

This file contains two documents related to the Department of Revenue:

- A five page memorandum dated March 13, 2008 concerning technical comebacks from staff revising the recommendations made a staff figure setting for the Department of Revenue on February 29, 2008.
- A file dated February 29, 2008, which includes all of staff's funding recommendations related to the Department of Revenue's FY 2008-09 budget request.

# MEMORANDUM

**TO: Members of the Joint Budget Committee**

**FROM: David Meng, Joint Budget Committee Staff**

**SUBJECT: Staff Technical Comeback - Department of Revenue Figure Setting**

**DATE: March 13, 2008**

Staff requests permission to correct a typographical error in the Division of Motor Vehicles, Administration section, Personal Services line item. In the Figure Setting Presentation, for Personal Services, staff recommended a continuation level of funding, which should have been \$513,639 General Fund, instead of the \$512,054 shown in the "Staff Recommends New Format" column. The narrative and "Staff recommends Old Format" were correct. This difference of \$1,585 carries through to the total for the line, which should have been \$888,379 and this change carries through to the sub division, division and department totals. The table below shows the original and revised recommendations:

Line Item	Original Recommendation	Corrected Recommendation	Difference
Division of Motor Vehicles, Administration: Personal Services - Total	\$886,794	\$888,379	\$1,585
General Fund	512,054	513,639	1,585

Staff requests permission to incorporate the Department's latest projections for the two Indirect Cost Assessment line items in the Department. These are mostly the result of the Joint Budget Committee's Base Reduction decision, as well as a revised projection by the Department. JBC staff took a 1 percent reduction where the Department took a 0.2 percent reduction. The changes are summarized in the next table.

Line Item	Original Recommendation	Revised Recommendation	Difference
Enforcement Business Group, Limited Gaming Division: Indirect Cost Assessment (Cash Funds)	\$673,848	\$559,702	(\$114,146)
State Lottery Division: Indirect Cost Assessment (Cash Funds)	559,210	556,672	(2,538)

**Staff requests permission to incorporate the technical fund splits changes shown below.** There is no change in the total amount requested, just to the fund splits. The total changes are shown in the Summary Table immediately below, followed by the details for each line item.

<b>Line Item</b>	<b>Original Recommendation</b>	<b>Revised Recommendation</b>	<b>Difference</b>
<b>Total Change</b>			\$0
General Fund			102,350
HUTF			(7,692)
Cash Funds			15,295
Reappropriated Funds			(109,954)

<b>Executive Director's Office: Personal Services -Total</b>	3,894,611	3,894,611	0
General Fund	2,211,740	2,208,295	(3,445)
HUTF	417,801	418,445	644
Cash Funds	842,223	841,991	(232)
Reappropriated Funds	422,847	425,879	3,032

<b>Executive Director's Office: Short-term Disability - Total</b>	102,416	102,416	0
General Fund	52,813	61,368	8,555
HUTF	9,138	7,905	(1,233)
Cash Funds	40,465	33,143	(7,322)
Reappropriated Funds	0	0	0

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Line Item	Original Recommendation	Revised Recommendation	Difference
<b>Executive Director's Office: S.B.04-257 Amortization Equalization Disbursement - Total</b>	1,246,959	1,246,959	0
General Fund	636,460	743,635	107,175
HUTF	112,468	95,405	(17,063)
Cash Funds	498,031	407,919	(90,112)
Reappropriated Funds	0	0	0

<b>Executive Director's Office: S.B. 06-235 Supplemental Amortization Equalization Disbursement - Total</b>	573,932	573,932	0
General Fund	287,761	339,477	51,716
HUTF	52,719	43,243	(9,476)
Cash Funds	233,452	191,212	(42,240)
Reappropriated Funds	0	0	0

<b>Executive Director's Office: Salary Survey and Senior Executive Service - Total</b>	2,970,519	2,970,519	0
General Fund	1,834,523	1,801,622	(32,901)
HUTF	245,355	250,096	4,741
Cash Funds	890,641	918,801	28,160
Reappropriated Funds			0

<b>Central Department Operations: Personal Services - Total</b>	5,388,194	5,388,194	0
General Fund	4,976,605	4,974,535	(2,070)
HUTF	102,040	102,646	606
Cash Funds	205,795	206,543	748
Reappropriated Funds	103,754	104,470	716

Line Item	Original Recommendation	Revised Recommendation	Difference
<b>Information Technology, System Support:</b>			
<b>Personal Services - Total</b>	6,353,446	6,353,446	0
General Fund	4,310,747	4,300,497	(10,250)
HUTF	462,727	465,580	2,853
Cash Funds	1,109,098	1,113,516	4,418
Reappropriated Funds	470,874	473,852	2,978

<b>Taxation Business Group, Administration:</b>			
<b>Personal Services - Total</b>	593,853	593,853	0
General Fund	587,943	587,832	(111)
HUTF	0	0	0
Cash Funds	5,910	6,021	111
Reappropriated Funds	0	0	0

<b>Taxation Business Group, Taxation and Compliance:</b>			
<b>Personal Services - Total</b>	13,724,406	13,724,406	0
General Fund	13,588,587	13,587,309	(1,278)
HUTF	0	0	0
Cash Funds	1,269	1,269	0
Reappropriated Funds	134,550	135,828	1,278

<b>Division of Motor Vehicle, Administration:</b>			
<b>Personal Services - Total</b>	888,380	888,380	0
General Fund	513,639	490,755	(22,884)
HUTF	184,004	195,240	11,236
Cash Funds	190,736	202,385	11,649
Reappropriated Funds	0	0	0

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<b>Line Item</b>	<b>Original Recommendation</b>	<b>Revised Recommendation</b>	<b>Difference</b>
<b>Enforcement Business Group, Administration: Personal Services - Total</b>	512,166	512,166	0
General Fund	20,176	27,856	7,680
HUTF	0	0	0
Cash Funds	268,288	374,470	106,182
Reappropriated Funds	223,702	109,840	(113,862)

<b>Enforcement Business Group, Administration: Operating Expenses - Total</b>	10,880	10,880	0
General Fund	429	592	163
HUTF	0	0	0
Cash Funds	4,022	7,955	3,933
Reappropriated Funds	6,429	2,333	(4,096)

# **COLORADO GENERAL ASSEMBLY**

## **JOINT BUDGET COMMITTEE**



**FISCAL YEAR 2008-09 STAFF FIGURE SETTING:**

**DEPARTMENT OF REVENUE**

**JBC Working Document - Subject to Change**

**Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:**

**David Meng, Legislative Analyst**

**February 29, 2008**

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**FY 2008-09 Staff Figure Setting  
DEPARTMENT OF REVENUE**

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**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation		Department Request	FY 2008-09		Decision Items	
						Staff Recommends Old Format	Staff Recommends New Format		
<b>DEPARTMENT OF REVENUE</b>									
<b>Roxy Huber, Executive Director</b>									
<b>(1) EXECUTIVE DIRECTOR'S OFFICE</b>									
The Executive Director's Office provides administrative, accounting, budgeting, auditing, planning, and research support for the Department, and comprised of the following programs: Administration, Policy Analysis and Financial Services, Internal Auditor, Office of Human Resources, and Office of Research and Analysis. Major cash funds sources include the Auto Dealers License Fund, the Liquor Enforcement Division and State Licensing Cash Fund, the Limited Gaming Fund, the Racing Cash Fund, the Colorado State Titling and Registration Account, and the State Lottery Fund. The sources of reappropriated funds include the State Lottery Fund and the Limited Gaming Fund. These sources are for indirect cost recoveries to offset the General Fund.									
Personal Services	3,231,389	3,237,684	3,604,947	S	3,922,835	A	3,894,611	3,894,611	BA
FTE	<u>42.6</u>	<u>42.4</u>	<u>43.8</u>		<u>48.7</u>		<u>48.7</u>	<u>48.7</u>	
General Fund	1,894,554	1,759,607	1,950,280		2,223,487		2,211,740	2,211,740	
HUTF	376,664	406,824	385,567		421,657		417,801	417,801	
Cash Funds	444,407	511,231	638,042		848,565		608,678	842,223	
Cash Funds Exempt/Reappropriated Funds	515,764	560,022	631,058		429,126		656,392	422,847	
Health, Life and Dental	<u>3,652,832</u>	<u>4,741,231</u>	<u>5,888,824</u>		<u>6,934,265</u>	A	<u>6,934,265</u>	<u>6,934,265</u>	
General Fund	2,220,555	2,941,697	3,477,305		4,082,651		4,082,651	4,082,651	
HUTF	386,538	496,613	569,055		687,100		687,100	687,100	
Cash Funds	386,776	487,905	862,973		957,882		957,882	2,164,514	
Cash Funds Exempt/Reappropriated Funds	658,963	815,016	979,491		1,206,632		1,206,632	0	
Short-term Disability	<u>95,364</u>	<u>76,061</u>	<u>94,652</u>		<u>97,358</u>	A	<u>102,416</u>	<u>102,416</u>	
General Fund	58,071	47,850	57,859		58,170		52,813	52,813	
HUTF	8,200	6,102	7,267		7,620		9,138	9,138	
Cash Funds	11,045	8,813	12,758		14,194		18,443	40,465	
Cash Funds Exempt/Reappropriated Funds	18,048	13,296	16,768		17,374		22,022	0	
S.B. 04-257 Amortization Equalization									
Disbursement	<u>146,828</u>	<u>484,663</u>	<u>862,694</u>	S	<u>1,203,887</u>	A	<u>1,246,959</u>	<u>1,246,959</u>	
General Fund	83,057	296,278	523,864		721,575		636,460	636,460	
HUTF	14,438	39,485	67,077		93,783		112,468	112,468	
Cash Funds	18,658	56,821	116,972		174,690		226,992	498,031	
Cash Funds Exempt/Reappropriated Funds	30,675	92,079	154,781		213,839		271,039	0	

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2007-08			FY 2008-09		Decision Items			
	FY 2005-06 Actual	FY 2006-07 Actual	Final Appropriation	Department Request	Staff Recommends Old Format		New Format		
S.B. 06-235 Supplemental Amortization									
Equalization Disbursement	<u>0</u>	<u>0</u>	<u>161,494</u>	S	<u>386,675</u>	A	<u>573,932</u>	<u>573,932</u>	
General Fund	0	0	93,938		231,978		287,761	287,761	
HUTF	0	0	13,974		30,322		52,719	52,719	
Cash Funds	0	0	21,336		55,859		106,403	233,452	
Cash Funds Exempt/Reappropriated Funds	0	0	32,246		68,516		127,049	0	
Salary Survey and Senior Executive Service	<u>2,142,624</u>	<u>2,037,928</u>	<u>2,279,290</u>		<u>2,980,297</u>	A	<u>2,970,519</u>	<u>2,970,519</u>	
General Fund	1,257,369	1,215,030	1,360,735		1,808,217		1,834,523	1,834,523	
HUTF	194,560	177,569	198,318		250,179		245,355	245,355	
Cash Funds	243,264	250,355	286,417		386,168		371,092	890,641	
Cash Funds Exempt/Reappropriated Funds	447,431	394,974	433,820		535,733		519,549	0	
Performance-based Pay Awards	<u>0</u>	<u>0</u>	<u>1,074,177</u>		<u>1,151,316</u>	A	<u>1,151,316</u>	<u>1,151,316</u>	
General Fund	0	0	668,192		688,768		688,768	688,768	
HUTF	0	0	83,000		88,740		88,740	88,740	
Cash Funds	0	0	128,639		168,069		168,069	373,808	
Cash Funds Exempt/Reappropriated Funds	0	0	194,346		205,739		205,739	0	
Shift Differential	<u>164,470</u>	<u>209,777</u>	<u>166,518</u>		<u>187,288</u>		<u>187,287</u>	<u>187,287</u>	
General Fund	48,108	59,068	52,100		48,105		48,105	48,105	
HUTF	92,006	127,483	96,277		113,816		113,815	113,815	
Cash Funds	10,608	8,115	5,408		11,876		11,876	25,367	
Cash Funds Exempt/Reappropriated Funds	13,748	15,111	12,733		13,491		13,491	0	
Workers' Compensation	<u>811,890</u>	<u>636,413</u>	<u>575,405</u>	S	<u>735,792</u>	A	<u>Pending</u>	<u>Pending</u>	<b>Statewide DI</b>
General Fund	520,058	408,845	369,652		453,912				
HUTF	71,963	54,538	65,592		60,624				
Cash Funds	77,427	63,213	57,153		98,720				
Cash Funds Exempt/Reappropriated Funds	142,442	109,817	83,008		122,536				
Operating Expenses	<u>912,803</u>	<u>917,761</u>	<u>993,177</u>	S	<u>1,002,538</u>	A	<u>1,002,538</u>	<u>1,002,538</u>	<b>BA</b>
General Fund	452,759	446,919	505,051		512,655		512,655	512,655	
HUTF	92,509	102,442	100,573		119,633		119,633	119,633	
Cash Funds	130,658	137,887	151,731		152,968		152,968	370,250	
Cash Funds Exempt/Reappropriated Funds	236,877	230,513	235,822		217,282		217,282	0	

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2007-08			FY 2008-09			Decision Items
	FY 2005-06 Actual	FY 2006-07 Actual	Final Appropriation	Department Request	Staff Recommends Old Format	New Format	
Legal Services for 11,165 hours	<u>602,909</u>	<u>756,653</u>	<u>804,215</u>	<u>804,215</u>	<u>Pending</u>	<u>Pending</u>	
General Fund	264,340	436,254	436,480	432,922			
HUTF	4,898	2,007	10,608	11,248			
Cash Funds	283,800	261,098	296,765	310,678			
Cash Funds Exempt/Reappropriated Funds	49,871	57,294	60,362	49,367			
Administrative Law Judge Services	<u>903</u>	<u>824</u>	<u>7,532</u>	S <u>7,709</u>	<u>Pending</u>	<u>Pending</u>	
Cash Funds	0	0	7,532	7,709			
Cash Funds Exempt/Reappropriated Funds	903	824	0	0			
Purchase of Services from Computer Center	<u>3,424,834</u>	<u>1,845,865</u>	<u>3,251,582</u>	S <u>3,623,153</u>	A <u>Pending</u>	<u>Pending</u>	<b>Statewide DI</b>
General Fund	3,419,412	1,844,078	3,248,330	3,620,028			
Cash Funds	0	0	0	0			
Cash Funds Exempt/Reappropriated Funds	5,422	1,787	3,252	3,125			
Multiuse Network Payments	<u>1,727,513</u>	<u>1,921,365</u>	<u>2,584,123</u>	S <u>2,658,315</u>	A <u>Pending</u>	<u>Pending</u>	<b>Statewide DI</b>
General Fund	444,087	728,696	621,998	639,857			
HUTF	60,193	36,706	41,396	50,774			
Cash Funds	90,934	58,730	70,547	72,572			
Cash Funds Exempt/Reappropriated Funds	1,132,299	1,097,233	1,850,182	1,895,112			
Payment to Risk Management and Property Funds	<u>86,794</u>	<u>289,287</u>	<u>211,060</u>	S <u>289,644</u>	A <u>Pending</u>	<u>Pending</u>	<b>Statewide DI</b>
General Fund	45,010	163,277	120,775	156,711			
HUTF	11,125	34,454	29,089	34,568			
Cash Funds	8,442	29,523	21,398	41,222			
Cash Funds Exempt/Reappropriated Funds	22,217	62,033	39,798	57,143			
Vehicle Lease Payments	<u>356,910</u>	<u>350,686</u>	<u>385,047</u>	S <u>407,850</u>	A <u>Pending</u>	<u>Pending</u>	<b>Statewide DI</b>
General Fund	82,611	103,286	96,715	100,199			
HUTF	36,089	40,175	50,581	41,163			
Cash Funds	88,952	82,498	99,452	104,246			
Cash Funds Exempt/Reappropriated Funds	149,258	124,727	138,299	162,242			
Leased Space	<u>2,068,510</u>	<u>2,025,368</u>	<u>2,577,696</u>	<u>2,641,446</u>	<u>2,641,446</u>	<u>2,641,446</u>	
General Fund	1,201,009	1,271,962	1,410,710	1,408,853	1,408,853	1,408,853	
Cash Funds	79,756	79,742	396,455	497,359	497,359	1,232,593	
Cash Funds Exempt/Reappropriated Funds	787,745	673,664	770,531	735,234	735,234	0	

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2007-08			FY 2008-09			Decision Items		
	FY 2005-06 Actual	FY 2006-07 Actual	Final Appropriation	Department Request	Staff Recommends				
					Old Format	New Format			
Capitol Complex Leased Space	<u>1,520,816</u>	<u>1,794,521</u>	<u>1,680,002</u>	S	<u>1,674,939</u>	A	<u>Pending</u>	<u>Pending</u>	Statewide DI
General Fund	1,144,483	1,296,891	1,293,280		1,300,313				
HUTF	25,579	34,775	26,918		25,918				
Cash Funds	175,814	227,210	176,581		169,486				
Cash Funds Exempt/Reappropriated Funds	174,940	235,645	183,223		179,222				
Lease Purchase of 1881 Pierce Street	<u>803,242</u>	<u>805,214</u>	<u>0</u>		<u>0</u>		<u>0</u>	<u>0</u>	
HUTF	68,373	74,871	0		0		0	0	
Cash Funds	375,959	337,324	0		0		0	0	
Cash Funds Exempt/Reappropriated Funds	358,910	393,019	0		0		0	0	
Communications Services Payments	<u>71,677</u>	<u>72,354</u>	<u>60,849</u>	S	<u>74,949</u>		<u>Pending</u>	<u>Pending</u>	
General Fund	18,906	21,045	16,659		22,784				
HUTF	4,906	5,209	4,914		5,396				
Cash Funds	44,968	42,834	38,175		44,371				
Cash Funds Exempt/Reappropriated Funds	2,897	3,266	1,101		2,398				
Utilities	<u>194,516</u>	<u>198,161</u>	<u>244,895</u>		<u>247,119</u>		<u>247,119</u>	<u>247,119</u>	
General Fund	85,723	82,619	104,440		104,440		104,440	104,440	
HUTF	89,255	97,577	103,416		103,416		103,416	103,416	
Cash Funds	19,538	17,965	37,039		39,263		39,263	39,263	
									<i>Request v. Appropriation</i>
<b>SUBTOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE</b>	<b>22,016,823</b>	<b>22,401,817</b>	<b>27,508,179</b>		<b>31,031,590</b>		<b>20,952,408</b>	<b>20,952,408</b>	<b>12.8%</b>
<b>FTE</b>	<b>42.6</b>	<b>42.4</b>	<b>43.8</b>		<b>48.7</b>		<b>48.7</b>	<b>48.7</b>	<b>11.2%</b>
General Fund	13,240,111	13,123,403	16,408,363		18,615,625		11,868,769	11,868,769	13.5%
HUTF	1,537,296	1,736,830	1,853,622		2,145,957		1,950,185	1,950,185	15.8%
Cash Funds	2,491,006	2,661,264	3,425,373		4,155,897		3,159,025	6,710,607	21.3%
Cash Funds Exempt/Reappropriated Funds	4,748,410	4,880,320	5,820,821		6,114,111		3,974,429	422,847	5.0%

**(2) CENTRAL DEPARTMENT OPERATIONS DIVISION**

Central Department Operation provides centralized departmental support for mail processing, forms development, transaction processing, and records management. Major cash fund sources include the Driver Services Fund, the Auto Dealers License Fund, the Colorado State Titling and Registration Account, the Drivers License Administration Revocation Account, Outstanding Judgments and Warrants, and the Identification Security Account. The sources of reappropriated funds are the State Lottery Fund and the Limited Gaming Fund. These sources are for the purposes of indirect cost recoveries to offset General Fund.

