

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2009-10 STAFF FIGURE SETTING  
DEPARTMENT OF REVENUE**

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

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March 16, 2009**

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**DEPARTMENT OF REVENUE  
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**DEPARTMENT OF REVENUE  
FY 2009-10 FIGURE SETTING**

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The following table provides a summary of the staff recommendations included in this packet.

Summary of Staff Recommendations						
	Total	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2008-09 Long Bill	\$621,136,308	\$101,482,374	\$516,789,888	\$1,392,448	\$1,471,598	1,493.4
Special Bills	967,331	92,818	874,513	0	0	2.0
Supplementals	64,697,885	(1,428,538)	66,126,423	0	0	0.0
Current FY 2008-09 Appropriation	686,801,524	100,146,654	583,790,824	1,392,448	1,471,598	1,495.4
<i>Recommended Changes from FY 2008-09 appropriation</i>						
Old Age Heat & Fuel & Property Tax Assistance Grant	(6,800,000)	(6,800,000)	0	0	0	0.0
Restore One-time Supplemental Funding Changes						
DI #1-Out-of-State Tax Law Compliance and Enforcement	921,418	921,418	0	0	0	10.1
DI #2-Leased Space Fund Mix Adjustment	0	141,579	(141,579)	0	0	0.0
DI #3-Data Entry Rate Increase and Data Capture Expansion	154,423	154,423	0	0	0	0.0
DI #4-Microfilm Rate Increase	61,739	61,739	0	0	0	0.0
DI #5-Digital Imaging Storage for Titles and Driver & Vehicle Services	152,469	0	152,469	0	0	0.0
DI #7-Department Postage Rate Increase	182,143	182,921	(778)	0	0	0.0
DI #8-VIPER Update for CSTARS	290,820	0	290,820	0	0	0.0
DI #9-Document Transport Lease	38,000	38,000	0	0	0	0.0
DI #10-Increase Liquor Enforcement Division Staff	118,352	0	118,352	0	0	2.0

Summary of Staff Recommendations						
	Total	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
DI #11-County Office Improvements	47,377	0	47,377	0	0	0.0
DI #12-Variable Vehicle Rate Increase	59,109	0	59,109	0	0	0.0
DI #13-Refinance Driver Control Section	155,662	(1,865,928)	2,021,590	0	0	0.0
BA #1-Background Checks of Motor Vehicle Dealer Licensing Board	22,500	0	22,500	0	0	0.0
BA #2-Increase for License Plate Ordering	514,206	0	514,206	0	0	0.0
BA #3-Lottery Variable Costs Adjustments	68,279,838	0	68,279,838	0	0	0.0
BA #4-Lottery Ticket Costs Base Reduction	(2,000,000)	0	(2,000,000)	0	0	0.0
BA (No #)-Refinance Drivers License Program	223,825	(2,366,069)	2,589,894	0	0	0.0
Statewide Common Policy Changes	(277,038)	(146,967)	(130,071)	0	0	0.0
Total Changes	62,144,843	(9,678,884)	71,823,727	0	0	12.1
Total Recommendation (not Pending Items)	748,946,367	81,758,006	583,658,012	1,408,246	1,470,564	1,509.5
OSPB/Department Recommendations for Pending Items	18,172,125	11,516,870	6,655,255	0	0	0.0
<b>Total with Pending Items</b>	<b>\$767,118,492</b>	<b>\$93,274,876</b>	<b>\$590,313,267</b>	<b>\$1,408,246</b>	<b>\$1,470,564</b>	<b>1,509.5</b>
<b>Change from FY 2008-09 Appropriation</b>	<b>\$80,316,968</b>	<b>(\$6,871,778)</b>	<b>\$6,522,443</b>	<b>\$15,798</b>	<b>(\$1,034)</b>	<b>14.1</b>

**FY 2009-10 Joint Budget Committee Staff Figure Setting  
Department of Revenue**

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	

<b>DEPARTMENT OF REVENUE</b> <b>Roxy Huber, Executive Director</b>
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**(1) EXECUTIVE DIRECTOR'S OFFICE**

The Executive Director's Office provides administrative, accounting, budgeting, auditing, planning, and research support for the Department, and consists of the following programs: Administration, Policy Analysis and Financial Services, Internal Auditor, Human Resources, and Office of Research and Analysis. Major cash funds sources include the Highway Users Tax Fund, the Colorado State Titling and Registration Account, the Licensing Services Cash Fund, the Driver's License Administrative Revocation Account, the Auto Dealers License Fund, the Limited Gaming Fund, the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Racing Cash Fund, the State Lottery Fund, and the DOR subaccount of the Automobile Inspection and Readjustment Account of the Highway Users Tax Fund. The reappropriated funds sources are the State Lottery Fund and the Limited Gaming Fund.

Personal Services	3,237,684	3,589,577	3,894,610	4,064,967	4,064,967	
FTE	<u>42.4</u>	<u>40.7</u>	<u>48.7</u>	<u>48.8</u>	<u>48.8</u>	
General Fund	1,759,607	1,936,698	2,208,295	2,175,864	2,175,864	
HUTF	406,824	385,567	418,445	422,857	422,857	
Cash Funds	511,231	637,112	841,991	897,667	897,667	
Cash Funds Exempt/Reappropriated Funds	560,022	630,200	425,879	568,579	568,579	
Health, Life and Dental	<u>4,741,478</u>	<u>5,686,292</u>	<u>6,934,265</u>	<u>7,850,643</u>	<u>Pending</u>	NP-8
General Fund	2,941,944	3,327,659	4,082,651	4,618,813		
HUTF	490,796	544,057	687,100	779,403		
Cash Funds	487,905	835,086	2,164,514	2,452,427		
Cash Funds Exempt	820,833	979,490	0	0		
Short-term Disability	<u>76,061</u>	<u>88,567</u>	<u>102,416</u>	<u>102,275</u>	<u>110,773</u>	
General Fund	47,850	54,145	61,368	61,284	66,376	
HUTF	6,102	6,995	7,905	7,894	8,550	
Cash Funds	8,813	11,971	33,143	33,097	35,847	
Cash Funds Exempt	13,296	15,456	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
S.B. 04-257 Amortization Equalization Disbursement	<u>484,663</u>	<u>823,798</u>	<u>1,246,959</u>	<u>1,497,607</u>	<u>1,329,956</u>	NP-9
General Fund	296,278	501,784	743,635	906,245	806,265	
HUTF	39,485	63,499	95,405	112,486	99,659	
Cash Funds	56,821	110,066	407,919	478,876	424,032	
Cash Funds Exempt	92,079	148,449	0	0	0	
S.B. 060-235 Supplemental Amortization Equalization						
Disbursement	<u>0</u>	<u>153,458</u>	<u>573,932</u>	<u>936,004</u>	<u>816,528</u>	NP-9
General Fund	0	89,428	339,477	566,403	495,734	
HUTF	0	13,063	43,243	70,304	61,302	
Cash Funds	0	19,868	191,212	299,297	259,492	
Cash Funds Exempt	0	31,099	0	0	0	
Salary Survey and Senior Executive Service	<u>2,037,928</u>	<u>2,276,350</u>	<u>2,970,519</u>	<u>0</u>	<u>0</u>	
General Fund	1,215,030	1,360,465	1,801,622	0	0	
HUTF	177,569	198,318	250,096	0	0	
Cash Funds	250,355	283,747	918,801	0	0	
Cash Funds Exempt	394,974	433,820	0	0	0	
Performance-based Pay Awards	<u>0</u>	<u>1,073,081</u>	<u>1,151,316</u>	<u>0</u>	<u>0</u>	
General Fund	0	668,192	688,768	0	0	
HUTF	0	83,000	88,740	0	0	
Cash Funds	0	127,543	373,808	0	0	
Cash Funds Exempt	0	194,346	0	0	0	
Shift Differential	<u>209,777</u>	<u>166,518</u>	<u>187,287</u>	<u>171,982</u>	<u>133,215</u>	
General Fund	59,068	52,100	48,105	44,174	41,680	
HUTF	127,483	96,277	113,815	104,514	77,022	
Cash Funds	8,115	5,408	25,367	23,294	14,513	
Cash Funds Exempt	15,111	12,733	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Workers' Compensation	<u>636,413</u>	<u>575,405</u>	<u>733,857</u>	<u>509,014</u>	Pending	NP-1
General Fund	408,845	369,652	452,719	315,145		
HUTF	54,538	49,198	60,464	41,413		
Cash Funds	63,213	57,153	220,674	152,456		
Cash Funds Exempt	109,817	99,402	0	0		
Operating Expenses	<u>917,761</u>	<u>955,754</u>	<u>1,009,448</u>	<u>1,127,401</u>	<u>1,058,887</u>	
General Fund	446,919	512,582	519,565	501,837	501,837	
HUTF	102,442	99,923	119,633	119,633	119,633	
Cash Funds	137,887	134,865	370,250	505,931	437,417	DI#10, 12
Cash Funds Exempt	230,513	208,384	0	0	0	
Legal Services	<u>756,653</u>	<u>867,793</u>	<u>838,492</u>	<u>838,492</u>	Pending	
General Fund	436,254	521,473	451,261	451,261		
HUTF	2,007	26,289	11,731	11,731		
Cash Funds	261,098	291,876	375,500	375,500		
Cash Funds Exempt	57,294	28,155	0	0		
Hours	<u>11,165</u>	<u>11,165</u>	<u>11,165</u>	11,165	11,165	
Administrative Law Judge Services	<u>824</u>	<u>7,532</u>	<u>7,896</u>	<u>9,123</u>	Pending	NP-6,10
Cash Funds	0	7,532	7,896	9,123		
Cash Funds Exempt	824	0	0	0		
Purchase of Services from Computer Center	<u>1,845,865</u>	<u>3,251,582</u>	<u>3,627,411</u>	<u>3,627,411</u>	Pending	
General Fund	1,844,078	3,248,330	3,624,283	3,624,283		
Cash Funds	0	0	3,128	3,128		
Cash Funds Exempt	1,787	3,252	0	0		
Multiuse Network Payments	<u>1,921,365</u>	<u>2,584,122</u>	<u>2,670,532</u>	<u>2,670,532</u>	Pending	
General Fund	728,696	621,998	642,797	642,797		
HUTF	36,706	49,357	51,007	51,007		
Cash Funds	58,730	70,547	1,976,728	1,976,728		
Cash Funds Exempt	1,097,233	1,842,220	0	0		
Management and Administration of OIT	0	0	0	444,806	Pending	



	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Payment to Risk Management and Property Funds	<u>289,287</u>	<u>211,060</u>	<u>273,165</u>	<u>128,266</u>	<u>Pending</u>	
General Fund	163,277	120,775	148,997	62,710		
HUTF	34,454	24,140	31,822	17,599		
Cash Funds	29,523	21,398	92,346	47,957		
Cash Funds Exempt	62,033	44,747	0	0		
Vehicle Lease Payments	<u>350,686</u>	<u>373,184</u>	<u>410,371</u>	<u>478,249</u>	<u>Pending</u>	NP-4
General Fund	103,286	90,004	97,574	116,096		
HUTF	40,175	42,829	40,458	50,073		
Cash Funds	82,498	99,402	272,339	312,080		DI#10
Cash Funds Exempt	124,727	140,949	0	0		
Leased Space	<u>2,025,368</u>	<u>2,191,507</u>	<u>2,641,446</u>	<u>2,721,446</u>	<u>2,685,446</u>	
General Fund	1,271,962	1,349,369	1,408,853	1,630,432	1,594,432	DI#1,2
Cash Funds	79,742	127,132	1,232,593	1,091,014	1,091,014	
Cash Funds Exempt	673,664	715,006	0	0	0	
Capitol Complex Leased Space	<u>1,794,521</u>	<u>1,680,002</u>	<u>1,676,337</u>	<u>1,552,032</u>	<u>Pending</u>	
General Fund	1,296,891	1,293,280	1,301,729	1,221,638		
HUTF	34,775	26,691	25,916	22,761		
Cash Funds	227,210	176,581	348,692	307,633		
Cash Funds Exempt	235,645	183,450	0	0		
Lease Purchase of 1881 Pierce Street	<u>805,214</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
HUTF	74,871	0	0	0	0	
Cash Funds	337,324	0	0	0	0	
Cash Funds Exempt	393,019	0	0	0	0	
Communication Services Payments	<u>72,354</u>	<u>60,849</u>	<u>63,557</u>	<u>63,557</u>	<u>Pending</u>	
General Fund	21,045	16,659	19,321	19,321		
HUTF	5,209	4,164	4,576	4,576		
Cash Funds	42,834	38,175	39,660	39,660		
Cash Funds Exempt	3,266	1,851	0	0		

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Utilities	<u>198,161</u>	<u>208,367</u>	<u>247,119</u>	<u>247,119</u>	<u>247,119</u>	
General Fund	82,619	88,317	104,440	104,440	104,440	
HUTF	97,577	103,689	103,416	103,416	103,416	
Cash Funds	17,965	16,361	39,263	39,263	39,263	
<b>SUBTOTAL - (10 EXECUTIVE DIRECTOR'S OFFICE)</b>	<b>22,402,063</b>	<b>26,824,798</b>	<b>31,260,935</b>	<b>29,040,926</b>	<b>10,446,891</b>	
FTE	<u>42.4</u>	<u>40.7</u>	<u>48.7</u>	<u>48.8</u>	<u>48.8</u>	
General Fund	13,123,649	16,222,910	18,745,460	17,507,549	5,786,628	
HUTF	1,731,013	1,817,056	2,153,772	1,919,667	892,439	
Cash Funds	2,661,264	3,071,823	9,935,824	9,045,131	3,199,245	
Cash Funds Exempt/Reappropriated Funds	4,886,137	5,713,009	425,879	568,579	568,579	

**(2) CENTRAL DEPARTMENT OPERATIONS**

Central Department Operations provides centralized departmental support for mail processing, forms development, transaction processing and records management. Major cash funds sources include the Identification Security Fund, the Colorado State Titling and Registration Account, Outstanding Judgements and Warrants, the Licensing Services Cash Fund, the Drivers License Administrative Revocation Account, and the Auto Dealers Licence Fund. The sources of reappropriated funds are the State Lottery Fund and the Limited Gaming Fund.

Personal Services	5,072,769	5,219,536	5,388,194	5,645,835	5,645,835	
FTE	<u>105.1</u>	<u>106.6</u>	<u>109.9</u>	<u>109.9</u>	<u>109.9</u>	
General Fund	4,698,898	4,881,995	4,974,535	5,252,069	5,252,069	
HUTF	0	91,984	102,646	103,981	103,981	
Cash Funds	65,984	95,726	206,543	220,739	220,739	
Cash Funds Exempt/Reappropriated Funds	307,887	149,831	104,470	69,046	69,046	
Seasonal Tax Processing - General Fund	365,368	374,767	384,849	397,545	397,545	
Operating Expenses	<u>3,316,772</u>	<u>1,128,968</u>	<u>1,132,101</u>	<u>1,171,617</u>	<u>1,171,617</u>	
General Fund	3,316,772	992,501	995,214	1,034,730	1,034,730	DI#9
Cash Funds	0	0	136,887	136,887	136,887	
Cash Funds Exempt	0	136,467	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Postage	<u>0</u>	<u>2,415,697</u>	<u>2,398,337</u>	<u>2,594,656</u>	<u>2,594,656</u>	DI#7,NP-5
General Fund	0	2,156,462	2,131,911	2,329,008	2,329,008	
HUTF	0	8,371	8,371	13,909	13,909	
Cash Funds	0	31,569	258,055	251,739	251,739	
Cash Funds Exempt	0	219,295	0	0	0	
Pueblo Data Entry Center Payments	<u>1,695,135</u>	<u>1,770,469</u>	<u>1,793,504</u>	<u>1,950,377</u>	<u>1,950,377</u>	
General Fund	1,694,049	1,768,878	1,789,495	1,946,368	1,946,368	DI#3
Cash Funds	0	0	4,009	4,009	4,009	
Cash Funds Exempt	1,086	1,591	0	0	0	
Microfilm Services - General Fund	343,264	382,772	383,187	445,095	445,095	DI#4
<b>SUBTOTAL - (2) CENTRAL DEPARTMENT</b>						
<b>OPERATIONS</b>	10,793,308	11,292,209	11,480,172	12,205,125	12,205,125	
FTE	<u>105.1</u>	<u>106.6</u>	<u>109.9</u>	<u>109.9</u>	<u>109.9</u>	
General Fund	10,418,351	10,557,375	10,659,191	11,404,815	11,404,815	
HUTF	0	100,355	111,017	117,890	117,890	
Cash Funds	65,984	127,295	605,494	613,374	613,374	
Cash Funds Exempt/Reappropriated Funds	308,973	507,184	104,470	69,046	69,046	

### (3) INFORMATION TECHNOLOGY DIVISION

#### (A) Systems Support

Systems Support is responsible for the maintenance of Department systems for three business groups and the Executive Director's Office. Major cash fund sources include the Colorado State Titling and Registration Account, the Highway Users Tax Fund, the Licensing Services Cash Fund, the Driver's License Administrative Revocation Account, the Auto Dealers License Fund, the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Racing Cash Fund, and the DOR subaccount of the Automobile Inspection and Readjustment Account. The sources of reappropriated funds are the Limited Gaming Fund and the State Lottery Fund.

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Personal Services	5,896,682	5,723,274	6,353,445	6,354,737	6,354,737	
FTE	<u>77.2</u>	<u>74.6</u>	<u>79.9</u>	<u>79.9</u>	<u>79.9</u>	
General Fund	4,238,729	3,981,028	4,300,497	4,648,774	4,648,774	
HUTF	0	427,990	465,580	357,868	357,868	
Cash Funds	257,376	445,397	1,113,516	941,123	941,123	
Cash Funds Exempt/Reappropriated Funds	1,400,577	868,859	473,852	406,972	406,972	
Operating Expenses - General Fund	709,333	722,189	724,313	724,313	724,313	
Programming Costs for Session Legislation	142,898	67,728	226,788	226,788	226,788	
FTE	<u>0.8</u>	<u>1.0</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>	
General Fund	8,968	12,731	66,846	66,846	66,846	
Cash Funds	0	0	159,942	159,942	159,942	
Cash Funds Exempt	133,930	54,997	0	0	0	
<b>(A) SUBTOTAL - SYSTEMS SUPPORT</b>	<b>6,748,913</b>	<b>6,513,191</b>	<b>7,304,546</b>	<b>7,305,838</b>	<b>7,305,838</b>	
FTE	<u>78.0</u>	<u>75.6</u>	<u>82.1</u>	<u>82.1</u>	<u>82.1</u>	
General Fund	4,957,030	4,715,948	5,091,656	5,439,933	5,439,933	
HUTF	0	427,990	465,580	357,868	357,868	
Cash Funds	257,376	445,397	1,273,458	1,101,065	1,101,065	
Cash Funds Exempt/Reappropriated Funds	1,534,507	923,856	473,852	406,972	406,972	

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

The Colorado State Titling and Registration System 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). Source of cash funds is the Colorado State Titling and Registration Account.

