DEPARTMENT OF REVENUE
FY 2014-15 JOINT BUDGET COMMITTEE
HEARING AGENDA

Friday, January 3, 2014
1:30 pm – 4:30 pm

1:30-1:35 INTRODUCTIONS AND OPENING COMMENTS

1:35-1:45 QUESTIONS COMMON TO ALL DEPARTMENTS

1. Please describe how the department responds to inquiries that are made to the department. How does the department ensure that all inquiries receive a timely and accurate response?

Response:
The Department receives public inquiries through a variety of channels that each have their own policies and protocols to ensure accurate information is provided in a timely manner. The Department's Citizen Advocate primarily handles general inquiries and communications specialists in other areas of the Department field more specific program inquiries. Additionally, there are three call centers in the Division of Motor Vehicles and one in the Taxation Business Group that respond to high volume inquiries regarding motor vehicle issues and sales or income tax obligations respectively.

Inquiries related to legislation and the Department's budgets are typically coordinated within the Executive Director's Office and open records requests and media inquiries are coordinated by the Communications Director. Inquiries are sent to staff with program expertise to develop the response. The Legislative Liaison, Communications Director, and/or Budget Staff review this response for accuracy, and solicit input from the executive management team as appropriate.

1:45-1:55 INFORMATION TECHNOLOGY DIVISION

2. The Joint Budget Committee submitted a Request for Information (RFI) to the Department with the FY 2013-14 Long Bill package that requested a report be submitted with the November 1, 2013, budget request. The requested report was associated with the Department FY 2013-14 Request #2 – DOR IT Infrastructure Enhancements. Provide an explanation as to why the Department waited until December 17, 2013, to submit the requested report?

Response:
The Department erred in its understanding of the reporting requirements of the RFI. Because the resources were provided in the FY 2013-14 budget, the Department thought the report was due in FY 2014-15. Once it was realized that the report was required to be submitted with the FY 2014-15 budget submission, the Department worked collaboratively with the Office of Information Technology (OIT) to provide a status

report of the progress made since the beginning of the fiscal year. A report was sent to the members of the Joint Budget Committee dated December 17, 2013.

3. Provide an update on the implementation of the FY 2013-14 Request #2 – DOR IT Infrastructure Enhancements. In particular, please discuss the following: (1) the progress made to-date on the implementation of the Department of Revenue's Request #2 – DOR IT Infrastructure Enhancements, including a comparison of the reliability of the new system components with the old system components; (2) data justifying the continuing budgetary support of the 22.0 FTE in OIT dedicated to serving the Department of Revenue during the implementation of Request #2; and (3) each of the specific anticipated outcomes cited in the budget submission as justifications for the project.

Response:
Attached please find a copy of the RFI response to the Joint Budget Committee dated December 17, 2013.

1:55-2:10 TAXATION BUSINESS GROUP

4. Please describe the Property Tax/Rent/Heat Credit rebate, also known as the PTC rebate, memorandum of understanding (MOU) and its current status.

Response:
The Property Tax, Rent, and Heat Rebate (PTC) Program provides rebates for property tax and heat expenses incurred by elderly or disabled Colorado residents whose income falls below Program thresholds. The Department administers the rebate program through the state income tax system. There is no memorandum of understanding (MOU) between the Department and any other state or local government entity that directs the program's implementation. State law and department policies govern the PTC Program's administration and implementation.

A portion of the money rebated through the PTC Program is credited toward the Supplemental Security Income (SSI) Maintenance of Effort (MOE). The SSI MOE is a state-spending threshold that is established by the federal government. A MOE (federal threshold) is required by certain federal grant programs such as SSI to ensure that the recipient of federal funds, or the state of Colorado, does not spend those funds in place of state and local dollars.

For Calendar Year (CY) 2013, the Colorado Department of Human Services estimates that $3.6 million of state rebates under the PTC Program will be credited to the SSI MOE. For all of Colorado's grant programs that count toward the SSI MOE, including the PTC Program, total state MOE is projected at $26.9 million for CY 2013. The federal MOE threshold is $27.3 million. Thus, the Colorado MOE deficit or shortfall in state spending on these programs is about $0.4 million. Whenever states fall below the federal MOE threshold, the federal government may waive the MOE requirement or

reduce funding for certain other federal social programs that are funded with federal and state matching funds.

5. The "Colorado Integrated Tax Architecture"(CITA) replaced the department's existing outdated tax processing systems with a single integrated system modified to ensure the department can continue to collect and process tax revenue. Provide an update on how the new system is working. Is the Department experiencing any issues with the new tax system?

Response:
The Department is statutorily responsible for administering state income, sales, excise, and other taxes. These taxes were processed by the Department using a nearly 50 year-old system that used different applications, hardware, and software platforms that were obsolete. The conversion from the Department's Legacy tax processing system to the new Colorado Integrated Tax Architecture (CITA) or GenTax system was made over a five-year period beginning in September 2007 and completed in December 2012. The new system included five phases that were completed on-time, under budget, and allowed for a transition from an antiquated, difficult-to-maintain tax processing system into a single, integrated system.

The implementation of the GenTax system has provided the following benefits:

- **Significant increase in electronic filings;**
- **Improved fraud detection;**
- **Easier data sharing;**
- **Ability to better match, verify, and query federal and state taxpayer data;**
- **Improved customer service resulting from consolidated billing processes (improvements allow taxpayers to better understand and pay outstanding state tax debts); and**
- **Increased tax revenue collections.**

The GenTax system has improved customer service for Colorado citizens and businesses that operate in the state by:

- **Improving online self-service by providing 24/7 access to selected tax and licensing accounts. For example, some activities such as one-time payments, protests, and appeals can be completed without login by entering agency-specified identification information;**
- **Ensuring information is more accurate and secure. As an example, customers are alerted to inconsistent or erroneous online entries in real time;**
- **Enhancing third-party representation. For example, customers can authorize various levels of account access and management to third-party agents such as tax preparers or accounting firms; and**
- **Making bulk submissions more efficient. Customers (and authorized agents) are now able to file taxes and make payments in bulk by uploading consolidated files.**

The GenTax implementation was successful; currently, the Department is not experiencing any issues with the new system. In addition, the Department has made continuous improvements through ongoing-testing of the GenTax system since its completion in 2012. These system improvements include the following:

- **Revising the Department's income tax notices and processes to be more responsive to CPAs and practitioner input. Also, the Department moved from an adjust-first process to an inquire-first process. Thus, ongoing-testing allowed the Department to modify notices to make them more understandable to tax professionals and non-tax persons;**
- **Updating Department correspondence to be more comprehensive and more descriptive regarding the nature of Department adjustments to tax returns;**
- **Making it easier for customers (taxpayers) to submit supporting documentation (attachments) to: tax returns, and official protests of adjustments that the Department makes to tax returns electronically via the Internet. The goal of this process is to reduce paper and improve timeliness of Department responses to taxpayers;**
- **Creating new correspondence (letter) that communicates the resolution and subsequent process tied to taxpayer protests and adjustments made by the Department; and**
- **Creating new taxes such as Marijuana taxes. These new taxes will require significant programming changes that were not possible with the old Legacy system.**

6. Are people eligible to receive a rebate from the Property, Tax, Rent, and Heat Rebate (PTC) Program also eligible to receive rebates from the federal government? How much in rebates from the federal government can people receive in addition to the rebates they receive from Colorado?

Response:
Persons who are eligible for PTC Program rebates can receive various rebates from the federal government. As an example, PTC filers can receive:

- **Veterans benefits;**
- **Federal (or state) disability payments or insurance settlements;**
- **Tier 1 & 2 Railroad Retirement benefits;**
- **AFDC or TANF money;**
- **Income from Old Age Pension; or**
- **Other certain refundable federal tax credits.**

Single PTC applicants can receive up to $6,481 in taxable federal rebates and receive $792 under the PTC rebate program, provided that they do not receive *any other* taxable income. However, if additional taxable federal rebates are received, the filer foregoes a portion of the $792 for each $1,000 of additional rebate income received. The table below shows the interaction effect between taxable federal rebates and PTC rebates.

Taxable Federal Rebates and PTC Rebates
(Single Applicants, Tax Year 2012*)

Taxable Federal Rebates	PTC Rebate
Up to $6,481	**$792**
Up to $7,481	**$660**
Up to $8,481	**$528**
Up to $9,481	**$396**
Up to $10,481	**$264**
Up to $11,481	**$132**
Up to $12,481	**$0**

***** *For 2012, married PTC applicants can receive up to $10,476 in taxable federal rebates and receive $792 under the PTC rebate program. However, PTC rebate amounts are reduced as income from taxable federal rebates exceeds $10,476.***

2:10-3:15 DIVISION OF MOTOR VEHICLES

7. Please discuss how Request 1, Request 2, Request 3, and Request 5 will help the Division of Motor Vehicles meet its strategic objectives.

   <u>Response:</u>
   The five-year DMV strategic plan provides a roadmap to achieve higher levels of performance and complements the Department of Revenue's Strategic Plan and its five goals of customer service, fiduciary responsibility, statutory responsibility, employees, and public confidence. The overall purpose of the DMV Strategic Plan is to establish a framework from which to streamline operations and increase efficiency and effectiveness in serving customers to achieve an elegant experience for both the citizens of Colorado and DMV employees. The FY 2014-15 budget requests facilitate the DMV in its efforts to achieve its strategic objectives in making improvements to the organizational structure, business processes, and information technology systems.

   Request 1 provides $6.2 million General Fund, of which $3.9 million is to finance the structural deficit in the Licensing Services Cash Fund (LSCF) and $2.3 million is to ensure the equivalent of one month of expenditures in reserve. This funding would provide the DMV the resources to fully fund its appropriation in the Long Bill. Additionally, this funding would allow the Division to fill all of its authorized positions thereby maximizing the ability to serve customers in an efficient, effective, and timely manner. Since the creation of the LSCF in 2007, the Division has been challenged to fill its Driver License Examiner (DLE) positions, which has had an adverse impact on customer service creating longer wait times and unsatisfied customers. Further, the resources provided in this request would allow the Division to meet its operational expenses including upgrading driver license offices and making investments in technology to further reduce wait times and promote customer convenience.

Request 2 provides $4,168,025 General Fund and 52.0 FTE to address improvements to its organizational structure, business processes, and information technology systems. The goal of this request is to enhance customer service by reducing wait times in driver license offices. Currently, 35% of all customers visiting a driver license office experience a service time in excess of one hour. In total, the initiatives in Request 2 are estimated to reduce customer wait times by nearly 20 minutes and reduce the percentage of customers experiencing a service time of more than one hour to 25%. The anticipated outcome of reducing wait times aligns with the Department's strategic plan of providing outstanding quality customer service.

Request 2 provides 52.0 FTE to address peak wait times or seasonal fluctuations, provide enhanced customer service, and effectively manage operations on a regional basis. This staffing initiative would address customer demand in both urban and rural driver license offices across the state as well as establish a training program to improve staff proficiency in delivering services.

Additionally, Request 2 provides $1,492,103 General Fund to expand the Wait Less queuing and office management technology to 43 driver license offices statewide. This request assists the DMV in making improvements to business processes and information technology systems. Currently 13 driver license offices utilize the Wait Less technology, which was funded through a federal grant and completed in December 2012. This request will expand from 13 to 56 offices the ability to reduce customer wait times by providing an office management system to measure and manage the efficiency and effectiveness of driver license operations in each office. The system collects vital data regarding wait times and transaction times, provides statistical information to improve office procedures, and provides on-line appointment scheduling to enhance customer convenience.

Request 3 provides $837,502 General Fund to fund salary increases associated with reclassifying 226 Driver License Examiner I, II, III, and IV positions to the Technician class series and Driver License Examiner V positions to the General Professional V classification. Only those positions with salaries that fall below the respective pay ranges for the Technician and General Professional V classifications would be eligible for an increase.

Request 3 addresses the organizational goals of the DMV to minimize turnover of the Driver License Examiner positions and to provide adequate compensation for the duties performed. This request also aligns with the Department's strategic goal to recruit, develop, retain, and value a high-quality, diverse workforce in an environment that promotes collaboration, professional development, and employee innovation.

Request 5 includes a Long Bill restructuring to more accurately and transparently reflect the organizational structure of the DMV with no net change to total appropriations, funding sources, or FTE counts. This request reduces the Long Bill Group 5, Division of Motor Vehicles, from six subgroups to three while preserving

specific program information. This streamlined format better aligns appropriations with the current organizational and programmatic structure of the DMV. It will also provide greater budget transparency by clearly identifying the full cost of providing driver and vehicle services while simplifying accounting and tracking of expenditures that are currently funded across multiple appropriations.

8. What problem is the Department attempting to fix with Request 2 "DMV Customer Service Enhancements" and in what parts of the state is the problem occurring? For the Wait-Less expansion component of Request 2, what is the life span of the queuing and data management technology? How much queue time will the Wait-Less technology help reduce on average from the current wait times in driver's license offices?

Response:
The overall purpose of the DMV Strategic Plan is to establish a framework from which to streamline operations in all driver license offices across the state and increase efficiency in serving customers. The DMV identified staffing initiatives during the Lean process improvement event in the spring of 2013. The purpose of this event was to review current business processes, identify inefficiencies, enhance customer service, and provide recommendations for improving service delivery.