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2007-08			FY 2008-09			Decision Items
	FY 2005-06 Actual	FY 2006-07 Actual	Final Appropriation	Department Request	Staff Recommends		
					Old Format	New Format	
Personal Services	5,175,389	5,117,670	5,242,487	5,431,735	5,388,194	5,388,194	
FTE	<u>105.0</u>	<u>105.1</u>	<u>109.9</u>	<u>109.9</u>	<u>109.9</u>	<u>109.9</u>	
General Fund	4,666,254	4,743,799	4,904,946	5,016,771	4,976,605	4,976,605	
HUTF	0	0	91,984	102,960	102,040	102,040	
Cash Funds	196,213	65,984	95,726	150,185	149,228	205,795	
Cash Funds Exempt/Reappropriated Funds	312,922	307,887	149,831	161,819	160,321	103,754	
Seasonal Tax Processing - GF	367,988	376,681	375,086	384,849	384,849	384,849	
Operating Expenses	<u>3,486,759</u>	<u>3,316,772</u>	<u>1,134,446</u>	S <u>1,132,101</u>	<u>1,132,101</u>	<u>1,132,101</u>	
General Fund	3,217,900	3,316,772	997,559	995,214	995,214	995,214	
Cash Funds	91,140	0	0	0	0	136,887	
Cash Funds Exempt/Reappropriated Funds	177,719	0	136,887	136,887	136,887	0	
Postage	<u>0</u>	<u>0</u>	<u>2,437,645</u>	S <u>2,398,337</u>	<u>2,398,337</u>	<u>2,398,337</u>	
General Fund	0	0	2,171,219	2,131,911	2,131,911	2,131,911	
HUTF	0	0	8,371	8,371	8,371	8,371	
Cash Funds	0	0	31,569	31,569	31,569	258,055	
Cash Funds Exempt/Reappropriated Funds	0	0	226,486	226,486	226,486	0	
Pueblo Data Entry Center Payments	<u>1,639,620</u>	<u>1,695,135</u>	<u>1,789,770</u>	S <u>1,793,504</u> A	<u>1,793,504</u>	<u>1,793,504</u>	<b>BA</b>
General Fund	1,639,233	1,694,049	1,785,761	1,789,495	1,789,495	1,789,495	
Cash Funds	0	0	571	571	571	4,009	
Cash Funds Exempt/Reappropriated Funds	387	1,086	3,438	3,438	3,438	0	
Microfilm Services - General Fund	343,987	343,264	382,872	S 383,187 A	383,187	383,187	<b>BA</b> <i>Request v. Appropriation</i>
<b>SUBTOTAL - (2) CENTRAL</b>							
<b>DEPARTMENT OPERATIONS</b>	<b>11,013,743</b>	<b>10,849,521</b>	<b>11,362,306</b>	<b>11,523,713</b>	<b>11,480,172</b>	<b>11,480,172</b>	<b>1.4%</b>
<b>FTE</b>	<b><u>105.0</u></b>	<b><u>105.1</u></b>	<b><u>109.9</u></b>	<b><u>109.9</u></b>	<b><u>109.9</u></b>	<b><u>109.9</u></b>	<b>0.0%</b>
General Fund	10,235,362	10,474,564	10,617,443	10,701,427	10,661,261	10,661,261	0.8%
HUTF	0	0	100,355	111,331	110,411	110,411	10.9%
Cash Funds	287,353	65,984	127,866	182,325	181,368	604,746	42.6%
Cash Funds Exempt/Reappropriated Funds	491,028	308,973	516,642	528,630	527,132	103,754	2.3%

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation	Department Request	FY 2008-09		Decision Items
					Staff Recommends Old Format	New Format	
<b>(3) INFORMATION TECHNOLOGY DIVISION</b>							
<b>(A) Systems Support</b>							
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 Racing Fund, the Auto Dealer License Fund, the Liquor Enforcement and State Licensing Cash Fund, the Driver Services Fund, the Colorado State Titling and Registration Account, outstanding judgments and warrants, and the AIR account. The sources of reappropriated funds include the State Lottery Fund and the Limited Gaming Fund. These sources are for indirect cost recoveries to offset the General Fund.							
Personal Services	5,548,661	5,878,682	6,164,232	6,404,788	6,353,446	6,353,446	
FTE	<u>75.4</u>	<u>77.2</u>	<u>84.4</u>	<u>84.4</u>	<u>84.4</u>	<u>84.4</u>	
General Fund	4,448,576	4,220,729	4,421,986	4,344,666	4,310,747	4,310,747	
HUTF	0	0	427,990	467,007	462,727	462,727	
Cash Funds	345,693	257,376	445,397	681,208	692,802	1,109,098	
Cash Funds Exempt/Reappropriated Funds	754,392	1,400,577	868,859	911,907	887,170	470,874	
Operating Expenses- General Fund	703,512	709,333	724,313	724,313	724,313	724,313	
Programming Costs for Session Legislation	120,674	139,182	220,022	S 226,788	226,788	226,788	
FTE	<u>1.4</u>	<u>0.8</u>	<u>3.9</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>	
General Fund	43,415	8,346	86,776	66,846	66,846	66,846	
Cash Funds	0	0	0	0	0	159,942	
Cash Funds Exempt/Reappropriated Funds	77,259	130,836	66,437	159,942	159,942	0	
Federal Funds	0	0	66,809	0	0	0	
							<i>Request v. Appropriation</i>
(A) SUBTOTAL - SYSTEMS SUPPORT	6,372,847	6,727,197	7,108,567	7,355,889	7,304,547	7,304,547	3.5%
FTE	<u>76.8</u>	<u>77.9</u>	<u>88.3</u>	<u>86.6</u>	<u>86.6</u>	<u>86.6</u>	-1.9%
General Fund	5,195,503	4,938,408	5,233,075	5,135,825	5,101,906	5,101,906	-1.9%
HUTF	0	0	427,990	467,007	462,727	462,727	9.1%
Cash Funds	345,693	257,376	445,397	681,208	692,802	1,269,040	52.9%
Cash Funds Exempt/Reappropriated Funds	831,651	1,531,413	935,296	1,071,849	1,047,112	470,874	14.6%
Federal Funds	0	0	66,809	0	0	0	-100.0%

**(B) Colorado State Titling & 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). Cash fund source is the Colorado State Titling and Registration Account.

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2007-08			FY 2008-09			Decision Items
	FY 2005-06 Actual	FY 2006-07 Actual	Final Appropriation	Department Request	Staff Recommends		
					Old Format	New Format	
Personal Services	2,236,676	2,011,912	2,286,363	2,349,368	2,330,535	2,330,535	
FTE	<u>28.1</u>	<u>28.0</u>	<u>31.5</u>	<u>31.5</u>	<u>31.5</u>	<u>31.5</u>	
Cash Funds	0	0	0	0	0	2,330,535	
Cash Funds Exempt/Reappropriated Funds	2,236,676	2,011,912	2,286,363	2,349,368	2,330,535	0	
Operating Expenses	<u>3,221,879</u>	<u>2,531,381</u>	<u>2,615,145</u>	<u>2,596,109</u>	<u>2,596,109</u>	<u>2,596,109</u>	
Cash Funds	0	0	0	0	0	2,596,109	
Cash Funds Exempt/Reappropriated Funds/Re:	3,221,879	2,531,381	2,615,145	2,596,109	2,596,109	0	
County Office Asset Maintenance	0	<u>555,541</u>	<u>568,230</u>	<u>568,230</u>	<u>568,230</u>	<u>568,230</u>	
Cash Funds	0	0	0	0	0	568,230	
Cash Funds Exempt/Reappropriated Funds/Re:	0	555,541	568,230	568,230	568,230	0	
County Office Improvements	0	0	0	<u>103,578</u>	<u>103,578</u>	<u>103,578</u>	
Cash Funds	0	0	0	0	0	103,578	<b>DI</b>
Cash Funds Exempt/Reappropriated Funds	0	0	0	103,578	103,578	0	
							<i>Request v. Appropriation</i>
<b>(B) SUBTOTAL - COLORADO STATE AND REGISTRATION SYSTEM</b>	5,458,555	5,098,835	5,469,738	5,617,285	5,598,452	5,598,452	2.7%
FTE	<u>28.1</u>	<u>28.0</u>	<u>31.5</u>	<u>31.5</u>	<u>31.5</u>	<u>31.5</u>	0.0%
Cash Funds	0	0	0	0	0	5,598,452	N/A
Cash Funds Exempt/Reappropriated Funds	5,458,555	5,098,835	5,469,738	5,617,285	5,598,452	0	2.7%
							<i>Request v. Appropriation</i>
<b>SUBTOTAL - (3) INFORMATION TECHNOLOGY DIVISION</b>	<b>11,831,402</b>	<b>11,826,032</b>	<b>12,578,305</b>	<b>12,973,174</b>	<b>12,902,999</b>	<b>12,902,999</b>	<b>3.1%</b>
FTE	<u>104.9</u>	<u>105.9</u>	<u>119.8</u>	<u>118.1</u>	<u>118.1</u>	<u>118.1</u>	<b>-1.4%</b>
General Fund	5,195,503	4,938,408	5,233,075	5,135,825	5,101,906	5,101,906	-1.9%
HUTF	0	0	427,990	467,007	462,727	462,727	9.1%
Cash Funds	345,693	257,376	445,397	681,208	692,802	6,867,492	52.9%
Cash Funds Exempt/Reappropriated Funds	6,290,206	6,630,248	6,405,034	6,689,134	6,645,564	470,874	4.4%
Federal Funds	0	0	66,809	0	0	0	-100.0%

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08	FY 2008-09		Decision Items
			Final Appropriation	Department Request	Staff Recommends Old Format	
<b>(4) TAXATION BUSINESS GROUP</b>						
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 divisions but Special Purpose carry out programmatic functions.						
<b>(A) Administration</b>						
Personal Services	479,147	551,573	575,820	593,853	593,853	593,853
FTE	<u>5.9</u>	<u>6.8</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
General Fund	479,147	551,573	572,266	587,943	587,943	587,943
Cash Funds	0	0	714	3,001	3,001	5,910
Cash Funds Exempt/Reappropriated Funds	0	0	2,840	2,909	2,909	0
Operating Expenses - General Fund	11,232	13,199	15,000	15,000	15,000	15,000
(A) SUBTOTAL - ADMINISTRATION	490,379	564,771	590,820	608,853	608,853	608,853
FTE	<u>5.9</u>	<u>6.8</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
General Fund	490,379	564,771	587,266	602,943	602,943	602,943
Cash Funds	0	0	714	3,001	3,001	5,910
Cash Funds Exempt/Reappropriated Funds	0	0	2,840	2,909	2,909	0
						<i>Request v. Appropriation</i>
						3.1%
						0.0%
						2.7%
						320.3%
						2.4%
<b>(B) Taxation and Compliance Division</b>						
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 sources are the State Land Board Administration Fund, and indirect cost recoveries transferred from the Department of Natural Resources.						
Personal Services	12,556,777	13,346,449	13,372,091	13,835,310	13,724,406	13,724,406
FTE	<u>206.5</u>	<u>207.0</u>	<u>215.4</u>	<u>215.4</u>	<u>215.4</u>	<u>215.4</u>
General Fund	12,407,090	13,213,086	13,244,291	13,698,213	13,588,587	13,588,587
Cash Funds	15,577	1,269	1,269	1,269	1,269	1,269
Cash Funds Exempt/Reappropriated Funds	134,110	132,094	126,531	135,828	134,550	134,550
Operating Expenses - General Fund	626,736	616,470	656,927	821,028	821,028	821,028
Joint Audit Program - General Fund	131,244	131,244	131,244	131,244	131,244	131,244
Joint Federal/State Motor Fuel Tax - Federal Fun	0	0	30,415	30,415	0	0



**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08	FY 2008-09		Decision Items	
			Final Appropriation	Department Request	Staff Recommends Old Format		New Format
Mineral Audit Program	728,536	743,514	791,990	791,828	791,828	791,828	
FTE	<u>7.7</u>	<u>7.7</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	
Cash Funds	0	0	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	41,814	65,916	66,000	66,000	66,000	66,000	
Federal Funds	686,722	677,599	725,990	725,828	725,828	725,828	
							<i>Request v. Appropriation</i>
<b>(B) SUBTOTAL - TAXATION AND COMPLIANCE DIVISION</b>							
COMPLIANCE DIVISION	14,043,293	14,837,677	14,982,667	15,609,825	15,468,506	15,468,506	4.2%
FTE	<u>214.2</u>	<u>214.7</u>	<u>226.4</u>	<u>226.4</u>	<u>226.4</u>	<u>226.4</u>	0.0%
General Fund	13,165,070	13,960,800	14,032,462	14,650,485	14,540,859	14,540,859	4.4%
Cash Funds	15,577	1,269	1,269	1,269	1,269	1,269	0.0%
Cash Funds Exempt/Reappropriated Funds	175,924	198,009	192,531	201,828	200,550	200,550	4.8%
Federal Funds	686,722	677,599	756,405	756,243	725,828	725,828	0.0%

**(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 movements 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	4,199,991	4,142,625	4,380,927	4,527,135	4,490,845	4,490,845	
FTE	<u>73.5</u>	<u>72.7</u>	<u>77.1</u>	<u>79.1</u>	<u>79.1</u>	<u>79.1</u>	<b>DI</b>
General Fund	4,045,439	4,122,043	4,291,209	4,433,870	4,398,513	4,398,513	
Cash Funds	154,552	20,582	89,718	93,265	92,332	92,332	
Operating Expenses	<u>436,434</u>	<u>398,173</u>	<u>402,035</u>	<u>401,085</u>	<u>401,085</u>	<u>401,085</u>	
General Fund	399,599	398,173	401,535	400,585	400,585	400,585	
Cash Funds	36,835	0	500	500	500	500	
Fuel Tracking System	476,159	476,949	480,788	483,277	483,277	483,277	
FTE	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	
HUTF	476,159	476,949	0	0	0	0	
Cash Funds	0	0	0	0	0	483,277	
Cash Funds Exempt/Reappropriated Funds	0	0	480,788	483,277	483,277	0	

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation	FY 2008-09		Decision Items	
				Department Request	Staff Recommends Old Format    New Format		
<b>(C) SUBTOTAL - TAXPAYER SERVICES</b>							
DIVISION	5,112,584	5,017,747	5,263,750	5,411,497	5,375,207	5,375,207	2.8%
FTE	<u>75.0</u>	<u>74.2</u>	<u>78.6</u>	<u>80.6</u>	<u>80.6</u>	<u>80.6</u>	2.5%
General Fund	4,445,038	4,520,216	4,692,744	4,834,455	4,799,098	4,799,098	3.0%
HUTF	476,159	476,949	0	0	0	0	N/A
Cash Funds	191,387	20,582	90,218	93,765	92,832	576,109	3.9%
Cash Funds Exempt/Reappropriated Funds	0	0	480,788	483,277	483,277	0	0.5%

**(D) Tax Conferee**

Resolve protest to tax adjustments, reviews issues related 'home rule' city sales taxes and city and county use taxes.

