13 HUTF Off-the-top JBC Staff Recommendations		
	FY 2011-12 Appropriation	FY 2012-13 Request
H.B. 12-1198 (Supplemental to Dept. of Revenue)	189,842	0
Capital Construction for Ports of Entry	<u>0</u>	<u>2,263,218</u>
Total Off-the-top Appropriations	\$112,247,504	\$117,899,211
Appropriation Under / (Over) the Limit	\$10,127,324	\$1,083,143

The appropriations requested by both Departments are under the 6.0 percent limit in FY 2012-13 by \$1.1 million. House Bill 12-1019 (Transfers Ports of Entry to State Patrol) would increase the off-the-top appropriation by \$548,161, and the amount under the limit would be reduced to \$534,982.

Personal Services (Decision Item #3 and #4)

Motor Carrier Services (Includes Motor Carrier Safety Assistance Program for FY 2010-11 and Hazardous Materials Permitting Program)				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Managers and Professionals	6.5	5.0	5.0	5.0
Administration	2.3	2.0	2.0	2.0
Tax Examiners	4.0	4.0	4.0	4.0
Ports Officers	111.5	109.8	113.8	113.8
Driver's License Examiner	<u>2.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Total	126.3	123.8	127.8	127.8

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 Department has requested, as part of Decision Item #4, to combine this line item into the proposed Motor Carrier Services line item. The personal services component of that request is for \$7,097,869 total funds and 124.1 FTE. The request includes \$559,056 General Fund (for the IRP) and \$6,538,813 cash funds from the Highway Users Tax Fund (HUTF) off-the-top (for POE).

Decision Item #3 - Loma Port Staffing

The Department requests continuation of a FY 2011-12 supplemental that increased the Department's appropriation for the Ports of Entry section by \$193,171 cash funds from the HUTF and 4.0 FTE to operate the westbound Port at Loma (Interstate 70 near the Utah state line).

Under a joint agreement with the State of Utah, Utah had been operating the westbound Port of Entry at Loma, Colorado, enforcing laws and regulations on westbound commercial traffic on behalf of both states. Colorado, likewise, operated the eastbound Port of Entry. On April 11, 2011, the State of Utah notified, pursuant to the term of the joint agreement, that it was terminating the joint operating

agreement between the states effective May 11, 2011. The Department was able to keep the Port open through the end of that fiscal year (about seven weeks), but would have been unable to keep it open for a full fiscal year without jeopardizing the operations of other ports.

The Department sought and received approval of an interim supplemental to keep the Loma Port open for FY 2011-12. This request is to continue those operations in permanently. If the westbound Port is not kept open, commercial traffic headed westbound on I-70 will have to exit the highway at the Loma exit, travel south over the highway to the eastbound Port, then after finishing, reverse the route to get back on westbound I-70. In addition, as commercial traffic through the Port would double, delays would increase for both directions, adding to the inconvenience of commercial traffic. In addition, there may be additional damage to the bridge over I-70 because of the additional traffic that will now have to use that bridge.

Staff recommends approval of Decision Item #3, Loma Port Staffing, which will increase the line items in the Long Bill.

Line Item	Amount
Executive Directors Office, Utilities	\$5,700
Central Department Operations Division, Postage	528
Motor Carrier Services	
Personal Services	164,331
FTE	4.0
Operating Expenses	<u>22,612</u>
Total For Decision Item #3	\$193,171

Staff recommends an appropriation of \$6,777,307 and 124.1 FTE, comprised of \$549,560 General Fund and \$6,427,747 cash funds from HUTF "off-the-Top" moneys. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Motor Carrier Services Division				
	Total	FTE	General Fund	Cash Funds (HUTF)
FY 2011-12 Long Bill Appropriation	\$6,933,538	120.1	\$559,056	\$6,374,482
SB 11-076 (PERA Contribution Rate)	(146,843)	0.0	(11,747)	(135,096)
FY 2011-12 Supplemental (Loma Port Staffing)	<u>164,331</u>	<u>4.0</u>	<u>0</u>	<u>164,331</u>
FY 2011-12 Appropriation	\$6,951,026	124.1	\$547,309	\$6,403,717
Annualize SB 11-076	146,843	0.0	11,747	135,096
Annualize FY 2011-12 Supplemental	<u>(164,331)</u>	<u>(4.0)</u>	<u>0</u>	<u>(164,331)</u>

Personal Services Calculation Motor Carrier Services Division				
	Total	FTE	General Fund	Cash Funds (HUTF)
FY 2012-13 Base Request	\$6,933,538	120.1	\$559,056	\$6,374,482
FY 2012-13 Decision Item #3 - Loma Port Staffing	<u>164,331</u>	<u>4.0</u>	<u>0</u>	<u>164,331</u>
FY 2012-13 Department Request	\$7,097,869	124.1	\$559,056	\$6,538,813
2.0 Percent Personal Services Base Reduction	<u>(120,562)</u>	<u>0.0</u>	<u>(9,496)</u>	<u>(111,066)</u>
Staff Recommendation	\$6,977,307	124.1	\$549,560	\$6,427,747

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item includes funds telecommunications, general office supplies, and printing costs. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Motor Carrier Services line item. The operating expenses component of that request is for \$537,917 cash funds from the HUTF, which includes \$22,612 from Decision Item #3.

Staff recommends an appropriation of \$537,917, comprised of \$38,045 General Fund, and \$499,872 cash funds from the HUTF "off-the-top" moneys.