The specific goals of Request 2 - DMV Customer Service Enhancements - are to improve the overall customer experience and reduce wait times through the following initiatives:

- **Customer Demand Coverage: 18.0 FTE to provide consistent staffing levels at 16 driver license offices during high volume business hours from 11:00 AM to 2:00 PM Monday through Friday;**
- **Driver License Advisors: 15.0 FTE to consistently provide greeter service and direct assistance to customers in the 15 largest driver license offices in the use of the kiosks, to validate documents needed to successfully complete transactions, to answer questions, and to assist with online renewal of driver licenses;**
- **Regional Office Staffing: 11.0 FTE to provide floating rapid response teams in each regional office to fill planned and unplanned absences and vacancies in order to ensure consistent customer service;**
- **Training Enhancements: 4.0 FTE to support each Regional Manager to ensure staff training on business processes and procedures are standardized across all driver license offices and to provide training management and oversight thereby allowing Regional Managers more time to directly serve the public;**
- **Office Hours Expansion: 4.0 FTE to support the expansion of office hours in one driver license office in the Denver metropolitan area to spread demand for driver services across more hours of operation in order to reduce wait times; and,**
- **Wait Less Expansion: Expand the Wait Less queuing and data management system to the remaining 43 driver license offices across the state in order to provide the tools necessary to measure and manage the efficiency and effectiveness of each driver license office and to provide on-line appointment scheduling for customers across the state.**

The installation of Wait Less kiosks and queuing technology in 13 Front Range driver license offices has enabled the division to capture and analyze wait time and transaction time data. This data is used to create performance metrics for the DMV. Currently, on average 65 percent of customers visiting a driver license office experience a service wait time in excess of one hour. Although customer wait times in driver license offices across the state are a concern, the DMV has no systematic way to collect and analyze this data in the remaining 43 offices. Expanding the Wait Less technology will allow each office to have access to this data to make the necessary improvements in the delivery of services to the public through active management, redeployment of resources as needed, and identification of services that might need additional attention. It is through those activities, rather than the implementation of the Wait Less technology by itself, that will contribute to a reduction in wait times. The Wait Less technology will enable tracking of wait times more accurately, which will allow management maximum flexibility in adjusting activities that will positively impact customer wait times. In addition, the system also provides on-line appointment scheduling for customers who choose to utilize this feature allowing the customer to be serviced at the scheduled appointment time without waiting.

The Wait Less system uses a web-based platform. The Department has an annual software upgrade/maintenance contract with the vendor to ensure that the technology remains current and relevant for the foreseeable future. The kiosks house the hardware for the system and have a three-year warranty, which expires in October 2014. At that time, the Department will consider the available extended warranties/maintenance plans. The expected useful life of the hardware in the kiosks (monitor, keyboard, and printer) is 5-7 years.

9. Describe the "Training Enhancements" portion of Request 2. Are the Program Assistant II positions going to train new staff in driver's license offices? Why are experienced driver's license examiners not asked to step in and help with the training of new staff?

<u>Response:</u>
Request 2 provides $262,826 General Fund and 4.0 FTE to hire Program Assistant II positions as trainers to provide support to each of the four regional offices. These positions will be expected to train new DLE positions. Currently, there is one trainer on staff. New employees are required to spend five days receiving basic system training in the Denver Central office. After receiving the basic training, new employees start six-month on-the-job training working under the direct supervision of a Regional Manager, supervisor or lead worker. During this timeframe the new employee is certified in 19 different processes and must pass a written and practical assessment.

With the addition of qualified, dedicated trainers, experienced DLE positions or Regional Managers can shift their focus to serving customers full-time. Given the average number of DLE positions that turnover on an annual basis of 47, it takes 282 months to train 47 new DLE positions each year. Providing training resources in each region would result in the following: (1) dedicated on-site training staff; (2) better

trained employees; (3) reduced customer wait times; (4) reduced timeline to fully train new employees; and (5) reduced travel expenses. Additionally, training resources would also allow the DMV to more efficiently and effectively communicate and implement changes to business processes and procedures and state and federal law as well the utilization of new technology.

10. Regarding Request 3 "DMV Driver License Examiner Reclassification", has the work that driver's license examiners perform changed/gotten more complicated to merit the re-classification to technicians? Does the Department have evidence that higher pay will reduce the turnover rate of driver's license examiners? Would the Department be able to report to the General Assembly in one to two years on the success of this initiative if it is funded?

    Response:
    Driver License Examiners have the enhanced responsibility of identifying and analyzing both domestic and foreign documents for authenticity, accuracy, and completeness per federal and state requirements before issuing a document that provides access and availability to many services and benefits, and requires a higher-level of decision making and complexity. As a result of the requirements of the REAL ID Act, Driver License Examiners must evaluate documents to ensure that an applicant can demonstrate lawful presence, identity, name, and age. The Technician series supports the elevated decision making and complexity required of a Driver License Examiner. The Department expects that properly classifying these duties will lead to more appropriate compensation and improved retention. Per the request of the General Assembly, a report on the success of this budget initiative could be provided by the Department by comparing turnover rates in subsequent years with historical data.

11. Regarding Request 3, does changing the classification of driver's license examiners to technicians create a problem with the ability for employees to advance within their classification series? For example, will technicians be able to promote to general professionals as easily as a driver's license examiner IV would have been able to promote to driver's license examiner V?

    Response:
    The current Driver License Examiner series and Technician series each have five levels of classification. Once hired, the ability to move through the Technician series will be no different than the current ability to move through the Driver License Examiner series up to the General Professional V classification. The General Professional V position will be a Regional Manager and responsible for managing on average nine driver license offices. The requirements for a General Professional V could be viewed as more stringent than the requirements for a current Driver License Examiner V because the General Professional V requires a college degree. However, this does not preclude a Driver License Examiner the ability to substitute work experience for education on a year-for-year basis. The knowledge and work experience required for a General Professional V is no different than what is required today for a Regional Manager.

12. Regarding Request 5 "DMV Appropriation Restructure", are any of the current sub-divisions within the Division of Motor Vehicles referenced by name in statute and would statute need to be amended if these sub-divisions are abolished?

    Response:
    None of the current sub-divisions, as delineated in the Long Bill, are referenced by name in Title 42 of the Colorado Revised Statues. No statutory changes are necessary to create the new sub-divisions requested in Request 5 - DMV Appropriation Restructure. The three programs specifically named in statute - motor vehicle investigations unit (42-1-222 C.R.S.), ignition interlock program (42-2-132.5 C.R.S.), and the motor vehicle insurance identification database (42-7-604 C.R.S.) - do not need statutory changes for the requested sub-division realignment. It is important to note that although the Ignition Interlock Program would be included in the new Driver Services subgroup, the identity of the program would be retained in a separate line item. The same is true for the Motorist Insurance Identification Database Program and Vehicle Emissions. Both programs would be included in the new Vehicle Services subgroup, but each program would be retained in a separate line item.

13. Provide a detailed analysis showing the impact of the proposed legislation on the Licensing Services Cash Fund (LSCF). In particular, provide a fund balance and cash flow analysis of the LSCF as a result of allowing the fund to keep its fund balance rather than sweeping it into the HUTF.

    Response:
    The reserve requirement for the LSCF is 16.5 percent of the amount appropriated in the fund per 42-2-114.5 C.R.S. As shown in Appendix A on page 25 of the FY 2014-15 Staff Budget Briefing Document, $2,095,728 in excess of the reserve requirement was swept to the HUTF in FY 2010-11. This was the only time a sweep to the HUTF occurred in the LSCF. Since that time, revenues have remained or are projected to remain relatively flat and are insufficient to fully support the appropriation or maintain the statutorily required reserve balance. In FY 2011-12, the LSCF balance was $144,388 below the reserve requirement, however, in FY 2012-13, the fund balance was $1,729,522 below the reserve requirement. In FY 2013-14, the Department projects there will be a minimal fund balance in the LSCF due to declining revenues.

    In years when revenue has been insufficient to support the appropriation, the DMV has had to reduce expenditures by holding positions vacant and decreasing operating expenses because the Department does not have fee setting authority for fees that support driver services. This occurred in FY 2009-10 and FY 2013-14 and is expected to occur in each year thereafter unless the gap between the LSCF appropriation and revenue is financed with General Fund or fee increases. Consequently, in years when revenue exceeds the reserve requirement, the excess revenue could be used to stabilize the LSCF during periods when revenue is insufficient to fund the appropriation. This would allow the DMV the ability to maintain a consistent level of staffing without having to hold positions vacant in order to maintain positive cash flow as is occurring this fiscal

year. Currently, the DMV is holding 34.0 FTE vacant in order to align expenditures with projected revenue.

It is important to note that while the LSCF balance in excess of the reserve requirement gets swept to the HUTF per state statutes, the LSCF is NOT a subaccount of the HUTF. Because the Department does not have fee setting authority for fees that support driver services, deleting the sweep language when revenue is in excess of the reserve requirement would accomplish several goals: (1) allow the LSCF to retain fees collected from the issuance of driver licenses to support driver services provided; (2) maintain a fund balance to support longer-term investments in technology, facilities, and staff to enhance the provision of services to the public; and (3) maintain consistent level of services during times of decreased revenue.

Many of the Department-managed cash funds do not have statutory provisions requiring sweeps of fund balances in excess of reserve requirements. Instead, if a fund balance is in excess of the reserve requirement, the Department is required to develop a plan to reduce the excess fund balance and report to the Office of the State Auditor on an annual basis. The Department would advocate that if LSCF revenues exceed the statutory reserve requirement, the Department be required to report to the Office of the State Auditor with a plan to reduce the excess fund balance.

14. How often has the Licensing Services Cash Fund operated with a deficit since the fund was created? Provide an explanation of what caused the fund to operate in deficit for every instance that it occurred.

<u>Response:</u>
According to State of Colorado Fiscal Rule 7-1, the Department is prohibited from operating with a negative fund balance. While the Department may have periodic negative cash flow in the LSCF, the fund balance must remain positive throughout the fiscal year. If the fund balance is projected to go negative in any fiscal year, the Department would need to seek a working capital loan from the State Treasurer. However, the loan would need to be paid back in the same fiscal year with current revenues. Additionally, state fiscal procedures (Chapter 5, Section 3) indicate that deficit cash balances not supported with an approved working capital loan or advance would constitute an unauthorized use of General Purpose Revenue Fund cash. This unauthorized use may result in interest charges to the state agency with the deficit and may result in other remedies that may include the suspension of activity from the deficit cash account. The Department has never sought a loan for the LSCF because revenue has not only been insufficient to support its appropriation, it would be insufficient to pay back a loan.

Because the Department does not have fee setting authority for the fees that support driver services and in order to ensure a positive fund balance in the LSCF, the Department has had to significantly reduce expenditures by holding positions vacant, delaying equipment purchases, postponing facility improvements, and suspending

technological investments. These actions were taken in FY 2009-10 when the LSCF had to make a statutory required transfer of $2,589,894 to the General Fund for budget balancing purposes. In FY 2013-14, due to declining revenues, the DMV is again forced to significantly reduce spending by holding positions vacant and reducing operating expenditures in order to align spending with projected revenue. Currently, the DMV is holding 34.0 FTE vacant that are funded completely or partially from the LSCF.

15. What is the fiscal impact of the proposed Joint Budget Committee legislation going to be?

<u>Response:</u>
The DMV Modernization Bill in conjunction with the Department's FY 2014-15 budget request and capital construction request supports the DMV strategic plan. It is important to note that House Bill 12-1216, which extended the authorization to utilize fees from driver's licenses, learner's permits, commercial driver's licenses, and identification cards to fund DMV operations, expires on June 30, 2015. The DMV Modernization Bill does not address the expiration of this statutory provision.

Instead the DMV Modernization Bill includes several statutory changes to accomplish the following: (1) realign fees with services; (2) consolidate cash funds to maximize efficiencies; (3) remove statutory requirements for cash fund balances to be swept to the HUTF; and (4) extend electronic renewal of driver's licenses to two consecutive renewal periods. The purpose of this bill is to increase budget transparency, simplify the sources of funding for the DMV, better align fees with services provided, retain cash fund balances to support DMV operations for which the fees are imposed to support, and provide customer service enhancements.

The Department is seeking six statutory changes. The following includes a summary of each legislative change and the fiscal impact of each change.

1. **Identification Security Fund (IDSF): No fiscal impact. The purpose of this change is to reflect the full cost of issuing a driver's license including security costs in the price of a driver's license and identification card. The $0.60 currently imposed on a driver's license and identification card for the purpose of enhancing security would remain unchanged. However, the IDSF would be eliminated and the fee would be credited to the LSCF instead of the IDSF on a permanent basis. The statutory change would clarify that the $0.60 fee be imposed on a commercial driver's license, learner's permit, and duplicate documents as well. Additionally, this change would transfer the IDSF balance to the LSCF upon the signature of the Governor or June 1, 2014, whichever comes first.**
2. **Motorist Insurance Identification Account (MIIA): No fiscal impact. The purpose of this change is to align the cost of the administration and enforcement of the motorist insurance identification database program with the registration activities supported by CSTARS. The $0.10 motorist insurance identification fee, which is paid at the time of registration, would remain unchanged. The MIIA**

would be eliminated and the fee would be credited to the CSTARS Account rather than the MIIA on a permanent basis.