Personal Services - General Fund	818,179	755,215	884,103	S 981,960	A 981,960	981,960	<b>BA</b>	
FTE	8.9	8.2	9.0	9.0	9.0	9.0		
Operating Expenses - General Fund	14,952	14,958	21,754	21,754	21,754	21,754		
<b>(D) SUBTOTAL - TAX CONFEREE - General</b>								<i>Request v. Appropriation</i>
Fund	833,130	770,173	905,857	1,003,714	1,003,714	1,003,714	10.8%	
FTE	8.9	8.2	9.0	9.0	9.0	9.0	0.0%	

**(E) Special Purpose**

Distributes applicable percentage of gross cigarette taxes to counties, cities, and towns; distributes grants to low-income, disabled, and elderly citizens; provides rebate moneys to entities with alternative fuels programs. All funds are continuously appropriated.

Cigarette Tax Rebate - General Fund	15,320,042	13,213,188	12,500,000	11,400,000	13,200,000	13,200,000	
Amendment 35 Distribution to Local	<u>0</u>	<u>1,548,108</u>	<u>1,439,168</u>	<u>1,378,620</u>	<u>1,543,432</u>	<u>1,543,432</u>	
Cash Funds	0	0	0	0	0	1,543,432	
Cash Funds Exempt/Reappropriated Funds	0	1,548,108	1,439,168	1,378,620	1,543,432	0	
Old Age Heat & Fuel and Property Tax Assistance Grant - General Fund	11,676,772	8,378,083	15,000,000	12,700,000	17,300,000	17,300,000	

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2007-08			FY 2008-09			Decision Items
	FY 2005-06 Actual	FY 2006-07 Actual	Final Appropriation	Department Request	Staff Recommends		
					Old Format	New Format	
Alternative Fuels Rebate	59,830	382,813	310,601	310,601	310,601	310,601	
Cash Funds	0	0	0	0	0	310,601	
Cash Funds Exempt/Reappropriated Funds	59,830	382,813	310,601	310,601	310,601	0	
							<i>Request v. Appropriation</i>
(E) SUBTOTAL - SPECIAL PURPOSE	27,056,644	23,522,192	29,249,769	25,789,221	32,354,033	32,354,033	-11.8%
General Fund	26,996,814	21,591,271	27,500,000	24,100,000	30,500,000	30,500,000	-12.4%
Cash Funds	0	0	0	0	0	1,854,033	N/A
Cash Funds Exempt/Reappropriated Funds	59,830	1,930,921	1,749,769	1,689,221	1,854,033	0	-3.5%
							<i>Request v. Appropriation</i>
<b>SUBTOTAL - (4) TAXATION BUSINESS GROUP</b>	<b>47,536,030</b>	<b>44,712,560</b>	<b>50,992,863</b>	<b>48,423,110</b>	<b>54,810,313</b>	<b>54,810,313</b>	<b>-5.0%</b>
<b>FTE</b>	<b>304.0</b>	<b>303.9</b>	<b>321.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>	<b>0.6%</b>
General Fund	45,930,431	41,407,232	47,718,329	45,191,597	51,446,614	51,446,614	-5.3%
HUTF	476,159	476,949	0	0	0	0	N/A
Cash Funds	206,964	21,851	92,201	98,035	97,102	2,437,321	6.3%
Cash Funds Exempt/Reappropriated Funds	235,754	2,128,930	2,425,928	2,377,235	2,540,769	200,550	-2.0%
Federal Funds	686,722	677,599	756,405	756,243	725,828	725,828	0.0%

**(5) DIVISION OF MOTOR VEHICLES**

**(A) Administration**

The Division is responsible for licensing drivers and issuing identification documents, administering driver records and administrative sanctions, titling and registering motor vehicles traveling of Colorado roadways, enforcing the state's emissions program, and administering the Motorist Insurance Identification Database. Major cash funds sources are the Licensing Services Cash Fund, the Colorado State Titling and Registration Account, and the Automobiles Inspection and Readjustment (AIR) Account.

Personal Services	637,604	693,451	866,405	888,379	888,379	886,794
FTE	6.4	8.3	11.0	11.0	11.0	11.0
General Fund	448,146	330,964	525,236	513,639	513,639	512,054
HUTF	189,458	362,487	207,469	184,004	184,004	184,004
Cash Funds	0	0	158	82,297	82,297	190,736
Cash Funds Exempt/Reappropriated Funds	0	0	133,542	108,439	108,439	0

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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08	FY 2008-09		Decision Items	
			Final Appropriation	Department Request	Staff Recommends Old Format		Staff Recommends New Format
Operating Expenses	47,938	50,014	54,250	54,250	54,250	54,250	
General Fund	47,938	47,679	32,951	31,366	31,366	31,366	
HUTF	0	2,335	13,069	11,236	11,236	11,236	
Cash Funds	0	0	10	5,026	5,026	11,648	
Cash Funds Exempt/Reappropriated Funds	0	0	8,220	6,622	6,622	0	
							<i>Request v. Appropriation</i>
(A) SUBTOTAL - ADMINISTRATION	685,542	743,465	920,655	942,629	942,629	941,044	2.4%
FTE	6.4	8.3	11.0	11.0	11.0	11.0	0.0%
General Fund	496,084	378,643	558,187	545,005	545,005	543,420	-2.4%
HUTF	189,458	364,822	220,538	195,240	195,240	195,240	-11.5%
Cash Funds	0	0	168	87,323	87,323	202,384	51878.0%
Cash Funds Exempt/Reappropriated Funds	0	0	141,762	115,061	115,061	0	-18.8%

**(B) Driver and Vehicle Services**

The Division administers driver's licensing and records management, vehicle registration, and regulation of commercial driving schools. The primary cash fund sources are the Licensing Services Cash Fund, the License Plate Cash Fund, the Colorado State Titling and Registration Account, the Drivers License Administration Revocation Account, the Outstanding Judgments and Warrants Account, the Penalty Assessment Fee, the Identification Security Fund, and the Automobile Inspection and Readjustment (AIR) Account.

Personal Services	13,158,663	13,495,599	15,062,362	16,039,603	15,911,029	15,911,029	
FTE	309.8	313.6	374.2	377.8	377.8	377.8	
General Fund	3,022,977	12,454,269	10,444,792	11,053,189	10,969,972	10,969,972	
HUTF	8,948,375	0	0	0	0	0	
Cash Funds	2,798	3,842	3,678,735	4,047,579	4,011,610	4,941,057	
Cash Funds Exempt/Reappropriated Funds	1,184,513	1,037,488	938,835	938,835	929,447	0	
Operating Expenses	1,212,556	1,201,503	2,867,394	S 2,116,379	2,116,379	2,116,379	
General Fund	1,207,407	1,196,379	1,609,987	1,214,937	1,214,937	1,214,937	
Cash Funds	2,000	2,000	1,254,168	898,203	898,203	901,442	
Cash Funds Exempt/Reappropriated Funds	3,149	3,124	3,239	3,239	3,239	0	
Drivers License Documents	2,754,669	2,369,475	2,426,334	2,437,320	2,437,320	2,437,320	
General Fund	2,223,222	1,891,789	1,902,742	1,913,728	1,913,728	1,913,728	
Cash Funds	0	0	0	0	0	523,592	
Cash Funds Exempt/Reappropriated Funds	531,447	477,686	523,592	523,592	523,592	0	
License Plate Ordering - Cash Funds	4,904,740	5,041,069	5,449,178	5,419,990	5,419,990	5,419,990	

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08	FY 2008-09		Decision Items	
			Final Appropriation	Department Request	Staff Recommends Old Format		New Format
(B) SUBTOTAL - DRIVER AND VEHICLE SERVICES	22,030,628	22,107,646	25,805,268	26,013,292	25,884,718	25,884,718	0.8%
FTE	<u>309.8</u>	<u>313.6</u>	<u>374.2</u>	<u>377.8</u>	<u>377.8</u>	<u>377.8</u>	1.0%
General Fund	6,453,606	15,542,437	13,957,521	14,181,854	14,098,637	14,098,637	1.6%
HUTF	8,948,375	0	0	0	0	0	N/A
Cash Funds	4,909,538	5,046,911	10,382,081	10,365,772	10,329,803	11,786,081	-0.2%
Cash Funds Exempt/Reappropriated Funds	1,719,109	1,518,298	1,465,666	1,465,666	1,456,278	0	0.0%

**(C) Vehicle Emissions**

The Emission Sections conducts audits of inspection and readjustment stations and facilities to ensure compliance with vehicle emission testing standards under the Automobile Inspection and Readjustment Program. Cash funds exempt source is the Automobile Inspection and Readjustment (AIR) Account..

Personal Services -	870,498	728,876	983,226	1,016,699	1,016,699	1,016,699	
FTE	<u>13.4</u>	<u>11.6</u>	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>	
Cash Funds	0	0	0	0	0	1,016,699	
Cash Funds Exempt/Reappropriated Funds	870,498	728,876	983,226	1,016,699	1,016,699	0	
Operating Expenses	<u>67,655</u>	<u>68,379</u>	<u>80,215</u>	<u>80,215</u>	<u>80,215</u>	<u>80,215</u>	
Cash Funds	0	0	0	0	0	80,215	
Cash Funds Exempt/Reappropriated Funds	67,655	68,379	80,215	80,215	80,215	0	
(C) SUBTOTAL - VEHICLE EMISSIONS	938,153	797,255	1,063,441	1,096,914	1,096,914	1,096,914	3.1%
FTE	13.4	11.6	15.5	15.5	15.5	15.5	0.0%
Cash Funds	0	0	0	0	0	1,096,914	N/A
Cash Funds Exempt/Reappropriated Funds	938,153	797,255	1,063,441	1,096,914	1,096,914	0	3.1%

**(D) Titles**

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	1,487,971	1,480,387	1,562,432	1,616,416	1,603,458	1,603,458	
FTE	<u>33.4</u>	<u>32.6</u>	<u>34.5</u>	<u>34.5</u>	<u>34.5</u>	<u>34.5</u>	
Cash Funds	0	0	0	0	0	1,603,458	
Cash Funds Exempt/Reappropriated Funds	1,487,971	1,480,387	1,562,432	1,616,416	1,603,458	0	
Operating Expenses	<u>134,047</u>	<u>125,005</u>	<u>146,841</u>	<u>174,711</u>	<u>174,711</u>	<u>174,711</u>	<b>DI</b>

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2007-08		FY 2008-09			Decision Items	
	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation	Department Request	Staff Recommends Old Format		New Format
Cash Funds	0	0	0	0	0	174,711	
Cash Funds Exempt/Reappropriated Funds	134,047	125,005	146,841	174,711	174,711	0	
(D) SUBTOTAL - TITLES	1,622,018	1,605,392	1,709,273	1,791,127	1,778,169	1,778,169	4.8%
<u>FTE</u>	<u>33.4</u>	<u>32.6</u>	<u>34.5</u>	<u>34.5</u>	<u>34.5</u>	<u>34.5</u>	0.0%
Cash Funds	0	0	0	0	0	1,778,169	N/A
Cash Funds Exempt/Reappropriated Funds	1,622,018	1,605,392	1,709,273	1,791,127	1,778,169	0	4.8%

*Request v.  
Appropriation*

**(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 funds source is the Motorist Insurance Identification Database Account (MIIDB).

Personal Services	1,590,950	669,938	326,584	328,132	328,132	328,132	
FTE	<u>6.8</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
Cash Funds	0	0	0	0	0	328,132	
Cash Funds Exempt/Reappropriated Funds	1,590,950	669,938	326,584	328,132	328,132	0	
Operating Expenses	<u>16,404</u>	<u>69,514</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	
Cash Funds	0	0	0	0	0	500	
Cash Funds Exempt/Reappropriated Funds	16,404	69,514	500	500	500	0	
(E) SUBTOTAL - MOTORIST INSURANCE IDENTIFICATION DATABASE PROGRAM	1,607,354	739,452	327,084	328,632	328,632	328,632	0.5%
FTE	<u>6.8</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	0.0%
Cash Funds	0	0	0	0	0	328,632	N/A
Cash Funds Exempt/Reappropriated Funds	1,607,354	739,452	327,084	328,632	328,632	0	0.5%

*Request v.  
Appropriation*

<b>SUBTOTAL - (5) DIVISION OF MOTOR VEHICLES</b>	<b>26,883,694</b>	<b>25,993,210</b>	<b>29,825,721</b>	<b>30,172,594</b>	<b>30,031,062</b>	<b>30,029,477</b>	<b>1.2%</b>
<u>FTE</u>	<u>369.8</u>	<u>367.1</u>	<u>436.2</u>	<u>439.8</u>	<u>439.8</u>	<u>439.8</u>	<b>0.8%</b>
General Fund	6,949,690	15,921,080	14,515,708	14,726,859	14,643,642	14,642,057	1.5%
HUTF	9,137,833	364,822	220,538	195,240	195,240	195,240	-11.5%
Cash Funds	4,909,538	5,046,911	10,382,249	10,453,095	10,417,126	15,192,180	0.7%
Cash Funds Exempt/Reappropriated Funds	5,886,633	4,660,397	4,707,226	4,797,400	4,775,054	0	1.9%

**(6) MOTOR CARRIER SERVICES DIVISION**

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06		FY 2007-08		FY 2008-09		Decision Items
	Actual	Actual	Final Appropriation	Department Request	Staff Recommends Old Format	Staff Recommends New Format	
Monitors compliance with statutory weight and size restrictions for commercial vehicles, monitors safety compliance through driver and vehicle inspections at fixed and mobile port stations, inspects transporters of hazardous materials, collects fuel taxes. The cash funds sources are the Highway Users Tax Fund, the Motor Carrier Safety Assistance Program, the Nuclear Materials Transportation Fund, the Hazardous Materials Permitting Fund.							
Personal Services	6,429,792	6,313,011	6,835,666	6,973,819	6,916,812	6,916,812	
FTE	<u>127.9</u>	<u>125.1</u>	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>	
General Fund	159,219	467,528	599,488	623,686	623,589	623,589	
HUTF	6,217,202	5,807,154	6,118,846	6,240,646	6,184,910	6,184,910	<b>DI</b>
Cash Funds	53,371	38,329	52,260	35,241	34,067	34,067	
Cash Funds Exempt/Reappropriated Funds	0	0	65,072	74,246	74,246	74,246	
Operating Expenses	<u>429,460</u>	<u>419,133</u>	<u>433,811</u>	<u>433,811</u>	<u>433,811</u>	<u>433,811</u>	
General Fund	9,030	29,480	33,143	38,045	38,045	38,045	
HUTF	420,033	389,653	400,668	395,766	395,766	395,766	
Cash Funds	397	0	0	0	0	0	
Fixed and Mobile Port Maintenance - HUTF	83,778	83,784	83,784	221,545	221,545	221,545	<b>DI</b>
Motor Carrier Safety Assistance Program - Federal Funds	678,266	652,512	723,000	745,770	745,770	745,770	
FTE	8.6	8.3	9.0	9.0	9.0	9.0	
Hazardous Materials Permitting Program - Cash Funds	149,491	170,674	194,094	202,363	202,363	202,363	
FTE	3.3	3.7	4.0	4.0	4.0	4.0	
							<i>Request v. Appropriation</i>
<b>SUBTOTAL (6) - MOTOR CARRIER SERVICES DIVISION</b>	<b>7,770,787</b>	<b>7,639,114</b>	<b>8,270,355</b>	<b>8,577,307</b>	<b>8,520,301</b>	<b>8,520,301</b>	<b>3.7%</b>
FTE	<u>139.8</u>	<u>137.0</u>	<u>144.2</u>	<u>144.2</u>	<u>144.2</u>	<u>144.2</u>	<b>0.0%</b>
General Fund	168,249	497,008	632,631	661,730	661,634	661,634	4.6%
HUTF	6,721,013	6,280,591	6,603,298	6,857,957	6,802,221	6,802,221	3.9%
Cash Funds	203,259	209,003	246,354	237,604	236,430	236,430	-3.6%
Cash Funds Exempt/Reappropriated Funds	0	0	65,072	74,246	74,246	74,246	14.1%
Federal Funds	678,266	652,512	723,000	745,770	745,770	745,770	3.1%

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08	FY 2008-09		Decision Items	
			Final Appropriation	Department Request	Staff Recommends Old Format		New Format
<b>(7) ENFORCEMENT BUSINESS GROUP</b>							
<b>(A) Administration</b>							
The cash fund sources are the Auto Dealers License Fund, the Liquor Enforcement Division & State Licensing Cash Fund, the Racing Cash Fund, the Limited Gaming Fund and the Drivers License Administration Revocation Account.							
Personal Services	432,174	477,423	497,726	512,166	512,166	512,166	
FTE	<u>5.7</u>	<u>5.9</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	
General Fund	1,312	31,203	27,723	20,176	20,176	20,176	
Cash Funds	245,560	256,695	252,098	189,361	189,361	268,288	
Cash Funds Exempt/Reappropriated Funds	185,302	189,525	217,905	302,629	302,629	223,702	
Operating Expenses	<u>10,654</u>	<u>9,848</u>	<u>10,880</u>	<u>10,880</u>	<u>10,880</u>	<u>10,880</u>	
General Fund	471	(335)	606	429	429	429	
Cash Funds	5,885	5,885	5,511	4,023	4,023	10,451	
Cash Funds Exempt/Reappropriated Funds	4,298	4,298	4,763	6,429	6,429	0	
(A) SUBTOTAL - ADMINISTRATION	442,828	487,271	508,606	523,046	523,046	523,046	<i>Request v. Appropriation</i>
FTE	<u>5.7</u>	<u>5.9</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	2.8%
General Fund	1,783	30,868	28,329	20,604	20,605	20,605	-27.3%
Cash Funds	251,445	262,580	257,609	193,384	193,384	278,739	-24.9%
Cash Funds Exempt/Reappropriated Funds	189,600	193,823	222,668	309,058	309,058	223,702	38.8%

**(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 funds source is the Limited Gaming Fund. Line item allocations are determined by the Limited Gaming Control and are not subject to appropriation by the General Assembly.