Fixed and Mobile Port Maintenance (Decision Item #4 - Line Item Consolidation)

This line item was created to address ongoing maintenance and repair needs for the fixed and mobile ports of entry, to ensure that the ports remain safe and operational. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Motor Carrier Services line item. The Fixed and Mobile Port Maintenance component of that request is for \$221,545 cash funds from the HUTF.

Staff recommends a continuation appropriation of \$221,545 cash funds from the HUTF "off-the-top" moneys.

Motor Carrier Safety Assistance Program

House Bill 10-1013 transferred this program to the Colorado State Patrol in the Department of Public Safety, effective August 15, 2010. The annualization of the bill transferred all remaining funding from the Department of Revenue for FY 2011-12. **No appropriation is recommended for FY 2012-13.**

Hazardous Materials Permitting Program (Decision Item #4 - Line Item Consolidation)

The Hazardous Materials Permitting Program monitors compliance with hazardous materials transportation regulations. There are 4.0 FTE associated with this program who perform safety inspections of hazardous materials transported on Colorado roadways. The Department has requested, as part of Decision Item #4, to combine this line item into the proposed Motor Carrier Services line item. The Fixed and Mobile Port Maintenance component of that request is for \$210,210 cash funds from the Hazardous Materials Safety Fund. The request includes an annualization of the S.B. 11-076 PERA contribution shift.

Staff recommends a continuation appropriation of \$206,949 and 3.7 FTE cash funds from the Hazardous Materials Safety Fund. This recommendation includes a decrease of \$3,261 to implement the Committee approved 2.0 percent personal services base reduction.

(7) ENFORCEMENT BUSINESS GROUP

This group regulates limited gaming; enforces the State's liquor and tobacco laws; licenses liquor retailers, wholesalers, and manufacturers; regulates live horse racing events and off-track pari-mutuel wagering; regulates and licenses the motor vehicle dealer industry; adjudicates complaints related to drivers licenses, liquor licenses, certain racing licenses, and some tax disputes; and pursuant to H.B. 10-1284, licenses and regulates the medical marijuana industry.

(A) ADMINISTRATION (Decision Item #4 - Line Item Consolidation)

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

Enforcement Business Group Administration					
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation	
Management / Administration	2.0	2.0	2.0		
Professionals - Financial Services	<u>5.5</u>	<u>6.0</u>	<u>6.0</u>		
Total	7.5	8.0	8.0		

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 increases or base reductions. The Department has requested, as part of Decision Item #4, to consolidate this line item with the Operating Expenses line item in this Division. The personal services component of the Department's request is an appropriation of \$629,903, and 8.0 FTE including \$13,810 General Fund.

Staff recommends funding of \$618,164 and 8.0 FTE, comprised of \$13,553 General Fund, \$508,442 cash funds from various sources, and \$96,169 reappropriated funds from the Limited Gaming Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Administration					
		FTE	General Fund	Cash Funds	Reapprop. Funds
FY 2011-12 Long Bill Appropriation	\$629,903	8.0	\$27,356	\$500,436	\$102,111
SB 11-076 (PERA Contribution Rates)	<u>(12,324)</u>	<u>0.0</u>	<u>(530)</u>	<u>(9,795)</u>	<u>(1,999)</u>
FY 2011-12 Appropriation	\$617,579	8.0	\$26,826	\$490,641	\$100,112
Annualization of SB 11-076	12,324	0.0	530	9,795	1,999
Indirect Costs Adjustments	<u>0</u>	<u>0.0</u>	<u>(13,546)</u>	<u>17,662</u>	<u>(4,116)</u>

Personal Services Calculation					
Enforcement Business Group - Administration					
FY 2012-13 Base Request	\$629,903	8.0	\$13,810	\$518,098	\$97,995
2.0 Percent Personal Services Base Reduction	(11,739)	0.0	(257)	(9,656)	(1,826)
Staff Recommendation	\$618,164	8.0	\$13,553	\$508,442	\$96,169

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds expenses such as telecommunications expenses, general office supplies, and printing costs. The operating expenses component of the Department's request is a continuation appropriation of \$12,780, including \$598 General Fund.

Staff recommends an appropriation of \$12,780, comprised of \$598 General Fund, \$10,940 cash funds and \$1,242 reappropriated funds.

(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. However, 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.

Enforcement Business Group					
Limited Gaming Division					
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation	
Management and Administration	4.5	10.0	10.0	10.0	
Licensing	9.0	7.7	7.7	7.7	
Professionals - Financial Services	22.6	20.7	20.7	20.7	
Investigators	<u>45.8</u>	<u>47.0</u>	<u>47.0</u>	<u>47.0</u>	
Total	81.9	85.4	85.4	85.4	

Personal Services (Decision Item #4 - Line Item Consolidation)

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 personal services component of the Department's request is \$6,849,334 cash funds and 85.4 FTE.

Staff recommends reflecting an appropriation of \$6,733,305 and 85.4 FTE cash funds from the Limited Gaming Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Limited Gaming Division		
	FTE	Cash Funds
FY 2011-12 Long Bill Appropriation	85.4	\$6,849,334
SB 11-076 (PERA Contribution Rates)	<u>0.0</u>	<u>(139,404)</u>
FY 2011-12 Appropriation	85.4	\$6,709,930
Annualization of SB 11-076	<u>0.0</u>	<u>139,404</u>
FY 2012-13 Base Request	85.4	\$6,849,334
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(116,029)</u>
Staff Recommendation	85.4	\$6,733,305

Operating Expenses (Decision Item #4)

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

Decision Item #4 - Line Item Consolidation

The Department request for Decision Item #4 includes consolidating the Personal Services, Operating Expenses, Licensure Activities, and Investigations into a single line item titled Limited Gaming Administration. While staff does not recommend combining Personal Services with Operating Expenses (as explained at the front of this document), staff does recommend consolidating Licensure Activities and Investigations into the Operating Expenses line item.