3. **Licensing Services Cash Fund (LSCF): No fiscal impact. The purpose of this change is for the LSCF to retain fees collected to support the services provided. This statutory change deletes the provision that requires a sweep of the LSCF balance less 16.5% of the appropriation to the HUTF. However, the LSCF is not a subaccount of the HUTF. In the history of the LSCF, only one sweep occurred in FY 2010-11 whereby $2.1 million was swept to the HUTF. There is a fiscal impact to the LSCF and to the HUTF only if the fund balance is projected to be in excess of the reserve requirement. At this time, projections show that no excess fund balance will occur in the near future.**
4. **License Plate Cash Fund (LPCF): No fiscal impact. The purpose of this change is for the LPCF to retain fees collected to support the services provided. The fund pays the full costs of producing and distributing license plates and tags and receives revenue to fully offset these costs when the license plates and tags are sold. Typically, this revenue is generated 6-9 months after the costs are incurred. Since the LPCF pays for these costs up front, any diversion of revenue creates a shortfall in cash flow and in the fund balance over time. This problem is exacerbated when license plate inventory is low. This statutory change deletes the provision that requires a sweep of the LPCF balance to the HUTF. This fund is not a subaccount of the HUTF and there is no reserve requirement. There is a fiscal impact to the LPCF and to the HUTF only if there is a fund balance projected at the end of the fiscal year. In FY 2012-13, the fund balance was minimal and is expected to be minimal in subsequent fiscal years.**
5. **Reinstatement Fee: No net fiscal impact. While the total reinstatement fee of $95 remains unchanged, the distribution of the fee is proposed to change. The fee credited to the DLARA would increase from $60 to $73 and the fee credited to the FTDDOA would decrease from $35 to $22. The purpose of this change is to ensure sufficient revenue in the DLARA and to minimize transfers from the HUTF. The FTDDOA has sufficient fund balance whereby this proposal would spend down the fund balance in four years. At that time an analysis of the reinstatement fee would need to occur to ensure sufficient revenue to fund the activities supported by both the DLARA and FTDDOA.**
6. **Driver's License Electronic Renewal: No fiscal impact. This statutory change would modify the electronic renewal of driver licenses to be available for two consecutive renewal periods (10 years) as opposed to every other renewal period. This change is expected to enhance customer service by allowing qualified drivers to renew online for two consecutive periods, thereby having a positive impact on wait times in driver license offices.**

16. Provide an analysis of how the LSCF legislative proposal interacts with Department Request 1, Request 2, and Request 3. In other words, if the proposed legislation is adopted, what impact will it have on the Department's need to fund FY 2014-15 change requests R1, R2, and R3 with General Fund versus LSCF revenues?

Response:
The proposed legislation to delete the provision requiring a sweep of the LSCF balance in excess of the reserve requirement would have no impact on the Department's request to fund FY 2014-15 change requests R1, R2, and R3 with General Fund instead of LSCF revenue. The Department anticipates the LSCF balance will have a minimal balance at the end of FY 2013-14 and be significantly below the reserve requirement by $3.9 million. As the Department noted in R1, of the $6,200,000 General Fund requested, $3,900,000 is to finance the structural deficit in the LSCF and $2,300,000 is to ensure the equivalent of one month of expenditures in reserve for FY 2014-15 as the FY 2013-14 year-end fund balance is expected to be minimal.

Based on LSCF revenue projections for FY 2014-15 and thereafter, there are insufficient funds to finance R1, R2, and R3 on an ongoing basis. Because the Department does not have fee setting authority for fees that support the LSCF, there is no other option to finance these initiatives other than to request General Funds. House Bill 12-1216, which extended the authorization to utilize fees from driver's licenses, learner's permits, commercial driver's licenses, and identification cards to fund driver services, expires on June 30, 2015. At that time, the General Assembly would need to decide how best to finance driver services on a permanent basis.

17. Regarding the Department's legislative request of the Joint Budget Committee, why is the Department bringing forth an idea that does not resolve the issue in the long term? Provide an analysis of the long term impact of the fee changes.

Response:
The Department is assuming this question is directed toward the legislative initiative to adjust the fee distribution of the reinstatement fee. As noted in the response to Question #15, the Department is proposing changing the fee distribution of the reinstatement fee by increasing the fee credited to the DLARA from $60 to $73 and decreasing the fee credited to the FTDDOA from $35 to $22. While this solution is not permanent, it is projected to address the revenue shortfall in the DLARA while spending down the fund balance in the FTDDOA for the next four years. See Attachment A. The Department did not propose to increase the reinstatement fee because the Department does not have fee setting authority to do so. Since House Bill 12-1216 expires on June 30, 2015, as noted above, the General Assembly could address the reinstatement fee at that time or prior to FY 2018-19.

18. Provide an analysis of what additional measures would need to be taken for Driver and Vehicle Services to be completely cash funded without needing a General Fund subsidy.

Response:
In order to fully cash-finance the LSCF appropriation and maintain a fund balance as proposed in R1 as well as cash-finance R2 and R3 as requested in the FY 2014-15 budget, the cost of a driver license would total $30.34, an increase of $9.34 based on the average number of driver license documents projected to be issued in FY 2014-15 and

thereafter. Please see Attachment B for a cost analysis of a driver license document. In addition the attached map compares driver license fees by state. Because the Department does not have fee setting authority to increase the cost of a driver license, a statutory change would be required.

19. Why is the Department proposing a short-term fix for funding the shortfall in the Driver's License Administrative Revocation Account (DLARA)?

Response:
State statutes per Section 42-2-132 (4) (b) C.R.S. establishes a fee for the reinstatement of a suspended driver's license. The fee is $95, of which $60 is credited to the Driver's License Administration Revocation Account (DLARA), a subaccount of the HUTF, and $35 is credited to the First Time Drunk Driving Offender Account (FTDDOA), also a subaccount of the HUTF. The fee credited to the DLARA was last increased in S.B. 03-192, while the fee credited to the FTDDOA was established in H.B. 08-1194.

In the FY 2013-14 JBC Staff Budget Briefing, staff recommended that the Joint Budget Committee discuss the revenue deficiency in the DLARA and consider sponsoring legislation that would alter the statutory distribution of the fee for the reinstatement of driver licenses and/or transfer moneys from the FTDDOA to the DLARA on an annual basis. Staff analyzed three options: (1) do nothing; (2) adjust the distribution of the fees by increasing the fee credited to the DLARA from $60 to $72.50 and decreasing the fee credited to FTDDOA from $35 to $22.50; and (3) transfer a portion of the FTDDOA fund balance to the DLARA for a specified number of fiscal years. Staff noted that none of the options posed were a permanent solution and, consequently, the reinstatement fee would have to be increased or program funding would have to be reduced in order for the DLARA to maintain a positive fund balance.

The Department proposed to address this issue in the DMV financing plan, which includes both budget and legislative initiatives. Because the Department does not have fee setting authority to adjust the reinstatement fee, the Department proposes to change the fee distribution, instead. The Department is proposing the portion of the fee that gets credited to the DLARA be increased from $60 to $73 and the fee that gets credited to the FTDDOA be decreased from $35 to $22. While not a permanent solution, the proposal does provide a mid-term solution. The proposal is similar to the JBC staff proposal from the previous year. See Attachment A for a projected cash flow for the DLARA and the FTDDOA through FY 2018-19. As shown, with the proposed fee adjustment both accounts maintain a positive fund balance for the next four years. This assumes, however, that the transfer from the FTDDOA to CDOT to pay for high-visibility drunk driving law enforcement activities remains at $1.5 million per year.

If the Joint Budget Committee is seeking a permanent solution, there are several options that could be pursued. The committee could propose to adopt the Department's solution to fund the DLARA and FTDDOA through FY 2017-18 and then propose an increase to the reinstatement fee to cover the DLARA and FTDDOA projected program expenses

effective in FY 2018-19. Since the current DMV financing strategy expires at the end of FY 2014-15, the permanent financing of the DLARA and FTDDOA could be addressed at that time.

20. What are the annual revenues to the First Time Drunk Driver Offender's Account? Have revenues leveled off? If so, why? Are judges waiving surcharges? Is the annual revenue expected to stay at the current level? What is the Department's goal with the First Time Drunk Driver Offender's Account?

<u>Response:</u>
After receiving a high of $ 3,179,104 in FY 2009-10, revenues to the FTDDOA have declined slightly. The table below shows actual and projected revenue in the FTDDOA through FY 2017-18.

FTDDOA Actual and Projected Revenue

Fiscal Year	Total Revenue	Status
FY 2008-2009*	$ 2,515,329	Actual
FY 2009-2010	$ 3,179,104	Actual
FY 2010-2011	$ 3,013,063	Actual
FY 2011-2012	$ 2,852,728	Actual
FY 2012-2013	$ 2,782,192	Actual
FY2013-2014	$ 2,869,909	Projected
FY2014-2015	$ 2,848,328	Projected
FY2015-2016	$ 2,826,747	Projected
FY2016-2017	$ 2,805,167	Projected
FY2017-2018	$ 2,783,586	Projected

*Receipts received in September 2008

With the implementation of HB 12-1240 on January 1, 2014, the number of drivers who qualify for financial assistance from the FTDDOA is expected to increase. This bill allows persistent drunk drivers to qualify for early driver license reinstatement if they agree to use an interlock device. Currently, the fund only provides financial assistance to first time offenders. Judicial actions do not have any effect on receipts to the FTDDOA.

The Department's goal with the FTDDOA is to address the shortfall in the DLARA per the request of the Joint Budget Committee. At the Department's JBC Hearing for the FY 2013-14 budget, the JBC asked the Department to resolve the deficits incurred in the DLARA. This proposal resolves annual deficits in the DLARA by changing the distribution of the reinstatement fee for the next four years. Because the Department

does not have fee setting authority to change the reinstatement fee, the General Assembly would need to provide a more permanent solution at that time.

21. How does the Department's Capital Construction request titled "Division of Motor Vehicle-Driver License, Record, Identification, and Vehicle Enterprise Solution" fit within the Department's strategic plan as well as Request 1, Request 2, Request 3, and Request 5?

    <u>Response:</u>
    The FY 2014-15 capital construction request - Colorado DRIVES - is an integral part of the DMV's Strategic Plan and complements the budget requests and DMV Modernization legislation. All combine to enhance customer service with the objective of reducing wait times in driver license offices. The Driver License System (DLS) and the Colorado State Titling and Registration System (CSTARS) utilize outdated or obsolete technology and experience frequent failures causing both applications to be unavailable for significant periods of times thereby impacting customer service and staff productivity. Additionally, the systems lack functionality limiting the ability to deliver services to the public and manage driver and vehicle service operations efficiently. The systems also impose security risks and lack flexibility to implement programming changes to be compliant with federal and state law.

22. How did the Department determine that the capital construction request for the replacement of the Driver License System (DLS) and the Colorado State Titling and Registration System (CSTARS) is the best solution for the systems? Did the Department consult with the Governor's OIT?

    <u>Response:</u>
    The Department and the Office of Information Technology worked collaboratively over the last two years to plan for the modernization and/or replacement of the DLS, CSTARS, and supporting systems. Both agencies contributed to the Motor Vehicle Infrastructure Analysis completed in 2012, which provided an assessment of the current state of the motor vehicle information technology infrastructure. The study documented, inventoried, and accounted for all systems and infrastructure components that drive and support the DLS and CSTARS. In 2013, the Department and OIT worked closely with a consultant that conducted an environmental scan to identify viable options to modernize or replace the DLS and CSTARS. Five options were analyzed to assess whether they satisfied the technical, business, and operational goals of the DMV, one-time and ongoing costs, and project operational impacts. The analysis provided the strengths and weaknesses and costs to implement each option. The study included peer state findings relative to DMV system implementation and findings of vendors and solutions offered in recent years. Additionally, the DMV and OIT contacted several states to obtain information on project plans, costs, and implementation schedules. Based on this information, the Department and OIT determined that replacing the DLS, CSTARS, and supporting systems is the optimal solution. The request supports an OIT-managed vendor-provided solution in a state-hosted environment with a three-year implementation schedule. The DMV Technology Steering Committee and executive

management from the Department and OIT have been meeting for several months. The Departments will continue to partner throughout project implementation as both are expected to assign a significant number of staff to support the project from inception to completion as well as participate on the DMV Technology Steering Committee and the Business Process and Technical Committee as well as the RFP evaluation committee.

23. How was the cost estimate calculated for the Division of Motor Vehicles enterprise solution capital construction request?

    Response:
    The cost estimate for the software solution related to the capital construction request was determined jointly by the Department and OIT in conjunction with a review of projects from peer states and findings of vendors and solutions offered in recent years per the environmental scan project completed in June 2013. The estimate, which totals $45.0 million, is based on full replacement of the DLS, CSTARS, and supporting systems.

    The cost estimates for equipment totaling nearly $18.0 million were based on the assumption of a state-hosted environment. This includes hardware, software, storage, backup, licenses, and communication fees needed to support this environment.

    The cost estimates for Contract/Professional Services totals nearly $12.2 million and includes the following: $5.0 million to plan, design, support, and monitor the hosted-environment for the new application based on OIT's costs to support similar applications; $1.1 million to fund an off-site lease to house developers, testers, and trainers for the life of the project based on the cost of leased space near the Pierce facility and similar space requirements of the CITA project; $200,000 for training based on current costs for the CSTARS trainers; and nearly $2.3 million for IV&V based on 5 percent of the product purchase price as determined by the OIT Project Management Office for a vendor-provided solution.