Personal Services - Cash Funds	4,314,564	4,376,087	4,984,046	5,451,966	5,410,628	5,410,628
FTE	65.2	64.1	72.0	76.0	76.0	76.0
Operating Expenses - Cash Funds	462,399	388,297	573,734	575,734	575,734	575,734
Licensure Activities - Cash Funds	90,765	108,296	181,497	181,497	181,497	181,497
Investigations - Cash Funds	44,034	69,233	263,964	263,964	263,964	263,964
Payments to Other State Agencies - Cash Funds	2,513,541	2,499,548	2,429,848	2,429,848	2,429,848	2,429,848
Distribution to Gaming Cities and Counties - Cash Funds	22,032,442	23,398,477	23,788,902	23,788,902	23,788,902	23,788,902



**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation	FY 2008-09		Decision Items
				Department Request	Staff Recommends Old Format    New Format	
Indirect Cost Assessment - Cash Funds	525,307	640,919	536,728	673,848	673,848    673,848	<i>Request v. Appropriation</i>
<b>(B) SUBTOTAL - LIMITED GAMING DIVISION -</b>						
Cash Funds	29,983,052	31,480,857	32,758,719	33,365,759	33,324,421    33,324,421	1.9%
FTE	65.2	64.1	72.0	76.0	76.0    76.0	5.6%
<b>(C) Liquor Enforcement Division</b>						
Enforces alcohol laws; issues licenses and permits to manufacturers, importers, distributors, and sellers of alcoholic beverages. Cash funds are from the Liquor Enforcement Division & State Licensing Authority Fund.						
3						
Personal Services - Cash Funds	1,368,906	1,388,684	1,476,224	1,534,576	1,534,576    1,534,576	
FTE	19.0	17.9	19.0	19.0	19.0    19.0	
Operating Expenses - Cash Funds	51,267	49,450	51,323	51,323	51,323    51,323	<i>Request v. Appropriation</i>
<b>(C) SUBTOTAL - LIQUOR ENFORCEMENT DIVISION -</b>						
Cash Funds	1,420,173	1,438,134	1,527,547	1,585,899	1,585,899    1,585,899	3.8%
FTE	19.0	17.9	19.0	19.0	19.0    19.0	0.0%
<b>(D) Tobacco Enforcement Program</b>						
Enforces laws prohibiting the sale of tobacco to minors. The source of cash funds is the Tobacco Education Program Fund.						
Personal Services	375,731	365,446	442,230	458,969	458,969    458,969	
FTE	<u>6.2</u>	<u>5.9</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u> <u>7.0</u>	
General Fund	112,073	124,293	112,972	129,711	129,711    129,711	
Cash Funds	0	0	0	0	0    329,258	
Cash Funds Exempt/Reappropriated Funds	263,658	241,153	329,258	329,258	329,258    0	
Operating Expenses	<u>27,723</u>	<u>26,322</u>	<u>27,943</u>	<u>27,943</u>	<u>27,943</u> <u>27,943</u>	
General Fund	5,343	5,240	7,201	7,201	7,201    7,201	
Cash Funds	0	0	0	0	0    20,742	
Cash Funds Exempt/Reappropriated Funds	22,380	21,082	20,742	20,742	20,742    0	

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation	FY 2008-09		Decision Items <i>Request v. Appropriation</i>
				Department Request	Staff Recommends Old Format    New Format	
<b>(D) SUBTOTAL - TOBACCO ENFORCEMENT PROGRAM</b>						
	403,454	391,768	470,173	486,912	486,912    486,912	3.6%
FTE	6.2	5.9	7.0	7.0	7.0    7.0	0.0%
General Fund	117,416	129,533	120,173	136,912	136,912    136,912	13.9%
Cash Funds	0	0	0	0	0    350,000	N/A
Cash Funds Exempt/Reappropriated Funds	286,038	262,235	350,000	350,000	350,000    0	0.0%

**(E) Division of Racing Events**

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

Personal Services - Cash Funds	1,199,633	1,250,316	1,353,620	1,410,197	1,410,197    1,410,197	
FTE	17.1	15.9	18.5	18.5	18.5    18.5	
Operating Expenses - Cash Funds	89,995	91,214	97,845	97,845	97,845    97,845	
Laboratory Services - Cash Funds	104,293	100,574	104,992	104,992	104,992    104,992	
Commission Meeting Costs - Cash Funds	450	450	1,200	1,200	1,200    1,200	
Racetrack Applications - Cash Funds	0	3,822	25,000	25,000	25,000    25,000	
Purses and Breeders Awards - Cash Funds	1,087,008	998,558	1,106,142	1,106,142	1,106,142    1,106,142	
<i>Request v. Appropriation</i>						
<b>(E) SUBTOTAL - DIVISION OF RACING</b>						
EVENTS - Cash Funds	2,481,379	2,444,934	2,688,799	2,745,376	2,745,376    2,745,376	2.1%
FTE	17.1	15.9	18.5	18.5	18.5    18.5	0.0%

**(F) Hearings Division**

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

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08	FY 2008-09		Decision Items	
			Final Appropriation	Department Request	Staff Recommends Old Format		New Format
Personal Services	1,793,092	1,802,578	1,900,506	2,012,366	1,996,235	1,996,235	
FTE	<u>26.2</u>	<u>26.8</u>	<u>28.4</u>	<u>29.0</u>	<u>29.0</u>	<u>29.0</u>	
Cash Funds	0	0	0	0	0	1,996,235	
Cash Funds Exempt/Reappropriated Funds	1,793,092	1,802,578	1,900,506	2,012,366	1,996,235	0	
<u>Operating Expenses</u>	<u>72,186</u>	<u>69,587</u>	<u>73,450</u>	<u>73,750</u>	<u>73,750</u>	<u>73,750</u>	
Cash Funds	0	0	0	0	0	73,750	
Cash Funds Exempt/Reappropriated Funds	72,186	69,587	73,450	73,750	73,750	0	
							<i>Request v. Appropriation</i>
(F) SUBTOTAL - HEARINGS DIVISION	1,865,278	1,872,165	1,973,956	2,086,116	2,069,985	2,069,985	5.7%
FTE	<u>26.2</u>	<u>26.8</u>	<u>28.4</u>	<u>29.0</u>	<u>29.0</u>	<u>29.0</u>	2.1%
Cash Funds	0	0	0	0	0	2,069,985	N/A
Cash Funds Exempt/Reappropriated Funds	1,865,278	1,872,165	1,973,956	2,086,116	2,069,985	0	5.7%
<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 source of cash funds is the Auto Dealers License Fund.							
Personal Services	1,210,368	1,556,334	1,706,724	1,775,327	1,761,096	1,761,096	
FTE	<u>20.8</u>	<u>24.3</u>	<u>28.2</u>	<u>28.2</u>	<u>28.2</u>	<u>28.2</u>	
Cash Funds	1,210,368	1,249,159	1,706,724	1,775,327	1,761,096	1,761,096	
Cash Funds Exempt/Reappropriated Funds	0	307,175	0	0	0	0	
<u>Operating Expenses</u>	<u>55,316</u>	<u>68,946</u>	<u>72,003</u>	<u>72,003</u>	<u>72,003</u>	<u>72,003</u>	
Cash Funds	55,316	55,174	72,003	72,003	72,003	72,003	
Cash Funds Exempt/Reappropriated Funds	0	13,772	0	0	0	0	
							<i>Request v. Appropriation</i>
(G) SUBTOTAL - MOTOR VEHICLE DEALER BOARD	1,265,684	1,625,280	1,778,727	1,847,330	1,833,099	1,833,099	3.9%
FTE	<u>20.8</u>	<u>24.3</u>	<u>28.2</u>	<u>28.2</u>	<u>28.2</u>	<u>28.2</u>	0.0%
Cash Funds	1,265,684	1,304,333	1,778,727	1,847,330	1,833,099	1,833,099	3.9%
Cash Funds Exempt/Reappropriated Funds	0	320,947	0	0	0	0	N/A

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation	Department Request	FY 2008-09		Decision Items <i>Request v. Appropriation</i>
					Staff Recommends Old Format	New Format	
<b>SUBTOTAL (7) - ENFORCEMENT BUSINESS GROUP</b>	<b>37,861,848</b>	<b>39,740,409</b>	<b>41,706,527</b>	<b>42,640,438</b>	<b>42,568,738</b>	<b>42,568,738</b>	<b>2.2%</b>
<b>FTE</b>	<b><u>160.2</u></b>	<b><u>160.8</u></b>	<b><u>179.1</u></b>	<b><u>183.7</u></b>	<b><u>183.7</u></b>	<b><u>183.7</u></b>	<b>2.6%</b>
General Fund	119,199	160,401	148,502	157,516	157,517	157,517	6.1%
Cash Funds	35,401,733	36,930,838	39,011,401	39,737,748	39,682,179	42,187,519	1.9%
Cash Funds Exempt/Reappropriated Funds	2,340,916	2,649,170	2,546,624	2,745,174	2,729,043	223,702	7.8%

**(8) STATE LOTTERY DIVISION**

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

Personal Services	7,877,154	8,105,683	8,476,115	8,789,430	8,718,974	8,718,974	
FTE	<u>120.2</u>	<u>122.3</u>	<u>126.0</u>	<u>126.0</u>	<u>126.0</u>	<u>126.0</u>	
Cash Funds	0	0	0	0	0	8,718,974	
Cash Funds Exempt/Reappropriated Funds	7,877,154	8,105,683	8,476,115	8,789,430	8,718,974	0	
Operating Expenses	<u>1,182,083</u>	<u>1,222,218</u>	<u>1,203,156</u>	<u>1,203,156</u>	<u>1,203,156</u>	<u>1,203,156</u>	
Cash Funds	0	0	0	0	0	1,203,156	
Cash Funds Exempt/Reappropriated Funds	1,182,083	1,222,218	1,203,156	1,203,156	1,203,156	0	
Payments to Other State Agencies	<u>154,453</u>	<u>119,290</u>	<u>239,410</u>	<u>239,410</u>	<u>239,410</u>	<u>239,410</u>	
Cash Funds	0	0	0	0	0	239,410	
Cash Funds Exempt/Reappropriated Funds	154,453	119,290	239,410	239,410	239,410	0	
Travel	<u>68,749</u>	<u>76,442</u>	<u>113,498</u>	<u>113,498</u>	<u>113,498</u>	<u>113,498</u>	
Cash Funds	0	0	0	0	0	113,498	
Cash Funds Exempt/Reappropriated Funds	68,749	76,442	113,498	113,498	113,498	0	
Marketing and Communications	<u>8,643,150</u>	<u>8,636,184</u>	<u>8,643,420</u>	<u>11,671,710</u>	<u>11,671,710</u>	<u>11,671,710</u>	<b>DI</b>
Cash Funds	0	0	0	0	0	11,671,710	
Cash Funds Exempt/Reappropriated Funds	8,643,150	8,636,184	8,643,420	11,671,710	11,671,710	0	
Multi-State Lottery Fees	<u>141,990</u>	<u>172,275</u>	<u>177,433</u>	<u>177,433</u>	<u>177,433</u>	<u>177,433</u>	
Cash Funds	0	0	0	0	0	177,433	
Cash Funds Exempt/Reappropriated Funds	141,990	172,275	177,433	177,433	177,433	0	

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2007-08			FY 2008-09			Decision Items		
	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation	Department Request	Staff Recommends Old Format	Staff Recommends New Format			
Vendor Fees	<u>6,819,113</u>	<u>6,656,479</u>	<u>10,875,511</u>	S	<u>10,875,511</u>	A	<u>10,875,511</u>	<u>10,875,511</u>	<b>BA</b>
Cash Funds	0	0	0		0		0	10,875,511	
Cash Funds Exempt/Reappropriated Funds	6,819,113	6,656,479	10,875,511		10,875,511		10,875,511	0	
Prizes	<u>279,953,707</u>	<u>280,000,739</u>	<u>336,721,380</u>	S	<u>336,721,380</u>	A	<u>336,721,380</u>	<u>336,721,380</u>	<b>BA</b>
Cash Funds	0	0	0		0		0	336,721,380	
Cash Funds Exempt/Reappropriated Funds	279,953,707	280,000,739	336,721,380		336,721,380		336,721,380	0	
Powerball Prize Variance	<u>7,160,019</u>	<u>7,264,940</u>	<u>9,752,000</u>	S	<u>9,752,000</u>	A	<u>9,752,000</u>	<u>9,752,000</u>	<b>BA</b>
Cash Funds	0	0	0		0		0	9,752,000	
Cash Funds Exempt/Reappropriated Funds	7,160,019	7,264,940	9,752,000		9,752,000		9,752,000	0	
Retailer Compensation	<u>34,670,916</u>	<u>33,668,382</u>	<u>41,773,750</u>	S	<u>41,773,750</u>	A	<u>41,773,750</u>	<u>41,773,750</u>	<b>BA</b>
Cash Funds	0	0	0		0		0	41,773,750	
Cash Funds Exempt/Reappropriated Funds	34,670,916	33,668,382	41,773,750		41,773,750		41,773,750	0	
Ticket Costs	<u>2,907,934</u>	<u>2,142,602</u>	<u>3,529,350</u>	S	<u>7,529,350</u>	A	<u>7,529,350</u>	<u>7,529,350</u>	<b>DI/BA</b>
Cash Funds	0	0	0		0		0	7,529,350	
Cash Funds Exempt/Reappropriated Funds	2,907,934	2,142,602	3,529,350		7,529,350		7,529,350	0	
Research	<u>250,000</u>	<u>249,852</u>	<u>250,000</u>		<u>250,000</u>		<u>250,000</u>	<u>250,000</u>	
Cash Funds	0	0	0		0		0	250,000	
Cash Funds Exempt/Reappropriated Funds	250,000	249,852	250,000		250,000		250,000	0	
Indirect Cost Assessment	<u>312,057</u>	<u>358,373</u>	<u>458,880</u>		<u>559,210</u>		<u>559,210</u>	<u>559,210</u>	
Cash Funds	0	0	0		0		0	559,210	
Cash Funds Exempt/Reappropriated Funds	312,057	358,373	458,880		559,210		559,210	0	
<i>Request v. Appropriation</i>									
<b>SUBTOTAL - (8) STATE LOTTERY</b>									
<b>DIVISION</b>	<b>350,141,325</b>	<b>348,673,459</b>	<b>422,213,903</b>		<b>429,655,838</b>		<b>429,585,382</b>	<b>429,585,382</b>	<b>1.8%</b>
<b>FTE</b>	<b><u>120.2</u></b>	<b><u>122.3</u></b>	<b><u>126.0</u></b>		<b><u>126.0</u></b>		<b><u>126.0</u></b>	<b><u>126.0</u></b>	<b>0.0%</b>
Cash Funds	0	0	0		0		0	429,585,382	N/A
Cash Funds Exempt/Reappropriated Funds	350,141,325	348,673,459	422,213,903		429,655,838		429,585,382	0	1.8%

**FY 2008-09 Joint Budget Committee Staff Budget Figure Setting  
Department of Revenue**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Final Appropriation	FY 2008-09		Decision Items <i>Request v. Appropriation</i>
				Department Request	Staff Recommends Old Format      New Format	
<b>TOTAL - DEPARTMENT OF REVENUE</b>	515,055,653	511,836,122	604,458,159	614,997,764	610,851,375      610,849,790	1.87%
<b>FTE</b>	<u>1,346.5</u>	<u>1,344.6</u>	<u>1,480.0</u>	<u>1,493.4</u>	<u>1,493.4</u> <u>1,493.4</u>	0.59%
General Fund	81,838,545	86,522,095	95,274,051	95,190,580	94,541,343      94,539,758	-0.12%
HUTF	17,872,301	8,859,192	9,205,803	9,777,492	9,520,784      9,520,784	5.39%
Cash Funds	43,845,546	45,193,227	53,730,841	55,545,912	54,466,032      503,821,677	2.97%
Cash Funds Exempt/Reappropriated Funds	370,134,272	369,931,497	444,701,250	452,981,768	450,851,619      1,495,973	2.13%
Federal Funds	1,364,988	1,330,111	1,546,214	1,502,013	1,471,598      1,471,598	-2.86%

## **DEPARTMENT OF REVENUE FY 2008-09 FIGURE SETTING**

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

**General Note Regarding Long Bill Format Change.** The Committee has voted to change the format of the Long Bill for FY 2008-09 to include a "Reappropriated Funds" (RF) column rather than a "Cash Funds Exempt" (CFE) column. Pursuant to this format change, most of the funds that were previously listed under the "Cash Funds" (CF) column for this department will continue to be included in the CF column, and most of the funds that were previously included in the CFE column will also be included in the CF column, with the following exceptions:

- In the Executive Director's Office, appropriations of \$237,786 in funds from the State Lottery Fund previously classified as CF, and \$191,410 in funds from the Limited Gaming Fund previously classified as CFE, will be classified as RF.
- In Central Department Operations, appropriations of \$58,063 in funds from the State Lottery Fund previously classified as CF, and \$46,739 in funds from the Limited Gaming Fund previously classified as CFE, will be classified as RF.
- In the Information Technology Division, Systems Support, appropriations of \$263,361 in funds from the State Lottery Fund previously classified as CF, and \$211,997 in funds from the Limited Gaming Fund previously classified as CFE, will be classified as RF.
- In the Taxation Business Group, Taxation and Compliance Division, appropriations of \$135,828 from the Mineral Audit Program (federal funds), \$65,500 from the State Board of Land Commissioners, Department of Natural Resources, pursuant to Section 36-1-145 (2), C.R.S., and \$500 from the Oil and Gas Conservation Commission, Department of Natural Resources, previously classified as CFE, will be classified as RF.
- In the Motor Carrier Services Division, an appropriation of \$74,246 from the Motor Carrier Safety Assistance Program, previously appropriated as CFE, will be classified as RF.
- In the Enforcement Business Group, Administration, an appropriation of \$223,702 from the Limited Gaming Commission, previously classified as CFE, will be classified as RF.