Licensure Activities and Investigations fall within the broad category of Operating Expenses, and so staff believes that keeping them separate, other than providing additional detail in the Long Bill for detail's sake, does not serve the General Assembly's best interests in controlling the appropriation.

Operating Expenses line items, throughout this and other departments, contain a broad range of spending categories such as maintenance and repair services, rental of equipment, freight, travel expenses, variable vehicle expenses such as fuel, oil, and tires, telecommunications services, copiers, printers, and other supplies, postage, non-capitalized equipment and furniture (costing less than \$50,000), and general office supplies. Adding these two categories to the existing list of operating

expenses would not, in staff's estimation, materially affect the General Assembly's appropriation powers.

Staff recommends consolidation of Licensure Activities and Investigations into the Operating Expenses line item, and recommends reflecting an appropriation \$1,332,689 cash funds from the Limited Gaming Fund. This is a continuation appropriation for all three combined line items.

Licensure Activities (Decision Item #4 - Line Item Consolidation)

This line item funds costs associated with licensing of individuals associated with the gaming industry, including costs such as issuing badges, collecting applicant fingerprints, conducting computer searches, and other associated background checks. The Department is requesting a continuation appropriation.

Staff recommends consolidating this line item into the Operating Expenses line item.

Investigations (Decision Item #4 - Line Item Consolidation)

This line item funds cost associated with conducting background checks prior to licensing casino personnel, owners, and equipment manufacturers. Licensing often requires more detailed background checks and investigations, which is paid for in full by the applicants. The FY 2008-09 request is based on a continuation appropriation.

Staff recommends consolidating this line item into the Operating Expenses line item.

Payments to Other State Agencies

This line item funds the costs associated with other State agencies performing work for and related to Limited Gaming. These agencies include the Colorado State Patrol, Colorado Bureau of Investigations, Division of Fire Safety, and Department of Local Affairs. The Department requests an appropriation \$3,853,589, which includes a Gaming Commission adjustment of \$514,963.

Staff recommends reflecting the Department request of \$3,853,589 cash funds.

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 largely exceed the appropriations for this year. 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 within the appropriation.

The following table details actual payments to gaming cities and counties, as opposed to the amounts that are reflected in the actual expenditures in the numbers pages.

Distributions as Reflected in State's Financial Reports Compared to Actual Expenditures to Limited Gaming Cities and Counties		
	FY 2009-10	FY 2010-11
Annual Appropriations	\$23,788,902	\$23,788,902
Expenditures as reflected in Department's numbers pages	96,742,402	95,307,995
Actual Distributions, as reflected in annual report.	21,283,328	20,972,017

Staff recommends reflecting an appropriation of \$23,788,902 cash funds.

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. The Department requests an appropriation of \$411,194. The Department's request includes adjustment due to the refinancing of driver's license offices, which requires separate legislation and therefore is not part of staff's recommendation.

Staff recommends reflecting the Department request of \$443,219 cash funds.

CONSOLIDATION OF LIQUOR ENFORCEMENT DIVISION AND TOBACCO ENFORCEMENT PROGRAM

Part of the Department's Decision Item #4 is a to consolidate the Liquor Enforcement Division and the Tobacco Enforcement Program into one division. The Tobacco Enforcement Program is already administered by the Liquor Enforcement Division. The Liquor Enforcement Division licenses, regulates, and enforces state law regarding the manufacture, distribution and sale of alcoholic beverages, while the Tobacco Enforcement Program is primarily concerned with enforcing laws against underage purchase of tobacco products. Both programs utilize criminal investigators and often investigate retailers who are selling both alcohol and tobacco products. Staff agrees with the Department that consolidation of these functions would allow the Department to utilize its resources more efficiently in the enforcement of both alcohol and tobacco laws.

Staff recommends approval of the Department's request to consolidate the Liquor Enforcement Division with the Tobacco Enforcement Program. The following table provides a summary of the combined personal services for the proposed Division.

Enforcement Business Group Liquor and Tobacco Enforcement Division				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management/Administration	3.0	3.0	3.0	3.0
Licensing	3.4	3.7	3.7	3.7
Investigators	<u>19.0</u>	<u>19.8</u>	<u>19.8</u>	<u>19.8</u>
Total	25.4	26.5	26.5	26.5

Personal Services (Decision Item #4 - Line Item Consolidation)

Staff recommends a Personal Services appropriation of \$2,124,610 and 26.5 FTE, comprised of \$134,498 General Fund and \$1,990,112 from cash funds. The following table details staff's calculations in making the Personal Services recommendation. The Operating Expenses recommendation is for continuation funding.

Personal Services Calculation Enforcement Business Group Liquor and Tobacco Enforcement Division				
	Total	FTE	General Fund	Cash Funds
FY 2011-12 Long Bill Appropriation - Liquor Enforcement Division	\$1,662,535	19.5	\$0	\$1,662,535
FY 2011-12 Long Bill Appropriation - Tobacco Enforcement Program	496,919	7.0	142,451	354,468
SB 11-076 (PERA Contribution Rates)	<u>(40,623)</u>	<u>0.0</u>	<u>(2,480)</u>	<u>(38,143)</u>
FY 2011-12 Appropriation (Combines Liquor Enforcement Division and Tobacco Enforcement Program)	\$2,118,831	26.5	\$139,971	\$1,978,860
Annualize SB 11-076	<u>40,623</u>	<u>0.0</u>	<u>2,480</u>	<u>38,143</u>
FY 2012-13 Base Request	\$2,159,454	26.5	\$142,451	\$2,017,003
2.0 Percent Personal Services Base Reduction	<u>(34,844)</u>	<u>0.0</u>	<u>(7,953)</u>	<u>(26,891)</u>
Staff Recommendation	\$2,124,610	26.5	\$134,498	\$1,990,112

Operating Expenses (Decision Item #4 - Line Item Consolidation)

Staff recommends an Operating Expenses appropriation of \$87,705, comprised of \$7,201 General Fund and \$80,504 cash funds.