    Additionally, the project contingency totals $4.3 million, which represents 5 percent of the total project cost per the Executive Branch Capital Construction Submission Instructions for all new projects. The cost estimates for Department and OIT backfill staff is provided in question #24.

24. Discuss the OIT and Department staff backfill component of the cost for the Division of Motor Vehicles enterprise solution capital construction request. Why is staff backfill necessary?

    Response:
    The capital construction request includes funding for backfill for both the Department and OIT staff. Providing backfill support for existing staff is critical to the success of the project and to maintain existing operations and the provision of services to the public.

The CITA project, which was successfully completed in December 2012, utilized staff to backfill for the business and OIT due to the length and time commitment of the project. In 2007, the Department underwent a review of its ability to meet the staffing demands of the CITA project and a project readiness assessment conducted by a consultant. The study concluded that there are several factors critical for the success of the CITA project. These included Project Management and a Project Team with the latter being identified as the largest risk for the project.

In the CITA project, specific Department and OIT staff was identified to support the project throughout its duration to assist in writing business requirements and definitions, system design, user acceptance and system testing, and updating or changing business processes and procedures. As this staff was utilized on the project, current work assignments still had to be performed and it was not reasonable for this staff to fulfill their project responsibilities and simultaneously perform their regular work assignments.

There were multiple lessons learned reports conducted on the CITA project with at least one conducted after the end of each phase of the project. The CITA Lessons Learned Brief for the EGC dated December 2012 provided highlights of what the Department and vendor have determined to be best practices implemented in the CITA project that are planned to be applied, to the extent possible, to the DRIVES project. These include the following: (1) strong support from executive leadership; (2) strong business project sponsor; (3) strong project governance and steering committee and technical committee oversight; (4) sufficient DOR and OIT project managers; (5) adequate number of well-qualified project team members; (6) sufficient DOR and OIT backfill staff; (7) sufficient budget and project preparation; (8) commercial off-the-shelf solution; (9) minimal customization; (10) system-enabled business process reengineering; (11) proven and experienced implementer; (12) knowledge sharing; (13) iterative implementation methodology; (14) utilization of a comprehensive data conversion and verification strategy; and (15) utilization of IV&V.

The capital construction request calculated backfill costs for Department staff by utilizing the state's compensation plan for specific position titles based on a full-time equivalent calculation, and current contractor hourly rates for OIT backfill staff. The intent of requesting backfill resources is to hire staff on a temporary basis to provide backfill for those permanent Department and OIT staff assigned either full-time or part-time to the project throughout its duration.

25. How do other states fund their driver's license offices/divisions?

<u>Response:</u>

There is not a comprehensive report that provides information on how other states fund driver license or motor vehicle registration operations. Other state DMVs operate as independent departments or as part of the Departments of Public Safety, Revenue, or Transportation. In some cases, the Driver's License Unit operates in a different

department than the Motor Vehicle Title and Registration Unit. Based on conversations with other DMV administrators, driver license and motor vehicle registration operations are primarily funded by general state revenue, fees or transportation-related funds.

26. How do Colorado driver's license fees compare to fees charged in other states?

<u>Response:</u>

Please see the attached map for a comparison of driver license fees by state. Currently Colorado's driver license fee is $21.00 and the national average is $31.00. According to the attached map, 33 states have driver license fees higher than Colorado, two states have the same fee as Colorado of $21.00, and 14 states have fees less than Colorado.

27. Are there states that offer "glamour photography" for driver's licenses at an extra fee? Would providing an option for "glamour photography" provide additional revenues to the Division?

<u>Response:</u>

To the best of our knowledge, no state offers glamour photography or allows a driver license/identification card applicant to provide their own digital image for the document. One of the primary uses of a state-issued driver license/identification card is to provide law enforcement with an accurate representation of an individual's appearance. Glamour photography or other types of non-standard photography can present an altered and/or enhanced image of an individual. Facial recognition software requires a standard, everyday image of an individual to provide accurate, useful results. Additionally, alternative photography is not an option at this time for states in compliance with REAL ID.

To prevent fraud, the DMV uses standard facial recognition software, which requires a standard, full frontal pose to execute the match function properly. An applicant's image, taken using the photographic equipment at the DMV office, runs through a counter check against every stored image associated with that applicant's demographic information (also called a 1:1 check).

Current state statute per Section 42-2-114 (1) (a) (III) (A) C.R.S. requires a driver's license "shall bear thereon the following: (A) the photograph of the licensee, which shall be taken and processed with equipment leased or owned by the department." Section 42-2-114 (6) (a) C.R.S. states "A photograph showing the full face of the licensee shall be affixed to every driver's license and minor driver's license issued under this section." Identification cards have the same image requirements as stated in Section 42-2-303 (1) (a) C.R.S.

REAL ID standards per Title 6, United States Code, §37.17 (e) (1) - REAL ID Driver's Licenses and Identification Card - requires compliance with ISO/IEC 19794-5:2005. ISO/IEC 1974-5:2005 specifies scene, photographic, digitization, and format requirements for images of faces to be used in the context of both human verification and computer automated recognition. The approach to specifying scene and

photographic requirements in this format is to carefully describe constraints on how a photograph should appear rather than to dictate how the photograph should be taken. The format is designed to allow for the specification of visible information discernible by an observer pertaining to the face, such as gender, pose, and eye color. The digital image format can be either ISO standard JPEG or JPEG2000. Finally, the best practice appendices provide guidance on photo capture for travel documents and face recognition performance versus digital compression. Further, specifications for driver's license images are stated in Federal Register/Vol. 73, No. 19/Tuesday, January 29, 2008, pp. 5272-5340 and the American Association of Motor Vehicle Administrators' AAMVA2013 Card Design Standard.

The Department does not have fee setting authority for driver's licenses or identification cards. These fees are set in statute per Section 42-2-114 (2) (a) (I) (A) C.R.S.

28. Provide figures detailing compliance rates with the use of ignition interlock devices.

Response:

The DMV tracks the number of active interlock device leases rather than usage data by person. A driver who is required to have an interlock device may change vendors during the time their license is restricted resulting in a greater than one-to-one correlation between the number of leases and the number of drivers who have interlock devices. Vendors of interlock devices submit data weekly to the Interlock Program. A driver in the program is "non-compliant" if the vendor reports three or more blood alcohol violations (.025 BAC) during a rolling 12-month period.

The data in the following table represents reports from unique devices that were active during the fiscal year, not unique drivers.

FY	Interlock Devices with 3 or More Failed Reports	Number of Interlock Devices Installed during FY
FY11	2,541	17,308
FY12	3,135	18,571
FY13	3,178	19,211

3:15-3:25 BREAK

3:25-4:15 ENFORCEMENT BUSINESS GROUP

29. Provide an update on the implementation of the Marijuana Enforcement staffing plan, where does the Department currently stand?

<u>Response:</u>
On July 1, 2013, the Division had 17.0 FTE. Currently, the Division has 27.0 FTE. The majority of the staffing is in the licensing and background investigation units. This aligns with phase I of the Division's staffing plan.

The Division is now focused on phase II of the staffing plan, which involves hiring personnel for field enforcement and the satellite offices. Currently, the Division has 18.0 FTE in various stages of the hiring process. The Division anticipates filling the majority of these positions by the end of February. The remaining 10.0 FTE associated with phase II of the staffing plan include staff to support satellite offices, additional compliance/audit staff, and a law enforcement liaison position. The Division intends to fill these remaining positions by the end of the fiscal year.

The staffing plan supports the opening of various satellite offices across the state. The Colorado Springs office is set to open in January while the northern Colorado office is expected to open in March 2014 and the western slope office is expected to open by the end of the fiscal year. The Marijuana Enforcement Division is in varying stages of identifying locations for the western slope and northern Colorado offices. A location in Grand Junction for the western slope office has been identified and an office location in northern Colorado is still being explored, but efforts are focused on the Longmont/Firestone area near the I-25 corridor. Each of these offices will be staffed with compliance investigators, criminal investigators, and administrative staff. The satellite offices will be capable of processing occupational licenses for the marijuana industry.

30. The Department's Marijuana Cash Fund report projects that the Marijuana Cash Fund will receive $39.3 million in additional state sales tax revenues from the taxation of retail marijuana in FY 2013-14. Provide an analysis of the updated Department assumptions that show higher revenues to the Marijuana Cash Fund than during the writing of the November 2013 Ballot Initiative.

<u>Response:</u>
Many revenue projections for the Marijuana Cash Fund were developed early in the process. Since that time the Department has developed a comprehensive revenue projection model for both medical and retail marijuana. The model includes revenue estimates for application and license fees, sales taxes, and excise taxes. Additionally, the model includes numerous assumptions and utilizes various economic and control variables. Due to the unpredictability of the marijuana market, the revenue projection model will be refined over time based on the most current data derived from the Marijuana Enforcement Division, the marijuana industry, and the marijuana market study.

For FY 2013-14, the Department estimates the following: $11.4 million in state excise tax revenue will be generated for the School Capital Construction Fund; $39.1 million in retail sales taxes (state share), medical sales taxes, and retail and medical marijuana

application and license fees all of which will be credited to the Marijuana Cash Fund; and $2.9 million for the local share of the state retail sales taxes.

The Department's model includes numerous assumptions that impact the amount of revenue projected to be generated in the next few fiscal years. These assumptions include the following: (1) consumption patterns and frequency of consumption for residents and visitors and medical marijuana patients; (2) population growth; (3) number of medical marijuana businesses applying for retail marijuana licenses; (4) number of new entrants into the retail marijuana market; (5) local jurisdictions regulation of retail marijuana; (6) medical and retail marijuana license and application fees; (7) average market wholesale and retail prices; (8) transfer of flower from medical marijuana to retail marijuana; (9) production caps; (10) business failure rates; and (11) results from the MED market study. Additionally, the following economic and control variables were utilized in the model: (1) age dispersion of Colorado's population; (2) Colorado migration population; (3) Colorado's unemployment rate; (4) U.S. unemployment rate; (5) U.S. personal income; (6) U.S. retail sales and food services; (7) crude oil price per barrel; (8) medical marijuana patient population; and (9) Colorado beer consumption in gallons.

31. Provide an updated cash fund report for the Marijuana Cash Fund showing the Department's analysis of revenues, expenditures, fund balance, and target reserve.

Response:
Please see Attachment C for an updated Marijuana Cash Fund cash fund report.

32. Discuss H.B. 13-1317 and H.B 13-1318 in the context of the funding balance of the Marijuana Cash Fund. Why is the Department not reflecting disbursements from the Marijuana Cash Fund for functions defined within H.B. 13-1317 and H.B. 13-1318?

Response:
With the passing of Proposition AA on November 5, 2013, the Department intends to provide the JBC with an updated FY 2014-15 reconciliation of the Department's budget request that includes House Bill 13-1318 appropriations and annualizations. Proposition AA included a 10.0 percent sales tax on all retail sales of retail marijuana and marijuana products in addition to Colorado's 2.9 percent state sales tax. Of the revenue generated from the 10.0 percent sales tax, 85.0 percent will be deposited in the Marijuana Cash Fund to fund state regulation and enforcement of retail marijuana businesses, and 15.0 percent of the revenue will be proportionally distributed to local jurisdictions that allow retail marijuana sales in accordance with Section 39-28.8-203 (1) (a) (I) C.R.S.

In a letter to the JBC, the Department will be requesting $2,909,431 General Fund (I) in FY 2013-14 to provide a mechanism for the distribution of retail marijuana sales tax collections to local governments for informational purposes pursuant to Section 39-28.8-203 (1) (a) (V) C.R.S. The requested amount is based on the Department's projected retail marijuana sales tax collections from January through June 2014. The Department

will request the creation of a new line item in the Long Bill under (4) Taxation Business Group, (E) Special Purpose entitled Retail Marijuana Sales Tax Distribution to Local Governments.

33. What is the Department plan for spending down the fund balance in the Marijuana Cash Fund?

    <u>Response:</u>
    Other than ensuring adequate funds to fully support the appropriation of the Marijuana Enforcement Division as well as the appropriations received by other state agencies as delineated in the Long Bill, special bills, or state statutes, the Department does not have a plan to spend down the fund balance in the Marijuana Cash Fund. The Department defers to the General Assembly regarding the use of the excess monies in the Fund.

34. Does the Department intend to submit a Budget Amendment to change the expenditures out of the Marijuana Cash Fund as a result of the passage of Proposition AA?

    <u>Response:</u>
    At this time, the Department does not intend to submit a budget amendment to increase the appropriation for the Marijuana Enforcement Division. From the Department's perspective, a request for additional spending authority from the Marijuana Cash Fund would be driven by an analysis of the Division's workload associated with an increase in new applications for retail marijuana licenses. The Division has implemented a notice of intent effective January 2014 whereby new retail marijuana license applicants can give notice of their intent to apply for a license in July 2014. This notice of intent process comports with the requirements found in HB 13-1317 and will provide the Division with critical data to assess future resource needs. At that time the Department will determine how best to proceed given the number of new applications and the regulatory and enforcement needs of the Division.