Most of the funds classified as reappropriated funds in the new format are internal from the Department and are the result of indirect cost recoveries, primarily from the Limited Gaming Division and the State Lottery Division. The total changes in fund sources are summarized in the table below:

<b>Summarization of Cash Fund, Cash Funds Exempt and Reappropriated Funds*</b> <b>(Department's November 1 Budget Request)</b>			
<b>Sources of Funding Changes</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt (includes HUTF)</b>	<b>Reappropriated Funds</b>
Department's Amended FY 2008-09 Request	\$55,347,471	\$422,510,731	\$0
Limited Gaming Fund (Indirect Cost Assessment)	(191,410)	(482,438)	673,848
State Lottery Fund (Indirect Cost Assessment)	(559,210)	0	559,210
State Board of Land Commissioners, Department of Natural Resources	0	(65,500)	65,500
Oil and gas Conservation Commission, Department of Natural Resources	0	(500)	500
Mineral Audit Program (Indirect Cost Recoveries)	0	(135,828)	135,828
Motor Carrier Safety Assistance Program	0	(74,246)	74,246
Colorado State Titling and Registration Account	8,776,442	(8,776,442)	0
Drivers License Administrative Revocation Account	2,846,638	(2,846,638)	0
AIR Account	1,808,186	(1,808,186)	0
State Lottery Fund (Excluding Indirect Cost Assessment)	389,152,963	(389,152,963)	0
Other Sources of cash funds exempt	9,486,056	(9,486,056)	0
Total Changes	411,319,665	(412,828,797)	1,509,132
<b>Revised Subtotals</b>	<b>\$466,667,136</b>	<b>\$9,681,934</b>	<b>\$1,509,132</b>
HUTF Off-the-top	\$9,681,934	(\$9,681,934)	\$0
<b>Revised Totals</b>	<b>\$476,349,070</b>	<b>\$0</b>	<b>\$1,509,132</b>

\* This chart reflects the Departments November 1 request. As those numbers are changed to reflect common policy and other decisions of the Committee, the funds splits illustrated here will also change.



## (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.

<b>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management and Administration	4.3	5.0	5.0	5.0
Central Budget Office	4.0	4.0	4.0	4.0
Accounting and Financial Services	15.0	16.0	16.2	16.2
Internal Auditor	1.0	1.3	6.0	6.0
Human Resources	9.3	9.5	9.5	9.5
Research and Analysis	8.8	8.0	8.0	8.0
<b>Total</b>	<b>42.4</b>	<b>43.8</b>	<b>48.7</b>	<b>48.7</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 originally requested an appropriation of \$3,529,609 and 43.7 FTE, including \$1,830,191 General Fund, \$421,657 cash funds exempt from the HUTF, \$615,058 cash funds, and \$662,703 cash funds exempt. The Department's amended request is for an additional \$393,296 and 4.7 FTE General Fund, which will be used for expanding the internal audit program within the Department.

Budget Amendment #2: The Department requested a supplemental for FY 2007-08, (which the Committee approved) and a budget amendment for FY 2008-09, to establish a more robust internal audit program. The request is in response to an \$11 million employee theft that was discovered in April 2007. Prior to 2003, the Internal Audit Program had 3.0 experienced auditors. Staff reductions since then have reduced that number to 1.0 auditors.

The Department contracted with an independent risk consulting company to perform an assessment of internal controls and related electronic data processing systems. The assessment determined that the current Internal Audit Program does not provide adequate coverage of the income tax processes or of other Department operations. Key program, systems, and process areas are not audited regularly due to insufficient staff resources.

In January, the Department requested a supplemental of \$231,891 General Fund to begin the

implementation of the Internal Audit Program. The Committee approved that supplemental, which is now making its way through the Senate. The proposed first step would be hiring a contractor who is equipped to apply internal control findings that primarily addressed the Department's tax functions to all areas/functions and risk points of the Department. The second step would be to begin the process of hiring the internal audit team, which would begin in the later part of FY 2007-08 so that the program is in place for FY 2008-09.

The Department's supplemental and budget amendment requests are broken down in the following table.

<b>Supplemental/Budget Amendment - Internal Audit Program</b>	<b>FY 2007-08 Supplemental</b>		<b>FY 2008-09 Budget Amendment</b>	
	<b>FTE</b>	<b>Request</b>	<b>FTE</b>	<b>Request</b>
Personal Services - Contract Services	0.0	\$192,500	0.0	\$0
Personal Services - (Internal Audit Staff)	0.3	21,141	5.0	393,296
Amortization Equalization Disbursement		246		5,638
Supplemental Amortization Equalization Disbursement		95		2,547
Operating Expenses		17,909		4,750
<b>Total</b>	<b>0.3</b>	<b>\$231,891</b>	<b>5.0</b>	<b>\$406,231</b>

The Department's plan for the internal audit team is to hire the Chief Auditor in March so he/she can begin working in April, to have the Auditor V begin working in May, and to have the three remaining auditors start work in June. Because of the pay date shift for employees funded by the General Fund, this plan will result in only three total months of pay for the five employees for this fiscal year, leading to the request for 0.3 FTE in FY 2007-08.

Even though the Department of Revenue handles almost all taxes and revenues for the State, it has an internal audit section has only 1.0 FTE. The table below shows how that compares with some other State agencies. The table shows that the Department has less than half the audit resources per employee of the Department of Human Services and less than one-quarter of the audit resources per employee of the Department of Transportation.

<b>Internal Audit to Staff Ratio for Comparable State Agencies</b>			
<u>Department</u>	<u>Internal Audit FTE</u>	<u>Total FTE</u>	<u>Ratio of Internal Audit FTE to Total FTE</u>
Department of Transportation	9.0	3,316.0	1 to 368
Department of Human Services	7.0	5,437.1	1 to 767
Department of Revenue	1.0	1,479.7	1 to 1,479

The Institute of Internal Auditors issued a Global Auditing Information Network Report in 2007 that reported the government entities with an income tax revenue collection range similar to the Colorado Department of Revenue (\$3 - \$4 billion per year) are typically supported by 28 auditors. While the Department agrees that an increase to that level is unrealistic in the short term, this request is an appropriate first step in determining the ultimate size of the Internal Audit Program.

The Department's total request for the expanded internal audit team \$406,231 General Fund, of which \$393,296 is requested in Personal Services. The remainder of the request is for Amortization Equalization Disbursement, Supplemental Amortization Equalization Disbursement, and Operating Expenses. Those parts of the request will be discussed in those line items.

**Staff recommends approval of the requested Budget Amendment for Personal Services of \$393,296 General Fund and 5.0 FTE to implement an expanded Internal Audit program.**

**Staff recommends an appropriation of \$3,894,611 and 48.7 FTE**, including \$2,211,740 General Fund, \$417,801 cash funds from the Highway Users Tax Fund (HUTF), \$842,223 cash funds from various sources, and \$422,847 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	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	43.5	\$1,973,446	\$385,567	\$401,235	\$631,058	\$3,391,306
SB 07-228	0.2	11,723	0	0	0	11,723
SB 07-241	0.0	(236,807)	0	236,807	0	0
Salary Survey		98,627	0	0	0	98,627
Base Building Performance Pay (80%)		35,026	0	0	0	35,026
Base Reduction (1%)		(18,820)	(3,856)	(6,380)	(6,311)	(35,367)
Budget Amendment (Internal Audit Program)	5.0	393,296	0	0	0	393,296
Fund Mix Adjustment		(44,751)	36,090	(22,984)	31,645	0
Sub-total	48.7	2,211,740	417,801	608,678	656,392	3,894,611
Cash Funds Exempt Reclassification		0	0	233,545	(233,545)	0
<b>Staff Recommendation</b>	<b>48.7</b>	<b>\$2,211,740</b>	<b>\$417,801</b>	<b>\$842,223</b>	<b>\$422,847</b>	<b>\$3,894,611</b>

### **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 submitted a budget amendment requesting \$6,934,265, including \$4,082,651 General Fund, \$687,100 cash funds exempt from the HUTF, \$957,882 cash funds from various sources, and \$1,206,632 cash funds exempt from various sources.

**Staff recommends an appropriation of \$6,934,265**, including \$4,082,651 General Fund, \$687,100 cash funds from the HUTF, and \$2,164,514 cash funds from various sources, pursuant to common policy.

### **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 \$102,416, based on the Committee policy of applying the approved rate of 0.13 percent to base salaries.** This includes \$52,813 General Fund, \$9,138 cash funds from the HUTF, and \$40,465 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 \$1,203,887 (including \$721,575 General Fund), which includes approval of a budget amendment that increases the Department's internal audit staff.

As part of the Budget Amendment requesting an expanded Internal Audit Program, the Department requested \$5,638 General Fund for this line. The normal JBC staff process for evaluating these requests is that for POTS lines, such as Health, Life and Dental, Salary Survey and Performance Based Pay Awards, as well as AED and SAED, the Department will absorb these expenses in the request year unless the Department is receiving a significant increase in FTE. The request is for 5.0 FTE in a Department with about 1,480 FTE. **Staff recommends against approval of this part of the Department's amended request.**

**Staff recommends, an appropriation of \$1,246,959**, pursuant to Committee policy, including \$636,460 General Fund, \$112,468 cash funds from the HUTF, and \$498,031 cash funds.

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

This line item provides additional funding to increase the state contribution for PERA. The Departments amended request is for \$386,675 (including \$231,978 General Fund) which includes approval of a budget amendment that increases the Department's internal audit staff.

As part of the Budget Amendment requesting an expanded Internal Audit Program, the Department requested \$2,547 General Fund for this line. The normal JBC staff process for evaluating these requests is that for POTS lines, such as Health, Life and Dental, Salary Survey and Performance Based Pay Awards, as well as AED and SAED, the Department will absorb these expenses in the request year unless the Department is receiving a significant increase in FTE. The request is for 5.0 FTE in a Department with about 1,480 FTE. **Staff recommends against approval of this part of the Department's amended request.**

**Staff recommends an appropriation of \$573,932**, pursuant to Committee policy, including \$287,761 General Fund, \$52,719 cash funds from the HUTF, \$233,452 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 amended request is for \$2,980,297, including \$1,808,217 General Fund, \$250,179 cash funds exempt from the HUTF, \$386,168 cash funds, and \$535,733 cash funds exempt.

**Staff recommends an appropriation of \$2,970,519**, including \$1,834,523 General Fund, \$245,355 cash funds from HUTF, and \$890,641 cash funds. Staff's recommendation is detailed in the following table, calculated according to the Committee's instructions.

<b>Staff calculation of Salary Survey and Senior Executive Service</b>				
<b>Description</b>	<b>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Total</b>
Department Request	\$1,808,217	\$250,179	\$921,901	\$2,980,297
Plus: 0.5 percent SAED deducted by Department	<u>229,431</u>	<u>30,322</u>	<u>124,375</u>	<u>384,128</u>
Subtotal	2,037,648	280,501	1,046,276	3,364,425
Less: 0.5 percent SAED as calculated by staff	<u>(203,125)</u>	<u>(35,146)</u>	<u>(155,635)</u>	<u>(393,906)</u>
Staff Recommendation	1,834,523	245,355	890,641	2,970,519

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

This line item funds pay increases related to employee performance evaluations. The Department's amended request is for \$1,151,316, including \$688,768 General Fund, \$88,740 cash funds from the HUTF, \$168,069 cash funds, and \$205,739 cash funds exempt.

**Staff recommends an appropriation of \$1,151,316 pursuant to Committee policy**, including \$688,768 General Fund, \$88,740 cash funds from the HUTF, and \$373,808 cash funds from various sources.

### **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 common policy, the line is funded at 80 percent of the prior years actual expenditures. The Department's request is for \$187,287, including \$48,105 General Fund, \$113,815 cash funds from the HUTF, and \$11,876 cash funds, and \$13,491 cash funds exempt.

**Staff recommends an appropriation of \$187,287**, pursuant to Committee policy, including \$48,105 General Fund, \$113,815 cash funds from the HUTF, and \$25,367 cash funds from various sources.

### **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 requests \$735,792, including \$453,912 General Fund, \$60,624 cash funds exempt from the HUTF, \$98,720 cash funds from various sources, and \$122,536 cash funds exempt from various sources.

**Staff recommendation is pending Committee common policy. Staff requests approval to apply the Committee's common policy decision to the appropriation for this line.**

**Operating Expenses**

This line item provides funding for the Executive Director's Office expenses, including office supplies and materials, telecommunications, travel, training, printing, information technology updates and equipment maintenance and replacement, variable vehicle expenses including maintenance, fuel and insurance for the Department's assigned fleet, and a large portion of the Department capital outlay needs. The Department has requested \$1,002,538, including \$512,655 General Fund, which includes the Departments request to continue funding granted in two supplementals approved by the Committee for FY 2007-08.

**Budget Amendment #1:** The Department requested a budget amendment related to the Internal Audit Program (see Personal Services above). As part of that request, the Department requests continuation of the operating expenses associated with the request, amounting to \$4,750 General Fund. **Staff recommends approval of the Department's request.**

**Budget Amendment #6:** The Department requested a supplemental, which the Committee approved to compensate for an increase in the variable vehicle payments due to a rate increase imposed in June 2007 for FY 2007-08 by the Department of Personnel and Administration (DPA). The Department request is to continue that increase with this Budget Amendment, which increases the Operating Expenses line item by \$38,636, including \$19,692 General Fund and \$18,944 cash funds from the HUTF.

The next table shows the Department's vehicle usage rates in miles driven, and the expenditures required to support that usage.

Variable Vehicle Miles Driven and Expenses				
Fiscal Year	Miles Driven	Percentage Increase	Variable Vehicle Expenditures	Percentage Increase
FY 2003-04	2,937,374	-2.1%	\$396,875	7.8%
FY 2004-05	2,954,366	0.6%	412,965	4.1%
FY 2005-06	2,961,639	0.3%	601,680	45.7%
FY 2006-07	2,920,936	-1.4%	650,106	8.1%
FY 2007-08 (Projected)	2,920,936	0.0%	\$688,742	5.9%

While vehicle miles driven by the Department have essentially been flat over the last five years, the vehicle miles expenses charged by the DPA has increased by almost 75 percent. **Staff recommends continuation of the funding requested in this Budget Amendment, of a total of \$38,636, including \$19,692 General Fund and \$18,944 cash funds from the HUTF.**

**Staff recommends an appropriation of \$1,002,538, including \$512,655 General Fund, \$119,633 cash funds from the HUTF, and \$370,250 cash funds.**

### **Legal Services**

This line item funds the cost of purchasing legal services from the Department of Law based on 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 \$432,922 General Fund, \$11,248 cash funds from the HUTF, \$310,678 cash funds from various sources, and \$49,367 cash funds exempt 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 requests approval to apply the Committee's common policy decision to the appropriation for this line.**

### **Administrative Law Judge Services**

This line item funds the purchase of administrative law judge and paralegal services from the Division of Administrative Hearings. This funding request is based upon FY 2008-09 estimated costs and department utilization during FY 2006-07. The Department has requested \$7,709 cash funds.

**Staff recommendation is pending Committee common policy. Staff requests approval to apply the Committee's common policy decision to 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 \$3,623,153, including \$3,620,028 General Fund, and \$3,125 from cash funds exempt.

**Staff recommendation is pending Committee common policy. Staff requests approval to apply the Committee's common policy decision to 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 \$2,658,315, including \$639,857 General Fund, \$50,774 cash funds exempt from the HUTF, \$72,572 from cash funds, and \$1,895,112 cash funds exempt.

**Staff recommendation is pending Committee common policy. Staff requests approval to apply the Committee's common policy decision to 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 amended request is for \$289,644, including \$156,711 General Fund.



**Staff recommendation is pending Committee common policy. Staff requests approval to apply the Committee's common policy decision to the appropriation for this line.**

**Vehicle Lease Payments**

This line item provides funding for annual payments to the Department of Personnel and Administration for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles. The Department requested \$407,850, including \$100,199 General Fund.

**Staff recommendation is pending Committee common policy. Staff requests approval to apply the Committee's common policy decision to the appropriation for this line.**

**Leased Space**

This line item funds leasing costs for more than 80 office locations throughout the state, mostly for Drivers License Offices and State Lottery Offices. The breakdown of the uses of the leased space is shown in the table below. The Department has requested \$2,641,446, which represents a continuation amount of \$2,577,696, and \$63,750 for annualization of the Driver License Expansion from FY 2007-08. This amount includes \$1,408,853 General Fund.