(C) LIQUOR ENFORCEMENT DIVISION

Staff recommends consolidation of this Division into the Liquor and Tobacco Enforcement Division.

(D) TOBACCO ENFORCEMENT PROGRAM

Staff recommends consolidation of this Division into the Liquor and Tobacco Enforcement Division

(E) 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.

Enforcement Business Group Division of Racing Events					
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation	
Management and Administration	1.7	1.7	1.7	1.7	
Investigators/Auditors	3.5	5.0	5.0	5.0	
General Professionals/Field Operations	0.5	1.5	1.5	1.5	
Veterinarians	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	
Total	6.1	8.7	8.7	8.7	

Personal Services (Decision Item #4 - Line Item Consolidation)

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.

Staff recommends an appropriation of \$1,111,010 and 8.7 FTE cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Division of Racing Events		
	FTE	Cash Funds
FY 2011-12 Long Bill	8.7	\$1,124,123
SB 11-076 (PERA Contribution Rate)	<u>0.0</u>	<u>(16,901)</u>
FY 2011-12 Appropriation	8.7	\$1,107,222
Annualization of SB 11-076	<u>0.0</u>	<u>16,901</u>
FY 2012-13 Base Request	8.7	\$1,124,123
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(13,113)</u>
Staff Recommendation	8.7	\$1,111,010

Operating Expenses (Decision Item #4)

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

Decision Item #4 - Line Item Consolidation

The Department request for Decision Item #4 includes consolidating the Personal Services, Operating Expenses, Laboratory Services, Commission Meeting Costs, and Racetrack Applications into a single line item titled Racing Administration. While staff does not recommend combining Personal Services with Operating Expenses (as explained at the front of this document), staff does recommend consolidating Laboratory Services, Commission Meeting Costs, and Racetrack Applications into the Operating Expenses line item.

Laboratory Services, Commission Meeting Costs, and Racetrack Applications fall within the broad category of Operating Expenses, and so staff believes that keeping them separate, other than providing additional detail in the Long Bill for detail's sake, does not serve the General Assembly's best interests in controlling the appropriation.

Operating Expenses line items, throughout this and other departments, contain a broad range of spending categories such as maintenance and repair services, rental of equipment, freight, travel expenses, variable vehicle expenses such as fuel, oil, and tires, telecommunications services, copiers, printers, and other supplies, postage, non-capitalized equipment and furniture (costing less than \$50,000), and general office supplies. Adding these three categories to the existing list of operating expenses would not, in staff's estimation, materially affect the General Assembly's appropriation powers.

Staff recommends consolidation of Laboratory Services, Commission Meeting Costs, and Racetrack Applications into the Operating Expenses line item. The requested appropriation represents a continuation of the three consolidated line items.

Staff recommends an appropriation of \$222,577 cash funds from the Racing Cash Fund.

Laboratory Services (Decision Item #4 - Line Item Consolidation)

This line item funds costs associated with performing laboratory examinations of animal samples. Colorado law states that "at least one veterinarian employed or supervised by the Director shall be present at every racetrack during weighing in of animals and at all times that racing is being conducted." Division staff conduct physical examinations of animals, take blood and urine tests and other tests for the presence of prohibited drugs or medications, and weigh jockeys and greyhounds.

Staff recommends consolidation of this line into the Operating Expenses line item.

Commission Meeting Costs (Decision Item #4 - Line Item Consolidation)

This line item covers the costs of reimbursement and per diem costs associated with Colorado Racing Commission meetings.

Staff recommends consolidation of this line into the Operating Expenses line item.

Racetrack Applications (Decision Item #4 - Line Item Consolidation)

This line item funds the costs associated with the conduct of comprehensive background investigations of race meet applicants, the costs of which are paid for by the applicants.

Staff recommends consolidation of this line into the Operating Expenses line item.

Purses and Breeders Awards (Staff initiated Adjustment)

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 Department requests a continuation appropriation of \$1,106,142 cash funds.

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.

During the last two fiscal years, the expenditures have exceeded appropriations. Even though the expenditures are driven by deposits, Staff recommends that the appropriation be trued-up to the actual expenditures over the last two years. Staff recommends increasing the appropriation to \$1,400,000, which would have prevented the "overexpenditure" in each of the last two fiscal years.

Staff recommends a continuation appropriation of \$1,400,000 cash funds.

(F) HEARINGS DIVISION

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

Staffing Summary	Enforcement Business Group Hearings Division			
	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Manager	1.0	2.0	2.0	2.0
Administration	6.8	7.0	7.0	7.0

Enforcement Business Group Hearings Division				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Hearings Officers	<u>18.3</u>	<u>20.5</u>	<u>20.4</u>	<u>20.4</u>
Total	26.1	29.5	29.4	29.4

Personal Services (Decision Item #4 - Line Item Consolidation)

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. In FY 2011-12, the General Assembly appropriated \$168,297 General Fund and 2.7 FTE for H.B. 11-1300, which provided an expedited process for the resolution of conservation easement tax credit disputes. That appropriation annualizes to \$178,955 and 2.6 FTE in FY 2012-13. The personal services component of the Department's request is for an appropriation of \$2,202,290 cash funds and 29.4 FTE, including \$178,955 General Fund.