35. Provide an explanation of what the moneys appropriated for H.B. 13-1317 are being used for.

    <u>Response:</u>
    Appropriations provided to the Department in H.B. 13-1317 total $1,227,026 and 3.2 FTE, of which 0.50 FTE is specific to the Department of Law (DOL). Department staffing of 2.7 FTE, and planned expenditures of $144,810, will be used to support the accounting activities for medical and retail marijuana revenue and ensure compliance with State Procurement and State Fiscal rules. Increased DOL staffing of 0.5 FTE, and planned expenditures of $70,684, are for additional rule development, disciplinary actions, appeal resolution, and other legal activities anticipated with retail marijuana. Purchased services in the amount of $586,532 are for programming needs to the GenTax system and MED inventory tracking and licensing systems to incorporate retail marijuana and to establish connectivity to three new satellite offices. $250,000 is obligated to the annual retail marijuana market survey pursuant to Section 12-43.4-104

(6) (b), C.R.S. Leased space expenditures for office expansion are expected to total $175,000.

4:15-4:30 STATE LOTTERY DIVISION

36. Several of the key findings of the audit report stated that:

- The Lottery has not always calculated its sales staff bonus incentives with actual sales data, as described in the approved plan.
- The Lottery has not ensured that all sales staff bonus incentives are designed specifically to reward individual sales achievements.
- The Lottery may be paying more in prize payouts than is needed to achieve optimal sales, thereby lessening the proceeds available for beneficiary agencies.
- The most recent data available in a national study showed that in Fiscal Year 2011 Colorado's prize payout percentage was 63 percent, 2 percentage points higher than the national average of 61 percent. The 2 percentage point difference equated to about $10.4 million.

Provide an update on the implementation of the audit report recommendations as they relate to the above four key findings.

<u>Response:</u>
The following includes an update on the implementation of the audit report recommendations as they relate to the following:

<u>Sales Bonus Incentives:</u> Since its inception 30 years ago, the Lottery has always attempted to design bonus incentives for its 30+ sales representatives to increase sales and proceeds to beneficiaries. Over this period of time, there have been minor refinements to Lottery's bonus incentive plan. However, starting July 1, 2013, eligibility under a new bonus incentive plan first requires achievement of organizational goals of $573 million in annual sales and 24% profitability. The new bonus incentive plan also requires the sales representatives to exceed a specific sales goal tied directly to their assigned area. In addition, the total dollars that may be earned in the new plan have been reduced by half. Providing organizational goals are met, the average incentive for a sales representative this fiscal year is expected to range from $4,000-$6,000.

The Lottery is no longer using adjusted forecasts to compute sales incentives, but will use actual sales data. In FY 2011-12, although this calculation differential resulted in less than $9,000 overall (or 2%) of total incentives paid, the Lottery abandoned this practice per the recommendation from the State Auditor.

The Lottery sales representatives are each responsible for approximately 100 retailers across Colorado, and enhance sales by optimizing point of sale advertising and merchandising materials, conducting product promotions, managing scratch inventory,

conducting retailer training, and reviewing retailer sales performance. The Lottery cannot always completely ensure that incentives will be awarded for activities that unequivocally result in sales increases, but best efforts are put forth by the Lottery to ensure this each year. The Lottery business makes it difficult to link sales or proceeds increases to any one factor. Factors such as new products, promotions, prize payouts, mega jackpots, and advertising campaigns all can impact sales.

<u>Prize Payouts:</u> Prize payouts for the Lottery is the largest single variable in operating expenses. With 44 lottery jurisdictions across the U.S., each deploys a unique strategy to maximize sales and beneficiary proceeds, depending on product mix of Jackpot and Scratch games and various Scratch price point offerings. It is common for lotteries to continually review and refine payout strategies that optimize sales and net proceeds based on changing game portfolios and player patterns.

The Lottery agreed with audit findings that prize payouts were too high in Scratch games and has since reduced payouts since FY 2010-11. Since that time, overall prize payout expenses have steadily decreased from 63% to 62.8% (FY 2011-12) and 61.9% (FY 2012-13), or over $7 million in prize expense savings since FY 2010-11. The Lottery's FY2013-14 Scratch Game Product Plan includes reductions for a total of up to two percent on all but the $1 Scratch game over the course of the next 18-24 months, having a gradual positive impact to the bottom line.

The Jackpot game prize payouts have also been reduced by eliminating the Matchplay game in FY 2011-12 and growing the Lotto game jackpot at a slower rate. A new Jackpot game, Pick 3, introduced in April 2013, and a recent Mega Millions prize matrix change also improved the balance of Jackpot to Scratch games in Colorado, and helped to reduce average overall prize payouts.

The Lottery will conduct studies to assess the results and impacts of the changes underway, evaluate best industry practices among peer lotteries, and make any necessary refinements to this strategy over the next two years.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.

   <u>Response:</u>
   All 2013 legislation with an implementation date of 12/31/13 or prior have been implemented with the exception of those listed below. The three bills listed below are currently partially implemented, but all are expected to be implemented by the end of the fiscal year.

<u>HB13-1247 Innovative Motor Vehicle Income Tax Credit</u> - This legislation has two components requiring implementation. The first component requires DMV to provide training and to notify stakeholders of the change to the new category designations for innovative motor vehicles. The training and notifications have been completed. The second component will be completed by the Taxation Division and requires programming changes to update the income tax credits allowed for innovative motor vehicles. This change will be in place by June 30, 2014.

<u>SB13-001 - Colorado Working Families Economic Opportunity Act</u> - This legislation has two credits, each with a separate trigger. The first is an earned income tax credit, which is contingent upon the refund mechanism required by section 20 of article X of the state constitution (TABOR). The second is a child tax credit, which is contingent upon the passage of the Marketplace Fairness Act of 2013 or any other act with substantially similar requirements. The Department was appropriated the funds to complete the programming to accommodate the earned income tax credit portion of this legislation. The programming will be completed by the end of the fiscal year.

<u>SB13-283 - Implement Amendment 64 Consensus Recommendations</u> - This legislation allows retail marijuana stores to deduct certain business expenses from their state income taxes that are prohibited by federal tax law beginning with income tax year 2014. These changes will be completed by the end of the fiscal year.

The following prior-year legislation is expected to be implemented by 1/31/14.

<u>SB11-051 Gaming & Lottery Intercepts State Debt - This legislation</u> expanded the gambling intercept program to include other debts owed to the State certified by the Department of Personnel and Administration. While implementing SB11-051, the Department discovered its Lottery, Gaming, Racing, and Taxation divisions each maintained their own distinct intercept program with different formats and intervals. As a result, the Department developed a single intercept architecture or master intercept repository in an effort to protect citizens from multiple unintentional intercepts and to ensure data integrity. The master intercept repository will be deployed for operational use in December 2013, which will allow implementation of the bill by 1/31/14

2. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2013? What is the department doing to resolve the outstanding high priority recommendations?

<u>Response:</u>
The Department has 10 outstanding non-material financial audit recommendations. Of the outstanding recommendations, five are significant deficiencies related to CSTARS.

The five significant deficiencies that have been outstanding for three years or more are the ones considered to be a high priority by the Office of State Auditor.

The Department and OIT are both charged with implementing these recommendations. One of the five recommendations, which relate to maintaining data access forms and requiring users to acknowledge the Department's policies and procedures prior to gaining access to CSTARS, was implemented in October 2012. The Department is working with the OIT to create a user functions/tasks matrix to establish best practice procedures for user access. This includes creating an annual process for the entity authorizing application access to confirm user access and verify terminated users' application access have been removed. This will be implemented in conjunction with the current annual HUTF review that occurs the first quarter of the calendar year effective 2015. The remaining three parts of the CSTARS audit recommendation relating to strengthening passwords parameters, creating system logs, and hardening system configuration settings is the responsibility of OIT.

The Department has eight outstanding performance and/or IT audit recommendations. The two outstanding recommendations from the Driver's License and Identification Card Security performance audit are considered to be a high priority because they have been outstanding for three or more years. These two recommendations relate to the movement of equipment from the Department's Pierce location to the Kipling data center and disaster recovery testing, which are the responsibility of OIT.

3. Does the department pay annual licensing fees for its state professional employees? If so, what professional employees does the department have and from what funding source(s) does the department pay the licensing fees? If the department has professions that are required to pay licensing fees and the department does not pay the fees, are the individual professional employees responsible for paying the associated licensing fees?

<u>Response:</u>
The Department does not have a department-wide policy on paying annual licensing fees for its employees. However, individual appointing authorities have discretion to approve payment of licensing fees as deemed appropriate. Examples are Certified Public Accountant fees and annual attorney license registration fees, and the funding source depends on the program in which the employee works.

4. Does the department provide continuing education, or funds for continuing education, for professionals within the department? If so, which professions does the department provide continuing education for and how much does the department spend on that? If the department has professions that require continuing education and the department does not pay for continuing education, does the employee have to pay the associated costs?

<u>Response:</u>
The Department provides reimbursement for college course work taken by Revenue employees when the knowledge will directly benefit the Department. Department

employees are encouraged to further their education in order to become more proficient in their current jobs or prepare for promotions in their professional field. Expenses are reimbursed only for education that is related to the employee's job related career path and provides a direct benefit to the state. There is no reimbursement for any educational expenses already covered by scholarships, military service benefits or any other public or private source. Expenses eligible for reimbursement are limited to tuition and mandatory fees paid for courses through an accredited college or university up to a maximum of $1,000 per fiscal year. Reimbursement is subject to the availability of funds as determined by the Appointing Authority and the Department Chief Financial Officer.

5. During the hiring process, how often does the number one choice pick candidate turn down a job offer from the department because the starting salary that is offered is not high enough?

   <u>Response:</u>
   Though the Department does have the ability to track when candidates decline job offers, it does not record the specific reason as to why a job offer was declined. Job announcements posted by the Department include information regarding the monthly and annual salary range for the position. The Department also notes in the announcement that although the full salary range for the position is provided, appointments are typically made at or near the minimum of the range. This information may preclude those looking for a higher salary from applying. Additionally, the application requests preferred salary and the monthly salary for each work experience. It is not unusual for the hiring authority to discuss salary during the interview process if it is determined the applicant's salary requirements are high based on the salary range of the classification, the applicant's education and work experience, and the salaries of existing staff in the same classification.

6. What is the turnover rate for staff in the department?

   <u>Response:</u>
   The Department of Personnel and Administration will provide a statewide report in response to this question during the Department of Personnel and Administration's hearing before the Joint Budget Committee.

Attachment A

Account Activity	DLARA	FTDDOA*
	$73 Fee	**$22 Fee**
FY 15 Beginning Cash Balance	$ -	$ 4,987,302
Revenue	$ 5,817,658	$ 1,812,307
Reinstatement Fee Revenue	$ 5,817,658	$ 1,753,267
Transfer from HUTF	$ -	$ 59,040
Expenditures	$ (5,646,284)	$ (2,809,268)
FY 15 Ending Cash Balance	$ 171,374	$ 3,990,341
Cash Flow	$ 171,374	$ (1,056,001)
FY 16 Beginning Cash Balance	$ -	$ 3,990,341
Revenue	$ 5,772,647	$ 1,798,742
Reinstatement Fee Revenue	$ 5,772,647	$ 1,739,702
Transfer from HUTF	$ -	$ 59,040
Expenditures	$ (5,651,900)	$ (2,820,571)
FY 16 Ending Cash Balance	$ 120,747	$ 2,968,512
Cash Flow	$ 120,747	$ (1,080,869)
FY 17 Beginning Cash Balance	$ -	$ 2,968,512
Revenue	$ 5,727,635	$ 1,785,213
Reinstatement Fee Revenue	$ 5,727,635	$ 1,726,173
Transfer from HUTF	$ -	$ 59,040
Expenditures	$ (5,651,900)	$ (2,820,571)
FY 17 Ending Cash Balance	$ 75,735	$ 1,933,154
Cash Flow	$ 75,735	$ (1,094,398)
FY 18 Beginning Cash Balance	$ -	$ 1,933,154
Revenue	$ 5,682,624	$ 1,771,612
Reinstatement Fee Revenue	$ 5,682,624	$ 1,712,572
Transfer from HUTF	$ -	$ 59,040
Expenditures	$ (5,651,900)	$ (2,820,571)
FY 18 Ending Cash Balance	$ 30,724	$ 884,195
Cash Flow	$ 30,724	$ (1,107,999)
FY 19 Beginning Cash Balance	$ -	$ 884,195
Revenue	$ 5,637,613	$ 1,758,047
Reinstatement Fee Revenue	$ 5,637,613	$ 1,699,007
Transfer from HUTF	$ -	$ 59,040
Expenditures	$ (5,651,900)	$ (2,820,571)
FY 19 Ending Cash Balance	***$ (14,288)***	***$ (178,329)***
Cash Flow	$ (14,288)	$ (1,121,564)

*Assumes $1.5 million transfer to CDOT annually.