Personal Services	2,008,819	2,164,931	2,330,535	2,655,981	2,655,981	
FTE	<u>28.0</u>	<u>28.4</u>	<u>31.5</u>	<u>31.5</u>	<u>31.5</u>	
Cash Funds	0	0	2,330,535	2,655,981	2,655,981	DI#8
Cash Funds Exempt	2,008,819	2,164,931	0	0	0	
Operating Expenses	<u>2,531,381</u>	<u>2,553,845</u>	<u>2,596,109</u>	<u>2,667,161</u>	<u>2,667,161</u>	
Cash Funds	0	0	2,596,109	2,667,161	2,667,161	DI#8
Cash Funds Exempt	2,531,381	2,553,845	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
County Office Asset Maintenance	<u>555,541</u>	<u>567,478</u>	<u>568,230</u>	<u>568,230</u>	<u>68,230</u>	
Cash Funds	0	0	568,230	568,230	68,230	
Cash Funds Exempt	555,541	567,478	0	0	0	
County Office Improvements - Cash Funds	0	0	103,578	87,377	87,377	DI#11
<b>(B) SUBTOTAL - COLORADO STATE TITLING AND REGISTRATION SYSTEM</b>						
	5,095,741	5,286,254	5,598,452	5,978,749	5,478,749	
FTE	<u>28.0</u>	<u>28.4</u>	<u>31.5</u>	<u>31.5</u>	<u>31.5</u>	
Cash Funds	0	0	5,598,452	5,978,749	5,478,749	
Cash Funds Exempt	5,095,741	5,286,254	0	0	0	

<b>SUBTOTAL - (3) INFORMATION TECHNOLOGY</b>						
<b>DIVISION</b>	11,844,654	11,799,445	12,902,998	13,284,587	12,784,587	
FTE	<u>106.0</u>	<u>104.0</u>	<u>113.6</u>	<u>113.6</u>	<u>113.6</u>	
General Fund	4,957,030	4,715,948	5,091,656	5,439,933	5,439,933	
HUTF	0	427,990	465,580	357,868	357,868	
Cash Funds	257,376	445,397	6,871,910	7,079,814	6,579,814	
Cash Funds Exempt/Reappropriated Funds	6,630,248	6,210,110	473,852	406,972	406,972	

**(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 an administrative section, the Taxation and Compliance Division, the Taxpayer Service Division, the Tax Conferee, and a Special Purpose section. All division but Special Purpose carry out programmatic functions.

**(A) Administration**

Personal Services	551,572	545,901	593,853	624,837	624,837	
FTE	<u>6.8</u>	<u>6.8</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	
General Fund	551,572	542,347	587,832	618,647	618,647	
Cash Funds	0	714	6,021	6,190	6,190	
Cash Funds Exempt	0	2,840	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Operating Expenses - General Fund	13,199	6,787	15,000	15,000	15,000	
(A) SUBTOTAL - ADMINISTRATION	564,771	552,688	608,853	639,837	639,837	
FTE	<u>6.8</u>	<u>6.8</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	
General Fund	564,771	549,134	602,832	633,647	633,647	
Cash Funds	0	714	6,021	6,190	6,190	
Cash Funds Exempt	0	2,840	0	0	0	

**(B) Taxation and Compliance Division**

Provides auditing services and enforces compliance with Colorado tax laws. The Division maintains five sections and six district offices throughout Colorado and conducts audits of individual and corporate tax returns. The Mineral Audit Program audits royalties associated with oil, gas, and mineral mining activity on federal, state, and private land. Cash funds source is the Waste Tire Recycling Development Cash Fund. Reappropriated funds sources are from the Mineral Audit Program, the State Board of Land Commissioners, Department of Natural Resources, and the Oil and Gas Conservation Commission, Department of Natural Resources.

Personal Services	13,346,449	13,213,501	13,767,421	15,157,984	15,157,984	
FTE	<u>207.0</u>	<u>202.7</u>	<u>216.4</u>	<u>226.5</u>	<u>226.5</u>	
General Fund	13,213,086	13,087,248	13,630,324	15,054,121	15,054,121	DI#1
Cash Funds	1,269	1,269	1,269	1,269	1,269	
Cash Funds Exempt	132,094	124,984	135,828	102,594	102,594	
Operating Expenses - General Fund	616,470	604,392	825,433	969,356	969,356	DI#1
Joint Audit Program - General Fund	131,244	131,244	131,244	131,244	131,244	
Mineral Audit Program	743,515	769,092	791,828	790,794	790,794	
FTE	<u>7.0</u>	<u>9.1</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	
Cash Funds Exempt/Reappropriated Funds	65,916	65,975	66,000	66,000	66,000	
Federal Funds	677,599	703,117	725,828	724,794	724,794	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	

<b>(B) SUBTOTAL - TAXATION AND COMPLIANCE</b>						
DIVISION	14,837,678	14,718,229	15,515,926	17,049,378	17,049,378	
FTE	<u>214.0</u>	<u>211.8</u>	<u>227.4</u>	<u>237.5</u>	<u>237.5</u>	
General Fund	13,960,800	13,822,884	14,587,001	16,154,721	16,154,721	
Cash Funds	1,269	1,269	1,269	1,269	1,269	
Cash Funds Exempt	198,010	190,959	201,828	168,594	168,594	
Federal Funds	677,599	703,117	725,828	724,794	724,794	

**(C) Taxpayer Service Division**

Assists individual and business taxpayers through regional service centers and a call center; issues tax licenses and permits to businesses, collects local sales taxes for many cities, counties and special districts; 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. The primary sources of cash funds are the Highway Users Tax Fund (exempt from the 6% limit), the Aviation Fund and Private Letter Rulings.

Personal Services	4,142,626	4,309,826	4,531,838	4,746,481	4,746,481	
FTE	<u>72.7</u>	<u>73.4</u>	<u>80.1</u>	<u>80.1</u>	<u>80.1</u>	
General Fund	4,122,044	4,289,246	4,439,506	4,654,149	4,654,149	
Cash Funds	20,582	20,580	92,332	92,332	92,332	
Operating Expenses	<u>398,173</u>	<u>386,077</u>	<u>405,490</u>	<u>402,035</u>	<u>402,035</u>	
General Fund	398,173	386,077	404,990	401,535	401,535	
Cash Funds	0	0	500	500	500	
Fuel Tracking System	476,949	474,284	483,277	486,594	486,594	
FTE	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	
Cash Funds	0	0	483,277	486,594	486,594	
Cash Funds Exempt	476,949	474,284	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	

(C) SUBTOTAL - TAXPAYER SERVICE DIVISION	5,017,748	5,170,187	5,420,605	5,635,110	5,635,110	
FTE	<u>74.2</u>	<u>74.9</u>	<u>81.6</u>	<u>81.6</u>	<u>81.6</u>	
General Fund	4,520,217	4,675,323	4,844,496	5,055,684	5,055,684	
Cash Funds	20,582	20,580	576,109	579,426	579,426	
Cash Funds Exempt	476,949	474,284	0	0	0	

**(D) Tax Conferee**

The Tax Conferee resolves protests to tax adjustments, review issues related to "home rule" city sales taxes and city and county use taxes.

Personal Service - General Fund	755,215	854,723	981,960	1,022,738	1,022,738	
FTE	8.2	8.8	9.0	9.0	9.0	
Operating Expenses - General Fund	14,958	21,610	21,754	21,754	21,754	

(D) SUBTOTAL - TAX CONFEREE - General Fund	770,173	876,333	1,003,714	1,044,492	1,044,492	
FTE	8.2	8.8	9.0	9.0	9.0	

**(E) Special Purpose**

Distributes applicable percentage of gross cigarette taxes to counties, cities, and towns; distributes grants to low income, disabled, elderly, and permanently disabled veterans; provides moneys to local governments or non-profit entities with alternative fuels programs. All funds are continuously appropriated by constitutional or statutory provision.

Cigarette Tax Rebate - General Fund	13,213,188	12,703,162	13,300,000	13,300,000	13,300,000	
Amendment 35 Distribution to Local Governments	<u>1,548,108</u>	<u>1,472,654</u>	<u>1,543,432</u>	<u>1,543,432</u>	<u>1,512,000</u>	
Cash Funds	0	0	1,543,432	1,543,432	1,512,000	
Cash Funds Exempt	1,548,108	1,472,654	0	0	0	
Old Age Heat and Fuel and Property Tax Assistance Grant - General Fund	8,378,083	10,422,728	17,300,000	17,300,000	10,500,000	



	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Alternative Fuels Rebate	<u>382,813</u>	<u>299,611</u>	<u>310,601</u>	<u>310,601</u>	<u>310,601</u>	
Cash Funds	0	0	310,601	310,601	310,601	
Cash Funds Exempt	382,813	299,611	0	0	0	
<b>(E) SUBTOTAL - SPECIAL PURPOSE</b>	<u>23,522,192</u>	<u>24,898,155</u>	<u>32,454,033</u>	<u>32,454,033</u>	<u>25,622,601</u>	
General Fund	21,591,271	23,125,890	30,600,000	30,600,000	23,800,000	
Cash Funds	0	0	1,854,033	1,854,033	1,822,601	
Cash Funds Exempt	1,930,921	1,772,265	0	0	0	
<b>SUBTOTAL - (4) TAXATION BUSINESS GROUP</b>	44,712,562	46,215,592	55,003,131	56,822,850	49,991,418	
FTE	<u>303.2</u>	<u>302.3</u>	<u>325.0</u>	<u>335.1</u>	<u>335.1</u>	
General Fund	41,407,232	43,049,564	51,638,043	53,488,544	46,688,544	
Cash Funds	21,851	22,563	2,437,432	2,440,918	2,409,486	
Cash Funds Exempt/Reappropriated Funds	2,605,880	2,440,348	201,828	168,594	168,594	
Federal Funds	677,599	703,117	725,828	724,794	724,794	

#### (5) DIVISION OF MOTOR VEHICLES

The Division is responsible for licensing drivers and issuing identification documents, administering driver records and administrative sanctions, titling and registration of motor vehicles, enforcing the state's emissions program laws, and administering the Motorist Insurance Identification Database. Major cash funds sources are the Highway Users Tax Fund, the Licensing Service Cash Fund, the Colorado State Titling and Registration Account, and the DOR subaccount of the Automobile Inspection and Readjustment (AIR) Account of the Highway Users Tax Fund.

#### (A) Administration

Personal Services	656,830	854,679	888,380	928,919	928,919	
FTE	<u>8.2</u>	<u>10.4</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	
General Fund	294,343	513,510	490,755	519,883	519,883	
HUTF	362,487	207,469	196,173	201,794	201,794	
Cash Funds	0	158	201,452	207,242	207,242	
Cash Funds Exempt	0	133,542	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Operating Expenses	<u>50,014</u>	<u>50,580</u>	<u>54,250</u>	<u>54,250</u>	<u>54,250</u>	
General Fund	47,679	29,281	31,366	54,250	54,250	
HUTF	2,335	13,069	10,325	0	0	
Cash Funds	0	10	12,559	0	0	
Cash Funds Exempt	0	8,220	0	0	0	
<b>(A) SUBTOTAL - ADMINISTRATION</b>	<b>706,844</b>	<b>905,259</b>	<b>942,630</b>	<b>983,169</b>	<b>983,169</b>	
FTE	<u>8.2</u>	<u>10.4</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	
General Fund	342,022	542,791	522,121	574,133	574,133	
HUTF	364,822	220,538	206,498	201,794	201,794	
Cash Funds	0	168	214,011	207,242	207,242	
Cash Funds Exempt	0	141,762	0	0	0	

**(B) Driver and Vehicle Services**

The Division administers driver's licensing and record management, vehicle registration, and regulation of commercial driving schools. The primary cash funds sources are the License Plate Cash Fund, the Licensing Services Cash Fund, the Identification Security Fund, the Colorado State Titling and Registration Account, the Driver's License Administrative Revocation Account, the Outstanding Judgments and Warrants Account, and the Penalty Assessment Account.

Personal Services	13,531,973	14,999,824	16,297,007	17,045,235	17,261,060	DI#13
FTE	<u>313.6</u>	<u>345.9</u>	<u>382.3</u>	<u>383.2</u>	<u>383.2</u>	
General Fund	12,490,643	10,001,755	10,969,972	7,114,718	7,330,543	
Cash Funds	3,842	4,064,634	5,327,035	9,930,517	9,930,517	
Cash Funds Exempt	1,037,488	933,435	0	0	0	
Operating Expenses	<u>1,201,503</u>	<u>2,195,205</u>	<u>2,557,401</u>	<u>3,208,685</u>	<u>3,208,685</u>	
General Fund	1,196,379	1,071,604	1,214,937	1,214,937	1,214,937	
Cash Funds	2,000	1,121,112	1,342,464	1,993,748	1,993,748	DI#5
Cash Funds Exempt	3,124	2,489	0	0	0	
Drivers License Documents	<u>2,369,475</u>	<u>2,372,080</u>	<u>2,437,320</u>	<u>2,437,320</u>	<u>2,437,320</u>	
General Fund	1,891,789	1,860,196	1,913,728	1,913,728	2,085,577	
Cash Funds	0	0	523,592	523,592	351,743	
Cash Funds Exempt	477,686	511,884	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
License Plate Ordering - Cash Funds	5,041,069	5,449,138	5,465,550	5,936,876	5,936,876	
<b>(B) SUBTOTAL - DRIVER AND VEHICLE SERVICES</b>	22,144,020	25,016,247	26,757,278	28,628,116	28,843,941	
FTE	<u>313.6</u>	<u>345.9</u>	<u>382.3</u>	<u>383.2</u>	<u>383.2</u>	
General Fund	15,578,811	12,933,555	14,098,637	10,243,383	10,631,057	
Cash Funds	5,046,911	10,634,884	12,658,641	18,384,733	18,212,884	
Cash Funds Exempt	1,518,298	1,447,808	0	0	0	

**(C) Vehicle Emissions**

The Emissions Section conducts audits of inspection and readjustment stations and facilities to ensure compliance with vehicle emissions testing standards under the Automobile Inspection and Readjustment Program. Cash fund source is the DOR subaccount of the Automobile Inspection and Readjustment (AIR) Account of the Highway Users Tax Fund.

Personal Services	728,876	958,305	1,016,699	1,053,283	1,053,283	
FTE	<u>11.6</u>	<u>14.8</u>	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>	
Cash Funds	0	0	1,016,699	1,053,283	1,053,283	
Cash Funds Exempt	728,876	958,305	0	0	0	
Operating Expenses	<u>68,379</u>	<u>76,566</u>	<u>80,215</u>	<u>80,215</u>	<u>80,215</u>	
Cash Funds	0	0	80,215	80,215	80,215	
Cash Funds Exempt	68,379	76,566	0	0	0	
<b>(C) SUBTOTAL - VEHICLE EMISSIONS</b>	797,255	1,034,871	1,096,914	1,133,498	1,133,498	
FTE	<u>11.6</u>	<u>14.8</u>	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>	
Cash Funds	0	0	1,096,914	1,133,498	1,133,498	
Cash Funds Exempt	797,255	1,034,871	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
<b>(D) Titles</b>						
Provides administrative and accounting support for issuing motor vehicle titles. Certifies vehicle ownership for tax assessment and other purposes. Ensures uniformity among the State's county clerks. Cash funds source is the Colorado State Titling and Registration Account.						
Personal Services	1,480,387	1,544,397	1,603,458	1,672,848	1,672,848	
FTE	<u>32.6</u>	<u>32.8</u>	<u>34.5</u>	<u>34.5</u>	<u>34.5</u>	
Cash Funds	0	0	1,603,458	1,672,848	1,672,848	
Cash Funds Exempt	1,480,387	1,544,397	0	0	0	
Operating Expenses	<u>125,005</u>	<u>146,782</u>	<u>174,711</u>	<u>189,854</u>	<u>189,854</u>	
Cash Funds	0	0	174,711	189,854	189,854	DI#5
Cash Funds Exempt	125,005	146,782	0	0	0	
<b>(D) SUBTOTAL - TITLES</b>	<b>1,605,392</b>	<b>1,691,179</b>	<b>1,778,169</b>	<b>1,862,702</b>	<b>1,862,702</b>	
FTE	<u>32.6</u>	<u>32.8</u>	<u>34.5</u>	<u>34.5</u>	<u>34.5</u>	
Cash Funds	0	0	1,778,169	1,862,702	1,862,702	
Cash Funds Exempt	1,605,392	1,691,179	0	0	0	

**(E) Motorist Insurance Identification Database Program**

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

Personal Services	669,938	315,318	328,132	330,017	330,017	
FTE	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
Cash Funds	0	0	328,132	330,017	330,017	
Cash Funds Exempt	669,938	315,318	0	0	0	
Operating Expenses	<u>69,514</u>	<u>278</u>	<u>500</u>	<u>500</u>	<u>500</u>	
Cash Funds	0	0	500	500	500	
Cash Funds Exempt	69,514	278	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change
	Actual	Actual	Appropriation	Department Request	Staff Recommends	Requests

<b>(E) SUBTOTAL - MOTORIST INSURANCE IDENTIFICATION DATABASE PROGRAM</b>						
	739,452	315,596	328,632	330,517	330,517	
FTE	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
Cash Funds	0	0	328,632	330,517	330,517	
Cash Funds Exempt	739,452	315,596	0	0	0	

<b>SUBTOTAL - (5) DIVISION OF MOTOR VEHICLES</b>						
	25,992,963	28,963,152	30,903,623	32,938,002	33,153,827	
FTE	<u>367.0</u>	<u>404.9</u>	<u>444.3</u>	<u>445.2</u>	<u>445.2</u>	
General Fund	15,920,833	13,476,346	14,620,758	10,817,516	11,205,190	
HUTF	364,822	220,538	206,498	201,794	201,794	
Cash Funds	5,046,911	10,635,052	16,076,367	21,918,692	21,746,843	
Cash Funds Exempt	4,660,397	4,631,216	0	0	0	

#### **(6) MOTOR CARRIER SERVICES DIVISION**

Monitors compliance with statutory weight and size restrictions for commercial vehicles, monitors safety compliance through driver and vehicle inspections at fixed and mobile ports of entry stations, inspects transporters or hazardous materials, and collects fuel taxes. The cash funds sources are the Highway Users Tax Fund "Off-the-top", the Hazardous Materials Safety Fund, and the Nuclear Materials Transportation Fund. The reappropriated funds source is the Motor Carrier Safety Assistance Program.

Personal Services	6,313,011	6,453,166	6,916,812	7,268,775	7,268,775
FTE	<u>125.1</u>	<u>124.6</u>	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>
General Fund	467,528	571,758	623,589	644,866	644,866
HUTF	5,807,154	5,800,056	6,184,910	6,505,998	6,505,998
Cash Funds	38,329	20,572	34,067	34,067	34,067
Cash Funds Exempt/Reappropriated Funds	0	60,780	74,246	83,844	83,844
Operating Expenses	<u>419,133</u>	<u>414,765</u>	<u>433,811</u>	<u>433,811</u>	<u>433,811</u>
General Fund	29,480	31,688	38,045	38,045	38,045
HUTF	389,653	383,077	395,766	395,766	395,766
Cash Funds	0	0	0	0	0

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Fixed and Mobile Port Maintenance - HUTF	83,784	83,784	221,545	221,545	221,545	
Motor Carrier Safety Assistance Program - Federal Funds	652,512	733,068	745,770	745,770	745,770	
FTE	8.3	8.2	9.0	9.0	9.0	
Hazardous Materials Permitting Program - Cash Funds	170,674	163,187	202,363	210,210	210,210	
FTE	3.7	3.7	4.0	4.0	4.0	
<b>SUBTOTAL (6) - MOTOR CARRIER SERVICES</b>						
<b>DIVISION</b>	7,639,114	7,847,970	8,520,301	8,880,111	8,880,111	
FTE	<u>137.1</u>	<u>136.5</u>	<u>144.2</u>	<u>144.2</u>	<u>144.2</u>	
General Fund	497,008	603,446	661,634	682,911	682,911	
HUTF	6,280,591	6,266,917	6,802,221	7,123,309	7,123,309	
Cash Funds	209,003	183,759	236,430	244,277	244,277	
Cash Funds Exempt/Reappropriated Funds	0	60,780	74,246	83,844	83,844	
Federal Funds	652,512	733,068	745,770	745,770	745,770	

**(7) ENFORCEMENT BUSINESS GROUP**

**(A) Administration**

Administers the functions of the Enforcement Business Group: Limited Gaming, Liquor and Tobacco Law Enforcement, Racing Events (horse and dog racing), the Hearings Division, and Motor Vehicle Dealer Licensing. The cash funds sources are the Drivers License Administrative Revocation Account, the Auto Dealers License Fund, the Liquor Enforcement Division and State Licensing Authority Cash Fund, and the Racing Cash Fund. The reappropriated funds source is the Limited Gaming Fund.