Staff recommends an appropriation of \$2,166,011 and 29.4 FTE, comprised of \$176,222 General Fund and \$1,989,789 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Hearing Division				
	Total Funds	FTE	General Fund	Cash Funds
FY 2011-12 Long Bill Appropriation	\$2,023,335	26.8	\$0	\$2,023,335
HB 11-1300 (Conservation Easement Dispute Resolution)	168,295	2.7	168,295	0
SB 11-076 (PERA Contribution Rates)	(40,458)	0.0	0	(40,458)
FY 2011-12 Appropriation	\$2,151,172	29.5	\$168,295	\$1,982,877
Annualization of HB 11-1300	10,660	(0.1)	10,660	0
Annualization of SB 11-076	40,458	0.0	0	40,458
FY 2012-13 Base Request	\$2,202,290	29.4	\$178,955	\$2,023,335
2.0 Percent Personal Services Base Reduction	<u>(36,279)</u>	<u>0.0</u>	<u>(2,733)</u>	<u>(33,546)</u>
Staff Recommendation	\$2,166,011	29.4	\$176,222	\$1,989,789

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds expenses such as telecommunications costs, general office supplies and printing costs. In FY 2011-12, the General Assembly appropriated \$16,575 General Fund for H.B. 11-1300, which attempts to provide and expedited the process for the resolution of conservation easement tax credit disputes. That appropriation annualizes to \$2,470 in FY 2012-13. The Operating Expenses component of the Department's request is an appropriation of \$101,408, including \$2,470 General Fund and \$98,938 cash funds.

Staff recommends an appropriation of \$101,408, comprised of \$2,470 General Fund and \$98,938 cash funds.

(G) 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.

Staffing Summary	Enforcement Business Group Motor Vehicle Dealer Licensing			
	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Manager	1.0	1.0	1.0	1.0
Administration	8.8	8.2	8.2	8.2
Professionals	4.0	4.0	4.0	4.0
Investigators	<u>12.9</u>	<u>13.0</u>	<u>13.0</u>	<u>13.0</u>
Total	26.7	26.2	26.2	26.2

Personal Services (Decision Item #4 - Line Item Consolidation)

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 personal services component of the Department's request is an appropriation of \$1,800,265 cash funds and 26.2 FTE.

Staff recommends an appropriation of \$1,768,174 and 26.2 FTE cash funds from the Auto Dealers License Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Motor Vehicle Dealer Licensing Board		
	FTE	Cash Funds
FY 2011-12 Long Bill	26.2	\$1,800,265
SB 11-076 (PERA Contribution Rates)	<u>0.0</u>	<u>(37,271)</u>
FY 2011-12 Appropriation	26.2	\$1,762,994
Annualization of SB 11-076	<u>0.0</u>	<u>37,271</u>
FY 2012-13 Base Request	26.2	\$1,800,265
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(32,091)</u>
Staff Recommendation	26.2	\$1,768,174

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds expenses such as telecommunication services, general office supplies and printing expenses. The Department requests an appropriation \$119,023 cash funds from the Auto Dealers License Fund.

Staff recommends an appropriation of \$119,023 cash funds from the Auto Dealers License Fund.

(H) MEDICAL MARIJUANA ENFORCEMENT DIVISION

The Medical Marijuana Enforcement Division was created by H.B. 10-1284, which created the State Licensing Authority. The Division regulates and controls the licensing of cultivation and manufacture, distribution, and sale of medical marijuana or marijuana-infused products in the State. The Authority is authorized to adopt rules, forms, and applications to enforce the provisions of H.B. 10-1284. The Medical Marijuana License Cash Fund was created to pay expenses related with the licensing and oversight functions for medical marijuana facilities.

Medical Marijuana Enforcement

Enforcement Business Group Medical Marijuana Enforcement Division				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management and Administration	1.9	3.0	3.0	3.0
Licensing	4.1	10.2	10.2	10.2
Professionals	1.2	7.0	7.0	7.0
Investigators	<u>4.0</u>	<u>35.0</u>	<u>35.0</u>	<u>35.0</u>
Total	11.2	55.2	55.2	55.2

This line item pays for the program's staff, their benefits, and contract services and all operating expenses. All expenses are funded with moneys from the Medical Marijuana License Cash Fund. The Department requests an appropriation of \$5,689,621 cash funds and 55.2 FTE.

Staff recommends an appropriation of \$5,625,493 cash funds and 55.2 FTE. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Medical Marijuana Enforcement Division		
	FTE	Cash Funds
Personal Services	55.2	\$3,861,207
Operating Expenses	<u>N/A</u>	<u>\$1,828,414</u>
FY 2011-12 Long Bill	55.2	\$5,689,621
HB 11-1043 (Medical Marijuana Regulation)	0.0	(7,696)

Personal Services Calculation		
Enforcement Business Group - Medical Marijuana Enforcement Division		
SB 11-076 (PERA Contribution Rates)	<u>0.0</u>	<u>(65,316)</u>
FY 2011-12 Appropriation	55.2	\$5,616,609
Annualization of HB 11-1043	0.0	7,696
Annualization of SB 11-076	<u>0.0</u>	<u>65,316</u>
FY 2012-13 Base Request	55.2	\$5,689,621
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(64,128)</u>
Staff Recommendation	55.2	\$5,625,493
Personal Services	55.2	\$3,528,872
Operating Expenses	N/A	\$2,096,621

(8) 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 State Lottery Fund.