Attachment B
Estimated Cost Per Driver License
to Fund DMV FY 2014-15 Decision Items (Operations)

Driver License Document Issuance Assumptions		**Total Card Issuance**
Avg Document Issuance Projection (FY15-FY18)		1,200,000
FY 2014-15 Change Requests	**Cost**	**Increased Cost per CO DL**
R-1 - DMV Funding Deficit	$6,200,000	$5.17
R-2 -DMV Customer Service Enhancements*	$4,168,025	$3.47
R-3 - Driver License Examiner Reclassification	$837,502	$0.70
R-4 - DMV Appropriation Restructure	$0	$0.00
Total Cost of Change Requests	**$11,205,527**	**$9.34**
Cost per Year for a 5-year CO Driver License		**$1.87**
Current Cost of a CO Driver License		**$21.00**
Total Cost of DMV FY 15 Change Requests		**$9.34**
New Total Cost of a CO Driver License		**$30.34**
New Cost Per Year for a 5-year CO Driver License		**$6.07**
National Average Cost of a Driver License		**$31.00**
New Total Cost of a CO Driver License		**$30.34**
Difference		**-$0.66**
National Average Cost of a Driver License Per Year (average)		**$5.83**
New Cost Per Year for a 5-year CO Driver License		**$6.07**
Difference		**$0.24**

***Of the $4,168,025 requested, $1,492,103 is one-time costs.**

ATTACHMENT C

Schedule 9: Cash Funds Reports
Department of Revenue
FY 2014-15 Budget Request
Fund 15Z-Medical Marijuana License Cash Fund
Section 12-43-501, C.R.S. (2013)

	Actual	Actual	Appropriated	Requested	Projected
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Year Beginning Fund Balance (A)	***$3,853,403***	***$2,370,508***	***$4,383,320***	***$31,549,698***	***$121,150,851***
Changes in Cash Assets	-$3,341,723	$2,021,188	$27,181,572	$89,601,153	$107,980,966
Changes in Non-Cash Assets	-$25,665	$11,141	-$11,141	$0	$0
Changes in Long-Term Assets	$13,009	-$12,750	-$34	$0	$0
Changes in Total Liabilities	$1,871,484	-$6,767	-$4,019	$0	$0
TOTAL CHANGES TO FUND BALANCE	**-$1,482,895**	**$2,012,812**	**$27,166,378**	**$89,601,153**	**$107,980,966**
Assets Total	***$2,573,165***	***$4,592,744***	***$31,763,141***	***$121,364,294***	***$229,345,260***
Cash (B)	$2,560,156	$4,581,344	$31,762,916	$121,364,069	$229,345,035
Other Assets(Detail as necessary)	$0	$11,141	$0	$0	$0
Receivables	$13,009	$259	$225	$225	$225
Liabilities Total	***$202,657***	***$209,424***	***$213,443***	***$213,443***	***$213,443***
Payables	$86,525	$101,330	$101,330	$101,330	$101,330
Accrued Liabilities	$116,132	$108,094	$112,113	$112,113	$112,113
Ending Fund Balance (D)	***$2,370,508***	***$4,383,320***	***$31,549,698***	***$121,150,851***	***$229,131,817***
Logical Test	TRUE	TRUE	TRUE	TRUE	TRUE
Net Cash Assets - (B-C)	***$2,473,631***	***$4,480,014***	***$31,661,586***	***$121,262,739***	***$229,243,705***
Change from Prior Year Fund Balance (D-A)	***-$1,482,895***	***$2,012,812***	***$27,166,378***	***$89,601,153***	***$107,980,966***

Schedule 9: Cash Funds Reports
Department of Revenue
FY 2014-15 Budget Request
Fund 15Z-Medical Marijuana License Cash Fund
Section 12-43-501, C.R.S. (2013)

Cash Flow Summary					
Retail Marijuana Revenue Total			$26,763,912	$87,039,447	$103,068,047
2.9% Sales Tax	$0	$0	$5,624,900	$17,770,793	$20,037,290
10% Additional Sales Tax	$0	$0	$19,396,208	$61,278,597	$69,094,103
15% Excise Tax (in excess of $40 million)	$0	$0	$0	$5,958,948	$11,820,577
Background Checks	$0	$0	$73,789	$88,454.34	$81,122
Fees	$0	$0	$1,688,663	$1,962,413	$2,060,533
Refunds	$0	$0	-$25,330	-$29,436	-$30,908
Short Checks	$0	$0	-$16,887	-$19,624	-$20,605
Fines	$0	$0	$10,723	$13,923	$12,323
Interest	$0	$0	$11,846	$15,380	$13,613
Miscellaneous Revenue	$0	$0	$0	$0	$0
Medical Marijuana Revenue Total	$3,779,125	$4,116,153	$15,971,128	$15,796,489	$18,121,817
2.9% Sales Tax	$0	$0	$10,915,325	$10,001,306	$11,663,483
Background Checks	$200,376	$60,904	$122,703	$164,518	$205,360
Fees	$3,611,422	$4,056,906	$4,977,926	$5,682,787	$6,321,811
Refunds	-$53,314	-$74,917	-$74,669	-$85,242	-$94,827
Short Checks	-$30,982	$0	-$49,779	-$56,828	-$63,218
Fines	$18,113	$35,000	$37,831	$42,737	$42,386
Interest	$32,673	$38,260	$41,790	$47,210	$46,822
Miscellaneous Revenue	$837	$0	$0	$0	$0
Expenses Total	$5,262,020	$2,103,341	$15,568,662	$13,234,783	$13,208,897
Program Costs	$3,929,098	$1,389,019	$5,658,354	$5,771,948	$5,771,948
Common Policies (Personal Services)	$328,575	$195,676	$605,413	$562,800	$576,764
Common Policies (Operating)	$826,949	$498,802	$741,967	$1,154,826	$1,154,826
Common Policies (Information Technology)	$0	$0	$0	$0	$0
Indirect Costs	$177,398	$19,844	$497,436	$730,320	$730,320
Legislation			$8,065,492	$5,014,889	$4,975,039
Net Cash Flow	-$1,482,895	$2,012,812	$27,166,378	$89,601,153	$107,980,966

Schedule 9: Cash Funds Reports
Department of Revenue
FY 2014-15 Budget Request
Fund 15Z-Medical Marijuana License Cash Fund
Section 12-43-501, C.R.S. (2013)

Fund Expenditures Line Item Detail	Actual FY 2011-12	Actual FY 2012-13	Appropriated FY 2013-14	Requested FY 2014-15	Projected FY 2015-16
(1) Executive Director's Office					
Health, Life, Dental	$196,171	$124,312	$284,354	$158,707	$158,707
Short-term Disability	$3,574	$2,016	$5,106	$8,841	$8,841
S.B. 04-257 Amortization Equalization Disbursement	$71,610	$37,310	$100,066	$160,742	$167,172
S.B. 06-235 Supplemental Amoritization Equalization Disbursement	$57,220	$32,037	$90,337	$150,695	$158,230
Salary Survey	$0	$0	$102,749	$66,275	$66,275
Merit Pay	$0	$0	$22,801	$17,540	$17,540
Shift Differential	$0	$0	$0	$0	$0
Workers' Compensation	$24,723	$34,661	$11,618	$43,116	$43,116
Capital Outlay	$0	$0	$0	$0	$0
Variable Vehicle Payments	$52,065	$20,342	$29,517	$29,517	$29,517
Legal Services	$124,613	$19,828	$250,743	$339,194	$339,194
Purchase of Services from Computer Center	$142,992	$155,549	$157,000	$240,685	$240,685
Colorado State Network	$22,171	$27,575	$28,524	$34,144	$34,144
Management and Administration of OIT	$0	$3,752	$28,487	$13,626	$13,626
Payments to Risk Management and Property Funds	$3,718	$5,729	$5,334	$11,570	$11,570
Vehicles Lease Payments	$99,672	$32,806	$32,806	$32,806	$32,806
Leased Space	$353,837	$177,624	$170,178	$382,874	$382,874
Capitol Complex Leased Space	$3,158	$3,334	$8,078	$3,514	$3,514
Communications Services Payments	$0	$0	$0	$5,352	$5,352
COFRS Modernization	$0	$17,603	$17,706	$16,808	$16,808
Information Technology Security	$0	$0	$1,976	$1,620	$1,620
Subtotal	**$1,155,524**	**$694,479**	**$1,347,380**	**$1,717,626**	**$1,731,590**
(2) Central Department Operations Divison					
Personal Services	$0	$5,808	$6,518	$0	$0
Operating Expenses	$95	$0	$0	$0	$0
Subtotal	**$95**	**$5,808**	**$6,518**	**$0**	**$0**
(7) Enforcement Business Group					
(H) Medical Marijuana Division	$3,919,026	$1,387,011	$5,653,838	$5,767,432	$5,767,432
Subtotal	**$3,919,026**	**$1,387,011**	**$5,653,838**	**$5,767,432**	**$5,767,432**

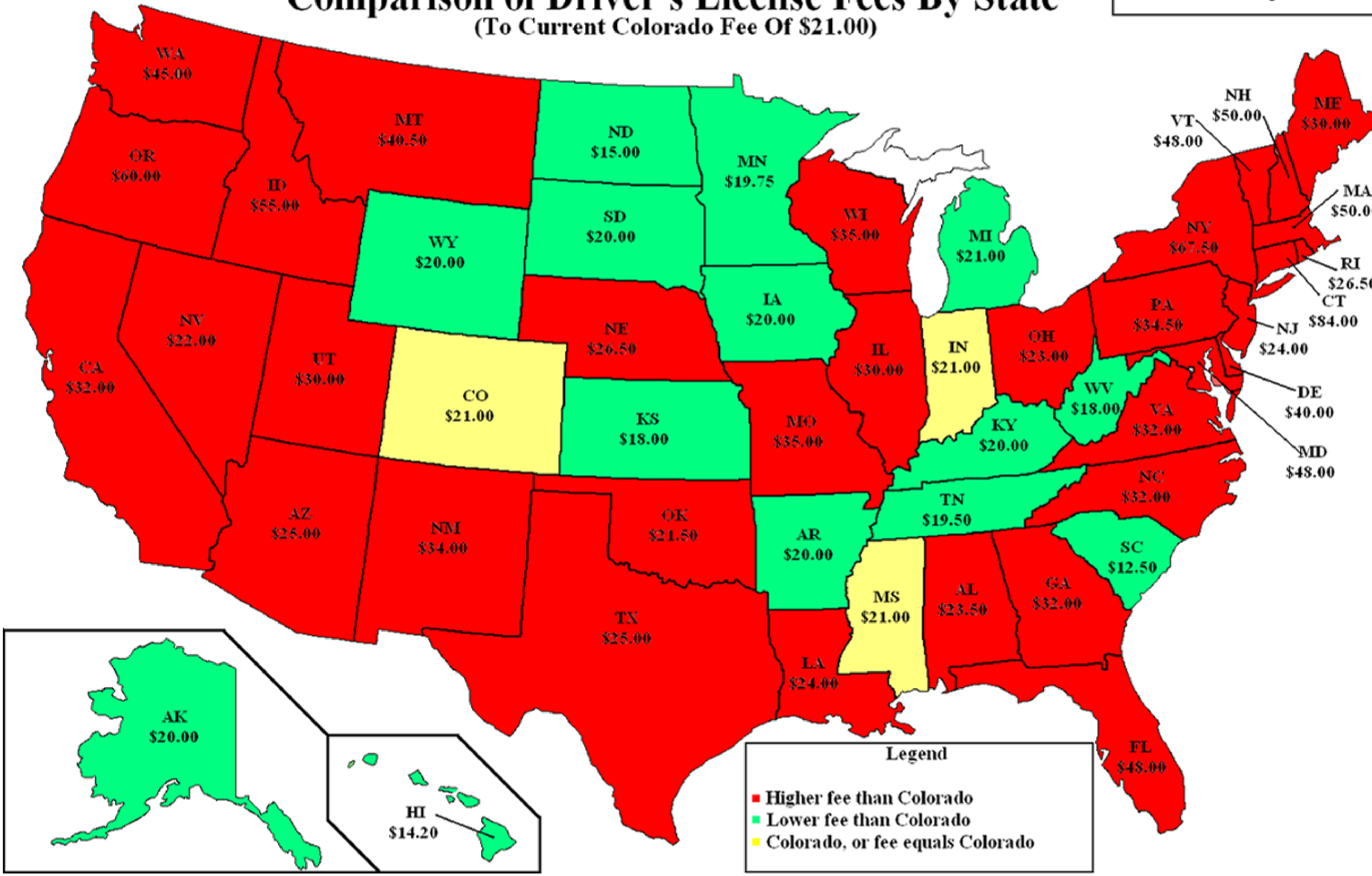
Schedule 9: Cash Funds Reports
Department of Revenue
FY 2014-15 Budget Request
Fund 15Z-Medical Marijuana License Cash Fund
Section 12-43-501, C.R.S. (2013)

Division and Department Indirect Costs					
Enforcement Business Group Administration	$177,303	$0	$170,597	$270,874	$270,874
Executive Director's Office	$0	$14,036	$320,321	$459,446	$459,446
Subtotal	**$177,303**	**$14,036**	**$490,918**	**$730,320**	**$730,320**
Other Costs					
Postage	$2,376	$2,008	$4,516	$4,516	$4,516
HB 11-1043 Medical Marijuana FY 2011-12 Appropriation	$7,696				
HB 13-1317 Implementation of A64 Majority			$1,303,026	$956,669	$956,669
HB 13-1318 Marijuana Taxes			$4,246,090	$1,319,900	$1,280,050
Department of Human Services, 39-26-123 (6) C.R.S.			$2,000,000	$2,000,000	$2,000,000
SB 13-230 Department of Public Safety			$54,800	$8,000	$8,000
SB 13-283 Implementation of A64			$461,576	$730,320	$730,320
Subtotal	**$10,072**	**$2,008**	**$8,070,008**	**$5,019,405**	**$4,979,555**
TOTAL	**$5,262,020**	**$2,103,341**	**$15,568,662**	**$13,234,783**	**$13,208,897**

Comparison of Driver's License Fees By State

(To Current Colorado Fee Of $21.00)

National Average = $31.00



STATE OF COLORADO

DEPARTMENT OF REVENUE
State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
Phone (303) 866-3091
FAX (303) 866-2400

John W. Hickenlooper
Governor

Barbara J. Brohl
Executive Director

December 17, 2013

The Honorable Crisanta Duran
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80223

Subject: Department of Revenue
FY 2013-14 RFI #4

Dear Representative Duran:

The Department of Revenue along with the Office of Information Technology (OIT) are submitting this response to the Joint Budget Committee's Request for Information regarding the progress of implementing the Department's Request #2 – DOR IT Infrastructure Enhancements. The request states:

> "Governor – Lieutenant Governor – State Planning and Budgeting, Office of Information Technology (OIT); and Department of Revenue, Executive Director's Office – The Governor – Lieutenant Governor – State Planning and Budgeting and the Department of Revenue are requested to submit to the Joint Budget Committee a report detailing: (1) the progress made to-date on the implementation of the Department of Revenue's Request #2 – DOR IT Infrastructure Enhancements, including a comparison of the reliability of the new system components with the old system components; (2) data justifying the continuing budgetary support of the 22.0 FTE in OIT dedicated to serving the Department of Revenue during the implementation of Request #2; and (3) each of the specific anticipated outcomes cited in the budget submission as justifications for the project. The report is requested to be provided for FY 2013-14 with the FY 2014-15 budget submission, and another report is requested to be provided for FY 2014-15 with the FY 2015-16 budget submission."