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

	FY 2007-08 Appropriation		FY 2008-09 Request		FY 2008-09 Recommend.	
	Sq. Ft.	Total	Sq. Ft.	Total	Sq. Ft.	Total
Cash Documents	9,060	\$ 14,000	12,437	\$ 26,000	12,437	\$ 26,000
Taxation	21,079	400,569	21,079	360,366	21,079	360,366
Motor Vehicle	71,734	939,625	82,316	1,390,297	82,316	1,390,297
Enforcement	9,568	115,013	9,568	160,886	9,568	160,886
State Lottery	61,722	797,239	63,914	703,897	63,914	703,897
<b>TOTAL</b>	<b>111,441</b>	<b>\$2,266,446</b>	<b>125,400</b>	<b>\$2,641,446</b>	<b>125,400</b>	<b>\$2,641,446</b>

**Staff recommends an appropriation of \$2,641,446**, including \$1,408,853 General Fund, and \$1,232,593 cash funds. This recommendation represents a continuation funding of \$2,577,696, and \$63,750 cash funds for annualization of the Driver's License expansion.

**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 2007-08 Appropriation			FY 2008-09 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 requests approval to apply the Committee's common policy decision to 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 \$74,949, including \$22,784 General Fund.

**Staff recommendation is pending Committee common policy. Staff requests approval to apply the Committee's common policy decision to 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 an 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 an 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>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management/Supervisors	7.9	8.0	8.0	8.0
Administration	1.1	1.0	1.0	1.0
Accountants	11.3	12.0	12.0	12.0
Professionals	11.1	12.0	12.0	12.0
Tax Examiners	21.8	23.0	23.0	23.0
Data Entry Operators	52.1	53.9	53.9	53.9
<b>Total</b>	<b>105.3</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 \$5,431,735 and 109.9 FTE, including \$5,016,771 General Fund.

**Staff recommends a continuation appropriation of \$5,388,194 and 109.9 FTE**, including \$4,976,605 General Fund, \$102,040 cash funds from the HUTF, \$205,795 cash funds from various sources, and \$103,754 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	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	109.9	\$4,904,946	\$91,984	\$95,726	\$149,831	\$5,242,487
Salary Survey		145,167	0	0	0	145,167
Base Building Performance Pay (80%)		54,966	0	0	0	54,966
Base Reduction (1%)		(51,051)	(920)	(957)	(1,498)	(54,426)
Fund Mix Adjustment		(77,423)	10,976	54,459	11,988	0
Sub-total	109.9	4,976,605	102,040	149,228	160,321	5,388,194
Cash Funds Exempt Reclassification		0	0	56,567	(56,567)	0
<b>Staff Recommendation</b>	<b>109.9</b>	<b>\$4,976,605</b>	<b>\$102,040</b>	<b>\$205,795</b>	<b>\$103,754</b>	<b>\$5,388,194</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 \$384,849 General Fund, which is sufficient to fund 13 temporary employees. The request includes \$9,763 for Salary Survey.

**Staff recommends a continuation appropriation of \$384,849 General Fund.**

### **Operating Expenses**

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.

**Staff recommends an appropriation of \$1,132,101**, including \$995,214 General Fund, which includes \$1,023 over the continuation appropriation for Property Tax Credit eligibility changes (HB 07-1106), and \$136,887 cash funds from various sources.

### **Postage**

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

has requested an appropriation of \$2,398,377, including \$2,131,911 General Fund. This request provides the base continuation of \$2,391,618 plus \$6,719 General Fund to implement H.B. 07-1106 which changes eligibility standards in the property tax credit and rent and heat rebate program.

**Staff recommends an appropriation of \$2,398,337**, including \$2,131,911 General Fund, \$8,371 cash funds from the HUTF, and \$258,055 cash funds from various sources.

#### **Pueblo Data Entry Center Payments**

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.

Budget Amendment: In June 2007, DPA imposed a rate increase effective July 1, 2007 for data entry rates. The Department requested and received approval of a supplemental increase of \$34,488 General Fund to cover the rate increase. Through a budget amendment submitted in January 2008, the Department requests continuation of that funding. The Departments amended request is for \$1,793,504, including \$1,789,495 General Fund.

**Staff recommends an appropriation of \$1,793,504**, including \$1,789,495 General Fund, and \$4,009 cash funds from various sources.

#### **Microfilm Services**

This line provides funding for the Department to store tax returns and related documentation primarily for audit purposes, account error resolutions, or taxpayer requests and inquiries.

Budget Amendment: The Department of Personnel and Administration increased its microfilming rates in June 2007, effective July 1, 2007. The Department of Revenue sought and received Committee approval of a supplemental request for an increase of \$38,833 for FY 2007-08, and has requested continuation of that funding through a budget amendment. The Department's amended request is for \$383,187 General Fund.

**Staff recommends an appropriation of \$383,187 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 is responsible for programming that implements session legislation, and has a dedicated budget for that purpose.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
Management and Administration	18.7	20.4	20.4	20.4
Programmer/Analysts	29.2	31.9	31.9	31.9
Database Analysts	7.3	8.0	8.0	8.0
Network Support	9.1	10.0	10.0	10.0
Computer Support	2.7	3.0	3.0	3.0
Other Support	7.4	8.1	8.1	8.1
Telecommunications	2.7	3.0	3.0	3.0
Legislative Programming	0.8	2.2	2.2	2.2
<b>Total</b>	<b>77.9</b>	<b>86.6</b>	<b>86.6</b>	<b>86.6</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 requested a continuation appropriation of \$6,404,788 and 84.4 FTE, including \$4,344,666 General Fund.

**Staff recommends a continuation appropriation of \$6,353,446 and 84.4 FTE**, including \$4,310,747 General Fund, \$462,727 cash funds from the HUTF, \$1,109,098 cash funds from various sources, and \$470,874 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 Information Technology Division - Systems Support						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	84.4	\$4,421,986	\$427,990	\$445,397	\$868,859	\$6,164,232
Salary Survey		187,410	0	0	0	187,410
Base Building Performance Pay (80%)		65,981	0	0	0	65,981
Base Reduction (1%)		(46,754)	(4,280)	(4,454)	(8,689)	(64,177)
Fund Mix Adjustment		(317,876)	39,017	251,859	27,000	0
Sub-total	84.4	4,310,747	462,727	692,802	887,170	6,353,446
Cash Funds Exempt Reclassification		0	0	416,296	(416,296)	0
<b>Staff Recommendation</b>	<b>84.4</b>	<b>\$4,310,747</b>	<b>\$462,727</b>	<b>\$1,109,098</b>	<b>\$470,874</b>	<b>\$6,353,446</b>

### Operating Expenses

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

	FY2001-02	FY2002-03	FY2003-04	FY2004-05	FY2006-07	FY2007-08
<b>Long Bill</b>						
General Fund	\$100,662	\$16,936	\$16,744	\$16,744	\$16,744	\$66,846
Cash Funds Exempt	78,463	78,951	78,951	78,951	78,951	159,942
Total	179,125	95,887	95,695	95,695	95,695	226,788
<b>Supplemental Bill*</b>						
General Fund	(84,366)	25,304	4,816	63,052	50,102	19,930
Cash Funds Exempt	129,770	186,841	7,922	28,619	80,991	(93,505)
Total	45,404	212,145	12,738	91,671	131,093	(73,575)
<b>Long Bill + Supp. Bills</b>						
General Fund	\$16,296	\$42,240	\$21,560	\$79,796	\$66,846	\$86,776
Cash Funds Exempt	\$208,233	\$265,792	\$86,873	\$107,570	\$159,942	\$66,437
<b>Total FY Approp.</b>	<b>\$126,697</b>	<b>\$308,032</b>	<b>\$108,433</b>	<b>\$187,366</b>	<b>\$226,788</b>	<b>\$153,213</b>

**Staff recommends a continuation appropriation of \$226,788 and 2.2 FTE**, including \$66,846 General Fund and \$159,942 cash funds from the Colorado State Titling and Registration System account and 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 Rewrite Project, a new system initiated in FY 2002-03, was scheduled to be deployed in stages into all 107 county offices by the end of the FY 2006-07. As of this date, the program has been delayed indefinitely while the Department evaluates the best way to proceed and evaluates its options.

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.



<b>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management & Administration	4.5	6.3	6.3	6.3
Customer Support	10.0	10.5	10.5	10.5
Computer Support	3.3	3.8	3.8	3.8
Network Support	4.0	4.0	4.0	4.0
Programmers/Analysts	6.2	7.0	7.0	7.0
<b>Total</b>	<b>28.0</b>	<b>31.5</b>	<b>31.5</b>	<b>31.5</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 continuation funding of \$2,349,368 cash funds exempt and 31.5 FTE.

**Staff recommends continuation funding of \$2,330,535 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>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt/ Reappropriated Funds</b>	<b>Total</b>
FY 2007-08 Long Bill	31.5	\$0	\$0	\$0	\$2,286,363	\$2,286,363
Salary Survey					49,407	49,407
Base Building					18,306	18,306
Performance Pay (80%)					(23,541)	(23,541)
Base Reduction (1%)						
Sub-total	31.5	0	0	0	2,330,535	2,330,535
Cash Funds Exempt Reclassification		0	0	2,330,535	(2,330,535)	0
<b>Staff Recommendation</b>	<b>31.5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,330,535</b>	<b>\$0</b>	<b>\$2,330,535</b>

### **Operating Expenses**

This line item funds information technology related contracts for the Department as they relate specifically to the Colorado State Titling and Registration System. Other costs include telecommunications expenses, general office supplies and printing expenses. The Department has requested a continuing appropriation of \$2,596,109 cash funds exempt from the CSTARS account.

For several years, the Department has submitted change requests to upgrade and/or expand county titling and registration offices. The Department has proposed a change request to create a new line called County Office Improvements (See Decision Item discussion below).

**Staff recommends an appropriation of \$2,596,109 cash funds** from the CSTARS account.

**County Office Asset Maintenance**

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 exempt from the CSTARS account.

**Staff recommends an appropriation of \$568,230 cash funds** from the CSTARS account.

Decision Item # 7 (New Line Item)

**County Office Improvements**

This is a new line that the Department is requesting through this decision item. Counties are required by statute to provide motor vehicle title and registration services in a manner that is convenient and easily accessible to the public (Section 42-1-210, C.R.S.), and the State (through the 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 request is for a stable appropriation to fund the expansion and improvements to the CSTARS system.

In the past, the equipment needs for County Office improvements have been funded as part of the Operating Expenses line item in this Division on a one-time basis. The CSTARS Advisory Committee (Section 42-1-211 (4), C.R.S.) receives and prioritizes requests from the Counties for funding of the needs of the Counties for expansions and improvements in the County offices. The approved funding for the last four years is shown below:

FY 2004-05	\$36,960
FY 2005-06	\$22,256
FY 2006-07	\$59,621
FY 2007-08	\$21,317

The CSTARS Advisory Committee has approved funding totaling \$103,578 for the following FY 2008-09 projects: new branch offices in El Paso (\$50,518) and Yuma (\$40,390) Counties, and expansion of current branch offices in Adams(\$3,880), Fremont (\$2,038), La Plata (\$3,376) and Rio Blanco (\$3,376) Counties. The improvements are for hardware, cabling and connectivity costs associated with the CSTARS system in the new or expanded offices. In future years, the Department requests \$10,252 for maintenance (in the Operating Expenses Line) of these assets.

In addition to this one-time funding, the Department is requesting to establish this line in future fiscal years (starting with FY 2009-10) at the average level of funding over a five year period, which

is \$48,746. Staff feels that including the current year, which is the highest appropriation request by far, skews the five year average. Staff recommends using the three middle figures (eliminating the high and low years) and establishing the new line at \$40,000 (the average is \$39,612). The Department always has the option to request additional funding in years in which it is needed.

**Staff recommends approval of this Decision Item to establish the line item, a one-time appropriation for FY 2008-09 of \$103,578 cash funds from the CSTARS account, and to establish the line item with a base funding of \$40,000 cash funds from the CSTARS account.**

**(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>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management and Administration	1.0	1.0	1.0	1.0
Financial Services	5.8	6.0	6.0	6.0
<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 \$593,853 General Fund and 7.0 FTE. This includes \$587,943 General Fund.

**Staff recommends a continuation appropriation of \$593,853 and 7.0 FTE, including \$587,943 General Fund and \$5,910 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.**

Personal Services Calculation Taxation Business Group - Administration						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	7.0	\$572,266	\$0	\$714	\$2,840	\$575,820
Salary Survey		11,565	0	0	0	11,565
Base Building						
Performance Pay (80%)		6,468	0	0	0	6,468
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Fund Mix Adjustment		(2,356)	0	2,287	69	0
Sub-total	7.0	587,943	0	3,001	2,909	593,853
Cash Funds Exempt Reclassification		0	0	2,909	(2,909)	0
<b>Staff Recommendation</b>	<b>7.0</b>	<b>\$587,943</b>	<b>\$0</b>	<b>\$5,910</b>	<b>\$0</b>	<b>\$593,853</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 contact 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>Staffing Summary*</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management and Administration	21.8	23.9	23.9	23.9
Revenue Agent	88.8	92.0	92.0	92.0
Compliance Agent	36.8	38.0	38.0	38.0
Tax Examiners	67.3	72.5	72.5	72.5
<b>Total</b>	<b>214.7</b>	<b>226.4</b>	<b>226.4</b>	<b>226.4</b>

\*includes Mineral Audit Program

### **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 \$13,835,310 and 215.4 FTE, including \$13,698,213 General Fund.

**Staff recommends continuation funding of \$13,724,406 and 215.4 FTE**, including \$13,588,587 General Fund, \$1,269 cash funds and \$134,550 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 Taxation Business Group - Taxation and Compliance Division</b>						
	<b>FTE</b>	<b>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt/ Reappropriated Funds</b>	<b>Total</b>
FY 2007-08 Long Bill	215.4	\$13,244,291	\$0	\$1,269	\$126,531	\$13,372,091
Salary Survey		344,995	0	0	0	344,995
Base Building						
Performance Pay (80%)		145,950	0	0	0	145,950
Base Reduction (1%)		(137,352)	0	(13)	(1,265)	(138,630)
Fund Mix Adjustment		(9,297)	0	13	9,284	0
Sub-total	215.4	13,588,587	0	1,269	134,550	13,724,406
Cash Funds Exempt Reclassification		0	0	0	0	0
<b>Staff Recommendation</b>	<b>215.4</b>	<b>\$13,588,587</b>	<b>\$0</b>	<b>\$1,269</b>	<b>\$134,550</b>	<b>\$13,724,406</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 \$821,028 General Fund, including \$180,234 for an enhancement of the out-of-state audit program.

Decision Item #1: The Department is requesting \$180,234 General Fund to enhance its Field Audit Program to generate more revenue through out-of-state audits. The funds will allow the Department to implement its travel requirement for senior auditors of eight weeks of out-of-state travel for each senior auditor (or 240 weeks total out-of-state).

This Department is not requesting additional FTE. Senior auditors will travel out-of-state more often, so increases in auditor production will be offset some by fewer in state audits by senior auditors. The Department estimates that enhancing out-of-state audit presence will result in an additional \$5.6 million the first year of implementation. In subsequent years, the increase is estimated at \$22.2 million in additional revenue. This figure is based on out-of-state audit production (increased revenue) of \$2,491 per hour over the last five years.

Out-of-state audits tend to be more productive. Companies doing business in Colorado but headquartered elsewhere tend to be larger companies with the potential to owe more in taxes to the state than smaller companies. Of the four types of audits the Department conducts, out-of-state audits return the most additional revenue to the state.

**Staff recommends approval of Decision Item #1, Out-of-state audit enhancement, increasing the appropriation for operating expenses by \$180,234 General Fund.**

**Staff recommends an appropriation of \$821,028 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.**

**Joint Federal/State Motor Fuel Tax**

This line item assists in the development of an interstate trucker registration audit program and is fully federal funded. The federal government has not provided the grant money since FY 2004-05. The state does not expend any funds unless the federal moneys are received. The Department requests a continuation appropriation of \$34,015 federal funds.

**Staff recommends elimination of this line.** In discussion with the Department, the federal grant has not been received since at least FY 2004-05, and they have no expectation that the grant will be received this year or in the future.

### **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 cash funds exempt 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 \$791,828 and 11.0 FTE**, including \$66,000 reappropriated funds from the State Land Board Administration Fund and the Oil and Gas Conservation Fund, and \$725,828 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.

<b>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management and Administration	10.6	11.0	11.0	11.0
Professionals	2.0	2.0	2.0	2.0
Tax Examiners	60.1	65.6	67.6	67.6
<b>Total</b>	<b>72.7</b>	<b>78.6</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 \$4,527,135 and 79.1 FTE, including \$4,433,870 General Fund, and \$92,332 cash funds. This includes a Decision Item requesting to replace temporary employees with 2.0 FTE, full-time state employees.

Decision Item # 5: The Division is requesting the authority to hire 2.0 FTE. The Department states using full-time employees will improve efficiency over the use of temporary employees. The Department is not requesting additional funding, as the positions will be paid for from funds used to hire temporary employees.

The Department states that the current system of using temporary employees to complement the staff in the call center is inefficient, since temporary employees have a performance standard of 13 calls per hour while permanent employees have a standard of 17 calls per hour. The Department estimates that these 2.0 FTE will allow the call center to handle an additional 10,424 calls per year (approximately 40 per day) without additional funding.

The Department is proposing to reduce its wait time target (the time customers wait to talk to a representative) from the current five minutes to four minutes forty-five seconds. The Department will continue to augment its call center staff with temporary employees, especially during the individual income tax filing season.

**Staff recommends approval of Decision Item # 5, adding 2.0 FTE and \$0 additional funding.**

**Staff recommends an appropriation of \$4,490,845, and 79.1 FTE**, including \$4,398,513 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.