The Lottery's direct costs for Worker's Compensation, Operating Expenses for variable vehicle expense, Legal Services, Purchase of Services from Computer Center, Multiuse Network Payments, Payments to Risk Management, Vehicle Lease Payments, Leased Space, Capitol Complex Leased Space, and Communications Services Payments are shown in the Executive Director's Office centrally-appropriated budget lines.

State Lottery Division				
Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommendation
Management & Administration	41.9	44.5	44.5	44.5
Sales	39.5	37.5	37.5	37.5
Accounting and Analysis	7.7	7.5	7.5	7.5
Investigators	7.8	8.3	8.3	8.3
Programmers/IT Support	<u>17.0</u>	<u>19.3</u>	<u>19.3</u>	<u>19.3</u>
Total	113.9	117.1	117.1	117.1

Personal Services (Decision Item #4 - Line Item Consolidation)

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 Personal Services component of the Department's request is \$8,961,156 cash funds and 117.1 FTE.

Staff recommends a continuation appropriation of \$8,818,248 cash funds and 117.1 FTE This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation State Lottery Division		
	FTE	Cash Funds
FY 2011-12 Long Bill	117.1	\$8,961,156
SB 11-076 (PERA Contribution Rates)	<u>0.0</u>	<u>(168,142)</u>
FY 2011-12 Appropriation	117.1	\$8,793,014
Annualization of SB 11-076	<u>0.0</u>	<u>168,142</u>
FY 2012-13 Base Request	117.1	\$8,961,156
2.0 Percent Personal Services Base Reduction	<u>0.0</u>	<u>(142,908)</u>
Staff Recommendation	117.1	\$8,818,248

Operating Expenses (Decision Item #4 - Line Item Consolidation)

This line item funds hardware/software maintenance, training, freight, disaster recovery insurance, telecommunications expenses, equipment rentals, general office supplies, capital outlay, utilities, and printing costs.

Decision Item #4 - Line Item Consolidation

The Department request for Decision Item #4 includes consolidating the Personal Services, Operating Expenses, Laboratory Services, Commission Meeting Costs, and Racetrack Applications into a single line item titled Racing Administration. Staff recommends consolidating Payment to Other State Agencies and Travel into the Operating Expenses line item.

Payments to Other State Agencies and Travel fall within the broad category of Operating Expenses, and so staff believes that keeping them separate, other than providing additional detail in the Long Bill for detail's sake, does not serve the General Assembly's best interests in controlling the appropriation.

Operating Expenses line items, throughout this and other departments, contain a broad range of spending categories such as maintenance and repair services, rental of equipment, freight, travel expenses, variable vehicle expenses such as fuel, oil, and tires, telecommunications services, copiers, printers, and other supplies, postage, non-capitalized equipment and furniture (costing less than \$50,000), and general office supplies. Adding these three categories to the existing list of operating expenses would not, in staff's estimation, materially affect the General Assembly's appropriation powers.

Staff recommends consolidation of Payments to Other State Agencies and Travel into the Operating Expenses line item. The requested appropriation represents a continuation of the three consolidated line items.

Staff recommends a continuation appropriation of \$1,556,064 cash funds.

Payments to Other State Agencies (Decision Item #4 - Line Item Consolidation)

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.

Staff recommends consolidation of this line into the Operating Expenses line item.

Travel (Decision Item #4 - Line Item Consolidation)

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.

Staff recommends consolidation of this line into the Operating Expenses line item.

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

Staff recommends a continuation appropriation of \$14,700,000 cash funds.

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. The Department has requested a continuation appropriation.

Staff recommends a continuation appropriation of \$177,433 cash funds.

Vendor Fees

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

Budget Amendment Waiver Request - Lottery Variable Costs Adjustment

The State Lottery Division has three line items that vary directly with sales, Vendor Fees, Retailer Compensation, and Ticket Costs. In most years, the Department requests a mid-year supplemental adjustment to true the appropriations up with the most recent sales projections. Because sales projections for FY 2011-12 (the current year) are lower than the earlier projections, the Department did not request a supplemental for this year and instead restricted its spending authority with the Controller. For FY 2012-13, the true-up will be requested, if necessary, with a supplemental request in January 2013.

Staff recommends a continuation appropriation of \$12,571,504 cash funds.

Prizes

Pursuant to Section 24-35-210 (1), C.R.S., Staff recommended, and the JBC approved, elimination of this appropriation from the Long Bill in FY 2011-12.

Powerball Prize Variance

Pursuant to Section 24-35-210 (1), C.R.S., Staff recommended, and the JBC approved, elimination of this appropriation from the Long Bill in FY 2011-12.

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 percent commission on scratch sales, and a 6 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 adjusted each year

during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

Budget Amendment Waiver Request - Lottery Variable Costs Adjustment

The State Lottery Division has three line items that vary directly with sales, Vendor Fees, Retailer Compensation, and Ticket Costs. In most years, the Department requests a mid-year supplemental adjustment to true the appropriations up with the most recent sales projections. Because sales projections for FY 2011-12 (the current year) are lower than the earlier projections, the Department did not request a supplemental for this year and instead restricted its spending authority with the Controller. For FY 2012-13, the true-up will be requested, if necessary, with a supplemental request in January 2013.

Staff recommends a continuation appropriation of \$52,241,350 cash funds.

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.