The Department received $3,917,008 ($2,859,487 General Fund and $1,057,521 cash funds) in the FY 2013-14 budget, and $3,264,141 ($2,206,620 General Fund and $1,057,521 cash funds) in FY 2014-15 budget for server hosting services, hardware and software upgrades, and operations support services. The request consists of four components all of which are interdependent upon each other and will enhance the performance of the Department's information technology infrastructure. The four components include the following:

1. **Migration to the Enterprise Computing Environment (ECE).** This request totals $831,600 to support a server virtualization strategy for the Department and provides a stable, modern, and sustainable environment for its aging IT infrastructure.
2. **Modernization of the core data network infrastructure.** This request totals $558,807 to replace switches, routers, and UPS devices.
3. **Ongoing software licenses.** This request totals $150,000 to purchase software licenses for hardware operating systems that support the GenTax application.
4. **Operational support services.** This request totals $2,376,601 and 22.0 FTE to provide service desk support, desk side support, network support, server and system support, security, and project management.

Migration to the Enterprise Computing Environment. This project includes the identification and analysis of all computing systems that support the divisions of Motor Vehicles, Taxation, Enforcement, and the Executive Directors Office. OIT is working to determine the scope, cost, schedule, and resource requirements that are essential to migrate the Department's systems to a new virtual environment. OIT, along with its selected contractor, World Wide Technologies (WWT), recommended a three-prong approach to address systems migration: (1) install a new virtual environment specifically designed for the Department of Revenue; (2) complete an analysis of the Department's network performance and connectivity; and (3) map the Department's applications to identify system dependencies, specifications, license details, architecture, and IP addressing schemes.

Currently, OIT and WWT have completed the installation and configuration of the virtual network (VDC —Virtual Device Context), which is a new virtual environment specifically designed for the Department of Revenue. The installation and configuration of the physical networking infrastructure and vBlock connectivity is also in place. OIT and WWT are continuing to focus on resolving the Department's other network infrastructure issues. OIT has identified Department systems that meet the criteria for migration and is in the process of mapping applications. Once OIT and WWT have completed their work per the schedule included in Addendum A, a detailed Department system migration schedule will be created and provided to the Department's Executive Committee for review and approval in March, 2014.

Modernization of the core data network infrastructure. Addendum B provides an update of the equipment purchased to date. A total of $344,776 has been expended to date to purchase 68 network switches, 6 uninterrupted power supply (UPS) devices, and fiber patch cables, connectors, and cross connects. The equipment will be installed at 1375 Sherman and 1881 Pierce Street. SMARTnet, which provides support tools and expertise for the IT infrastructure and network has also been purchased. SMARTnet is an 8 hours x 5 days per week x next business day warranty that must be renewed annually. This warranty will cover the replacement of any hardware failures. Deployment of the equipment at 1375 Sherman is expected to begin on January 7, 2014 and completed by February 9, 2014. It is expected that the 1881 Pierce Street deployment will begin on April 1, 2014 and completed by June 27, 2014. Funding for this request is one-time; however, the Department indicated in the decision item that since the useful life of this equipment is five years, the Department anticipates a funding request to modernize the network infrastructure every five years.

Ongoing software licensing. The GenTax project, which was completed in December of 2012, requires funding each year for software licenses to support the GenTax application on the network. To ensure the software supporting the GenTax application on the network is secure, monitored for threats, and backed up, numerous licenses were purchased or renewed including monitoring software such as Altiris and Solarwinds, virtualization software such as VMware, and system backup and recovery software such as CommVault. Please see Addendum C for a list and cost of all the software purchased. A total of $148,415 has been expended. Funding for this request is ongoing.

Operational support services. This request supports 22.0 FTE to provide additional staff for service desk support (3.0 FTE), desk side support (5.0 FTE), network support (1.0 FTE), server/systems support (10.0 FTE), security (1.0 FTE), and project management (2.0 FTE). While the type of positions were modified slightly due to business needs, all 22 positions were filled by the target date of August 30, 2013, however, since that time three positions have become vacant. OIT has worked diligently to support the onboarding process of the new staff. Please see Addendum D for staffing detail by service team.

Eight server/system administration staff, two network administrators, and six desk side services support staff have been assigned for both project and maintenance support on an ongoing basis. Analyzing the number of maintenance tickets logged and resolved over a three-month period in 2013 shows the number of tickets logged increased 59.2 percent and the number of tickets resolved increased 72.5 percent when compared to 2012. Please see Addendum E for comparison. The increase in the number of tickets logged is largely due to the focus on opening a ticket for each appropriate action requested. For example, historically one ticket would be opened to update 25 computers with software whereas today 25 tickets are opened to better track work performance as well as inventory. With the addition of one staff assigned to the service desk, there are less abandoned calls resulting in more tickets opened. Lastly, OIT is promoting the use of self-service to open tickets.

In addition to the work required to implement components of the decision item, there are 43 projects as delineated in Addendum F that require staff support. The seven major projects involve staff support primarily from the eight server/system administration staff, one security/policy staff, two network administrators, and six desk side support staff. Twenty-six of the remaining 36 medium and small projects involve the staff noted above as well as one access control staff, one service desk staff, and two project managers. The staff supporting the access control team has handled a dramatic increase in the number of change orders and incidents from July through October of 243.9 percent and 171.4 percent, respectively. Please see Addendum G. Additionally, the access control team completed significant clean-up of the Department's domain accounts (how a person is granted access to tools such as Google and applications) by removing over 300 disabled/stale accounts from the DOR domain.

We appreciate the opportunity to respond to this request. Please let me know if you have any additional questions.

Sincerely,

Barbara J. Brohl

Barbara J. Brohl
Executive Director

Cc: Representative Jenise May, Joint Budget Committee
Representative Cheri Gerou, Joint Budget Committee
Senator Pat Steadman, Vice-Chair, Joint Budget Committee
Senator Mary Hodge, Joint Budget Committee
Senator Kent Lambert, Joint Budget Committee
Viktor Bojilov, staff, Joint Budget Committee, Colorado General Assembly
Henry Sobanet, Director, Governor's Office of State Planning and Budgeting
Erick Scheminske, Deputy Director, Governor's Office of State Planning and Budgeting
Alice Wheet, staff, Office of State Planning and Budgeting
Mike Richey, Chief Customer Service Officer, Office of Information Technology

ADDENDUM A

System Infrastructure Replacement project schedule – Phase II

ID		Task Name	Duration	Start	Finish	% Complete
1		**DORSIR Phase II - Master**	**117.5d**	**Fri 9/20/13**	**Mon 3/10/14**	**24%**
2		**VDC andf Network**	**117.5d**	**Fri 9/20/13**	**Mon 3/10/14**	**31%**
3		Provided DoR Executive team Phase II recommendation	1d	Fri 9/20/13	Fri 9/20/13	99%
4	✓	Phase II recommendation - approved by DoR	1d	Fri 9/20/13	Fri 9/20/13	100%
5	✓	DoR SIR Project Team received and review WWT SOW	0d	Fri 10/4/13	Fri 10/4/13	100%
6	✓	WWT Sow Signed	0d	Fri 9/27/13	Fri 9/27/13	100%
7	✓	DoR SIR Project team and WWT whiteboard session	0d	Mon 10/21/13	Mon 10/21/13	100%
8	✓	WWT & OIT Kick-off	0d	Mon 10/28/13	Mon 10/28/13	100%
9	✓	WWT SOW -Draft change Request	0d	Mon 10/28/13	Mon 10/28/13	100%
10		WWT SOW - Approved change Request	2.5d	Tue 10/29/13	Thu 10/31/13	75%
11	✓	High Level Design complete	0d	Fri 11/1/13	Fri 11/1/13	100%
12	✓	Installation of 5K-2k pairs in EFort	10d	Fri 11/8/13	Fri 11/22/13	100%
13	✓	Implementation of EFort VDC (Includes 7K and ASA modifications)	0d	Fri 11/8/13	Fri 11/8/13	100%
14	✓	Implementation of Cloud systems into VDC (Includes vBlock, Isilon, DD)	0d	Fri 11/15/13	Fri 11/15/13	100%
15		Configuration of Test/Dev Virtual Systems	9d	Fri 11/22/13	Thu 12/5/13	0%
16		WAN connecivity completion	5d	Fri 2/7/14	Fri 2/14/14	0%
17		Advance thread Protection - ATP Completion	5d	Fri 2/14/14	Fri 2/21/14	0%
18		WWT Final Doc/recommendations Completed	1d	Fri 2/21/14	Mon 2/24/14	0%
19		OIT review WWT Findings and recommendations	10d	Mon 2/24/14	Mon 3/10/14	0%
20		**Application Mapping**	**75d**	**Fri 11/15/13**	**Mon 3/3/14**	**20%**
21		Application Mapping - Deep Dive	10d	Fri 11/15/13	Fri 11/29/13	99%
22		Application Mapping finalized list	5d	Mon 12/2/13	Fri 12/6/13	99%
23		Application Mapping DoR Systems - 13 Identified	60d	Mon 12/9/13	Mon 3/3/14	0%
24		Provide Migration schedule and activities to DoR Executive Committee for review and consideration	10d	Mon 3/10/14	Mon 3/24/14	0%

ADDENDUM B

DOR Network Upgrade Project Expenditures to Date			
Description	**Quantity**	**Unit Cost**	**Extended Cost**
Cisco 2960s-gigE PoE Switches	68	$ 4,022.95	$ 273,560.60
Cisco 1000MB SFP	124	$ 335.50	$ 41,602.00
APC 1500SMT Smart UPS	6	$ 967.20	$ 5,803.20
Cisco 8x5xNBD SmartNet for 2960s	68	$ 316.40	$ 21,515.47
1 meter 10 Gig SC to SC Fiber cords	80	$ 19.50	$ 1,560.00
3 meter 10 Gig SC to LC Fiber cords	35	$ 21.00	$ 735.00
Total YTD			**$ 344,776.27**

ADDENDUM C

GenTax Software Licensing Costs

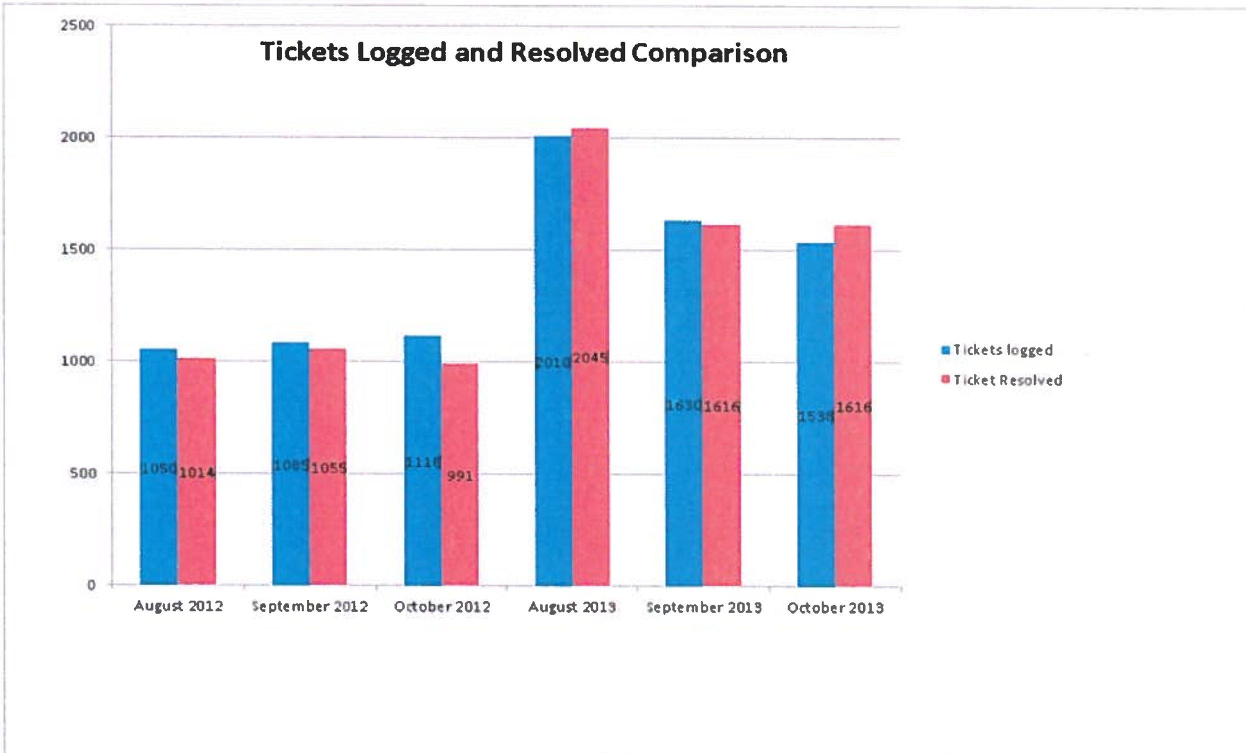
SOFTWARE	PURPOSE	TOTAL COST
Altiris	Management Tool	$ 6,530.00
Solarwinds	Monitoring Tool	$ 1,899.86
VMware	Virtualization Software	$ 34,135.00
CommVault	System Backup and Recovery	$ 100,000.00
MSN Licensing	General Support	$ 2,650.00
Checkpoint Firewall Capacity	Firewall	$ 3,200.00
TOTAL		**$ 148,414.86**