Personal Services	477,423	455,609	512,166	539,579	539,579	
FTE	<u>5.9</u>	<u>5.6</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	
General Fund	31,203	(14,394)	27,856	23,336	23,336	
Cash Funds	256,695	252,098	374,470	405,032	405,032	
Cash Funds Exempt/Reappropriated Funds	189,525	217,905	109,840	111,211	111,211	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Operating Expenses	<u>9,848</u>	<u>9,286</u>	<u>10,880</u>	<u>10,880</u>	<u>10,880</u>	
General Fund	(335)	(988)	592	10,880	10,880	
Cash Funds	5,885	5,511	7,955	0	0	
Cash Funds Exempt/Reappropriated Funds	4,298	4,763	2,333	0	0	
<b>(A) SUBTOTAL - ADMINISTRATION</b>	<b>487,271</b>	<b>464,895</b>	<b>523,046</b>	<b>550,459</b>	<b>550,459</b>	
FTE	<u>5.9</u>	<u>5.6</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	
General Fund	30,868	(15,382)	28,448	34,216	34,216	
Cash Funds	262,580	257,609	382,425	405,032	405,032	
Cash Funds Exempt/Reappropriated Funds	193,823	222,668	112,173	111,211	111,211	

**(B) Limited Gaming Division**

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

Personal Services - Cash Funds	4,376,087	4,932,751	5,410,628	5,634,719	5,634,719	
FTE	64.1	70.6	76.0	76.0	76.0	
Operating Expenses - Cash Funds	388,297	502,982	575,734	575,734	575,734	
Licensure Activities - Cash Funds	108,296	93,525	181,497	181,497	181,497	
Investigations - Cash Funds	69,233	64,177	263,964	263,964	263,964	
Payments to other State Agencies - Cash Funds	2,499,548	3,134,187	2,429,848	2,429,848	2,429,848	
Distribution to Gaming Cities and Counties - Cash Funds	23,398,477	100,591,698	23,788,902	23,788,902	23,788,902	
Indirect Cost Assessment - Cash Funds	640,919	553,509	559,702	612,363	612,363	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	

<b>(B) SUBTOTAL - LIMITED GAMING DIVISION -</b>						
Cash Funds	31,480,857	109,872,829	33,210,275	33,487,027	33,487,027	
FTE	64.1	70.6	76.0	76.0	76.0	

**(C) Liquor Enforcement Division**

Enforces alcohol laws; issues licenses and permits to manufacturers, importer, distributors, and sellers of alcoholic beverages. Cash fund source is the Liquor Enforcement Division and State Licensing Authority Cash Fund.

Personal Services - Cash Funds	1,388,684	1,432,924	1,536,236	1,687,853	1,687,853	DI#10
FTE	17.9	17.3	19.0	21.0	21.0	DI#10
Operating Expenses - Cash Funds	49,450	50,840	51,616	61,296	61,296	DI#10

<b>(C) SUBTOTAL - LIQUOR ENFORCEMENT DIVISION - Cash Funds</b>						
	1,438,134	1,483,764	1,587,852	1,749,149	1,749,149	
FTE	17.9	17.3	19.0	21.0	21.0	

**(D) Tobacco Enforcement Program**

Enforces laws prohibiting sales of tobacco to minors. The cash funds source is the Tobacco Education Programs Fund.

Personal Services	368,662	376,242	458,969	504,487	504,487	
FTE	<u>5.9</u>	<u>6.3</u>	<u>7.0</u>	<u>8.0</u>	<u>8.0</u>	
General Fund	127,508	71,959	129,711	145,318	145,318	
Cash Funds	0	0	329,258	359,169	359,169	
Cash Funds Exempt	241,154	304,283	0	0	0	
Operating Expenses	<u>26,322</u>	<u>27,328</u>	<u>27,943</u>	<u>31,379</u>	<u>31,379</u>	
General Fund	5,240	7,042	7,201	7,201	7,201	
Cash Funds	0	0	20,742	24,178	24,178	
Cash Funds Exempt	21,082	20,286	0	0	0	



	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	

<b>(D) SUBTOTAL - TOBACCO ENFORCEMENT</b>						
PROGRAM	394,984	403,570	486,912	535,866	535,866	
FTE	<u>5.9</u>	<u>6.3</u>	<u>7.0</u>	<u>8.0</u>	<u>8.0</u>	
General Fund	132,748	79,001	136,912	152,519	152,519	
Cash Funds	0	0	350,000	383,347	383,347	
Cash Funds Exempt	262,236	324,569	0	0	0	

**(E) Division of Racing Events**

License racetracks and individuals in dog and horse racing, allocates race days among racetracks, test animals for drugs and oversees wagering. The cash fund source is the Racing Cash Fund.

Personal Services - Cash Funds	1,250,316	1,241,429	1,410,197	1,467,605	1,467,605	
FTE	15.9	16.8	18.5	18.5	18.5	
Operating Expenses - Cash Funds	91,214	88,840	97,845	97,845	97,845	
Laboratory Services - Cash Funds	100,574	101,510	104,992	104,992	104,992	
Commission Meeting Costs - Cash Funds	450	750	1,200	1,200	1,200	
Racetrack Applications - Cash Funds	3,822	3,191	25,000	25,000	25,000	
Purses and Breeders Awards - Cash Funds	998,558	1,089,485	1,106,142	1,106,142	1,106,142	

<b>(E) SUBTOTAL - DIVISION OF RACING EVENTS -</b>						
Cash Funds	2,444,934	2,525,205	2,745,376	2,802,784	2,802,784	
FTE	15.9	16.8	18.5	18.5	18.5	

**(F) Hearings Division**

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

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Personal Services	1,802,578	1,793,734	1,996,235	2,092,012	2,092,012	
FTE	<u>26.8</u>	<u>26.7</u>	<u>29.0</u>	<u>29.0</u>	<u>29.0</u>	
Cash Funds	0	0	1,996,235	2,092,012	2,092,012	
Cash Funds Exempt	1,802,578	1,793,734	0	0	0	
Operating Expenses	<u>69,587</u>	<u>70,295</u>	<u>73,750</u>	<u>73,750</u>	<u>73,750</u>	
Cash Funds	0	0	73,750	73,750	73,750	
Cash Funds Exempt	69,587	70,295	0	0	0	
<b>(F) SUBTOTAL - HEARING DIVISION</b>	<b>1,872,165</b>	<b>1,864,029</b>	<b>2,069,985</b>	<b>2,165,762</b>	<b>2,165,762</b>	
FTE	<u>26.8</u>	<u>26.7</u>	<u>29.0</u>	<u>29.0</u>	<u>29.0</u>	
Cash Funds	0	0	2,069,985	2,165,762	2,165,762	
Cash Funds Exempt	1,872,165	1,864,029	0	0	0	
<b>(G) Motor Vehicle Dealer Licensing Board</b>						
Licenses automobile dealers, wholesalers, and salespeople, regulates the distribution and sale of motor vehicles, investigates and resolves complaints against Board licensees and legal violations. The cash fund source is the Auto Dealers License Fund.						
Personal Services	1,556,334	1,640,481	1,761,096	1,827,680	1,827,680	
FTE	<u>24.3</u>	<u>25.0</u>	<u>28.2</u>	<u>28.2</u>	<u>28.2</u>	
Cash Funds	1,249,159	1,640,481	1,761,096	1,827,680	1,827,680	
Cash Funds Exempt	307,175	0	0	0	0	
Operating Expenses	<u>68,946</u>	<u>69,636</u>	<u>72,003</u>	<u>180,793</u>	<u>94,503</u>	
Cash Funds	55,174	69,636	72,003	180,793	94,503	DI#6, BA#1
Cash Funds Exempt	13,772	0	0	0	0	
<b>(G) SUBTOTAL - MOTOR VEHICLE DEALER LICENSING BOARD</b>	<b>1,625,280</b>	<b>1,710,117</b>	<b>1,833,099</b>	<b>2,008,473</b>	<b>1,922,183</b>	
FTE	<u>24.3</u>	<u>25.0</u>	<u>28.2</u>	<u>28.2</u>	<u>28.2</u>	
Cash Funds	1,304,333	1,710,117	1,833,099	2,008,473	1,922,183	
Cash Funds Exempt	320,947	0	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change
	Actual	Actual	Appropriation	Department Request	Staff Recommends	Requests

<b>SUBTOTAL (7) - ENFORCEMENT BUSINESS</b>						
<b>GROUP</b>	39,743,625	118,324,409	42,456,545	43,299,520	43,213,230	
FTE	<u>160.8</u>	<u>168.3</u>	<u>183.7</u>	<u>186.7</u>	<u>186.7</u>	
General Fund	163,616	63,619	165,360	186,735	186,735	
Cash Funds	36,930,838	115,849,524	42,179,012	43,001,574	42,915,284	
Cash Funds Exempt/Reappropriated Funds	2,649,171	2,411,266	112,173	111,211	111,211	

**(8) STATE LOTTERY DIVISION**

Operates the Sate's lottery through the sale of scratch and online tickets, including tickets for the multi-state lottery (PowerBall). The cash fund source is the State Lottery Fund

Personal Services	8,105,683	8,175,629	8,718,974	9,097,620	9,097,620	
FTE	<u>122.3</u>	<u>117.8</u>	<u>126.0</u>	126.0	126.0	
Cash Funds	0	0	8,718,974	9,097,620	9,097,620	
Cash Funds Exempt	8,105,683	8,175,629	0	0	0	
Operating Expenses	<u>1,202,442</u>	<u>1,201,046</u>	<u>1,203,156</u>	<u>1,203,156</u>	<u>1,203,156</u>	
Cash Funds	0	0	1,203,156	1,203,156	1,203,156	
Cash Funds Exempt	1,202,442	1,201,046	0	0	0	
Payments to Other State Agencies	<u>119,290</u>	<u>121,335</u>	<u>239,410</u>	<u>239,410</u>	<u>239,410</u>	
Cash Funds	0	0	239,410	239,410	239,410	
Cash Funds Exempt	119,290	121,335	0	0	0	
Travel	<u>76,442</u>	<u>112,329</u>	<u>113,498</u>	<u>113,498</u>	<u>113,498</u>	
Cash Funds	0	0	113,498	113,498	113,498	
Cash Funds Exempt	76,442	112,329	0	0	0	
Marketing and Communications	<u>8,636,185</u>	<u>8,642,972</u>	<u>11,671,710</u>	<u>14,700,000</u>	<u>14,700,000</u>	
Cash Funds	0	0	11,671,710	14,700,000	14,700,000	
Cash Funds Exempt	8,636,185	8,642,972	0	0	0	
Multi-State Lottery Fees	<u>172,275</u>	<u>161,811</u>	<u>177,433</u>	<u>177,433</u>	<u>177,433</u>	
Cash Funds	0	0	177,433	177,433	177,433	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
Cash Funds Exempt	172,275	161,811	0	0	0	
Vendor Fees	<u>6,656,479</u>	<u>9,363,475</u>	<u>10,875,511</u>	<u>12,677,849</u>	<u>12,677,849</u>	
Cash Funds	0	0	10,875,511	12,677,849	12,677,849	
Cash Funds Exempt	6,656,479	9,363,475	0	0	0	
Prizes	<u>280,000,739</u>	<u>313,796,804</u>	<u>336,721,380</u>	<u>392,580,940</u>	<u>392,580,940</u>	
Cash Funds	0	0	336,721,380	392,580,940	392,580,940	
Cash Funds Exempt	280,000,739	313,796,804	0	0	0	
Powerball Prize Variance	<u>7,264,940</u>	<u>8,047,280</u>	<u>9,752,000</u>	<u>12,708,000</u>	<u>12,708,000</u>	
Cash Funds	0	0	9,752,000	12,708,000	12,708,000	
Cash Funds Exempt	7,264,940	8,047,280	0	0	0	
Retailer Compensation	<u>33,668,382</u>	<u>38,392,178</u>	<u>41,773,750</u>	<u>48,894,160</u>	<u>48,894,160</u>	
Cash Funds	0	0	41,773,750	48,894,160	48,894,160	
Cash Funds Exempt	33,668,382	38,392,178	0	0	0	
Ticket Costs	<u>2,142,602</u>	<u>2,558,910</u>	<u>7,529,350</u>	<u>6,070,880</u>	<u>6,070,880</u>	
Cash Funds	0	0	7,529,350	6,070,880	6,070,880	
Cash Funds Exempt	2,142,602	2,558,910	0	0	0	
Research	<u>249,852</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	
Cash Funds	0	0	250,000	250,000	250,000	
Cash Funds Exempt	249,852	250,000	0	0	0	
Indirect Cost Assessment	<u>358,373</u>	<u>458,880</u>	<u>556,672</u>	<u>543,443</u>	<u>543,443</u>	
Cash Funds	0	0	556,672	543,443	543,443	
Cash Funds Exempt	358,373	458,880	0	0	0	
<b>(8) SUBTOTAL - STATE LOTTERY DIVISION</b>	348,653,684	391,282,649	429,582,844	499,256,389	499,256,389	
FTE	<u>122.3</u>	<u>117.8</u>	<u>126.0</u>	<u>126.0</u>	<u>126.0</u>	
Cash Funds	0	0	429,582,844	499,256,389	499,256,389	
Cash Funds Exempt	348,653,684	391,282,649	0	0	0	

	FY 2006-07	FY 2007-08	2008-09	FY 2009-10		Change Requests
	Actual	Actual	Appropriation	Department Request	Staff Recommends	
<b>TOTAL - DEPARTMENT OF REVENUE</b>	511,781,973	642,550,224	622,110,549	695,727,510	669,931,578	
FTE	<u>1,343.9</u>	<u>1,381.1</u>	<u>1,495.4</u>	<u>1,509.5</u>	<u>1,509.5</u>	
General Fund	86,487,719	88,689,208	101,582,102	99,528,003	81,394,756	
HUTF	8,376,426	8,832,856	9,739,088	9,720,528	8,693,300	
Cash Funds	45,193,227	130,335,413	507,925,313	583,600,169	576,964,712	
Cash Funds Exempt/Reappropriated Funds	370,394,490	413,256,562	1,392,448	1,408,246	1,408,246	
Federal Funds	1,330,111	1,436,185	1,471,598	1,470,564	1,470,564	

**(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 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 request	FY 2009-10 Recommendation
Management and Administration	4.7	5.0	5.0	5.0
Central Budget Office	4.0	4.0	4.0	4.0
Accounting and Financial Services	15.9	16.2	16.3	16.3
Internal Auditor	0.6	6.0	6.0	6.0
Human Resources	9.4	9.5	9.5	9.5
Research and Analysis	6.1	8.0	8.0	8.0
<b>Total</b>	<b>40.7</b>	<b>48.7</b>	<b>48.8</b>	<b>48.8</b>

**Personal Services**

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

The Department requests an appropriation of \$4,064,967 and 48.8 FTE, including \$2,175,864 General Fund, \$422,857 cash funds from the HUTF, \$897,667 cash funds, and \$568,579 reappropriated funds from the State Lottery Fund and the Limited Gaming Fund. The increase of 0.1 FTE is annualization of S.B. 07-228, which represents an increase of \$5,862

**Staff recommends an appropriation of \$4,064,967 and 48.7 FTE**, including \$2,175,864 General Fund, \$422,857 cash funds from the Highway Users Tax Fund (HUTF), \$897,667 cash funds from various sources, and \$568,579 reappropriated funds for indirect cost recoveries from the Limited Gaming Fund and State Lottery Fund. 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						
	FTE	General Fund	HUTF	Cash Funds	Reappropriated Funds	Total
FY 2008-09 Long Bill	48.7	\$2,208,295	\$418,445	\$841,991	\$425,879	\$3,894,610
Annualization of S.B. 07-228	0.1	5,862	0	0	0	5,862
Salary Survey		125,845	0	0	0	125,845
Performance-based Pay Awards <a>		38,650	0	0	0	38,650
Indirect Costs Adjustments		(202,788)	4,412	55,676	142,700	0
<b>Staff Recommendation</b>	<b>48.8</b>	<b>\$2,175,864</b>	<b>\$422,857</b>	<b>\$897,667</b>	<b>\$568,579</b>	<b>\$4,064,967</b>

<a> Per JBC policy, Performance-based Pay Awards are calculated for base-building purposes at 80% of the previous years appropriation

### **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 revised request is for a total of \$7,850,643, including \$4,618,813 General Fund, \$779,403 cash funds from the HUTF "off-the-top", and \$2,452,427 cash funds from various sources. The revised request is pursuant to a statewide decision item that is pending before the Committee.

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

### **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 amended request was for \$97,358.

**Staff recommends an appropriation of \$110,773, based on the Committee policy of applying the approved rate of 0.13 percent to FY 2007-08 base salaries.** This includes \$66,376 General Fund, \$8,550 cash funds from the HUTF, and \$35,847 cash funds from various sources.

### **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 amended request is for \$1,497,607 (including \$906,245 General Fund).

**Staff recommends, an appropriation of \$1,329,956,** pursuant to Committee policy, including \$806,265 General Fund, \$99,659 cash funds from the HUTF, and \$424,032 from various cash funds.

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

This line item provides additional funding to increase the state contribution for PERA. The Department's amended request is for \$936,004 (including \$566,403 General Fund) which includes approval of a budget amendment that increases the Department's internal audit staff.

**Staff recommends an appropriation of \$816,528**, pursuant to Committee policy, including \$495,734 General Fund, \$61,302 cash funds from the HUTF, \$259,492 from various cash funds.

### **Salary Survey and Senior Executive Service**

This line item is used to pay for annual increases for salary survey and senior executive service positions. The Department's request has been withdrawn.

**Staff recommends an appropriation of \$0.**

### **Performance-based Pay Awards**

This line item funds pay increases related to employee performance evaluations. The Department's amended request is for \$0. **Staff recommends approval of the Department's request.**

### **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. Per Committee policy, the line is funded at 80 percent of the prior year's actual expenditures. The Department's request is for \$171,982, including \$44,174 General Fund, \$104,514 cash funds from the HUTF, and \$14,512 cash funds from various sources of cash funds.

**Staff recommends an appropriation of \$133,215**, pursuant to Committee policy, including \$41,680 General Fund, \$77,022 cash funds from the HUTF, and \$14,513 cash funds from various sources of cash funds. Staff has applied the committee's policy of funding this line at 80 percent of the actual expenditures in the previous fiscal year (FY 2007-08)

### **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 revised request is for \$509,014, including \$315,145 General Fund, \$41,413 cash funds from the HUTF, and \$152,456 cash funds from various sources.

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

### **Operating Expenses (Decision Items 10, 12)**

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, after withdrawal of the Statewide Decision Item for Variable Vehicle Expense, an appropriation \$1,127,401, including \$501,837 General Fund, \$119,633 cash funds from the HUTF, and \$505,931 cash funds from various sources of cash funds. The Department's request includes two decision items.

#### Decision Item # 10

The Department requests a total of \$118,352 cash funds to add 2.0 FTE to the Liquor Enforcement Division. The portion of the request that applies to this line item is \$9,861. The request will be discussed in detail in the Liquor Enforcement Division section. **Staff recommends approval of the increase of \$9,861 cash funds** for this line item.

#### Decision Item # 12

The Department requests \$127,623 cash funds from the State Lottery Fund and the Limited Gaming Fund, to fund increases in variable vehicle expenses. The requests for these two divisions are based on rate increases from January 2006 and July 2006. The Department received an increase in its appropriation to partially offset the first rate increase, and the second rate increase was not funded.

The Department had requested, as part of a Statewide decision item for a total of \$243,652 in Variable Vehicle Expenses. In light of the recent drop in fuel prices, this request was withdrawn by the Department of Personnel and Administration. To further reflect the decrease in fuel prices over the last eight months would be accomplished by a statewide decision item, budget amendment, or supplemental. The requests in this Decision Item date back to rate increases imposed in 2006 that were not fully funded.

The Department of Personnel and Administration (DPA) implemented a variable vehicle rate increase in January 2006 and directed departments to submit a statewide supplemental, which the JBC approved at a reduced amount. DPA then implemented another rate increase in July 2006, for which the Department did not seek a supplemental or decision item. This Decision item would restore the base for these two cash funded sections.

The State Lottery uses its vehicles to provide ongoing scratch ticket inventory and customer service and support to about 2,800 vendors throughout the State. The Division's ability to provide customer service is impacted due to the lack of resources to support customers.