Personal Services Calculation Taxation Business Group - Taxation Service Division						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	77.1	\$4,289,584	\$0	\$89,718	\$0	\$4,379,302
Salary Survey		107,769	0	2,670	0	110,439
Base Building						
Performance Pay (80%)		45,589	0	877	0	46,466
Base Reduction (1%)		(44,429)	0	(933)	0	(45,362)
Decision Item # 5 (Adding 2.0 FTE)	2.0	0	0	0	0	0
Sub-total	79.1	4,398,513	0	92,332	0	4,490,845
Cash Funds Exempt Reclassification		0	0	92,332	0	4,490,845
<b>Staff Recommendation</b>	<b>79.1</b>	<b>\$4,398,513</b>	<b>\$0</b>	<b>\$184,664</b>	<b>\$0</b>	<b>\$8,981,690</b>

### Operating Expenses

This line item mainly provides 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. Other major expenses include telephone charges. The Department is requesting \$401,085, including \$400,585 General Fund and \$500 cash funds. This is essentially a continuation budget, with a small reduction from last year's request due to the one-time appropriation for H.B. 07-1349.

**Staff recommends an appropriation of \$401,085**, including \$400,585 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 requests that this funding be shown as cash funds, rather than as HUTF, for ease of calculating the off-the-top 6% growth limit. The Department is requesting a continuation appropriation of \$483,277 cash funds.

**Staff recommends a continuation appropriation of \$483,277 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 off-the-top 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>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management and Administration	2.0	2.0	2.0	2.0
Tax Conferees	6.2	7.0	7.0	7.0
<b>Total</b>	<b>8.2</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 amended appropriation of \$981,960 General Fund and 9.0 FTE. The budget amendment is a request to annualize the Department's supplemental request of January 1, 2008, allowing the Department to begin the process of obtaining appraisals of conservation easements claimed by Colorado property owners.

Budget Amendment: On January 1, 2008, the Department submitted a request for a FY 2007-08 supplemental appropriation of \$33,250 General Fund to allow the Department to begin obtaining appraisals to evaluate conservation easements. There has been considerable discussion in the statehouse and the media of possible abuses of the conservation easements. A number of the conservation easements granted appear to have little benefit to the public or the state for the loss of state revenue. In addition to the supplemental request, the Department submitted a budget amendment seeking to annualize this increase, seeking an increase of \$99,750 for FY 2008-09.

Between 2001 and 2006, conservation easements have increased by over three times in number and over 38 times in gross value, as both the number of easements claimed and their values have increased. To date, the Department has not had the resources to properly evaluate those easements. The Department has identified the following issues with conservation easements:

- Overvaluation of easements – The Department believes that a significant number of easements are overvalued, resulting in the loss of several dollars to the state each year.
- Easements that have relatively little or no conservation value. According to Section 38-30.5-102 C.R.S., a gross conservation easement must promote a significant conservation value, such as protecting important wildlife habitat. Vacant lots, backyards, common areas between buildings, and arid tracts of land have all been claimed by taxpayers.

- Easements are being granted to entities that cannot or will not defend those easements. The easements are to be granted to land trusts or similar non-profits who will defend the easement against all future owners. Many of the Gross Conservation Easements the department has reviewed have used minimally capitalized 501 (c) (3) organization with no ties to conservation or land trusts and who do not appear to have either the resources or the incentive to enforce the easement in the future.
- The Department does not have sufficient resources to administer this program. A review of a gross conservation easement is a resource-intensive, time-consuming, and litigation-prone undertaking. Based on a one-time savings of \$10,425 in the Taxation and Compliance Division, the Department was able begin pilot review of appraisals. Expenditures through October revealed that one appraisal had been completed at a cost of \$1,200.

Prior to FY 2005-06, the Department did not have any cases under review. In FY 2006-07, 34 cases were referred to the Tax Conferee, and in the first six months of FY 2007-08, another 21 cases have been referred. Due to lack of resources, none of these cases have been resolved.

**Staff recommends approval of the Department's budget amendment, requesting \$99,750 General Fund for contract personal services** to hire appraisers to conduct appraisals of Gross Conservation Easements.

**Staff recommends an appropriation of \$981,960 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.

Personal Services Calculation Taxation Business Group - Tax Conferee						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	9.0	\$850,853	\$0	\$0	\$0	\$850,853
Salary Survey		21,960	0	0	0	21,960
Base Building Performance Pay (80%)		9,397	0	0	0	9,397
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Budget Amendment (Appraisals for Conservation Easements)		99,750	0	0	0	99,750
Sub-total	9.0	981,960	0	0	0	981,960
Cash Funds Exempt Reclassification		0	0	0	0	0
<b>Staff Recommendation</b>	<b>9.0</b>	<b>\$981,960</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$981,960</b>

### **Operating Expenses**

This line item funds subscriptions to legal research materials and phone charges, plus a small amount of 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 recommends approval of Legislative Council's December 2007 estimate of \$13,200,000 General Fund for this line. Staff requests permission to update and include the March 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.

**Staff recommends an appropriation of \$1,543,432 cash funds from the Tobacco Tax Cash Fund.** This includes \$1,485,000 forecast (December 2007) to be the distribution according to statute and \$58,432 forecast as the unexpended moneys in the Fund from FY 2007-08. **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 also 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's December 2007 estimate of \$17,300,000 General Fund for this line. Staff requests permission to update and include the March 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.

<b>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Managers and Administration	1.3	2.0	2.0	2.0
Professionals	0.4	2.0	2.0	2.0
Policy Analysis and Financial Services	6.6	7.0	7.0	7.0
<b>Total</b>	<b>8.3</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 \$888,379 and 11.0 FTE, including \$516,639 General Fund, \$184,004 cash funds exempt from the HUTF, \$82,297 cash funds from various sources, and \$108,439 cash funds exempt from various sources.

**Staff recommends a continuation appropriation of \$883,379 and 11.0 FTE**, including \$513,639 General Fund, \$184,004 cash funds from the HUTF, and \$190,736 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 Division of Motor Vehicles - Administration</b>						
	<b>FTE</b>	<b>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt/ Reappropri- ated Funds</b>	<b>Total</b>
FY 2007-08 Long Bill	11.0	\$525,236	\$207,469	\$158	\$133,542	\$866,405
Salary Survey		14,272	0	0	0	14,272
Base Building Performance Pay (80%)		7,702	0	0	0	7,702
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Fund Mix Adjustment		(33,571)	(23,465)	82,139	(25,103)	0
Sub-total	11.0	513,639	184,004	82,297	108,439	888,379
Cash Funds Exempt Reclassification		0	0	108,439	(108,439)	0
<b>Staff Recommendation</b>	<b>11.0</b>	<b>\$513,639</b>	<b>\$184,004</b>	<b>\$190,736</b>	<b>\$0</b>	<b>\$888,379</b>

### **Operating Expenses**

This line item funds telecommunications, general office supplies and printing costs. The Department requests a continuation funding of \$54,250, including \$31,366 General Fund.

**Staff recommends a continuation appropriation of \$54,250**, including \$31,366 General Fund, \$11,236 cash funds from the HUTF, and \$11,648 cash funds from various sources.

**(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.

Pursuant to S.B. 07-241 and a budget amendment approved last year, it will open three additional offices in the front range this year. The annualization of this expansion affects the budget request for several lines this year.

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>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommend.</b>
Accounting	2.9	3.0	3.0	3.0
Professionals and Managers	18.2	20.3	20.3	20.3
Driver License Managers	15.3	14.0	14.0	14.0
Driver License Examiners	107.6	215.6	215.6	215.6
Administration	158.3	115.9	115.9	115.9
Micrographic Equipment Operators	11.7	9.0	9.0	9.0
<b>Total</b>	<b>314.0</b>	<b>377.8</b>	<b>377.8</b>	<b>377.8</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. In FY 2007-08, the Department received \$1,417,918 and 53.0 FTE related to opening three new offices, which represents three quarters of the full annual costs. In addition, S.B. 07-241 increased fees for special license plates, driver's licenses, permits, identification cards, and commercial driver's licenses, which allowed a refinancing of \$2,256,975 in this line from General Fund to the newly created Licensing Services Cash Fund.

The Department requests an appropriation of \$16,038,603 and 377.8 FTE, including \$11,053,189 General Fund, \$4,047,579 cash funds, and \$983,835 cash funds exempt.

**Staff recommends an appropriation of \$15,911,029 and 377.8 FTE**, including \$10,969,972 General Fund, and \$4,941,057 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>HUTF</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt/ Reappropriated Funds</b>	<b>Total</b>
FY 2007-08 Long Bill	374.2	\$14,119,685	\$0	\$3,842	\$938,835	\$15,062,362
HB 06-1171	2.0	54,238	0	0	0	54,238
HB 07-1020	1.6	43,392	0	0	0	43,392
SB 07-241	0.0	(3,674,893)	0	3,674,893	0	0
Annualization of Driver License Office Expansion		0	0	373,396	0	373,396
Salary Survey		386,246	0	0	0	386,246
Base Building Performance Pay (80%)		152,112	0	0	0	152,112
Base Reduction (1%)		(110,808)	0	(40,521)	(9,388)	(160,717)
Sub-total	377.8	10,969,972	0	4,011,610	929,447	15,911,029
Cash Funds Exempt Reclassification		0	0	929,447	(929,447)	0
<b>Staff Recommendation</b>	<b>377.8</b>	<b>\$10,969,972</b>	<b>\$0</b>	<b>\$4,941,057</b>	<b>\$0</b>	<b>\$15,911,029</b>

**Operating Expenses**

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 \$2,116,379, including \$1,214,937 General Fund. The request includes a reduction of (\$355,965) cash funds for annualization of the costs of the drivers license office expansion.

**Staff recommends an appropriation of \$2,116,379**, including \$1,214,937 General Fund, and \$901,442 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.

**Staff recommends an appropriation of \$2,437,320**, including \$1,913,728 General Fund and \$523,592 cash funds from the Identification Security Fund, a subaccount of the HUTF.

**License Plate Ordering**

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

**Staff recommends an appropriation of \$5,419,990 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 are 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.

<b>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Administration	2.6	3.5	3.5	3.5
Inspectors	9.1	12.0	12.0	12.0
<b>Total</b>	<b>11.7</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 \$1,016,699 cash funds exempt and 15.5 FTE.

**Staff recommends a continuation appropriation of \$1,016,699 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	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	15.5	\$0	\$0	\$0	\$983,226	\$983,226
Salary Survey		0	0	0	25,307	25,307
Base Building Performance Pay (80%)		0	0	0	8,166	8,166
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Sub-total	15.5	0	0	0	1,016,699	1,016,699
Cash Funds Exempt Reclassification		0	0	1,016,699	(1,016,699)	0
<b>Staff Recommendation</b>	<b>15.5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,016,699</b>	<b>\$0</b>	<b>\$1,016,699</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 exempt.

**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.

Staffing Summary	Actual FY 2006-07	Approp FY 2007-08	Request FY2008-09	Recommended FY 2008-09
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 \$1,616,416 cash funds exempt and 34.5 FTE.

**Staff recommends a continuation appropriation of \$1,603,458 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>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt/ Reappropriated Funds</b>	<b>Total</b>
FY 2007-08 Long Bill	34.5	\$0	\$0	\$0	\$1,562,432	\$1,562,432
Salary Survey		0	0	0	41,160	41,160
Base Building						
Performance Pay (80%)		0	0	0	16,063	16,063
Base Reduction (1%)		0	0	0	(16,197)	(16,197)
Sub-total	34.5	0	0	0	1,603,458	1,603,458
Cash Funds Exempt Reclassification		0	0	1,603,458	(1,603,458)	0
<b>Staff Recommendation</b>	<b>34.5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,603,458</b>	<b>\$0</b>	<b>\$1,603,458</b>

### **Operating Expenses**

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 budget amendment. The Department amended request is for \$174,711 exempt, which includes a budget amendment request of \$27,870 cash funds exempt.

Decision Item #4: The Department requests an increase in this line item of \$27,870 cash funds from the Colorado State Titling and Registration Account to pay for the increased costs of digital storage and 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 \$27,870.**

**Staff recommends approval of the Department's request of \$174,711 cash funds** from the CSTARs Account. This represents a continuation appropriation \$146,841 plus the Decision Item increase of \$27,870.

#### **(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

H.B. 06-1178 (Butcher/Williams) authorized the Department to re-evaluate the program. As a result, the Programs total budget has been reduced from \$1,607,354 in FY 2005-06 to an appropriation of \$327,084 for FY 2007-08, a reduction of \$1.2 million over a three year period.

#### **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 \$328,132 cash funds exempt 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 \$328,132 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</b>						
<b>Division of Motor Vehicles - Motorist Insurance Identification Database Program</b>						
	<b>FTE</b>	<b>General Fund</b>	<b>HUTF</b>	<b>Cash Funds</b>	<b>Cash Funds Exempt/ Reappropriated Funds</b>	<b>Total</b>
FY 2007-08 Long Bill	1.0	\$0	\$0	\$0	\$326,584	\$326,584
Salary Survey		0	0	0	1,097	1,097
Base Building						
Performance Pay (80%)		0	0	0	451	451
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Sub-total	1.0	0	0	0	328,132	328,132
Cash Funds Exempt Reclassification		0	0	328,132	(328,132)	0
Staff Recommendation	1.0	\$0	\$0	\$328,132	\$0	\$328,132

**Operating Expenses**

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

**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>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Managers and Professionals	5.8	6.0	6.0	6.0
Administration	2.7	3.0	3.0	3.0
Tax Examiners	6.2	6.0	6.0	6.0
Port Officers	110.6	116.2	116.2	116.2
<b>Total</b>	<b>125.3</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 has submitted a Decision Item to reduce funding for this line and move it to Fixed and Mobile Port Maintenance line within the Program. The Department has requested \$6,973,819 and 131.2 FTE, including \$623,686 General Fund, \$6,240,646 from the Highway Users Tax Fund, and \$109,487 from various other cash funds and cash funds exempt.

**Staff recommends continuation funding of \$6,916,812 and 131.2 FTE**, including \$623,589 General Fund, \$6,184,910 cash funds from the Highway Users Tax Fund (HUTF), \$34,067 cash funds from the Nuclear Materials Transportation Fund, and \$74,246 reappropriated funds from the Motor Carrier Safety Assistance Program. This recommendation includes the Decision Item (described in the Fixed and Mobile Port Maintenance line item below) to transfer \$137,761 cash funds from the HUTF from this line to the Fixed and Mobile Port Maintenance line and 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>Cash Funds Exempt/ Reappropriated Funds</b>	<b>Total</b>
FY 2007-08 Long Bill	131.2	\$599,488	\$6,118,846	\$52,260	\$65,072	\$6,835,666
Salary Survey		19,065	198,318	0	0	217,383
Base Building Performance Pay (80%)		6,383	66,400	0	0	72,783
Base Reduction (1%)		(6,249)	(63,836)	(523)	(651)	(71,259)
Decision Item # 6 (Transfer funds to Fixed and Mobile Port Maintenance)		0	(137,761)	0	0	(137,761)
Fund Mix Adjustment		4,902	2,943	(17,670)	9,825	0
Sub-total	131.2	623,589	6,184,910	34,067	74,246	6,916,812
Cash Funds Exempt Reclassification		0	0	0	0	0
<b>Staff Recommendation</b>	<b>131.2</b>	<b>\$623,589</b>	<b>\$6,184,910</b>	<b>\$34,067</b>	<b>\$74,246</b>	<b>\$6,916,812</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.

**Staff recommends an appropriation of \$433,811**, including \$38,045 General Fund, and \$395,766 cash funds from the HUTF.

### **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. Since FY 2000-01, this line has been funded at \$83,784 cash funds exempt from the HUTF.

Decision Item # 6: The Department has submitted a Change Request to transfer \$137,761 from Personal Services to this line item. This request will not change the Division's budget, only transfer funding from Personal Services to this line.

The program operates ten fixed ports (with 17 facilities) and ten mobile ports. Each port is responsible for size and weight enforcement, driver's checks, and safety inspections that reduce damage and provide safer conditions for the motoring public. Since FY 2001-02 the funding for this line has stayed at \$83,784, of which about \$50,000 (about 60%) goes to the maintenance contract for scale maintenance and repair. The remainder must go for the repair needs for each of the 17

buildings, 10 vans, trailers and related equipment. Port officers have become responsible for performing maintenance and repairs for the facilities and equipment, which takes away from their weight, size, and safety enforcement duties.

In recent years, several ports have had to temporarily cease operations due to equipment issues. These instances include weighing enforcement operations halted due to scales that cease to be legally functioning in high temperatures; failures of "Open" and "Closed" signs, variable message signs that control traffic inside the port area, and concrete conditions that have caused temporary closures.

Because of high turnover in the Division (including a complete turnover of management), the Department has projected sufficient reductions in personal services costs to be able to fund this budget transfer.

**Staff recommends approval of Decision Item # 6 , transfer of \$137,761 from the Personal Services to the Fixed and Mobile Ports line item within the Motor Carrier Services Division.**

**Staff recommends an appropriation of \$221,545** cash funds from the HUTF, which includes the Department's change request to increase this line item by \$137,761, from the HUTF.

#### **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. Base reductions do not apply to this line since it is less than 20.0 FTE. The Department has requested a continuation budget of \$202,363 cash funds from the Hazardous Materials Safety Fund.