Budget Amendment Waiver Request - Lottery Variable Costs Adjustment

The State Lottery Division has three line items that vary directly with sales, Vendor Fees, Retailer Compensation, and Ticket Costs. In most years, the Department requests a mid-year supplemental adjustment to true the appropriations up with the most recent sales projections. Because sales projections for FY 2011-12 (the current year) are lower than the earlier projections, the Department did not request a supplemental for this year and instead restricted its spending authority with the Controller. For FY 2012-13, the true-up will be requested, if necessary, with a supplemental request in January 2013.

Staff recommends a continuation appropriation of \$6,578,000 cash funds.

Research

This line funds marketing research on lottery products. The Department requests a continuation appropriation of \$250,000

Staff recommends a continuation appropriation of \$250,000 cash funds.

Indirect Cost Assessment

Based on Department and State-wide indirect cost plans, the Department requests an appropriation of \$334,509 cash funds.

Staff recommends an appropriation of \$378,422 cash funds. The difference between the Department's request and staff's recommendation is that the Department request includes the adjustments necessary for the refinancing of driver's license offices.

FOOTNOTES and REQUESTS FOR INFORMATION

Staff recommends that the following footnote be **discontinued**.

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

This veto was included in the FY 2011-12 Long Bill. It was vetoed by the Governor, though that veto was overridden by the General Assembly. The Governor's reasoning was that the footnote violates the separation of powers in Article III of the Colorado Constitution by attempting to administer the appropriation. In addition, the Governor stated that the footnote may violate Article V, Section 32 of the Colorado Constitution because it constitutes substantive legislation that cannot be included in the general appropriations bill.

Staff is concerned that the footnote also violates Article XVIII, Section 9, Paragraph 5 (b) (I), which states, in relevant part: payments of the on-going expenses of the Commission shall not be conditioned on any appropriation by the General Assembly.

If the Committee's intention is to continue the footnote, Legislative Legal Services has made the following recommendations:

- Consider deleting the word "shall" from the footnote. This doesn't change the meaning, but makes the *tone* of the footnote seem less commanding.
- Consider replacing the words "5.0 percent of" with the phrase "is reasonably necessary".
- Consider adding to the end of the footnote a qualifier "unless a greater expenditures of such revenues is reasonably necessary."

Staff recommends the following written requests for information. The struck text and small caps indicates the changes. Staff's recommendations are in priority order.

DEPARTMENT OF REVENUE

1. **Department of Revenue, Executive Director's Office, Taxation Business Group, Taxation and Compliance Division, Taxpayer Service Division, and Tax Conferee** -- The Department is requested to provide to the Joint Budget Committee, no later than September 30, ~~2011~~ 2012, a report detailing the amount of additional General Fund revenue realized during the fiscal year ending on June 30, ~~2011~~ 2012 from the General Assembly's funding of the Department's 2010 decision item to address the "conservation easement backlog". ~~A similar report is requested by September 30, 2012 for additional General Fund revenue realized during FY 2011-12.~~

Comment: This request for information was added to provide the General Assembly with information regarding the effectiveness of the 2010 Long Bill appropriation to address the conservation easement backlog.

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

Comment: This request for information was to provide the General Assembly with information regarding the effectiveness of the 2009 increased appropriation to fund the expansion of the Department's out-of-state tax collection efforts. The initiative should reach full effectiveness in FY 2011-12, and so staff recommends requesting the information for one more year.

Staff recommends that the following requests for information be discontinued as they were included to provide the General Assembly with information regarding the effectiveness of various budget initiatives to improve tax collections. The Department has provided the information requested and the effectiveness of these programs has been substantiated.

- **Department of Revenue, Taxation Business Group, Taxation and Compliance Division --**
The Department is requested to provide to the Joint Budget Committee, by September 30, 2011, a report on the effectiveness of 2010 Decision Item # 1 - "Treasury Offset Program". The report should provide the amount of additional revenue gained by the state by the full implementation of the program authorized by the General Assembly during the 2010 Legislative session.
- **Department of Revenue, Taxation Business Group, Taxation and Compliance Division --**
The Department is requested to provide to the Joint Budget Committee, by September 30, 2011, a report on the effectiveness of 2010 Decision Item # 2 - "Delinquency Billings". The report should provide the amount of additional revenue gained by the state by the implementation of the program authorized by the General Assembly during the 2010 Legislative session.
- **Department of Revenue, Taxation Business Group, Taxation and Compliance Division --**
The Department of Revenue is requested to provide to the Joint Budget Committee, by September 30, 2011 for FY 2010-11, a report on the effectiveness of 2010 Budget Amendment # 5 - "Tax Code Compliance Initiative". The report should provide the amount of additional revenue gained by the state by the implementation of the initiative authorized by the General Assembly during the 2010 Legislative session.
- **Department of Revenue, State Lottery Division --** The Department is requested to submit a report to the Joint Budget Committee, by September 30, 2011, on the employment location of senior management employees of the State Lottery Division, pursuant to Section 24-35-202 (1), C.R.S., which requires the Lottery headquarters to be located in the city of Pueblo. This report should identify each position in senior management of the Division, and where the primary offices of the incumbents in those positions are located.

Staff recommends that the following request for information be discontinued. Since the consolidation of all Information Services in the Office of Information Technology, programming services are no longer provided in-house and the Department does not have any control over these expenditures. Furthermore, the previous policy of including a line item in the Long Bill for programming for session legislation was discontinued in favor of appropriating programming costs in each bill that requires such expenditures.