The Limited Gaming Division uses its vehicles to enforce State laws and regulations at the State's licensed gaming facilities. The Limited Gaming Division's budget for operating expenses is set by the Limited Gaming Commission, and therefore is not subject to appropriation by the General Assembly, however, the Variable Vehicle Expense appropriation is a centrally appropriated line item. It is important to align the Department's centralized appropriation with the appropriation authorized by the Limited Gaming Commission.

The Limited Gaming Division portion (\$59,109) of this request is not subject to appropriation by the General Assembly and should the JBC and ultimately the General Assembly not approve this request, the Department's central appropriation for variable vehicle expense would not align with the appropriation authorized by the Limited Gaming Commission. **Staff recommends approval of this portion of the request.**

The State Lottery Division received approval for a Decision Item last year for a Scratch Ticket Distribution/Inventory Management System. The increase in the annual appropriation for the Ticket Costs line was \$4.0 million, which was subsequently reduced to \$2.0 million in a FY 2008-09 supplemental which kept the inventory system in-house. The other element of this request was utilizing courier services for distribution of scratch tickets to retailers. One of the justifications for this plan was that it would free up sales representatives, who had previously been delivering tickets, to be able to spend more time with vendors in improving marketing and training of vendors and their employees.

Implicit in the Decision Item was that the sales force, by spending less time delivering inventory, would be spending more time with vendors, and that would reduce miles driven. The Department did not address this issue in its request for this Decision Item. The Lottery Division has, for almost three years, managed on its existing appropriation, and by having its sales force spend more time with vendors, should be driving fewer miles. **Staff recommends that this portion of the request be denied.**

**Staff recommends an increase of \$59,109 cash funds from the Limited Gaming Fund.**

**Staff recommends an appropriation of \$1,058,887, including \$501,837 General Fund, \$119,633 cash funds from the HUTF, and \$437,417 from various cash funds.**

#### **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 a continuation level of legal service hours of 11,165 hours and \$804,215, including \$451,261 General Fund, \$11,731 cash funds from the HUTF, and \$375,500 cash funds from various sources.

**Staff recommendation is for a continuation level of 11,165 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 frm the Division of Administrative Hearings. This funding request is based upon FY 2008-09 estimated costs and department utilization during FY 2006-07. The Department has requested \$9,123 cash funds.

**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 amended request is for \$3,627,411, including \$3,624,283 General Fund, and \$3,128 from cash funds .

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

**Multiuse Network Payments**

This line item is used to pay the Department's share of the statewide multi-use network. The Department's amended request is for \$2,670,532, including \$642,797 General Fund, \$51,007 cash funds from the HUTF, and \$1,976,728 from cash funds.

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

**MANAGEMENT AND ADMINISTRATION OF OIT**

This is a new line established as a common policy. The Department's request is for \$444,806 General Fund, of which \$280,918 in spending authority is transferred from the Information Technology Division.

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

**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 amended request is for \$128,266, including \$62,710 General Fund.

**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 (Decision Item # 10)**

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 \$478,249, including \$116,096 General Fund.

Decision Item # 10

The Department requests a total of \$118,352 cash funds to add 2.0 FTE to the Liquor Enforcement Division. The portion of the request that applies to this line item is \$9,861. The request will be discussed in detail on page 84 in the Liquor Enforcement Division section. **Staff recommends approval of the increase of \$2,683 cash funds** for this line item.

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

Leased Space (Decision Item #1, 2)

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 \$2,721,446, which represents a continuation amount of \$2,641,446, plus \$80,000 for leased space included in Decision Item #1, discussed in the Taxation and Compliance Division Personal Services line. This request includes \$1,630,432 General Fund.

The following table shows a breakdown of the Departments leased space for the various programs within the Department.

	FY 2008-09 Appropriation		FY 2009-10 Request		FY 2009-10 Recommend.	
	Sq. Ft.	Total	Sq. Ft.	Total	Sq. Ft.	Total
Cash Documents	12,437	\$ 30,000	12,437	\$ 31,500	12,437	\$ 31,500
Information Technology	264	4,770	264	4,770	264	4,770
Taxation	21,271	398,505	22,269	413,665	22,269	413,665
Motor Vehicle Enforcement	82,661	1,357,248	82,661	1,422,423	82,661	1,422,423
State Lottery	12,710	161,414	4,350	69,663	4,350	69,663
	63,805	689,509	63,805	699,425	63,805	699,425
<b>TOTAL</b>	<b>193,148</b>	<b>\$2,641,446</b>	<b>185,786</b>	<b>\$2,641,446</b>	<b>185,786</b>	<b>\$2,641,446</b>

Decision Item #1 (Out-of-State Tax Law Compliance and Enforcement)

The Department is requesting \$80,000 General Fund as part of its request to expand out-of-state tax compliance and enforcement. **Staff recommends approving an increase of \$44,000 for this decision item.** The request is discussed in detail in the Personal Services line item of the Taxation and Compliance Division.

Decision Item #2 (Leased Space Funding Mix Adjustment)

The Department is requesting to adjust its funding mix to account for leased space escalators in existing leases and projected lease space renewals with estimated inflation adjustments. The request

will increase General Fund by \$141,579, with a corresponding decrease in cash funds. Annualization of this request in FY 2010-11 will result in an increase of General Fund by \$19,429 and an increase in cash funds of \$16,754.

The Department has 42 leases outside of the Capitol Complex. The majority of the leases are for driver's license offices or the State Lottery offices. The Department's request is to adjust the leased space appropriation to reflect the most current lease information available to ensure that the leases correspond to the appropriate funding sources that support the leases.

If the Decision Item is not approved, the Department will not have sufficient General Fund to sufficiently fund its offices causing a risk of overexpenditure for this line item, or jeopardy of breach of contract on the leases. Alternatively, the Department would have to inappropriately charge cash funds for lease expenses that support General Fund programs, which could lead to unnecessary fee increases.

**Staff recommends approval of the Department request to adjust the funding mix for Leased Space, increasing General Fund by \$141,579 and decreasing cash funds by \$141,579**

**Staff recommends an appropriation of \$2,685,446, including \$1,594,432 General Fund, and \$1,091,014 cash funds.**

**Capitol Complex Leased Space**

This line item funds payment 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 \$1,674,939, including \$1,300,313 the following leased space within the Capitol Complex Facilities:

	FY 2008-09 Appropriation			FY 2009-10 Recommendation		
	Sq. Ft.	Rate	Total	Sq. Ft.	Rate	Total
Capitol Complex	74,580	\$11.17	\$ 833,059	74,580		Pending
Grand Junction	5,869	\$6.80	39,909	5,869		Pending
North Campus	5,700	\$4.17	23,769	5,700		Pending
Pierce Street	116,448	\$5.91	688,208	116,448		Pending
<b>TOTAL</b>	<b>202,597</b>		<b>\$1,584,944</b>	<b>202,597</b>		<b>Pending</b>

**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 \$3, including \$19,321 General Fund.

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

**Utilities**

This line item provides funding to support the cost of utilities at the Departments 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, including \$104,440 General Fund. This request includes \$2,224 cash funds to annualize the implementation of SB 07-241.

**Staff recommends a continuation appropriation of \$247,119,** including \$104,440 General Fund, \$103,416 cash funds from the HUTF, and \$39,263 cash funds from various sources.

## (2) CENTRAL DEPARTMENT OPERATIONS

This division picks up, 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.

<b>Central Department Operations</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Management/Supervisors	7.8	8.0	8.0	8.0
Administration	1.0	1.0	1.0	1.0
Accountants	11.8	12.0	12.0	12.0
Professionals	11.7	12.0	12.0	12.0
Tax Examiners	21.9	23.0	23.0	23.0
Data Entry Operators	52.3	53.9	53.9	53.9
<b>Total</b>	<b>106.5</b>	<b>109.9</b>	<b>109.9</b>	<b>109.9</b>

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requests a continuation appropriation of \$5,645,835 and 109.9 FTE, including \$5,252,069 General Fund.

**Staff recommends a continuation appropriation of \$5,645,835 and 109.9 FTE, including \$5,252,069 General Fund, \$103,981 cash funds from the HUTF, \$220,739 cash funds from various sources, and \$69,046 reappropriated funds from the Limited Gaming Fund and State Lottery 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	HUTF	Cash Funds	Reappropriated Funds	Total
FY 2008-09 Long Bill	109.9	\$4,974,535	\$102,646	\$206,543	\$104,470	\$5,388,194
Salary Survey		193,180	0	0	0	193,180
Base Building						
Performance Pay (80%)		64,461	0	0	0	64,461
Indirect Costs						
Adjustments		19,893	1,335	14,196	(35,424)	0
<b>Staff Recommendation</b>	<b>109.9</b>	<b>\$5,252,069</b>	<b>\$103,981</b>	<b>\$220,739</b>	<b>\$69,046</b>	<b>\$5,645,835</b>

### **Seasonal Tax Processing**

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. The Department requests an appropriation of \$397,545 General Fund, which is sufficient to fund 13 temporary employees during the tax processing season. The request includes \$12,696 for Salary Survey in FY 2008-09.

**Staff recommends a continuation appropriation of \$397,545 General Fund.**

### **Operating Expenses (Decision Item #9)**

This line item provides the Department its forms creation and processing (approximately 50% of the line), and general office supplies for the Division. Prior to FY 2007-08, this line included postage, which for FY 2007-08, was broken out in a separate line item. The Department requests \$1,171,617, including \$1,034,730 General Fund. This request includes \$1,516 to annualize the appropriation for H.B. 07-1106 (PTC Eligibility Changes).

### **Decision Item #9**

The Department requests \$38,000 in FY 2009-10, FY 2010-11, and FY 2011-12 to lease a Unisys Quantum 300 document transport. The document transport captures images of checks and payment coupons, endorses the checks, and encodes dollar amounts on checks and document control numbers on coupons. The document transport it will replace was purchased in FY 1999-2000 and was expected to have a useful life of seven years.

Beginning in FY 2005-06, the Department began to experience equipment problems that resulted in significant downtime. In FY 2006-07, the Department upgraded older computers, operating systems, cabling and some software components of the system. At the time, the Department also



leased a document transport similar to the one proposed. The current transport cannot be upgraded, and runs on software no longer supported by Microsoft.

The Department states that although electronic funds transfer account for approximately 60 percent of the fees and tax dollars collected, paper checks still comprise more than 75 percent of total payment transactions. In FY 2007-08, the Department processed more than 186,000 more checks than the prior year, an increase of 6.8 percent.

The one document transport that the Department has leased has been so efficient during the busiest months of processing, the remittance processing area has been able to eliminate weekend staffing. With the lease of a second machine, the Department will have two machines to continue to decrease the amount of overtime and temporary help needed during peak tax processing periods.

The Department has proposed a capital budget request to replace the current remittance processing system. This request would have bridged the Department's needs until the new system could be implemented. The Governor, however, did not include the Department's request for the Capital Construction in FY 2009-10. Staff considers the age and reliability of the current equipment to be problematic, especially in light of the extended period of time for replacement of the entire system. The potential for failure during the Department's busiest time periods could significantly delay check deposits, and increase the need for overtime or temporary employee services.

**Staff recommends approval of the Department's request for \$38,000 General Fund to lease a Unisys Quantum 300 document transport.**

**Staff recommends an appropriation of \$1,171,617, including \$1,034,730 General Fund and \$136,887 cash funds from various sources.**

**Postage (Decision Item #7, Non Prioritized Decision Item)**

Due to the volume of mail that it handles, the Department (unlike other departments in the metro area) operates its own mail center. The Department mails a wide variety of items to taxpayers and licensees, including tax forms, motor vehicle titles, driver license renewal applications, reminders, bills, refund warrants, inquiries, licenses, hearing notices, driver licenses, tax booklets, and others. The total quantity mailed has decreased from 7.5 million in 2003 to 6.4 million in 2006, in part due to Department initiatives such as electronic tax filing, and direct deposit of refunds. The Department requests an appropriation of \$2,594,656, including \$2,329,008 General Fund. The request includes annualization of H.B. 07-1375 (PTC Eligibility Changes), a Department decision item (postage rate increase) and a state wide "Postage Operating Common Policy."

**Decision Item #7 (Department Postage Increase)**

The Department requests \$182,143, including an increase of \$182,921 General Fund and a decrease of \$778 from various cash fund sources. The request is a result of a postage rate increase imposed by the United States Postal Service (USPS) in May 2008 and another rate increase expected in May 2009.

The Department processes approximately 5.9 million pieces of out-going mail annually. Out-going mail includes tax refunds, motor vehicle titles, motor vehicle hearing notices, and billing notices. The Department has worked in recent years to reduce that volume of mail by, among other things, issuing tax refunds electronically where possible, as well as introducing other efficiencies. The Department has reduced its out-going mail by approximately 480,000 pieces (about a 7.5 percent decrease) since FY 2005-06. The Department does not expect to be able to substantially reduce out-going mail beyond that figure.

Recent changes in federal law allow the USPS to increase its rates, as long as the increase in rates does not exceed the increase in the Consumer Price Index for All Urban Consumers for the previous twelve months. The USPS raised rates in May 2008 by an average of 2.9 percent, and is expected to raise rates again in May 2009. The requested allows the Department to meet its statutory requirements for mailings to taxpayers, consumers and other interests.

The Department is also requesting a minor refinancing of the line based on actual expenditures for FY 2007-08. That will result in Highway Users Tax Fund (HUTF) "Off-the-Top" increasing by \$5,538 and other cash funds decreasing by \$6,316.

**Staff recommends approval of the increase in the Postage line item by \$182,143**, including an increase of \$182,921 General Fund and \$5,538 HUTF "Off-the-Top," and a decrease of \$6,316 from various cash funds.

The Committee has approved the statewide decision item for postage which results in an increase of \$2,694 General Fund for this line item.

**Staff recommends an appropriation of \$2,594,656**, including \$2,329,008 General Fund, \$13,909 cash funds from the HUTF, and \$251,739 cash funds from various sources.

### **Pueblo Data Entry Center Payments (Decision Item # 3)**

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 requests \$1,950,377, including \$1,946,368 General Fund.

### **Decision Item # 3 - Data Entry Rate Increase and Data Capture Expansion**

The Department is requesting \$154,423 General Fund, which has two components. The first is an increase of \$94,409 that results from an expected rate increase from the Department of Personnel and Administration, and the second from a request to capture additional data fields from the severance tax oil and gas withholding form.

To account for the expected rate increase for data entry keystrokes, the Department requests \$94,409, which will allow the Department to continue to capture information from tax and other forms at the current data entry level. This data is used to provide statistical data, maintain controls, effective account management, fraud detection, collections, and tax compliance efforts.

The second component, which is for an increase in the data captured from severance tax withholding forms. Currently, the Department manually accesses these forms to identify interest holders who have not filed. These interest holders are contacted, which has resulted in a net increase to date of \$2.1 million to the General Fund. Approval of this component of the decision item will make it easier to identify of these interest holders who may owe taxes to the State.

**Staff recommends approval of the Department's request to increase this line by \$154,423 General Fund.**

**Staff recommends an appropriation of \$1,950,377**, including \$1,946,368 General Fund, and \$4,009 cash funds from various sources.

**Microfilm Services DOCUMENT IMAGING AND STORAGE (Decision Item #4)**

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 request \$445,095 General Fund.

Name Change for Line Item

The Department has requested to change the name of this line item to reflect a more appropriate description of the line. Microfilm's use is becoming more and more limited in the storage of documents. The Department's request was for "Digital Image Storage." Staff's concern is that this name is as technologically limited as Microfilm. **Staff recommends a change in the name of this line item to "Document Imaging and Storage."** Such a name would not be dependent upon the technology and would describe the purpose of the line item without reference to any technology.

Decision Item # 4 - ~~Microfilm~~ (DOCUMENT IMAGING AND STORAGE) Rate Increase

The Department is requesting approval to increase the line item by \$61,739 because of a rate increase from the Department of Personnel and Administration, and an increase in the volume of documents that need to be imaged and stored.

The Department of Revenue is required to use the Department of Personnel and Administration (DPA) for centralized services such as microfilming (or other storage mediums). At the time that this request was written, the DPA had notified Revenue that a rate increase would be forthcoming for FY 2008-09. The rates increases, which were effective July 1, 2008, were 9.1 percent for income tax documents and 8.4 percent for business tax documents. This is on top of rate increases imposed in July 2007 of 17.9 percent for income tax documents and 27.7 percent for business tax documents. To account for these rate increases, the Department of Revenue is requesting \$61,739.

The increase in the line will allow the Department of Revenue to continue to store documents at historical levels and according to current statutes. Statutes require the Department to preserve all income tax reports and returns for at least four years, and all other taxes must be preserved for at least three years.

The costs of imaging and storing these tax documents are driven by the volume of the documents. If the Department's request is not granted, documents cannot be imaged and stored in the volume to which the Department has historically retained them. This will affect the Department's ability to effectively and efficiently provide account management and error resolution.

**Staff recommends approval of the request to increase the line by \$61,739 General Fund.**

**Staff recommends an appropriation of \$445,095 General Fund.**

### (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.

#### (A) Systems Support

This unit currently supports 51 separate 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. In addition, this unit responsible for programming that implements session legislation, and has a dedicated budget for that purpose.

<b>Information Technology Division System Support</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Management and Administration	13.9	14.9	14.9	14.9
Programmer/Analysts	30.7	32.9	32.9	32.9
Database Analysts	7.5	8.0	8.0	8.0
Network Support	10.3	11.0	11.0	11.0
Computer Support	2.8	3.0	3.0	3.0
Other Support	7.6	8.1	8.1	8.1
Telecommunications	1.9	2.0	2.0	2.0
Legislative Programming	1.0	2.2	2.2	2.2
<b>2Total</b>	<b>75.7</b>	<b>82.1</b>	<b>82.1</b>	<b>82.1</b>

#### Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requested a continuation appropriation of \$6,354,737 and 79.9 FTE, including \$4,648,774 General Fund. This includes a

reduction \$280,918. That spending authority was transferred to the Management and Administration of OIT line in the Executive Director's Office.

**Staff recommends a continuation appropriation of \$6,354,737 and 79.9 FTE**, including \$4,648,774 General Fund, \$357,868 cash funds from the HUTF, \$941,123 cash funds from various sources, and \$406,972 reappropriated funds from the Limited Gaming Fund and State Lottery Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Information Technology Division - Systems Support</b>						
	<b>FTE</b>	<b>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	84.4	\$4,300,497	\$465,580	\$1,113,516	\$473,852	\$6,353,445
S.B. 08-115 (IT Consolidation)	(4.5)	0	0	0	0	0
Salary Survey		217,995	0	0	0	217,995
Performance-based Pay Awards (80% Base Building)		64,215	0	0	0	64,215
Indirect Costs Adjustments		346,985	(107,712)	(17 2,393)	(66,880)	0
Consolidation of IT (Spending Authority transferred to EDO)	0.0	(280,918)	0	0	0	(280,918)
<b>Staff Recommendation</b>	<b>79.9</b>	<b>\$4,648,774</b>	<b>\$357,868</b>	<b>\$941,123</b>	<b>\$406,972</b>	<b>\$6,354,737</b>

### **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 \$724,313 General Fund.

**Staff recommends a continuation appropriation of \$724,313 General Fund.**

### **Programming Costs for 2008 Session Legislation**

The line funds the costs for the Department to reprogram its information technology systems. Typically, programming changes are identified in a bill's fiscal note and represent only the changes for that bill. In some cases, where bills deal with similar subjects (such as adding an income tax checkoff line), economies of scale may be achieved. This line item eliminates the need for the Department's programming costs to be included as an appropriation to the bill.