**Staff recommends a continuation appropriation of \$202,363 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>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management / Administration - Total	5.9	6.0	6.0	6.0

**Personal Services**

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested a continuation funding level of \$512,166, including \$20,176 General Fund. The funding for this line is from indirect cost recoveries from the various divisions within this Group.

**Staff recommends continuation funding of \$512,166 and 6.0 FTE**, including \$20,176 General Fund, \$ 268,288 cash funds from various sources, and \$223,702 reappropriated funds from the Limited Gaming Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Administration						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	6.0	\$27,723	\$0	\$252,098	\$217,905	\$497,726
Salary Survey		491	0	4,479	3,872	8,842
Base Building						
Performance Pay (80%)		311	0	2,836	2,451	5,598
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Fund Mix Adjustment		(8,349)	0	(70,052)	78,401	0
Sub-total	6.0	20,176	0	189,361	302,629	512,166
Cash Funds Exempt Reclassification		0	0	78,927	(78,927)	0
<b>Staff Recommendation</b>	<b>6.0</b>	<b>\$20,176</b>	<b>\$0</b>	<b>\$268,288</b>	<b>\$223,702</b>	<b>\$512,166</b>

### **Operating Expenses**

This line item funds expenses such as telecommunications expenses, general office supplies, and printing costs. The Department requests a continuation appropriation of \$10,880, including \$429 General Fund, \$4,023 cash funds from various sources and \$6,429 cash funds exempt from various sources.

**Staff recommends a continuation appropriation of \$10,880, including \$429 General Fund, and \$10,451 cash funds from various sources.**

### **(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.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
Administration	10.8	12.0	12.0	12.0
Licensing	6.1	6.0	6.0	6.0
Accounting and Auditing	13.2	17.0	17.0	17.0
Investigators	33.9	41.0	41.0	41.0
<b>Total</b>	<b>64.0</b>	<b>76.0</b>	<b>76.0</b>	<b>76.0</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. For FY 2007-08, the Limited Gaming Control Commission approved an extra 4.0 FTE to address workload and resource availability in background investigations and field operations. The Department has requested an appropriation of \$5,454,966 cash funds from the Limited Gaming Fund.

**Staff recommends reflecting \$5,410,628 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>						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropri- ated Funds	Total
FY 2007-08 Long Bill	72.0	\$0	\$0	\$4,984,046	\$0	\$4,984,046
Salary Survey		0	0	134,867	0	134,867
Base Building Performance Pay (80%)		0	0	48,240	0	48,240
Base Reduction (1%)		0	0	(51,672)	0	(51,672)
Gaming Commission approved change requests	4.0	0	0	295,147	0	295,147
Sub-total	76.0	0	0	5,410,628	0	5,410,628
Cash Funds Exempt Reclassification		0	0	0	0	0
<b>Staff Recommendation</b>	<b>76.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,410,628</b>	<b>\$0</b>	<b>\$5,410,628</b>

### **Operating Expenses**

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department's request includes \$2,000 in Gaming Commission approved change requests.

**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 amount.

**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 amount.

**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 based on a continuation amount.

**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 amount.

**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 \$673,848 cash funds.** Some elements of the State-wide plan remain for the Committee to consider. **Staff requests permission to incorporate those in this line when the Committee approves them.**

**(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>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Administration	1.8	2.0	2.0	2.0
Licensing	2.8	3.0	3.0	3.0
Investigators	13.3	14.0	14.0	14.0
<b>Total</b>	<b>17.9</b>	<b>19.0</b>	<b>19.0</b>	<b>19.0</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 budget of \$1,534,576 cash funds.

**Staff recommends a continuation appropriation of \$1,534,576 and 19.0 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.

Personal Services Calculation Enforcement Business Group - Liquor Enforcement Division						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	19.0	\$0	\$0	\$1,476,224	\$0	\$1,476,224
Salary Survey		0	0	42,740	0	42,740
Base Building Performance Pay (80%)		0	0	15,612	0	15,612
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Sub-total	19.0	0	0	1,534,576	0	1,534,576
Cash Funds Exempt Reclassification		0	0	0	0	0
<b>Staff Recommendation</b>	<b>19.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,534,576</b>	<b>\$0</b>	<b>\$1,534,576</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 \$51,323 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.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
Administration	1.5	1.5	1.5	1.5
Investigators	5.5	5.5	5.5	5.5
<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 \$458,969, including \$129,711 General Fund.

**Staff recommends a continuation appropriation of \$458,969 and 7.0 FTE**, including \$129,711 General Fund and \$329,258 cash funds from the Tobacco Education Programs 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 - Tobacco Enforcement Program</b>						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropri- ated Funds	Total
FY 2007-08 Long Bill	7.0	\$112,972	\$0	\$0	\$329,258	\$442,230
Salary Survey		12,399	0	0	0	12,399
Base Building						
Performance Pay (80%)		4,340	0	0	0	4,340
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Sub-total	7.0	129,711	0	0	329,258	458,969
Cash Funds Exempt Reclassification		0	0	329,258	(329,258)	0
<b>Staff Recommendation</b>	<b>7.0</b>	<b>\$129,711</b>	<b>\$0</b>	<b>\$329,258</b>	<b>\$0</b>	<b>\$458,969</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 \$27,943**, including \$7,201 General Fund and \$20,742 cash funds Tobacco Education Programs Fund.

### **(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. One of the greyhound tracks, the Cloverleaf Kennel Club in Loveland, has closed, discontinuing live races, but the Department states this will not cause staffing or funding changes. In FY 2006-07, the division collected approximately \$1.9 million in licensing fees, which fund the division's expenses. The Department estimates it will collect more than \$2 million during the current year and projects fee income of \$2.1 million in FY 2008-09.

<b>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Management and Administration	4.6	5.8	5.8	5.8
Investigators/Auditors	4.2	5.0	5.0	5.0
Field Operations	5.9	5.4	5.4	5.4
Veterinarians	1.2	2.3	2.3	2.3
<b>Total</b>	<b>15.9</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 \$1,410,197 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.



Personal Services Calculation Enforcement Business Group - Division of Racing Events						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	18.5	\$0	\$0	\$1,353,620	\$0	\$1,353,620
Salary Survey		0	0	41,847	0	41,847
Base Building Performance Pay (80%)		0	0	14,730	0	14,730
Base Reduction (1%)		No base reduction taken as line has fewer than 20 FTE				
Sub-total	18.5	0	0	1,410,197	0	1,410,197
Cash Funds Exempt Reclassification		0	0	0	0	0
<b>Staff Recommendation</b>	<b>18.5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,410,197</b>	<b>\$0</b>	<b>\$1,410,197</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 items funds 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>Staffing Summary</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Appropriation</b>	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
Manager	1.0	1.0	1.0	1.0
Administration	7.5	8.6	8.6	8.6
Hearings Officers	18.4	19.4	19.4	19.4
<b>Total</b>	<b>26.9</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. H.B. 06-1171, Penalties for Drunk Driving, appropriated \$32,502 and 0.6 FTE to the Division. The Department requests \$2,012,366 cash funds exempt and 29.0 FTE.

**Staff recommends an appropriation of \$1,996,235 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	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	28.4	\$0	\$0	\$0	\$1,900,506	\$1,900,506
HB 06-1171 (Penalties for Drunk Driving)	0.6	0	0	0	32,502	32,502
Salary Survey		0	0	0	62,108	62,108
Base Building						
Performance Pay (80%)		0	0	0	21,283	21,283
Base Reduction (1%)		0	0	0	(20,164)	(20,164)
Sub-total	29.0	0	0	0	1,996,235	1,996,235
Cash Funds Exempt Reclassification		0	0	1,996,235	(1,996,235)	0
<b>Staff Recommendation</b>	<b>29.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,996,235</b>	<b>\$0</b>	<b>\$1,996,235</b>

### Operating Expenses

This line item funds expenses such as telecommunications costs, general office supplies and printing costs. The Department is requesting a continuation appropriation plus \$300 for implementation of H.B. 06-1171.

**Staff recommends an 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.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
Manager	1.0	1.0	1.0	1.0
Administration	7.0	8.2	8.2	8.2
Professionals	3.9	4.0	4.0	4.0
Investigators	12.5	15.0	15.0	15.0
<b>Total</b>	<b>24.4</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. Over the last two fiscal years, the Division has received additional funding and FTE from a long bill amendment and H.B. 07-1081 (Powersports Motor Vehicle Dealers). This year, the Department is requesting a continuation appropriation of \$1,775,327 cash funds and 28.2 FTE.

**Staff recommends a continuation appropriation of \$1,761,096 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.

Personal Services Calculation Enforcement Business Group - Motor Vehicle Dealer Licensing Board						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	26.2	\$0	\$0	\$1,622,167	\$0	\$1,622,167
HB 07-1081(Powersports Motor Vehicle Dealers)	2.0	0	0	84,557	0	84,557
Salary Survey		0	0	53,591	0	53,591
Base Building						
Performance Pay (80%)		0	0	18,570	0	18,570
Base Reduction (1%)		0	0	(17,789)	0	(17,789)
Sub-total	28.2	0	0	1,761,096	0	1,761,096
Cash Funds Exempt Reclassification		0	0	0	0	0
<b>Staff Recommendation</b>	<b>28.2</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,761,096</b>	<b>\$0</b>	<b>\$1,761,096</b>

**Operating Expenses**

This line item funds expenses such as telecommunication services, general office supplies and printing expenses. The Department requests a continuation appropriation, plus additional funding provided by H.B. 07-1081, which increased the Division's FY 2007-08 appropriation by \$2,315.

**Staff recommends an appropriation of \$72,003 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.

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Recommendation
Management & Administration	41.6	44.0	44.0	44.0
Sales	40.7	41.0	41.0	41.0
Accounting and Analysis	11.7	12.0	12.0	12.0
Investigators	7.1	7.5	7.5	7.5
Programmers/IT Support	21.2	21.5	21.5	21.5
<b>Total</b>	<b>122.3</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 \$8,789,430 cash funds and 126.0 FTE.

**Staff recommends a continuation appropriation of \$8,718,974 and 126.0 FTE cash funds.** This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation State Lottery Division						
	FTE	General Fund	HUTF	Cash Funds	Cash Funds Exempt/ Reappropriated Funds	Total
FY 2007-08 Long Bill	126.0	\$0	\$0	\$0	\$8,476,115	\$8,476,115
Salary Survey		0	0	0	244,463	244,463
Base Building Performance Pay (80%)		0	0	0	86,466	86,466
Base Reduction (1%)		0	0	0	(88,070)	(88,070)
Sub-total	126.0	0	0	0	8,718,974	8,718,974
Cash Funds Exempt Reclassification		0	0	8,718,974	(8,718,974)	0
<b>Staff Recommendation</b>	<b>126.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,718,974</b>	<b>\$0</b>	<b>\$8,718,974</b>

### **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-diems, 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. The Department has submitted a Decision Item to increase this line by \$3,028,290 to improve lottery sales.

Decision Item: The Department requests 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. The Department states it is unable to effectively promote its scratch and jackpot games.

The last significant increase to the Lottery Marketing budget was in 1989, when the Lotto game was added. The marketing budget in FY 1988-89 was \$8,116,668, compared to \$8,643,420 in FY 2006-07. The marketing budget was not increased when Powerball was introduced in 2001. Over that period of time, the price of advertising rating point in Colorado has increased by 82%, and overall, the buying power of the budget has decreased almost 50 percent from 1989 levels.

In response to static budgets, the Lottery has reduced Scratch game advertising, reduced spending in smaller towns' newspaper and radio outlets, reduced number and size of promotions, reduced levels of sponsorships, reduced number and level of participation in community events, and eliminated all ads for Lotto and Cash 5 products. In order to keep pace with inflation, the marketing budget would have to be at least \$14 million in FY 2006-07.

The Lottery projects that each additional dollar of advertising will result in four dollars of sales. The basis for this projection is a study from Wisconsin in 2003 that found that increases in advertising resulted in a payback from a low of 3.3 to 1 to a high of 11.5 to 1 for each additional dollar of advertising, and a decrease in sales of from 9 to 1 to 25 to 1 for each dollar reduction in advertising.

Using a conservative estimate of four dollars in additional sales for each additional advertising dollar, the Lottery estimates sales will increase by \$24 million per year. After factoring in variable expenses and the increased advertising expenses, that increase in sales would increase lottery proceeds to the State by about \$4 million.

**Staff recommends approval of this Decision Item, an increase of \$3,028,290 cash funds for this fiscal year.**

**Staff recommends an appropriation of \$11,671,710 cash funds.** This line funds television, radio, newspaper and outdoor advertising space, time and production.

### **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: In January, the Department requested and received approval for a supplemental to increase this line item by \$1,063,998 to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2008-09. The Department's amended request is for \$10,875,511 cash funds.

**Staff recommends approval of the Department's amended request of \$10,875,511 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: In January, the Department requested and received approval for a supplemental to increase this line item by \$30,307,570 to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2008-09. The Department's amended request is for \$336,721,380 cash funds.

**Staff recommends approval of the Department's amended request of \$336,721,380 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: In January, the Department requested and received approval for a supplemental to increase this line item by \$5,532,000 to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2008-09. The Department's amended request is for \$9,752,000 cash funds.



**Staff recommends approval of the Department's amended request of \$9,752,000 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: In January, the Department requested and received approval for a supplemental to increase this line item by \$3,164,530 to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2008-09. The Department's amended request is for \$41,773,750 cash funds.

**Staff recommends approval of the Department's amended request \$41,773,750 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: In January, the Department requested and received approval for a supplemental to decrease this line item by (\$19,690) to reflect updated sales projections. They are requesting a budget amendment to extend the spending authorization to FY 2008-09.

Decision Item # 2: In addition to the annual adjustment, the Department is requesting to increase this line by \$4,000,000 cash funds, in order to fund a "Lottery Distribution/Inventory Management System." Currently, lottery tickets are distributed by the Division's sales force, which visits each lottery outlet every two weeks. If an outlet is out of stock, the retailer generally will not take the time to order tickets, they will wait for the sales representative to come and replenish the stock. This results in lost sales. The exception is new game introductions, which are delivered by UPS so that new games can roll out across the State at the same time.

According to the Department, The lottery estimates that it loses over \$50 million in revenue each year because of out-of-stock inventory, especially on newly introduced games, which tend to have the highest sales. Since scratch tickets are impulse purchases, it is important to have the tickets in stock when a customer is ready to purchase.

The plan would be to contract with a courier service to deliver tickets. The sales force would focus more on essential sales functions critical to growth, such in-store merchandising, retailer training, creating and implementing in-store promotions, analyzing retailer needs and recruiting new retailers.

At the current time, the Division's sales force must visit an average of 107 retailers every two weeks just to deliver inventory, which leaves little time for the sales activities.

The Division estimates that the change will increase sales by between \$28 and \$135 million per year, with an estimate of \$54 million per year, based on the most probable estimate. The Division cites the experience of Arizona, which implemented a courier delivery system in FY 2003, as has seen double digit growth in sales each year since. Colorado, on the other hand, has averaged about a 4% annual growth rate over that same period. The data is detailed below:

<b>Comparison of Lottery Sales Growth in Arizona and Colorado</b>				
Year	Arizona		Colorado	
	Scratch Sales (000,000)	% Growth	Scratch Sales (000,000)	% Growth
FY 2000-01	136.9	5.7%	249.2	6.5%
FY 2001-02	143.4	4.7%	257.2	3.2%
FY 2002-03 (a)	159.2	11.0%	254.3	-1.1%
FY 2003-04	183.3	15.1%	260.9	2.6%
FY 2004-05 (b)	219.7	19.9%	282.7	8.4%
FY 2005-06	249.8	13.7%	293.8	3.9%
FY 2006-07			297.1	1.2%

(a) Full courier system implemented in Arizona

(b) Limited courier system implemented in Colorado

An increase in sales of \$54 million annually would result in an increase in net proceeds for distribution of \$9 million to statutorily defined recipients. Those proceeds generally benefit outdoor recreation in the State.

**Staff recommends approval of this Decision Item, to increase Ticket Costs by \$4,000,000 cash funds.**

**Staff recommends approval of the Department's amended request for \$7,529,350, cash funds.** This recommendation includes both the budget amendment that decreases the line and the Decision Item which 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 \$559,210 cash funds.

**Staff recommends approval of the Department's request.** Some elements of the State-wide plan remain for the Committee to consider. **Staff requests permission to incorporate those in this line when the Committee approves them.**

## **FOOTNOTES**

**Staff recommends the following footnote be eliminated and replaced with a written request for information.**

**~~121~~ Department of Revenue, State Lottery Division--** Under Section 24-35-202, C.R.S., the state lottery division shall be headquartered in the city of Pueblo. It is the intent of the General Assembly that at least one of the incumbents of the 3.0 FTE management positions of the state lottery division shall be located in the city of Pueblo.

Comment: The Governor vetoed this footnote on the grounds that first, the footnote violates the separation of powers in Article III of the Colorado Constitution by attempting to administer the appropriation and secondly the footnote violates article V, section 32 of the Colorado Constitution because it constitutes substantive legislation that cannot be included in the general appropriations bill.

*The General Assembly overrode the Governor's veto of this footnote.*

The Department's response is as follows: The State Lottery Division currently has four positions classified as management, including one vacant position. Of the filled positions, two are based out of the Denver Lottery office (Director and Deputy Director), and one is based out of the Pueblo office (Director of Project Management Office & Claims). The vacant position (Chief Operating Officer) will be based out of the Pueblo office and is expected to be filled in the first part of 2008.

**Other footnotes are common footnotes which will be addressed in another briefing.**