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

BUDGET BALANCING OPTIONS

FUNDING DRIVERS LICENSE OPERATIONS

The Department has requested legislation to permanently refinance driver's license office operations with funding from the fees derived by driver's licenses. This request was presented to the JBC earlier and the JBC voted to carry a bill to refinance these operations. The bill, H.B. 12-1216, will save \$22.7 million General Fund in FY 2012-13, thus increasing the amount of General Fund available for other priorities. The bill will result in the loss of \$17.1 million in revenue to the Highway Users Tax Fund, which would be distributed to the State Highway Fund, counties, and municipalities for the construction, maintenance, and supervision of the public highways. House Bill 12-1216 will currently sunset after three fiscal years.

REFINANCE SEVERANCE TAX COLLECTION AND ADMINISTRATION

The Department has requested legislation that would refinance the collection and administration of the severance tax, saving \$881,079 General Fund in FY 2012-13 and subsequent years.

Staff recommends that the JBC sponsor legislation that would refinance the collection and administration of severance taxes from the General Fund to the taxes collected for the severance tax.

The Department originally requested this decision item that would refinance \$1.6 million of General Fund. This is the amount that the Department expends on collection and administration of the tax, but the Department did not adjust its request to account for the fact that the federal government provides funding of \$723,463 to assist the State with this task. When the federal funding is subtracted, what's left is the Department's amended request to refinance \$881,079.

Tax policy generally provides that the costs of collecting and administering a tax should be provided by the taxes collected. For example, the State collects income and sales taxes and credits those taxes to the General Fund, from which the collection and administration costs are appropriated. In the case of severance taxes, the taxes collected are deposited evenly into the Severance Tax Trust Fund and the Local Government Severance Tax Fund, but the costs of collecting the tax are borne by the General Fund. The General Fund, and the programs supported by it, receive none of the benefit of the tax but bear the costs of collection and administration.

The following table details the revenues received and projected for FY 2009-10 through FY 2012-13.

Severance Tax Revenue by Source				
Legislative Council Staff Forecast, December 2011				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	Actual	Preliminary	Forecast	Forecast
Oil and Gas	\$28,410,000	\$130,954,000	\$149,257,000	\$143,813,000
Coal	6,262,000	6,940,000	8,369,000	9,049,000
Molybdenum and Metallics	<u>1,381,000</u>	<u>2,152,000</u>	<u>2,903,000</u>	<u>2,961,000</u>
Total Severance Revenue	\$36,053,000	\$140,046,000	\$160,529,000	\$155,823,000

Severance Tax Revenue by Source Legislative Council Staff Forecast, December 2011				
	FY 2009-10 Actual	FY 2010-11 Preliminary	FY 2011-12 Forecast	FY 2012-13 Forecast
Collection and Administration Costs	N/A	N/A	N/A	881,079
Percentage of Severance Tax Revenue for Collection and Administration	N/A	N/A	N/A	0.6%

Severance taxes are split three ways: 50.0 percent to the Local Government Severance Tax Fund, 25.0 percent to the Operational Account of the Severance Tax Trust Fund, and 25.0 percent to the Perpetual Base Account of the Severance Tax Trust Fund. Refinancing the collection and administration costs of the severance tax would decrease revenues to the various funds by \$881,079, split by the percentages identified in this paragraph.

Local Government Severance Tax Fund: The moneys deposited in the Local Government Severance Tax Fund provide direct distribution and grant opportunities for county and municipal governments, and other qualifying political subdivisions, to compensate the entities for the loss of property tax revenue resulting from the deduction of severance taxes paid in the determination of the valuation for assessment of producing mines. The Governor has requested a transfer of \$30.0 million from the Local Government Severance Tax Fund to the General Fund. From the remainder, 70.0 percent of the moneys are distributed as grants and loans by the Department and 30.0 percent are directly distributed by formula to impacted local governments. These programs would have the moneys available to them reduced by \$440,540.

Operational Account of the Severance Tax Trust Fund: Based on anticipated revenues and spending under current law, the Operational Account of the Severance Tax Trust Fund is already over-committed in FY 2012-13. Based on the December 2011 Legislative Council Staff Economic Forecast, current law would require an estimated \$12.9 million in proportional reductions to "Tier 2" programs. This proposal would increase that reduction by \$220,270.

Perpetual Base Account of the Severance Tax Trust Fund: Moneys deposited in the Perpetual Base Account of the Severance Tax Trust Fund are used to fund loans for water projects that will increase beneficial consumptive use of Colorado's undeveloped compact entitled waters, projects for the repair and rehabilitation of existing water storage and delivery systems, controlled maintenance of the satellite monitoring system, and for investment in water management activities and studies. This proposal would decrease moneys available for such loans by \$220,270.

SUSPEND SENIOR CITIZEN HOMESTEAD EXEMPTION/EXPAND OLD AGE HEAT AND FUEL AND PROPERTY TAX GRANTS

The Governor has proposed to continue the suspension of the Senior Citizen Homestead Property Tax Exemption, and offset that somewhat by increasing the eligibility for the Old Age Heat and Fuel and Property Tax Assistance Grants. The grants go to low-income senior citizens.

According to the December 2011 Legislative Council Staff Economic Forecast, the continuing the suspension will reduce General Fund appropriations by \$94.4 million. In the January 2012 Supplemental and Budget Amendments request, the Governor has proposed expanding the eligibility limits for the Old Age Heat and Fuel and Property Tax Grants by \$17.5 million (an increase of \$8.0 million from the November 2011 request). This would offset some of the loss of the property tax exemption that low income seniors would experience.

House Bill 12-1253, as introduced, would fund the requested expansion of the Old Age Heat and Fuel and Property Tax Assistance Grants program. During figure setting for the Department of the Treasury, the JBC tabled consideration of sponsoring legislation to continue the suspension of the Senior Citizen Homestead Exemption.