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2006-07	FY 2007-08	FY 2008-09
<b>Long Bill</b>						
General Fund	\$16,936	\$16,744	\$16,744	\$16,744	\$66,846	\$66,846
Cash Funds Exempt/ Cash Funds	78,951	78,951	78,951	78,951	159,942	159,942
Total	95,887	95,695	95,695	95,695	226,788	226,788
<b>Supplemental Bill*</b>						
General Fund	25,304	4,816	63,052	50,102	19,930	57,234
Cash Funds Exempt/ Cash Funds	186,841	7,922	28,619	80,991	(93,505)	(81,996)
Total	212,145	12,738	91,671	131,093	(73,575)	(24,762)
<b>Long Bill + Supp. Bills</b>						
General Fund	\$42,240	\$21,560	\$79,796	\$66,846	\$86,776	\$124,080
Cash Funds Exempt/ Cash Funds	\$265,792	\$86,873	\$107,570	\$159,942	\$66,437	\$77,946
<b>Total FY Approp.</b>	<b>\$308,032</b>	<b>\$108,433</b>	<b>\$187,366</b>	<b>\$226,788</b>	<b>\$153,213</b>	<b>\$202,026</b>

**Staff recommends a continuation appropriation of \$226,788 and 2.2 FTE, including \$66,846 General Fund and \$159,942 cash funds from various sources.**

**(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 System 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.

**Insolvency of Colorado State Titling and Registration Account.**

At the staff briefing for the Department of Revenue in December, staff advised the Committee that the Colorado State Titling and Registration Account (Account) of the Highway Users Tax Fund (HUTF) was potentially headed for insolvency. At that time, the projection for the fund was that by the end of FY 2009-10, the fund balance in the Account would be down to \$345,000, low for an

account that has annual expenditures approaching \$12 million. The following table shows how the projections for the fund have changed over the last year.

Colorado State Titling and Registration Account FY 2009-10 Fund Balance Projections			
	October 2007 Projection	October 2008 Projection	February 2009 Projection
Beginning Fund Balance	\$5,170,334	\$3,276,717	\$2,910,087
Revenues	9,465,812	8,823,598	8,388,088
Operating Expenditures	10,804,676	11,755,413	11,633,612
Ending Fund Balance	3,831,470	344,902	(335,437)

The latest projections from the Department show that the fund will have a negative fund balance of about \$335,000 at the end of fiscal year 2008-09. Due to the current economic slowdown, titling activity has fallen off dramatically. The Department's projections show that projected revenue for FY 2009-10 has fallen from \$9.5 million in October 2007 to \$8.4 million in February 2009. The table below shows the changes in revenues and appropriations for FY 2008-09 that compares projections from the Department's FY 2008-09 budget submission, the Department's FY 2009-10 budget submission and the latest projection.

The Department has requested three decision items for FY 2009-10, which total \$344,452. This figure is about equal to the projected deficit in the program. These decision items are: #5) - Digital Imaging and Storage for Titles (\$6,255); #8) - VIPER Update for CSTARS (\$290,820); and #11) - County Office Improvements (\$47,377). Staff will recommend the decision items for approval despite the shortfall in the Account. Staff believes the Department has made convincing arguments that denial of these items would put, in the case of the VIPER update, the titling system's reliability in question, and in the case of the County Office Improvements, that the State is responsible for these costs of equipping the county offices. Staff will recommend reducing the appropriation in another area.

JBC staff alerted the Committee during Briefings to the potential insolvency issue for FY 2010-11, but because of the reduction in revenue, that insolvency is now projected to occur in FY 2009-10. The Department had sought General Assembly approval for a \$0.60 increase in the title application fee which would have provided enough funding at least for several years. However H.B. 09-1271, which included the \$0.60 increase was postponed indefinitely in the House Finance Committee.

Currently, titling activity has fallen off, so revenues for the Account are behind projections. Two-thirds of the fee income for the Account comes from the \$3.20 portion of the Title Application Fee which is charged to citizens wishing to title vehicles. Due to economic conditions, new and used vehicle sales have fallen dramatically and so therefore has titling activity.



In order to bring the account into balance, **staff recommends a decrease in the appropriation for the County Office Asset Maintenance Line.** This line is used to fund the regular replacement of equipment and software for the county clerks' offices that use the Colorado State Titling and Registration System. A cut of \$500,000 in this line would bring the account into balance and leave the Department with some flexibility to replace equipment in County Offices that require replacement.

Staff also recommends a Request for Information that the Department provide the Joint Budget Committee with quarterly reports on the status of revenues and expenditures in the Colorado State Titling and Registration Account. This Request for Information will be included in the section at the end of the document titled Footnotes and Requests for Information.

**Personal Services (Decision Item # 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 requests funding of \$2,655,981 cash funds and 31.5 FTE.

<b>Information Technology Division Colorado State Titling and Registration System</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Management & Administration	5.3	6.2	6.2	6.2
Customer Support	6.8	10.5	10.5	10.5
Computer Support	3.2	3.8	3.8	3.8
Network Support	4.9	4.0	4.0	4.0
Programmers/Analysts	8.3	7.0	7.0	7.0
<b>Total</b>	<b>28.5</b>	<b>31.5</b>	<b>31.5</b>	<b>31.5</b>

**Decision Item #8 (VIPER Update for CSTARS)**

The Department is requesting \$290,820 cash funds in FY 2009-10 and \$12,000 cash funds in FY 2010-11 from the CSTAR Account for the migration of and updates to the VIPER program of the Colorado State Titling and Registration System. This is the program that runs the titles programs for the state and it requires critical updates to remain current.

The titling data warehouse application is housed on an eight-year old server that is no longer supported and the programs for it are written in application languages that do not meet current industry standards. The system is unreliable, having experienced multiple failures, including being down for as long as two months. Maintenance of the system has become time consuming and expensive. The existing system can no longer meet the requirements for conducting motor vehicle titling.

The Department request is for two servers and software packages at \$30,400 each, which will go into the Operating Expenses line, and programming for application upgrade and migration to the new operating system of \$230,020, which will go into the Personal Services line. In future years, the Department has requested \$12,000 per year in annual system maintenance costs. The maintenance costs will be shown in the Operating Expenses line item of this section.

**Staff recommends approval of the \$230,200 for the migration and upgrade of the VIPER system. Staff also recommends not approving the request for \$12,000 in future years for system maintenance.** Staff has requested information on how much the maintenance on the existing system has cost, which should reduce the line. Staff feels that the maintenance cost for the new system can be accommodated with the savings in maintenance costs from the old system.

**Staff recommends funding of \$2,655,981 cash funds and 31.5 FTE** from the Colorado State Titling and Registration (CSTARS) account, a subaccount of the Highway Users Tax Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Colorado State Titling and Registration System</b>		
	<b>FTE</b>	<b>Cash Funds</b>
FY 2008-09 Long Bill	31.5	\$2,330,535
Salary Survey		73,241
Base Building Performance Pay (80%)		22,185
Decision Item #8 (VIPER Update)	0.0	230,020
<b>Staff Recommendation</b>	<b>31.5</b>	<b>\$2,655,981</b>

**Operating Expenses (Decision Item #8)**

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 an appropriation of \$2,667,161 cash funds from the CSTARS account. As part of Decision Item # 8, the Department requests \$60,800 in Operating Expenses for the VIPER update discussed in the Personal Services line.

**Decision Item #8 (VIPER Update for CSTARS)**

This decision item is discussed in the Personal Services line of this section.

**Staff recommends an appropriation of \$2,667,161 cash funds** from the CSTARS account.

**County Office Asset Maintenance (Staff Recommended Reduction)**

This line item was created in the FY 2006-07 as a way to track the replacement of the counties' CSTARS infrastructure. It is intended to provide 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 CSTARS account.

Because of the shortfall in fund balance, staff is recommending that this line be reduced by \$500,000 to cover the shortfall. This recommendation will still leave \$68,230 in the line to deal with unexpected replacements, but routine and periodic replacement of equipment will be delayed till FY 2010-11.

**Staff recommends an appropriation of \$68,230 cash funds** from the CSTARS account.

**County Office Improvements (Decision Item #11)**

This line item was created in FY 2007-08 to 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 prioritized request from the counties for funding the expansions and improvements in county offices. The line was established with a base appropriation of \$40,000 for FY 2008-09.

**Decision Item # 11**

The Department requests \$47,377 cash funds for FY 2009-10 from the CSTAR Account. This one-time funding request will go to establish a new office in Pueblo County, and will require an additional base appropriation of \$11,174 in this section's Operating Expenses line beginning in FY 2010-11 for ongoing maintenance. The Office of Information Technology has approved this request. Staff recommends approval of the Department's request. The State is required to provide the necessary equipment, software, support and training to support the counties operations in the areas of vehicle registration and titling.

**Staff recommends an appropriation of \$87,377 cash funds from the Colorado State Titling and Registration Account,** a sub-account of the Highway Users Tax Fund.

#### (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 an administrative section, 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.

##### (A) Administration

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

<b>Taxation Business Group Administration</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Management and Administration	2.0	2.0	2.0	2.0
Financial Services	4.8	5.0	5.0	5.0
<b>Total</b>	<b>6.8</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>

##### Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department is requesting a continuation level of funding at \$624,837 General Fund and 7.0 FTE. This includes \$618,647 General Fund.

**Staff recommends a continuation appropriation of \$624,837 and 7.0 FTE**, including \$618,647 General Fund and \$6,190 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Taxation Business Group - Administration</b>				
	<b>FTE</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	7.0	\$587,832	\$6,021	\$593,853
Salary Survey		24,052	0	24,052
Base Building Performance Pay (80%)		6,932	0	6,932
Indirect Costs Adjustment		(169)	169	0
<b>Staff Recommendation</b>	<b>7.0</b>	<b>\$618,647</b>	<b>\$6,190</b>	<b>\$624,837</b>

**Operating Expenses**

This line item funds the Taxation Group's portion of a high volume printer that several groups share. This printer is capable of producing the forms and mass billings that the Taxation Group requires. The line also funds general office expenses needed for this section. The Department requests continuation funding of \$15,000

**Staff recommends a continuation appropriation of \$15,000 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 in San Francisco, Dallas, and New Jersey. 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.

A breakdown of the Division's staffing is shown in the table below.

<b>Taxpayer Business Group Taxation and Compliance (Including Mineral Audit Program)</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Management and Administration	20.1	23.9	27.5	27.5
Revenue Agent	78.8	92.0	98.5	98.5
Property Tax Specialist	0.0	1.0	1.0	1.0
Compliance Agent	35.9	38.0	38.0	38.0
Tax Examiners	67.9	72.5	72.5	72.5
<b>Total</b>	<b>202.7</b>	<b>227.4</b>	<b>237.5</b>	<b>237.5</b>

\*includes Mineral Audit Program

**Personal Services (Decision Item # 1)**

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 an appropriation of \$15,157,984 and 226.5 FTE, including \$15,054,121 General Fund. This includes \$730,040 General Fund and 10.1 FTE to fund a decision item regarding out-of-state tax law compliance and enforcement. The request also includes an appropriation of \$43,015 General Fund

and 1.0 FTE for the implementation of H.B. 08-1353, "Conservation Easement Tax Credit Verifications".

Decision Item # 1 - Out-of-State Tax Law Compliance and Enforcement

The Department requests a total of \$957,418 General Fund and 10.1 FTE in FY 2009-10 to increase the State's out-of-state tax law compliance and enforcement. The request annualizes to \$1,765,637 and 20.0 FTE in FY 2010-11. The request is broken out in the following table.

<b>Taxation and Compliance Division Out-of-State Tax Law Compliance and Enforcement Decision Item</b>		
<b>Category</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
Personal Services (Base Salary, PERA, Medicare)	\$730,040	\$1,473,388
FTE	10.1	20.0
Operating Expenses (General Operating, Travel, Training & Shipping Costs)	147,378	212,249
Leased Space	80,000	80,000
<b>Total Request</b>	<b>957,428</b>	<b>1,765,657</b>

Components of the Request

The Department's request is broken down into Personal Services, Operating Expenses and Leased Space expenses. The first two are line items within the Taxation and Compliance Division, the third is a centrally appropriated line within the Executive Director's Office. The Department's request for personnel is broken down as follows:

<b>Out-of-State Tax Compliance and Enforcement Staffing Proposal at Maturity</b>				
<b>Office</b>	<b>Current Staffing</b>	<b>New Staff</b>	<b>Manager/Supervisor</b>	<b>Proposed Staffing</b>
New York Metro (Existing)	1	5	1	7
Dallas (Existing)	1	1	1	3
San Francisco (Existing)	1	1	1	3
Houston	0	2	0	2
Chicago	0	3	1	4
Los Angeles	0	2	0	2
Denver <a>	0	1	1	2
<b>Total</b>	<b>3</b>	<b>15</b>	<b>5</b>	<b>23</b>

<a> Denver positions include a Manager and an Administrative Assistant

As with most decision items, it does not include the costs of other employee benefits such as health insurance, short-term disability insurance, PERA amortization equalization disbursement (AED) and Supplemental AED, and workers' compensation are borne by the Department in the first year. These costs will be added to the second year's budget, though they are not disclosed in the Department's request. Based on this years averages for the Department, these costs will add \$153,310 to the Department's request in FY 2010-11.

The Operating Expense portion of the request consists of regular supplies for audit personnel, including computer and software for each auditor, office equipment, telephone, travel, training and shipping costs for case files. For FY 2009-10, these costs average \$7,750 for Revenue Agents, \$9,981 for Supervising Revenue Agents, \$12,666 for the National Program Manager, and \$6,178 for the Administrative Assistant. The total request is for \$147,378 in FY 2009-10 and \$212,249 in FY 2009-10.

Finally, there are additional lease costs for new offices to be located in Chicago, Houston and Los Angeles, as well as expanded office space for the offices located in the New York metro area, Dallas, and San Francisco.

#### Out-of-State Tax Auditing

The Taxation and Compliance Division is responsible for auditing business operating in Colorado, both those businesses located in Colorado and those headquartered out-of-state. In addition to offices in Colorado, the Division maintains offices in the New York metropolitan area, Dallas and San Francisco. Audits are conducted at the taxpayers' places of business for the purpose of ascertaining the correct tax liability and primarily focus on retail sales, consumers' use, and corporate income taxes.

As Colorado's economy has grown in past years, Colorado's efforts at auditing out-of-state headquartered corporations has not grown. The Taxation and Compliance Division has not increased staff since FY 2002-03. The Division has three auditors located out-of-state. In addition, the Division's thirty senior auditors are required to travel eight weeks per year out-of-state to conduct audits on companies doing business in Colorado. When considering follow-up work that occurs once back home, each auditor spends approximately 16 weeks per year auditing out-of-state companies. This works out to about 7.0 FTE.

According to the Department, Colorado has one of the lowest ratios of auditors to gross tax Revenue at risk among the states. The following table shows several states that were sampled and how Colorado compared to those states.

<b>Out-of-State Tax Auditors and Gross Tax Revenues</b>			
<b>State</b>	<b>Auditors</b>	<b>2006 Gross Tax Revenue (000)</b>	<b>Revenue / Auditor (000)</b>
California	170	\$62,335,848	\$366,681
Florida	221	34,749,986	157,240
Indiana	51	8,704,232	170,671
Iowa	14	3,627,019	259,073
Louisiana	45	9,272,352	206,052
Massachusetts	75	7,951,359	103,018
Missouri	19	7,438,336	391,491
New York	40	40,647,366	1,016,184
Washington	45	15,413,138	342,514
Wisconsin	15	7,090,858	472,724
Average of States Sampled	70	19,723,049	348,865
Current Colorado (Department of Revenue Figures)			
<a>	3	6,673,902	2,224,634
JBC Staff Calculation			
<b>	10	6,673,902	667,390
Ratio with JBC Recommendation	20	6,673,902	333,695
Full Funding of DOR Proposal at Maturity	29	6,673,902	230,135

<a> Department of Revenue calculates only auditors based out-of-state.

<b> JBC Staff calculated figure includes Colorado based auditors who travel out of state for eight weeks each per year. That totals to 7.0 FTE.

When JBC staff calculated the figure including Colorado's in-state based auditors, the figures are dramatically different. Though Colorado's ranking would still be below the average, the rate of gross Revenue at risk would fall from roughly seven times the average of the selected states to roughly twice the average.

In the FY 2008-09 budget process, the Department received approval to fully fund the travel to meet the requirement that senior auditors travel eight weeks per year to conduct audits on out-of-state businesses. Because this program just started July 1, 2008, the Department does not yet have a report on how much revenue has been brought in as a result of this program. **Staff recommends adding a Request for Information that would detail the amount of extra revenue brought in**



**by the program to allow resources for the Department of Revenue to fund its out-of-state travel requirement for senior auditors.**

The Department projects that increasing the out-of-state audit program as projected will increase General Fund Revenue by \$3.5 million in FY 2009-10. For FY 2010-11, the increase in Revenue is expected to be almost \$12 million. By the time the program matures in FY 2012-13, the Department estimates increased General Fund Revenue of \$18.7 million as a result of this initiative. If the Department's projections are correct, the benefit to cost ratio will exceed ten to one. Even in the first year, the ratio will be about five to one.

These figures are based on average audit production over the last five years of \$2,227 per hour of production. Extrapolating the average production to the number of new employees is how the Department got to the figure of \$18.7 million in FY 2012-13.

Staff Concerns

1. Staff is concerned that the Department is trying to ramp this program up too fast. Increasing the size of the program, coordinating the hiring and training of new employees may consume the staff time of the Department's management team more than management realizes. This could both increase the costs and decrease the effectiveness of the program.
2. The Department is basing its expected production on the basis of the production of the three auditors already working in the field. These auditors should have been concentrating on the most "lucrative" companies to audit, those with the most potential for returning unpaid taxes to the State. The newly expanded audit staff may have trouble meeting that hourly production figure and still be effective in their jobs. The net result would be a reduced benefit to cost ratio.
3. The level of supervision seems to staff to be excessive. At this professional level, these auditors should need very little supervision once they are trained. The National Audit Manager would supervise four regional supervisors, who would then supervise the 17 auditors.
4. The Department increased its out-of-state audit efforts last year by fully funding travel expenses for its senior auditors to travel out-of-state eight weeks per year. At the current travel levels for the 30 senior auditors in the Division, that equates to 7.0 FTE working on out-of-state audits. This program has only been in effect for a little over a half-year, so the State does not have a full measure of that program's effectiveness.
5. The state of the economy today is drastically reducing corporate profits, and sales tax revenues are falling in the state as consumers cut back on purchases. These trends will reduce the amount of Revenue that may be generated by expansion of the out-of-state tax audit program.

Options

Staff believes that the Committee has several options with regard to this request:

1. The Committee could deny the request in its entirety on the grounds that the Department's decision item regarding out-of-state travel for its senior audit staff has not had a chance to mature and the Committee does not have enough information on its effectiveness. The Department needs a full fiscal year to determine the effectiveness of the initiative.
2. The Committee could approve something less than the full request. As an example, it could approve increasing the staff in existing offices and not open the new offices. It could approve fewer auditors than the request. It could hire fewer supervisors or convert the positions into auditors. These proposals would give the Committee and staff time to evaluate the effectiveness of what has been approved before the Committee considers the entire request in a future year.
3. The Committee could approve the entire request. Staff believes that the chances are low that full approval of the request would actually lose money for the State (program costs exceeding Revenue generated). Revenue generated would have to fall to one-quarter of the Department's projections for the program to lose money for the State. Furthermore, funding the proposal at this time when revenues are below the TABOR limit and expenditures are not at the six percent limit could help the state financial situation now as opposed to trying to fund the expansion of the program when the State is at those limits.

#### **Staff Recommendation**

**Staff recommends approval of an appropriation of \$919,418 General Fund and 10.1 FTE for FY 2009-10 only.** In Taxation and Compliance, Personal Services is increased by \$730,040 and 10.1 FTE, Operating expenses are increased by \$147,378, and Leased Space in the Executive Director's Office is increased by \$44,000. Staff recommends that the JBC not grant approval of the second year of the request at this time. Staff also recommends a reduction in the Department's request for leased space. The Department appears to have calculated leased space for FY 2009-10 as if all 20 employees had been hired in that fiscal year, when in fact only 11 will be hired. That reduces the Department's request by \$36,000.

Staff's reasoning behind withholding approval of the second year's phase of the project is that this is the second of two major expansions of the out-of-state tax compliance and enforcement in the last two years. Staff believes that the Department should take some time out after this year's expansion to determine the effectiveness of both programs. Referring to the table on page 51, after hiring the auditor's recommended in this year's budget, Colorado will now exceed the average of the states sampled with regard to the gross tax revenue divided by the number of out-of-state auditors (when you include the time Colorado-based auditors spend working out-of-state).

With the changes as recommended by staff, the proposal will annualize to \$910,525 in FY 2010-11.

**Staff Recommendation - Decision Item # 1  
Out-of-State Tax Law Compliance and Enforcement**

FTE	<u>Department Request</u>		<u>JBC Staff Recommendation</u>	
	FY	FY	FY	FY
	2009-10	2010-11	2009-10	2010-11
General Professional VII (National Audit Manager)	0.9	1.0	0.9	1.0
Revenue Agent IV (Supervisor)	1.8	3.8	1.8	2.0
Revenue Agent III	6.4	13.4	6.4	7.0
Administrative Assistant II	0.9	1.0	0.9	1.0
Total FTE	10.1	19.3	10.1	11.0
<u>Personal Services (Includes Salary, PERA, and Medicare)</u>				
General Professional VII (National Audit Manager)	77,891	84,972	77,891	84,972
Revenue Agent IV	151,117	329,711	151,117	164,856
Revenue Agent III	469,446	1,024,247	469,446	512,123
Administrative Assistant II	31,586	34,458	31,586	34,458
Total Personal Services	730,040	1,473,388	730,040	796,409
<u>Operating Expenses</u>				
Supplies	5,500	10,000	5,500	5,500
Computer & Software Suite	13,530	11,070	13,530	0
Office Equipment	43,978	35,982	43,978	0
Telephone	4,950	9,000	4,950	4,950
Auditor Travel	39,417	78,834	39,417	39,417
Manager Travel	7,606	15,212	7,606	7,606
National Manager Travel	6,488	6,488	6,488	6,488
MTC Training for Out of State Agents	19,754	39,508	19,754	0
Shipping Costs	<u>6,155</u>	<u>6,155</u>	<u>6,155</u>	<u>6,155</u>
Total Operating Expenses	147,378	212,249	147,378	70,116
Leased Space	80,000	80,000	44,000	44,000
Total All Costs	957,418	1,765,637	921,418	910,525

**Staff recommends funding of \$15,157,984 and 226.5 FTE**, including \$15,054,121 General Fund, \$1,269 cash funds and \$102,594 reappropriated funds from the Mineral Audit Program. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation</b>					
<b>Taxation Business Group - Taxation and Compliance Division</b>					
	<b>FTE</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	215.4	\$13,587,309	\$1,269	\$135,828	\$13,724,406
H.B. 08-1353 Appropriation (Conservation Tax Credit Verification)	1.0	43,015	0	0	43,015
Salary Survey		510,428	0	0	510,428
Base Building Performance Pay (80%)		150,095	0	0	150,095
Decision Item #1 - Out-of-State Tax Law Compliance and Enforcement	10.1	730,040	0	0	730,040
Indirect Costs Adjustment		33,234	0	(33,234)	0
<b>Staff Recommendation</b>	<b>226.5</b>	<b>\$15,054,121</b>	<b>\$1,269</b>	<b>\$102,594</b>	<b>\$15,157,984</b>

### **Operating Expenses (Decision Item #1)**

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 is requesting \$969,356 General Fund, including \$147,378 for an enhancement of the out-of-state audit program, and \$950 General Fund for the implementation of H.B. 08-1353, "Conservation Easement Tax Credit Verifications."

#### **Decision Item #1:**

The Departments request an increase of \$147,378 for expanding the out-of-state tax audit program. The request is discussed in the Personal Services section above. The request annualizes to \$70,116 in FY 2010-11.

**Staff recommends an appropriation of \$969,356 General Fund.**

### **Joint Audit Program**

This line item provides funding for the state's membership in the Multi-State Tax Commission (MTC). The MTC conducts audits on out-of-state businesses, which complements the Department's efforts in the Field Audit Program. The Department has had a partnership with the MTC for over 20 years, and over the last five years, the program has produced an average of \$8.5 million in gross tax adjustments each year. The Department requests a continuation appropriation of \$131,244 General Fund.

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

### **Mineral Audit Program**

Pursuant to Section 24-35-115, C.R.S., the Department audits royalties associated with oil, gas, and mineral mining activity on federal, state, and private land. Audits are conducted by a work group in the Department which statutorily can have no other duties. Federal funds are from the Federal Minerals Management Service (MMS) as the Department conducts audits on their behalf on lands under federal control.

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 is requesting \$791,828 and 11.0 FTE, including \$66,000 reappropriated funds from the State Land Board Administration Fund (\$65,500) and from the Oil and Gas Conservation Fund (\$500), and \$725,828 federal funds.

**Staff recommends an appropriation of \$790,794 and 11.0 FTE**, including \$66,000 reappropriated funds from the State Land Board Administration Fund and the Oil and Gas Conservation Fund, and \$724,794 federal funds.

### **(C) Taxpayer Service Division**

The Taxpayer Services Division is designed to facilitate the process of filing tax returns and understanding the state's tax system by 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 246 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 of the Division's personnel assignments.

<b>Taxation Business Group Taxpayer Service Division</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Management and Administration	5.9	11.0	11.0	11.0
Professionals	7.0	2.0	2.0	2.0
Tax Examiners	60.5	67.6	67.6	67.6
<b>Total</b>	<b>73.4</b>	<b>80.6</b>	<b>80.6</b>	<b>80.6</b>

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$4,746,481 and 80.1 FTE, including \$4,654,149 General Fund, and \$92,332 cash funds. The request includes \$409,993 General Fund and 1.0 FTE for the implementation of H.B. 08-1353, "Conservation Easement Tax Credit Verifications."

**Staff recommends an appropriation of \$4,746,481, and 80.1 FTE**, including \$4,654,149 General Fund and \$92,332 cash funds from the Aviation Fund and Private Letter Rulings. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Taxation Business Group - Taxation Service Division</b>				
	<b>FTE</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	79.1	\$4,398,513	\$92,332	\$4,490,845
H.B. 08-1353 Appropriation (Conservation Tax Credit Verification)	1.0	40,993	0	40,993
Salary Survey		166,637	0	166,637
Base Building Performance Pay (80%)		48,006	0	48,006
<b>Staff Recommendation</b>	<b>80.1</b>	<b>\$4,654,149</b>	<b>\$92,332</b>	<b>\$4,746,481</b>

### **Operating Expenses**

The largest expenditure in this line is for transaction fees (which are capped at \$13,000 per month) for the automated call system. These fees are assessed per interactive voice response system call and web hit. The Department is requesting \$402,035, including \$401,535 General Fund and \$500 cash funds. This includes \$950 General Fund for the implementation of H.B. 08-1353, "Conservation Easement Tax Credit Verifications."

**Staff recommends an appropriation of \$402,035**, including \$401,535 General Fund and \$500 cash funds from the Aviation Fund.

**Fuel Tracking System**

Pursuant to Section 39-27-109, C.R.S., the Department of Revenue tracks the movement of gasoline and special fuel with the goal of expediting the collection of excise taxes. Most funding provides an electronic tracking system maintained by a third party. Funding for this program is from the Highway Users Trust Fund exempt from the six percent limit, pursuant to Section 43-4-201 (3) (a) (V), C.R.S. The Department is requesting a continuation appropriation of \$486,594 cash funds.

**Staff recommends a continuation appropriation of \$486,594 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 exempt from the HUTF six percent growth limit.

**(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.

<b>Taxpayer Business Group Tax Conferee</b>					
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>	
Management and Administration	2.0	2.0	2.0	2.0	
Tax Conferees	6.8	7.0	7.0	7.0	
<b>Total</b>	<b>8.8</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$1,022,738 General Fund and 9.0 FTE.

**Staff recommends an appropriation of \$1,022,738 and 9.0 FTE General Fund.** This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Taxation Business Group - Tax Conferee</b>		
	<b>FTE</b>	<b>General Fund</b>
FY 2008-09 Long Bill	9.0	\$981,960
Salary Survey		31,619
Base Building Performance Pay (80%)		9,159
<b>Staff Recommendation</b>	<b>9.0</b>	<b>\$1,022,738</b>

### **Operating Expenses**

This line item funds subscriptions to legal research materials and phone charges, plus general office supplies. The Department requests continuation funding.

**Staff recommends a continuation appropriation of \$21,754 General Fund.**

### **(E) Special Purpose**

This section of the Long Bill shows 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. All funds are continuously appropriated.

### **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 a 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 six percent limit on General Fund appropriations as set forth in Section 24-75-201.1 (1)(a)(III)(C), C.R.S.

**Staff requests approval to reflect Legislative Council staff's December 2008 estimate of \$13.3 million General Fund for this line. Staff requests permission to update and include the March 2009 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%) that this line item funds.

**Staff recommends an appropriation of \$1,512,000 cash funds from the Tobacco Tax Cash Fund.** This includes \$18,000 forecast as the unexpended moneys in the Fund for FY 2008-09. **Staff requests permission to update and include the March Legislative Council estimate in the Long Bill.**

**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 six percent limit on General Fund appropriations as set forth in Section 24-75-201.1 (1)(a)(III)(C), C.R.S.

**Staff recommends Legislative Council staff's December 2008 estimate of \$10.5 million General Fund for this line. Staff requests permission to update and include the March 2009 Legislative Council estimate in the Long Bill.** This figure is included in the Long Bill for informational purposes only.

**Alternative Fuels Rebate**

Pursuant to Section 39-33-102, C.R.S., the Department of Revenue is authorized to grant a rebate to a governmental unit of the state or a "a person, organization, or other non-governmental entity that is exempt from income taxation under the federal Internal Revenue Code, as amended, for each motor vehicle it owns that is titled and registered in Colorado, used for official business, and uses an alternative fuel." Rebates are delineated in statute and are available until July 1, 2012. Funding comes from the Alternative Fuels Rebate Fund, established in Section 39-33-105, C.R.S., which aside from gifts, grants, donation, or from transfers from the AIR Account as directed by the Department of Public Health and Environment, earns Revenue through the sales and use tax on alternative fuel vehicles and fueling facilities equipment.

**Staff recommends approval of the Department's request for a continuation appropriation of \$310,601 cash funds,** from the Alternative Fuels Rebate Fund. Pursuant to Section 39-33-102, C.R.S., the Department distributes rebates to governmental agencies and tax-exempt entities that have purchased vehicles powered by alternative fuels or have converted the power source of one or more vehicles to alternative fuels.

## (5) DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles issues drivers licenses and state identification cards; 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; and oversees the Motorist Insurance Identification Database.

### (A) Administration

The Division's administrative functions are contained in this long bill group. Senior management and the budgetary and support functions of the entire division are contained within this section. The personnel of the section are shown in the table below.

Division of Motor Vehicles Administration				
Staffing Summary	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Recommendation
Managers and Administration	2.0	2.0	2.0	2.0
Professionals	2.0	2.0	2.0	2.0
Policy Analysis and Financial Services	6.4	7.0	7.0	7.0
<b>Total</b>	<b>10.4</b>	<b>11.0</b>	<b>11.0</b>	<b>11.0</b>

### Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested a continuation appropriation of \$928,919 and 11.0 FTE, including \$519,983 General Fund.

**Staff recommends a continuation appropriation of \$928,919 and 11.0 FTE**, including \$519,883 General Fund, \$201,794 cash funds from the HUTF, and \$207,242 cash funds from various sources. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation</b>					
<b>Division of Motor Vehicles - Administration</b>					
	<b>FTE</b>	<b>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	11.0	\$490,755	\$196,173	\$201,452	\$888,380
Salary Survey		31,418	0	0	31,418
Base Building Performance Pay (80%)		9,121	0	0	9,121
Indirect Costs Adjustments		(11,411)	5,621	5,790	0
<b>Staff Recommendation</b>	<b>11.0</b>	<b>\$519,883</b>	<b>\$201,794</b>	<b>\$207,242</b>	<b>\$928,919</b>

### **Operating Expenses**

This line item funds telecommunications, general office supplies and printing costs. The Department requests an appropriation of \$54,250 General Fund.

**Staff recommends an appropriation of \$54,250 General Fund.**

### **(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.

<b>Division of Motor Vehicles</b>				
<b>Driver and Vehicle Services</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Accounting	2.8	3.0	3.0	3.0
Professionals and Managers	20.1	20.3	20.3	20.3
Driver License Managers	14.0	14.0	14.0	14.0
Driver License Examiners	197.3	215.6	215.6	215.6

<b>Division of Motor Vehicles Driver and Vehicle Services</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Administration	102.7	120.4	121.3	121.3
Micrographic Equipment Operators	8.9	9.0	9.0	9.0
IT Professional	0.1	0.0	0.0	0.0
<b>Total</b>	<b>345.9</b>	<b>382.3</b>	<b>383.2</b>	<b>383.2</b>

**Personal Services (Decision Item #13, Budget Amendment)**

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 requests an appropriation of \$17,045,235 and 383.2 FTE, including \$7,114,118 General Fund, and \$9,930,517 cash funds.

**Decision Item #13 (Refinance Driver Control from Driver's License Administrative Revocation Account)**

The Department requests to refinance \$2,021,590 General Fund from the Driver's License Administrative Revocation Account (the account). Because of the pay-date shift for General Fund employees, the General Fund savings would be reduced by \$155,662 in the first year of the request, with that amount being saved in the ensuing years. Though this request preceded the supplemental request of the Department for FY 2008-09, this decision item would extend the refinancing that was approved for FY 2008-09.

This request will use the fund balance in the account to partially cash fund the Driver Control Section (DCS) within the Division of Motor Vehicle, Driver and Vehicle Services. The account is a sub-account of the Highway Users Tax Fund (HUTF), and any unencumbered funds remaining in the account are transferred to the HUTF at the end of the fiscal year. For FY 2009-10, this request would use \$2,021,590 in cash funds, which will provide General Fund savings of \$1,865,928, which can be used for other priorities in State government.

Section 42-2-132 (4) (b) (I) (A), C.R.S. (referring to the Account) states that *The moneys in the account shall be subject to annual appropriation by the general assembly for the direct and indirect costs incurred by the department in the administration of driver's license restraints pursuant to either this article or article 4 or article 7 of this title, including, but not limited to, the direct and indirect costs of providing administrative hearings under this title, without the use of moneys from the general fund. At the end of each fiscal year, any unexpended and unencumbered moneys remaining in the account shall be transferred out of the account, credited to the highway users tax fund, and allocated and expended as specified in section 43-4-205 (5.5) (c), C.R.S.*

The DCS is the repository of official records for all drivers licensed in the State, and supplies evidentiary copies to internal and external customers. DCS identifies, assesses, and records

administrative sanctions against drivers including **all restraints** for alcohol related driving offenses. Based on data received from courts, law enforcement, or other authorized agencies, the DCS also revokes driving privileges administratively as permitted by statute.

The Account is projected to have approximately \$2.4 million at the end of FY 2009-10, which would be transferred to the Highway Users Tax Fund. This proposal would reduce that transfer by approximately \$2.0 million.

**Staff recommends approval of the Department's request to refinance \$2,021,590 in the Driver Control Section with cash funds from the Driver's License Administration Revocation Account.** This request would decrease General Fund expenditures in the Department of Revenue by \$1,865,928 in FY 2009-10, and annualize to the full \$2,021,590 in future fiscal years.

Budget Amendment (Refinance Driver's License Program from Licensing Services Cash Fund

The Department is proposing to refinance \$2,589,894 General Fund from the Licensing Services Cash Fund (LSCF). The General Fund savings will be reduced in FY 2009-10 by \$215,825 to account for the pay date shift for General Fund employees. At the present time, this change is a one-time savings for FY 2009-10, unless the General Assembly also adopts some policy shifts.

The proposal depends on the following

- Use \$681,256 of the projected fund balance in the LSCF in FY 2009-10.
- Use \$624,257 from the LSCF in FY 2009-10. This amount had been set aside by S.B. 07-241 for use by counties to establish county driver's license offices. Because of issues with the Department's technology, no county has come forward to claim any of these funds. While the Department received approval for a FY 2008-09 supplemental to address the technology issue, it will not be implemented in time for counties to establish offices in FY 2009-10.
- Use \$519,381 from the HUTF "Off-the-Top" to offset the current fiscal year's appropriation from the Licensing Services Cash Fund. These funds have not been appropriated to either the Colorado State Patrol or the Department of Revenue's Ports of Entry Division. If these funds are not spent, the funds will remain in the HUTF and the Off-the-Top appropriation, which grows at 6 percent above the previous years appropriation, will be permanently reduced by this amount. This will require a bill to accomplish, since the HUTF Off-the-Top in the Department of Revenue can only be used for the Ports of Entry Program.
- Use \$765,000 of the fund balance in the Motorist Insurance Identification Account to offset the current fiscal year's use of the LSCF. The fund balance in the account is transferred to the HUTF at the end of the fiscal year. This proposal would also require a bill, since the Motorist Insurance Identification Account may only be used in support of the Motorist Insurance Identification Database program. According to the Department's projection, the fund will revert over \$2.0 million to the HUTF in FY 2008-09.

**Staff recommends the four steps identified above. These four steps will reduce General Fund support of the Driver's License program in FY 2008-09 by \$2,374,070, while increasing the cash funds expenditures from the Licensing Services Cash Fund by \$2,589,894.** This proposal will not work in future fiscal years because these are one-time transfers and savings.

To address the longer term issue of General Fund support of the Driver's License Program, staff recommends that the Committee consider a more fundamental change to the financing of the Driver's License Program. Currently, applicants pay \$20.40 for a regular driver's license (there are other fees for other licenses and ID cards, however most revenue is from regular licenses). This is split between the Licensing Services Cash Fund (\$5.40) and the HUTF (\$15.00), per S.B. 07-241. According to the Department, the revenue from driver's licenses was slightly more than \$14 million in FY 2007-08. In addition, S.B. 07-241 charges special license plates an extra \$50, with \$25 going to the HUTF and \$25 going to the Licensing Services Cash Fund. The total revenue to the LSCF from special license plate sales is currently estimated at \$2.75 million for FY 2008-09, though that amount will likely drop as sales of special plates decline because of the economy.

In the latter half of FY 2009-10, the State will start to see the first five-year license renewals in addition to the ten-year renewals that are coming due. This will result in extra funding for both the LSCF and the HUTF. However, it will also increase the number of people requesting licenses, so the workload, and potentially lines at Driver's License offices may increase.

The following table shows the number of documents issued and revenues from documents issuance for FY 2008-09 through FY 2012-13. Note that the documents issued starts increasing in FY 2009-10 as after January 1, 2010, the first of the five-year renewals start along with the ten-year renewals. As a result, revenues will also start to increase, but obviously so will the number of customers.

<b>Licensing Services Cash Fund</b> <b>(Estimates Provided by Department of Revenue)</b>					
	<b>FY</b> <b>2008-09</b>	<b>FY</b> <b>2009-10</b>	<b>FY</b> <b>2010-11</b>	<b>FY</b> <b>2011-12</b>	<b>FY</b> <b>2012-13</b>
Documents Issued	881,210	1,074,250	1,384,025	1,678,018	1,702,868
Document Revenue	\$3,856,060	\$4,638,411	\$5,975,963	\$7,245,370	\$7,352,666
Special License Plate Revenue <a>	2,914,389	2,764,725	2,500,000	2,750,000	3,000,000
Interest Revenue	<u>62,774</u>	<u>74,000</u>	<u>74,000</u>	<u>74,000</u>	<u>74,000</u>
Total Licensing Cash Fund Revenue	6,833,223	7,477,136	8,549,963	10,069,370	10,426,666
HUTF Revenue from Driver's License Document Issuance	10,711,278	12,884,475	16,599,897	20,126,028	20,424,072
Potential LSCF Revenue from Document Issuance	17,544,501	20,361,611	25,149,860	30,195,398	30,850,738

<a> The Department of Revenue has projected \$3 million in Revenue for each the next three fiscal years. Staff does not believe that this revenue stream will remain at projected levels due to the economy.

By applying all Driver's License revenue, including the moneys that currently flow to the HUTF from the driver's license fee, up to \$12.5 million of General Fund could be freed up to be reallocated for the other purposes of the State in FY 2009-10. **Staff recommends that the Committee consider**

**legislation that would allocate to the Licensing Services Cash Fund all (or part) of the driver's license revenue that currently is transmitted to the HUTF.** Accomplishing this will allow increased revenues from driver's license issuance to flow to drivers license offices as the number of licenses issued grows over the next few years as the five-year license renewals start to add to the ten-year renewals. It would also free General Fund for the other uses of the State.

**Staff recommends an appropriation of \$17,261,060 and 383.2 FTE,** including \$7,330,543 General Fund, and \$9,930,517 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation</b>				
<b>Division of Motor Vehicles - Driver and Vehicle Services</b>				
	<b>FTE</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	377.8	\$10,969,972	\$4,941,057	\$15,911,029
SB 09-200 (Department of Revenue Supplemental)	0.0	(1,699,158)	1,750,145	50,987
2008 Session Bills (5)	4.5	0	385,978	385,978
Annualization of 2008 Session Bills (4)	0.9	0	(107,070)	(107,070)
Restore Savings from Hiring Freeze		72,643	24,235	96,878
Salary Survey		451,735	74,517	526,252
Base Building Performance Pay (80%)		148,833	24,551	173,384
Restore Savings from Refinance of Drivers License Program and Driver Control Section		1,626,515	(1,774,380)	(147,865)
Decision Item #13 (Refinance Driver Control - Net of FY 2008-09 Supplemental)		(1,865,928)	2,021,590	155,662
Budget Amendment (Refinance Driver's License Program - Net of FY 2008-09 Supplemental)		(2,374,070)	2,589,894	215,825
<b>Staff Recommendation</b>	<b>383.2</b>	<b>\$7,330,543</b>	<b>\$9,930,517</b>	<b>\$17,261,060</b>

**Operating Expenses (Decision Item #5)**

This line item funds costs including telecommunications, general office supplies, and printing costs. This line received an increase of \$1.2 million associated with the Driver's License Office expansion that the General Assembly funded last year. The Department has requested an appropriation \$3,208,685, including \$1,214,937 General Fund. The request is broken down in the following table:

<b>Driver and Vehicle Services - Operating Expenses</b>			
<b>Description</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Total</b>
FY 2008-09 Long Bill (HB 08-1375)	\$1,214,937	\$901,442	\$2,116,379
SB 09-200 (Department of Revenue Supplemental)	0	(624,257)	(624,257)
SB 08-101 (NORAD Commemorative License Plate)	0	9,375	9,375
SB 08-178 (Horse Development Authority License Plate)	0	11,250	11,250
SB 08-186 (Colorado Carbon Fund License Plate)	0	7,500	7,500
HB 08-1175 (Fourth Infantry Division License Plate)	0	3,750	3,750
HB 08-1194 (Drunk Driving Penalties)	0	409,147	409,147
Annualization of Special Bills	0	505,070	505,070
Sub-total	1,214,937	1,223,277	2,438,214
Restore One-time Supplemental	0	624,257	2,760,049
Decision Item #5 (Digital Imaging Storage for Titles and Driver and Vehicle Services)	0	146,214	146,214
<b>Total</b>	<b>1,214,937</b>	<b>1,993,748</b>	<b>5,344,477</b>

**Staff recommends an appropriation of \$3,208,685, including \$1,214,937 General Fund and \$1,993,748 cash funds from various sources.**

Decision Item #5 - Digital Imaging Storage for Titles and Driver and Vehicle Services.

The Department has requested a decision item that increases the appropriation in two different lines from two different cash fund sources. Staff has split the two requests.

The Department requests \$146,214 cash funds from the Licensing Services Cash Fund. The Driver Control Section, which is located in Driver and Vehicle Services, is the repository of the official records of all drivers in the State of Colorado, and supplies evidentiary copies to internal and external customers. Prior to FY 2008-09, the Accident Reports were imaged into digital storage. In FY 2008-09, the Department started imaging citations, driver's license records, and express consent records, and in FY 2009-10, the Department plans to begin imaging hearing request records, request records, and other miscellaneous files.

Due to more stringent requirements for the retention of backup documents for driver's license and identification card applications, the growth of document volume has increased substantially. The file retention period for most DMV records varies from 11 years to indefinitely. Hearing request records are retained for ten years and miscellaneous records are retained for five years.

The table below shows the projected number of documents that the Department need to store.



Document Storage Costs						
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Cumulative Documents	1,431,758	1,894,524	2,334,524	5,066,383	9,901,383	14,736,383
Storage Costs	\$618	\$804	\$1,582	\$38,808	\$79,214	\$122,694

The Department's request is a two year request for \$79,214 in FY 2009-10 and \$122,694 in FY 2011-11. In addition, in FY 2009-10, the Department needs an additional scanner to handle the volume of documents being scanned. The cost for that is \$67,000.

**Staff recommends approving the Department's request for \$146,214 cash funds from the Licensing Services Cash Fund.**

**Staff recommends an appropriation of \$3,208,685, including \$1,214,937 General Fund, and \$1,993,748 cash funds.**

#### **Drivers License Documents**

This line item funds all material costs associated with the production of driver's licenses, instructional permits, and identification cards including related security features. The line funds fees for verification of Social Security information, and verification of applicants' legal immigration/visa status. The Department requests an appropriation of \$2,437,320, including \$1,913,728 General Fund and \$523,592 from the ID Security Fund, which is funded through a fee of \$0.60 charged for each document issued. The Department's request includes \$10,986 General Fund for implementation of H.B. 06-1171, Penalties for Drunk Driving bill.

Partly because Staff recommended that a supplemental in FY 2008-09 be entirely cash funded, this fund is only projected to have a fund balance of \$351,743 at the end of FY 2008-09. This fee sunsets on July 1, 2009, so staff is not projecting any additional fee income for the Identification Security Fund, so the remainder of the line will have to be replaced with General Fund. Of the Department's request of \$2,437,320, \$351,743 can be funded with the remaining fund balance from the Identification Security Fee, the remainder, \$2,085,577 comes from the General Fund.

S.B. 09-025 would extend the Identification Security Fund fee of \$0.60. If the bill passes, the appropriations clause in the bill will increase the appropriation from the Identification Security Fund to \$644,550, an increase of \$292,807, with a decrease in the General Fund of the same amount.

**Staff recommends an appropriation of \$2,437,570, including \$2,085,577 General Fund and \$351,743 cash funds from the Identification Security Fund, a subaccount of the HUTF.**

#### **License Plate Ordering (Budget Amendment #2)**

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.

Budget Amendment #2 - Increase for License Plate Ordering

The Department requested a FY 2008-09 and a Budget Amendment for FY 2009-10 for License Plate Ordering. The Department requests \$514,206 cash funds from the License Plate Cash Fund.

For several fiscal years, the Department has been trying to reduce its inventory of specialty license plates, with the effect of reducing expenditures for license plates, through redistribution of license plate inventory between county clerks. This action has had the result, though, of understating the true cost of license plate ordering during those years.

Based on the latest actual usage for the year ending August 1, 2008, the Department projects that demand for license plates will exceed its early estimates for the year ending June 30, 2009. The increase is necessary in order to have adequate inventory for license plates at the county clerks' offices. The Department estimates that it needs an additional 152,594 more license plates than its original projection had shown. While some of the increased number of plates are specialty license plates, the vast majority (139,730) of the plates required are regular license plates.

Prior to this request, the Departments projection for the License Plate Cash Fund was an ending balance of about \$2.5 million. The moneys in this Fund are transferred into the Highway Users Tax Fund at the end of the fiscal year. Approval of this request would reduce the funds transferred into the HUTF by \$514,206. S.B. 03-272 required license plates to be wholly cash funded, so if this request is denied, the Department could run out of license plate inventory near the end of the fiscal year.

**Staff recommends an appropriation of \$5,936,876 cash funds** from the License Plate Cash Fund.

**(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 Automobile Inspection and Readjustment (AIR) Account, a subaccount of the Highway Users Tax Fund.

Division of Motor Vehicles Vehicle Emissions				
Staffing Summary	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Recommendation
Administration	3.9	3.5	3.5	3.5
Inspectors	10.9	12.0	12.0	12.0
<b>Total</b>	<b>14.8</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested a continuation appropriation of \$1,053,283 cash funds and 15.5 FTE.

**Staff recommends a continuation appropriation of \$1,053,283 cash funds and 15.5 FTE** from the Automobile Inspection and Readjustment (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 2008-09 Long Bill	15.5	\$1,016,699
Salary Survey		25,606
Base Building Performance Pay (80%)		10,978
<b>Staff Recommendation</b>	<b>15.5</b>	<b>\$1,053,283</b>

### **Operating Expenses**

This line item funds telecommunications, general office supplies, and printing costs. The Department requests a continuation funding level of \$80,215, cash funds.

**Staff recommends a continuation appropriation of \$80,215 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 purchase 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.

<b>Division of Motor Vehicles Titles</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Professionals and Managers	7.8	7.8	7.8	7.8
Administration	24.9	26.7	26.7	26.7
<b>Total</b>	<b>32.7</b>	<b>34.5</b>	<b>34.5</b>	<b>34.5</b>

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requested a continuation budget of \$1,672,848 cash funds and 34.5 FTE.

**Staff recommends a continuation appropriation of \$1,672,848 and 34.5 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.

<b>Personal Services Calculation Division of Motor Vehicles - Titles</b>		
	<b>FTE</b>	<b>Cash Funds</b>
FY 2008-09 Long Bill	34.5	\$1,603,458
Salary Survey		52,684
Base Building Performance Pay (80%)		16,706
<b>Staff Recommendation</b>	<b>34.5</b>	<b>\$1,672,848</b>

### **Operating Expenses (Decision Item #5)**

This line item funds the programs telecommunications costs, general office supplies, and printing costs. In addition this program funds Titles Digital Imaging Storage Cost, which is the subject of a decision item. The Department request is for \$189,854 cash funds. The request includes \$8,888 for annualization of the FY 2008-09 decision item, and \$6,255 for Decision Item #5, a request for an increase related to digital imaging.

### **Decision Item # 5 (Digital Image Storage for Titles)**

The Department has requested a decision item that increases the appropriation in two different lines from two different cash fund sources. Staff has split the two requests.

The Department requests an increase in this line item of \$6,255 cash funds in FY 2009-10 and \$26,975 in FY 2009-10 from the Colorado State Titling and Registration Account to pay for the increased usage of digital imaging for storage of documents.

The Titles Section is the repository for records relating to evidentiary support of vehicle ownership, estate disposition, the resolution of disputes involving recorded ownership of certain personal property, and source documentation by the public for the titling of vehicles upon transfer of ownership and as the official record for salvage title declaration and odometer statement. Prior to the storage of these records in digital format, documents were microfilmed and stored in a central location. The digitizing of these records has improved customer service by reducing retrieval times. County Clerks and courts also rely on these records.

The Department purges records after ten years, however, the volume of new records is outpacing the deletion of old records. The number of images stored has increased from about 2.1 million in FY 2005-06 to a projected 6.8 million in FY 2008-09. In response, the Department of Personnel and Administration has reduced the rate charged per kilobyte for document storage and the Titles Section has reduced image resolution from 200 to 150 dots per inch, reducing storage needs.

In FY 2006-07, the Titles Section currently spent almost 40% of its operating budget of digital storage, which is projected increase to 45% in FY 2007-08, 58% in FY 2008-09 and over 70% in FY 2009-10. So far the Department has had to cover the increased costs by reducing training for State and County personnel and the elimination of costs associated with microfilm supplies and equipment. Even those steps will be insufficient to continue to cover the increased costs.

The Department states that it will not be able to continue providing timely access to the titling and other records it is charged with storing if the request is not granted.

**Staff recommends approval of the Decision Item, increasing the Titles Section Operating Expenses line by \$6,255**

**Staff recommends approval of the Department's request of \$189,854 cash funds from the CSTARS 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 Database (MIIDB) 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

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested a continuation budget of \$330,017 cash funds and 1.0 FTE (an administrative assistant). The appropriation is primarily for contract services which pays the Statewide Internet Portal Authority to maintain this database.

**Staff recommends an appropriation of \$330,017 and 1.0 FTE cash funds** from the MIIDB Account. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Division of Motor Vehicles - Motorist Insurance Identification Database Program</b>		
	<b>FTE</b>	<b>General Fund</b>
FY 2008-09 Long Bill	1.0	\$328,132
Salary Survey		1,406
Base Building Performance Pay (80%)		479
<b>Staff Recommendation</b>	<b>1.0</b>	<b>\$330,017</b>

**Operating Expenses**

This line item funds telecommunications, general office supplies, and printing costs. The Department requests a continuation budget of \$500 cash funds.

**Staff recommends an appropriation of \$500 cash funds** from the MIIDB Account.

## (6) MOTOR CARRIER SERVICES

This Division includes the Port of Entry (POE) Section and the International Registration Plan 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; enforces vehicle safety regulations; 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.

<b>Motor Carrier Services</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Managers and Professionals	5.9	6.0	6.0	6.0
Administration	3.7	3.0	3.0	3.0
Tax Examiners	4.0	6.0	6.0	6.0
Ports Officers	109.8	114.2	114.2	114.2
Driver's License Examiner	2.0	2.0	2.0	2.0
<b>Total</b>	<b>125.4</b>	<b>131.2</b>	<b>131.2</b>	<b>131.2</b>

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requests \$7,268,775 and 131.2 FTE, including \$644,866 General Fund, \$6,505,998 from the Highway Users Tax Fund "Off-the-Top," \$34,067 from various cash funds, and \$83,844 reappropriated funds.

**Staff recommends continuation funding of \$7,268,775 and 131.2 FTE**, including \$644,866 General Fund, \$6,505,998 cash funds from the Highway Users Tax Fund (HUTF) "Off-the-Top," \$34,067 cash funds from the Nuclear Materials Transportation Fund, and \$83,844 reappropriated funds from the Motor Carrier Safety Assistance Program. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Motor Carrier Services Division</b>						
	<b>FTE</b>	<b>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Reapprop- riated Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	131.2	\$623,589	\$6,184,910	\$34,067	\$74,246	\$6,916,812
Salary Survey		24,050	250,096	0	0	274,146
Base Building						
Performance Pay (80%)		6,825	70,992	0	0	77,817
Indirect Costs						
Adjustments		(9,598)	0	0	9,598	0
<b>Staff Recommendation</b>	<b>131.2</b>	<b>\$644,866</b>	<b>\$6,505,998</b>	<b>\$34,067</b>	<b>\$83,844</b>	<b>\$7,268,775</b>

### **Operating Expenses**

This line item includes funds telecommunications, general office supplies, and printing costs. The Department is requesting a continuation level of funding for this item of \$433,811, including \$38,045 General Fund and \$395,766 from the HUTF "Off-the-Top."

**Staff recommends a continuation appropriation of \$433,811, including \$38,045 General Fund, and \$395,766 cash funds from the HUTF "Off-the-Top."**

### **Fixed and Mobile Port Maintenance**

This line item was created to address ongoing maintenance and repair needs the fixed and mobile ports of entry, to ensure that the ports remain safe and operational. The Department requests continuation funding of 221545 cash funds from the HUTF "Off-the-Top."

**Staff recommends a continuation appropriation of \$221,545 cash funds from the HUTF "Off-the-Top."**

### **Motor Carrier Safety Assistance Program**

This line item funds the program for promoting driver and vehicle safety for commercial carriers traveling in Colorado. Program personnel inspect vehicles and drivers a fixed and mobile ports of entry. The funding for this program is from a federal grant from the Motor Carrier Safety Assistance Program. The amounts requested in the Long Bill are for informational purposes and are dependent on the amount authorized by the federal government. There are 9.0 FTE associated with this program.

**Staff recommends reflecting \$747,770 and 9.0 FTE federal funds for this line.**

### **Hazardous Materials Permitting Program**

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 personal services adjustments are for salary survey and performance awards. The Department has requested a



continuation budget of \$210,210 cash funds from the Hazardous Materials Safety Fund. The adjustments to the line are for salary survey and base building performance-based pay awards.

**Staff recommends a continuation appropriation of \$210,210 and 4.0 FTE cash funds** from the Hazardous Materials Safety Fund.

**(7) ENFORCEMENT BUSINESS GROUP**

This group regulates limited gaming; enforces the State's liquor and tobacco laws; licenses liquor retailers, wholesalers, and manufacturers; regulates horse and dog racing events; regulates and licenses the motor vehicle dealer industry; and adjudicates complaints related to drivers licenses, liquor licenses, certain racing licenses, and some tax disputes.

**(A) Administration**

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.

<b>Enforcement Business Group Administration</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Management / Administration	2.0	2.0	2.0	2.0
Accounting and Budget	4.0	4.0	4.0	4.0
<b>Total</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested a continuation funding level of \$539,579, including \$23,336 General Fund.

**Staff recommends continuation funding of \$539,579 and 6.0 FTE**, including \$23,336 General Fund, \$405,032 cash funds from various sources, and \$111,211 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.

<b>Personal Services Calculation Enforcement Business Group - Administration</b>					
	<b>FTE</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	6.0	\$27,856	\$374,470	\$109,840	\$512,166
Salary Survey		838	20,441	0	21,279
Base Building Performance Pay (80%)		242	5,892	0	6,134
Indirect Costs Adjustment		(5,600)	4,229	1,371	0
<b>Staff Recommendation</b>	<b>6.0</b>	<b>23,336</b>	<b>405,032</b>	<b>111,211</b>	<b>539,579</b>

**Operating Expenses**

This line item funds expenses such as telecommunications expenses, general office supplies, and printing costs. The Department requests an appropriation of \$10,880 General Fund.

**Staff recommends an appropriation of \$10,880 General Fund.**

**(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, in past fiscal years, the Commission has adopted the Committee's common policies where applicable. The source of cash funds is the Limited Gaming Fund

The Division's direct costs for 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 consolidated budget lines.

<b>Enforcement Business Group Limited Gaming Division</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Administration	12.0	12.0	12.0	12.0
Licensing	6.0	6.0	6.0	6.0
Accounting and Auditing	17.0	21.0	21.0	21.0
Investigators	41.0	53.0	53.0	53.0
<b>Total</b>	<b>76.0</b>	<b>92.0</b>	<b>92.0</b>	<b>92.0</b>

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$5,634,719 cash funds from the Limited Gaming Fund.

**Staff recommends reflecting an appropriation of \$5,634,719 and 76.0 FTE cash funds.** This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Enforcement Business Group - Limited Gaming Division</b>		
	<b>FTE</b>	<b>Cash Funds</b>
FY 2008-09 Long Bill	76.0	\$5,410,628
Salary Survey		165,793
Base Building Performance Pay (80%)		58,298
<b>Staff Recommendation</b>	<b>76.0</b>	<b>5,634,719</b>

**Operating Expenses**

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department's requests a continuation appropriation of \$575,734.

**Staff recommends reflecting the Department request of \$575,734 cash funds.**

**Licensure Activities**

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 reflecting the Department request of \$181,497 cash funds.**

**Investigations**

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 reflecting the Department request of \$263,964 cash funds.**

**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 request is for a continuation appropriation.

**Staff recommends reflecting the Department request of \$2,429,848 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 cities and counties, including Gilpin and Teller counties, and the Cities of Black Hawk, Central City, and Cripple Creek. The Constitutional amendments 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. From the net amount in the Limited Gaming Fund at year-end, the Constitution mandates the following distributions: 28% to the State Historical Fund, 12% to Gilpin and Teller Counties (in proportion to the gaming revenues generated in each county), 10% to the cities of Black Hawk, Central City, and Cripple Creek (in proportion to the gaming revenues generated in each county), and 50% to the General Fund, "or such other fund as the general assembly shall provide." The amount requested by the Department is based on a Revenue estimate for the Limited Gaming Fund and is a continuation appropriation.

**Staff recommends reflecting the Department request 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.

**Staff recommends reflecting the Department request of \$612,363 cash funds.**

### **(C) Liquor Enforcement Division**

This division regulates the manufacture and distribution of alcoholic beverages and promotes awareness of the liquor, beer, and special events codes. Its primary responsibilities are to license or grant permits to manufacturers, importers, wholesalers, retailers, and public transportation systems; and to enforcing the state's liquor laws. The collection of excise taxes on alcoholic beverages is administered by the Taxpayer Services Division. Five of the division's investigators are assigned to the main office in Denver, while the remainder are assigned to the division's four field offices in Greeley, Grand Junction, Pueblo, and Colorado Springs. Funding for the Division is from the Liquor Enforcement Division and State Licensing Authority Cash Fund, which is funded from licensing and application fees.

<b>Enforcement Business Group Liquor Enforcement Division</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Administration	2.0	2.0	2.0	2.0
Licensing	3.0	3.0	3.0	4.0
Investigators	14.0	14.0	15.0	15.0
<b>Total</b>	<b>19.0</b>	<b>19.0</b>	<b>20.0</b>	<b>21.0</b>

**Personal Services (Decision Item #10)**

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 a continuation budget of \$1,534,576 cash funds.

**Decision Item #10 - Increase Liquor Enforcement Division Staff**

The Department is requesting \$118,352 cash funds and 2.0 FTE for FY 2009-10. The request annualizes to \$106,472. The request would add a criminal investigator to the Grand Junction office and an Administrative Assistant in Lakewood to deal with the backlog of requests for liquor licenses. The positions would be funded from the Liquor Enforcement Division and State Licensing Authority Cash Fund. The request is broken down by line in the following table:

Liquor Enforcement Division Staff Increase: Breakdown by Line Item		
Line Item	FY 2009-10 Request	FY 2010-11 Annualization
Personal Services	\$96,128	\$96,128
Operating Expenses	9,680	4,710
EDO-Variable Vehicle Expenses	\$9,861	\$2,951
EDO-Vehicle Lease Payments	\$2,683	\$2,683
Total	\$120,361	\$108,482

The Liquor Enforcement Division administers and enforces the Colorado Liquor, Beer, and Special Events Codes. Division staff issues liquor licenses and monitors compliance of persons or entities engaged in the manufacture, distribution, or sale of alcoholic beverages. Enforcement field offices are located in Lakewood, Colorado Springs, Grand Junction, and Greeley.

**Liquor Licensing Section**

The Department states that although there have been significant changes to the Division's responsibilities over the last several years, there has not any increase in staff to help with these responsibilities. The General Assembly has created a number of new types of liquor licenses

available to Colorado business, each of which requires staff training. In addition, the number have licenses has increased. The number of liquor license applications grew by 17 percent between FY 2001-02 and FY 2006-07, and during FY 2007-08, the number grew by another 27 percent.

This has resulted in frustration expressed by applicants at the length of time it takes to process new and renewal applications. A number of existing businesses have expired licenses through no fault of their own because the Department cannot process applications in a timely fashion. One of the new FTE would work in this area to help ease the backlog of applications and issue licenses in a timely manner.

Liquor Enforcement Section

The are two criminal investigators located at the Grand Junction office. Each of the other offices have three investigators. In the Grand Junction office, the Department states that the average investigation takes over 50 percent longer (62 days vs. 35 days) than at the other three offices. Because of the delays, many cases cannot be investigated appropriately because witnesses become more difficult to locate, and evidence is harder to process. The Department proposes to place a new FTE in Grand Junction where the Division's slowest response times occur. This would bring the staffing level in Grand Junction up to the level that the other offices have.

The Department states that its goal is to investigate and resolve any liquor related complaints within 60 days of receipt. For calendar years 2006 and 2007 the Grand Junction office was only able to resolve 57 percent of its cases within that time frame. The Department has attempted to assist the Grand Junction office by assigning some the office's counties to other offices, however, that has hurt the rest of the State.

**Staff recommends approval of the Department's request to increase the Department's appropriation by \$118,352 and 2.0 FTE.**

**Staff recommends an appropriation of \$1,687,853 and 21.0 FTE cash funds** from the Liquor Enforcement Division and State Licensing Authority Cash Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation</b>		
<b>Enforcement Business Group - Liquor Enforcement Division</b>		
	<b>FTE</b>	<b>Cash Funds</b>
FY 2008-09 Long Bill	19.0	\$1,534,576
HB 08-1105 Appropriation (Art Gallery Liquor Permits)	0.0	1,660
Salary Survey		39,747
Base Building Performance Pay (80%)		15,742
Decision Item #10 - Liquor Enforcement Division Staff	2.0	96,128
<b>Staff Recommendation</b>	<b>21.0</b>	<b>1,687,853</b>

**Operating Expenses (Decision Item #10)**

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department has requested a continuation budget for this line.

**Decision Item # 10 - Increase Liquor Enforcement Division Staff**

Decision Item # 10 was discussed in the Personal Services section above. Staff's recommendation is for an increase of \$9,680 in FY 2009-10, which annualizes to \$4,710 in FY 2010-11. The reason for the extra costs in Operating Expenses is the specialized equipment necessary for the Criminal Investigator.

**Staff recommends a continuation appropriation of \$61,296 cash funds** from the Liquor Enforcement Division and State Licensing Authority Cash Fund.

**(D) Tobacco Enforcement Program**

This program enforces laws that prohibit the sale of tobacco products to persons less than eighteen years of age. Federal law requires states to enforce laws prohibiting the sale of tobacco products to minors in order to be eligible for certain block grants. Failure to meet federal standards could result in the loss of up to 40 percent of the state's Substance Abuse Prevention and Treatment Block Grant.

In addition to General Fund appropriations, Section 24-22-117 (2) (c) (III) (B), C.R.S., appropriates up to \$350,000 annually to the Department's Tobacco Enforcement Program from the Tobacco Education Programs Fund in the Department of Public Health and the Environment.

Enforcement Business Group Tobacco Enforcement Program				
Staffing Summary	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Recommendation
Administration	1.5	1.0	1.0	1.0
Investigators	5.5	6.0	6.0	6.0
<b>Total</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$504,487, including \$145,318 General Fund. The request includes \$29,911 cash funds from the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund to implement S.B. 08-026 (Cigarette Ignition Propensity Standards)



**Staff recommends an appropriation of \$504,487 and 8.0 FTE**, including \$145,318 General Fund and \$359,169 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Enforcement Business Group - Tobacco Enforcement Program</b>				
	<b>FTE</b>	<b>General Fund</b>	<b>Reapprop- riated Funds</b>	<b>Total</b>
FY 2008-09 Long Bill	7.0	\$129,711	\$329,258	\$458,969
SB 08-026 - Cigarette Ignition Propensity Standards	1.0	0	29,911	29,911
Salary Survey		11,129	0	11,129
Base Building Performance Pay (80%)		4,478	0	4,478
<b>Staff Recommendation</b>	<b>8.0</b>	<b>145,318</b>	<b>359,169</b>	<b>504,487</b>

### **Operating Expenses**

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department has requested \$31,379, including \$7,201 General Fund. The increase of \$3,436 cash funds from the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund is for the implementation of S.B. 08-026 (Cigarette Ignition Propensity Standards).

**Staff recommends an appropriation of \$31,379**, including \$7,201 General Fund and \$24,178 cash funds.

### **(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 has been overseeing four greyhound racetracks and one horse racetrack. All of the greyhound racetracks have discontinued live races, but continue with simulcast racing from other out of state venues. The Department is projecting income of \$2,264,890 in FY 2009-10.

<b>Enforcement Business Group Division of Racing Events</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Management and Administration	5.8	5.8	5.8	5.8
Investigators/Auditors	5.0	5.0	5.0	5.0
Field Operations	5.4	5.4	5.4	5.4
Veterinarians	2.3	2.3	2.3	2.3
<b>Total</b>	<b>18.5</b>	<b>18.5</b>	<b>18.5</b>	<b>18.5</b>

### **Personal Services**

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

**Staff recommends a continuation appropriation of \$1,467,605 and 18.5 FTE cash funds.** This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation Enforcement Business Group - Division of Racing Events</b>		
	<b>FTE</b>	<b>General Fund</b>
FY 2008-09 Long Bill	18.5	\$1,410,197
Salary Survey		43,042
Base Building Performance Pay (80%)		14,366
<b>Staff Recommendation</b>	<b>18.5</b>	<b>1,467,605</b>

### **Operating Expenses**

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department has requested a continuation budget for this line.

**Staff recommends a continuation appropriation of \$97,845 cash funds.**

### **Laboratory Services**

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. The Department requests a continuation appropriation.

**Staff recommends a continuation appropriation of \$104,992 cash funds.**

**Commission Meeting Costs**

This line item covers the costs of reimbursement and per diem costs associated with Colorado Racing Commission meetings. The Department requests a continuation appropriation.

**Staff recommends a continuation appropriation of \$1,200 cash funds.**

**Racetrack Applications**

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. The Department requests a continuation appropriation.

**Staff recommends a continuation appropriation of \$25,000 cash funds.**

**Purses and Breeders Awards**

This line item represents a pass-through appropriation. The Division does not spend any 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.

**Staff recommends a continuation appropriation of \$1,106,142 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.

<b>Enforcement Business Group Hearings Division</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Manager	1.0	1.0	1.0	1.0
Administration	8.0	8.0	8.0	8.0
Hearings Officers	19.4	20.0	20.0	20.0
<b>Total</b>	<b>28.4</b>	<b>29.0</b>	<b>29.0</b>	<b>29.0</b>

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requests \$2,092,012 cash funds and 29.0 FTE.

**Staff recommends an appropriation of \$2,092,012 and 29.0 FTE cash funds** from the Drivers License Revocation account, a sub-account of the Highway Users Tax Fund. Reversions flow to the HUTF at the end of each fiscal year. 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		
	FTE	Cash Funds
FY 2008-09 Long Bill	29.0	\$1,996,235
Salary Survey		74,339
Base Building Performance Pay (80%)		21,438
Sub-total	29.0	2,092,012

**Operating Expenses**

This line item funds expenses such as telecommunications costs, general office supplies and printing costs. The Department is requesting a continuation appropriation.

**Staff recommends a continuation appropriation of \$73,750 cash funds** from the Drivers License Revocation account.

**(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. The funding source is the Auto Dealers License Fund. **This is a division that whose fund balance bears watching very closely.** Funding for the division comes from the Auto Dealers License Fund. Several dealerships have closed and the Department reports that the number of applicants for sales licenses has declined sharply.

Enforcement Business Group Motor Vehicle Dealer Licensing				
Staffing Summary	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Recommendation
Manager	1.0	1.0	1.0	1.0
Administration	8.2	8.2	8.2	8.2

<b>Enforcement Business Group Motor Vehicle Dealer Licensing</b>				
<b>Staffing Summary</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Appropriation</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recommendation</b>
Professionals	4.0	4.0	4.0	4.0
Investigators	15.0	15.0	15.0	15.0
<b>Total</b>	<b>28.2</b>	<b>28.2</b>	<b>28.2</b>	<b>28.2</b>

### **Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. This year, the Department is requesting a continuation appropriation of \$1,827,680 cash funds and 28.2 FTE.

**Staff recommends a continuation appropriation of \$1,827,680 and 28.2 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.

<b>Personal Services Calculation Enforcement Business Group - Motor Vehicle Dealer Licensing Board</b>		
	<b>FTE</b>	<b>Cash Funds</b>
FY 2008-09 Long Bill	28.2	\$1,761,096
Salary Survey		49,095
Base Building Performance Pay (80%)		17,489
Sub-total	28.2	1,827,680

### **Operating Expenses (Decision Item #6, Budget Amendment #1)**

This line item funds expenses such as telecommunication services, general office supplies and printing expenses. The Department requests an appropriation of \$180,793, which includes Decision Item #6 and Budget Amendment #1.

#### **Decision Item #6 (Imaging Costs for Motor Vehicle Dealer Licensing Board)**

The Department requests \$86,290 for the costs of imaging documents for the Motor Vehicle Dealer Licensing Board. Of this request, \$61,770 would be a one-time request to eliminate a nearly five-year backlog in documents to be imaged, and \$24,520 is an increase in the appropriation to continue to image documents that are generated each year.

Due to the condition of the Auto Dealers License Fund, **Staff recommends against approval of this decision item.** The Division already has a five year backlog, and waiting for the resolution of the

funding issues with the fund would not appreciably harm the Division. Staff believes it would make more sense to wait to see how the cash fund is faring before approving further appropriations.

Budget Amendment #1 (Background Checks for Motor Vehicle Dealer Licensing Board

This request to provide for background checks for applicants for dealers and sales people. The Department an appropriation of \$22,500 to continue the FY 2008-09 supplemental that provided \$20,700 to the Division.

Prior to FY 2008-09, the Division had paid for background checks for applicants directly from the fee that was paid by that individual for processing the application for a license. This was done through a fiscal waiver that expired. The Department sought an extension of that waiver, but was denied by the Controller. This appropriation will now put that expenditure "on the books," so an appropriation is needed. There is no change in the financial condition of the fund, only that the fund now will need an appropriation to disclose what had been paid directly out of the fund. **Staff recommends approval of this Budget Amendment to appropriate \$22,500 cash funds for background checks.**

**Staff recommends an appropriation of \$94,503 cash funds** from the Auto Dealers License Fund.

## (8) STATE LOTTERY DIVISION

The State Lottery Division is a TABOR enterprise under Article X, Section 20, of the Colorado Constitution. Expenditures are paid from the State Lottery Fund. Previously, expenditures from the Fund were classified as cash funds exempt, with the reclassification of funds approved by the Committee, these expenditures will now be classified as cash funds.

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 consolidated budget lines. In FY 2006-07, those expenditures totaled \$1,501,662.

State Lottery Division				
Staffing Summary	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Recommendation
Management & Administration	39.9	44.0	44.0	44.0
Sales	40.5	41.0	41.0	41.0
Accounting and Analysis	11.7	12.0	12.0	12.0
Investigators	6.9	7.5	7.5	7.5
Programmers/IT Support	18.8	21.5	21.5	21.5
<b>Total</b>	<b>117.8</b>	<b>126.0</b>	<b>126.0</b>	<b>126.0</b>

### Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requests a continuation appropriation of \$9,097,620 cash funds and 126.0 FTE.

**Staff recommends a continuation appropriation of \$9,097,620 cash funds and 126.0 FTE** This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

<b>Personal Services Calculation State Lottery Division</b>		
	<b>FTE</b>	<b>Cash Funds</b>
FY 2008-09 Long Bill	126.0	\$8,718,974
Salary Survey		290,212
Base Building Performance Pay (80%)		88,434
Total	126.0	9,097,620

**Operating Expenses**

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. The Department requested a continuation appropriation.

**Staff recommends a continuation appropriation of \$1,203,156 cash funds.**

**Payments to Other State Agencies**

This line item funds the costs of various audits, fingerprint and name checks through CBI, and data storage fees provided by the Department of Personnel and Administration's Document Solutions Group. In FY 2006-07, \$101,078 was transferred from this line to personal services to enable the Division to directly procure private auditing firms to audit the lottery, instead of paying the State Auditor's Office to hire the auditing firms. The Department requests a continuation appropriation.

**Staff recommends a continuation appropriation of \$239,410 cash funds.**

**Travel**

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

**Staff recommends a continuation appropriation of \$113,498 cash funds.**

**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. In the FY 2008-09 budget cycle, the Department has submitted a Decision Item to increase this line by \$3,028,290 in each of the next two years to improve lottery sales.

The Department received approval from the General Assembly to increase this line item by \$3,028,290 cash funds in both FY 2008-09 and FY 2009-10 in order to fund an increase in advertising, resulting in an increase of \$6,056,580 over two years.



**Staff recommends an 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 # 3 - Lottery Variable Costs Adjustment**

In January, the Department requested and received approval for a FY 2008-09 supplemental increase to this line item of \$1,802,338 to reflect updated sales projections. They are requesting a budget amendment to continue the spending authorization to FY 2009-10. The Department's amended request is for \$12,677,849 cash funds.

**Staff recommends approval of the Department's amended request of \$12,677,849 cash funds.**

**Prizes**

This line item is used to pay Lottery prizes associated with games approved by the Lottery commission. 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 # 3 - Lottery Variable Costs Adjustment**

In January, the Department requested and received approval for a FY 2008-09 supplemental to increase this line item by \$55,859,560 to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2009-10. The Department's amended request is for \$392,580,940 cash funds.

**Staff recommends approval of the Department's amended request of \$392,580,940 cash funds.**

Under Section 24-35-210 (1), C.R.S., this line item is continuously appropriated.

**Powerball Prize Variance**

This line is used to reimburse the Multi-State Lottery Association (MUSL) for the State's share of the 'lower tier' prize pool, which are any prizes other than the Powerball jackpot. Based on statistical

data, if the State's payout is greater than average, this line item will increase to reflect a reimbursement for the difference. Conversely, if the State's payout is less than average, this line item will decrease accordingly. 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 # 3 - Lottery Variable Costs Adjustment

In January, the Department requested and received approval for a FY 2008-09 supplemental to increase this line item by \$2,956,000 to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2009-10. The Department's amended request is for \$12,708,000 cash funds.

**Staff recommends approval of the Department's amended request of \$12,708,000 cash funds.** Under Section 24-35-210 (1), C.R.S., this line item is continuously appropriated.

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 # 3 - Lottery Variable Costs Adjustment

In January, the Department requested and received approval for a FY 2008-09 supplemental to increase this line item by \$7,120,410 to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2009-10. The Department's amended request is for \$48,894,160 cash funds.

**Staff recommends approval of the Department's amended request \$48,894,160 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 # 3 - Lottery Variable Costs Adjustment

In January, the Department requested and received approval for a FY 2008-09 supplemental to this line item by \$541,530 to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2009-10. The Departments amended request is for \$8,070,880 cash funds.

Budget Amendment # 4 - Lottery Ticket Costs Base Reduction

In addition to the annual adjustment described above, the Department is requesting to decrease this line's base by \$2,000,000. Last year the Department received approval of a decision item to increase the line by \$4,000,000 to implement a Ticket Inventory Management System that used private contractors for inventory and delivery function. Upon evaluation by a consultant, the Department determined that it could handle the inventory management portion of the proposal in a more cost effective manner that contract out for that service.

The Department requested a FY 2008-09 supplemental to reduce the line by \$3,400,000, since the inventory management component could not begin until the fourth quarter of FY 2008-09, and the delivery component was dependent on the inventory management component.

The delivery component of the original request is \$2,000,000, which is the remaining amount of the increase from last year's decision item that the Department is requesting to continue. The saving of \$2,000,000 results from the decision to not out source the inventory management.

**Staff recommends approval of both Budget Amendments, to decrease the Ticket Costs line item by a net \$1,458,470 cash funds.**

**Staff recommends approval of the Department's amended request for \$6,070,880 cash funds.** This recommendation includes one budget amendment that decreases the line and one that increases the line.

#### **Research**

**Staff recommends a continuation appropriation of \$250,000 cash funds.** This line funds marketing research.

#### **Indirect Cost Assessment**

Based on Department and State-wide indirect cost plans, the Department requests an appropriation of \$543,443 cash funds.

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

## **FOOTNOTES and REQUESTS FOR INFORMATION**

**Staff recommends the following written requests for information.** The struck text and small caps indicates the changes.

**64 Department of Revenue, State Lottery Division**-- The Department is requested to submit a report to the Joint Budget Committee, by September 30, ~~2008~~ 2009, 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.

**N Department of Revenue, Information Technology Division, Colorado State Titling and Registration System** -- The Department is request to provide, for the fiscal year starting July 1, 2009, quarterly reports to the Joint Budget Committee on the fund balance, revenues, and expenditures in the Colorado State Titling and Registration Account created in Section 42-1-211 (2), C.R.S., a sub-account of the Highway Users Tax Fund. The reports should come as soon as possible after the end of the quarters that end on September 30, 2009, December 31, 2009, March 31, 2009, and June 30, 2009.

**N Department of Revenue, Taxation Business Group, Taxation and Compliance Division** --

The Department is requested to provide as soon as possible after the end of the fiscal year that ends on June 30, 2009, but no later than September 30, 2009, a report detailing the amount of additional General Fund revenue realized in during FY 2008-09 by the General Assembly's funding of the program to allow senior auditors to travel eight weeks each out-of-state to audit companies that are based out-of-state.