ADDENDUM D

Staffing Detail by Service Team

POSITION #	EMPLOYEE	SERVICE TEAM	START DATE	NOTES
EGB40000	Bryan Fields	Service Desk	07/15/13	
EGB40001	Bruce Lance	Server/System Administration (SSA)	07/15/13	
EGB40002	John Baker	Server/System Administration (SSA)	07/15/13	
EGB40003	Trung Nguyen	Server/System Administration (SSA)	07/22/13	
EGB40004	Yury Faer	Server/System Administration (SSA)	08/05/13	
EGB40005	Jeremy Gelderman	Server/System Administration (SSA)	07/29/13	
EGB40006	James Van Fleet	Server/System Administration (SSA)	07/29/13	
EGB40007	Achyut Chalise	Server/System Administration (SSA)	07/22/13	
EGB40008	Dana Thorson	Server/System Administration (SSA)	07/22/13	
EGB40009	Jacob Stewart	Server/System Administration (SSA)	07/29/13	
EGB40010	Daniel Zrubek	Server/System Administration (SSA)	07/29/13	
EGB40011	Jennifer Johnson	Desk Side Services (DS)	07/15/13	
EGB40012	Jason Goode	Desk Side Services (DS)	07/01/13	
EGB40013	John Wesley	Desk Side Services (DS)	07/29/13	
EGB40014	Kelli Foster	Desk Side Services (DS)	07/08/13	
EGB40015	Leslie Sultz	Desk Side Services (DS)	07/01/13	
EGB40016	VACANT	Desk Side Services (DS)	07/29/13	Filled and employee resigned.
EGB40017	Tammy Keith	Desk Side Services (DS)	07/29/13	
EGB40018	Cynthia Beebe	Project Manager (PM)	07/22/13	
EGB40019	VACANT	Project Manager (PM)	10/18/13	Filled from 07/22 to 10/18.
EGB40020	Thomas Fowler	Security/Policy	08/26/13	On leave –tragic incident.
EGB40021	VACANT	Network Security		This position was offered and accepted by a candidate. The candidate withdrew the day he was supposed to begin work. A new search is in progress.

ADDENDUM E
2012 and 2013 Monthly Comparison
Tickets Logged and Tickets Resolved



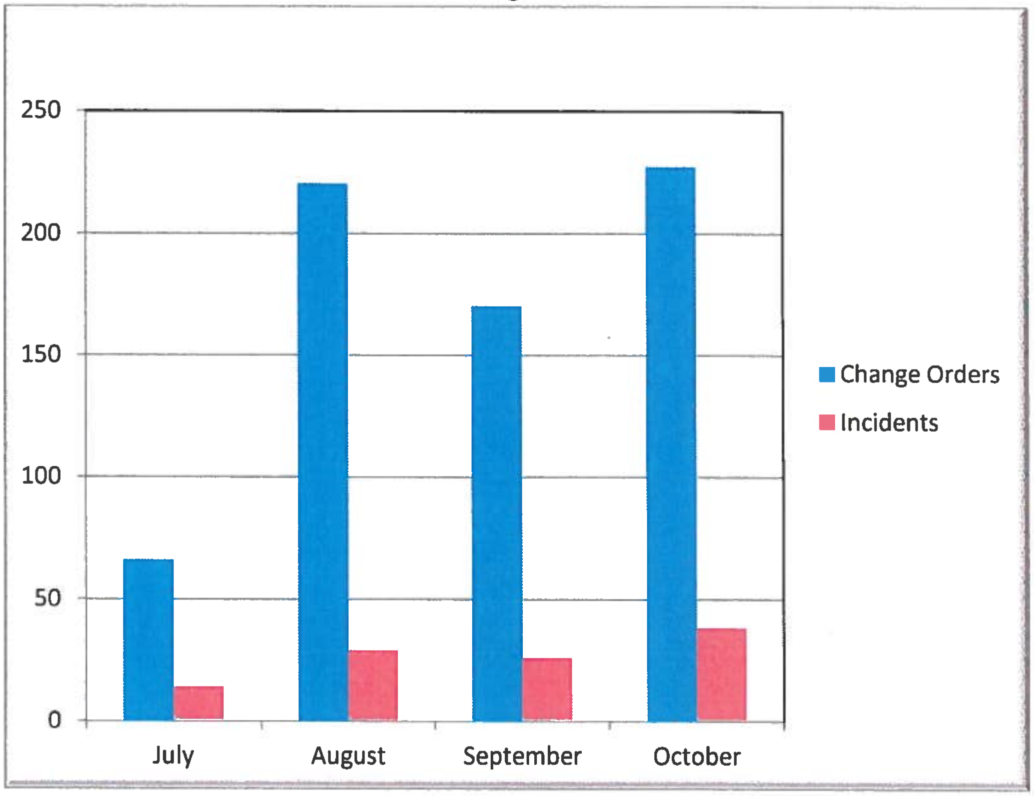
ADDENDUM F
DOR Current IT Project List

	Colorado Department of Revenue	
Project ID	**Project Name**	**Project Manager**
PROJ004821	DOR System Infrastructure Refresh (SIR) Phase II	Joe Jackson
PROJ004773	CDL Auto Test Project	Joe Jackson
PROJ004809	Amendment 64 Implementation	Bertha Trujillo
PROJ001969	OIT - Viper Upgrade	Bertha Trujillo
PROJ002667	ENF - MED Inventory Tracking System	Bertha Trujillo
PROJ004358	Tax Pipeline and Imaging Phase 3	Bertha Trujillo
PROJ004159	CSTARS - CSN Upgrade	
7	**Major**	
PROJ005785	DOR Refresh Network Hardware at Pierce Location	Joe Williams
PROJ005774	DOR Rewire 1375 Sherman Annex	Joe Williams
PROJ003840	IRS Safeguard Audit	Gerry Ushiyama
PROJ004793	Driver's License & ID Card Production System (Morpho)	Gerry Ushiyama
PROJ005864	CITA Support Move 2013	Cindy Beebe
PROJ006214	CSTARS-CARS-FY14 Approved Monthly Releases	Chuck Busch
PROJ005476	DOR Network Upgrade	Cindi Wika
PROJ005751	HB13-1240 Penalties for Persistent Drunk Drivers (appropriation)	Cindy Beebe
PROJ004663	GenTax Gross Conservation Easement Program Enhancements	Bertha Trujillo
PROJ002603	MVD-DL-Drivers License Credit Card Payments	Cindy Beebe
PROJ002279	ENF - Gaming Offices - Golden, Cripple Creek, Central City	Cindy Beebe
PROJ004413	MVD - CSTARS - Denver Welton Relocation	Cindi Wika
PROJ004275	MVD - CSTARS - Print on Demand Phase I	Cindi Wika
PROJ004148	CSTARS - County Email Project	Cindi Wika
PROJ004266	MVD - CSTARS - CSTARS FY13 Refresh	

PROJ004759	MVD - CSTARS - Boulder - Louisville Relocation	
16	**Medium**	
PROJ006408	MED Colorado Springs Relocation	Cindy Beebe
PROJ005753	SB13-004 Electronic Renewal of ID Cards for Seniors	Cindy Beebe
PROJ004484	2013 OSA Audit	Gerry Ushiyama
PROJ004098	CSTARS - DOR - PR 201125 - Manager Override	Terri Krupke
PROJ004079	CSTARS - DOR - PR 20101208-45 - Personalized Plates	Terri Krupke
PROJ004177	OIT - Altiris Imaging Server	Tracie Allen
PROJ005509	CSTARS Operations/Maintenance and Annual Refresh RFP	Cindi Wika
PROJ001981	MVD-DL-CDL Integrated Automated Testing Software	Kathy Chase
PROJ004180	Critical Reports for MMED from MYLO licensing application via SRSS Reports	Kathy Chase
PROJ002088	ENF - Dudley Migration/Decommission	Tracie Allen
PROJ002273	TAX - e-mail subscriptions	Tracie Allen
PROJ003542	CSTARS - DEV - PR NONE - Modify CSTARS for Windows 7	Terri Krupke
PROJ001985	MVD-DL-Budget Forecasting	Kathy Chase
PROJ002733	OIT - McGruff Server Decommission	
PROJ005868	Lamar Northbound POE Re-build	
PROJ005809	MVD - CSTARS - Jefferson - Golden Remodel	
PROJ002843	MVD-DL-Death Records Hard Stops	
PROJ004664	KXEN Enhancements to ERDP Project in Discovery	
PROJ002077	CSTARS - DEV - PR NONE - CT Search	
PROJ004357	Tax Pipeline and Imaging Phase 2	
20	**Small**	
43	**Projects Summarized**	

ADDENDUM G

Access Control Number of Change Orders and Incidents Handled



DEPARTMENT OF REVENUE
FY 2014-15 JOINT BUDGET COMMITTEE
HEARING AGENDA

Friday, January 3, 2014
1:30 pm – 4:30 pm

1:30-1:35 INTRODUCTIONS AND OPENING COMMENTS

1:35-1:45 QUESTIONS COMMON TO ALL DEPARTMENTS

1. Please describe how the department responds to inquiries that are made to the department. How does the department ensure that all inquiries receive a timely and accurate response?

1:45-1:55 INFORMATION TECHNOLOGY DIVISION

2. The Joint Budget Committee submitted a Request for Information (RFI) to the Department with the FY 2013-14 Long Bill package that requested a report be submitted with the November 1, 2013, budget request. The requested report was associated with the Department FY 2013-14 Request #2 – DOR IT Infrastructure Enhancements. Provide an explanation as to why the Department waited until December 17, 2013, to submit the requested report?

3. Provide an update on the implementation of the FY 2013-14 Request #2 – DOR IT Infrastructure Enhancements. In particular, please discuss the following: (1) the progress made to-date on the implementation of the Department of Revenue's Request #2 – DOR IT Infrastructure Enhancements, including a comparison of the reliability of the new system components with the old system components; (2) data justifying the continuing budgetary support of the 22.0 FTE in OIT dedicated to serving the Department of Revenue during the implementation of Request #2; and (3) each of the specific anticipated outcomes cited in the budget submission as justifications for the project.

1:55-2:10 TAXATION BUSINESS GROUP

4. Please describe the Property Tax/Rent/Heat Credit rebate, also known as the PTC rebate, memorandum of understanding (MOU) and its current status.

5. The "Colorado Integrated Tax Architecture"(CITA) replaced the department's existing outdated tax processing systems with a single integrated system modified to ensure the department can continue to collect and process tax revenue. Provide an update on how the new system is working. Is the Department experiencing any issues with the new tax system?

6. Are people eligible to receive a rebate from the Property, Tax, Rent, and Heat Rebate (PTC) Program also eligible to receive rebates from the federal government? How much in rebates from the federal government can people receive in addition to the rebates they receive from Colorado?

2:10-3:15 DIVISION OF MOTOR VEHICLES

7. Please discuss how Request 1, Request 2, Request 3, and Request 5 will help the Division of Motor Vehicles meet its strategic objectives.

8. What problem is the Department attempting to fix with Request 2 "DMV Customer Service Enhancements" and in what parts of the state is the problem occurring? For the Wait-Less expansion component of Request 2, what is the life span of the queuing and data management technology? How much queue time will the Wait-Less technology help reduce on average from the current wait times in driver's license offices?

9. Describe the "Training Enhancements" portion of Request 2. Are the Program Assistant II positions going to train new staff in driver's license offices? Why are experienced driver's license examiners not asked to step in and help with the training of new staff?

10. Regarding Request 3 "DMV Driver License Examiner Reclassification", has the work that driver's license examiners perform changed/gotten more complicated to merit the re-classification to technicians? Does the Department have evidence that higher pay will reduce the turnover rate of driver's license examiners? Would the Department be able to report to the General Assembly in one to two years on the success of this initiative if it is funded?

11. Regarding Request 3, does changing the classification of driver's license examiners to technicians create a problem with the ability for employees to advance within their classification series? For example, will technicians be able to promote to general professionals as easily as a driver's license examiner IV would have been able to promote to driver's license examiner V?

12. Regarding Request 5 "DMV Appropriation Restructure", are any of the current sub-divisions within the Division of Motor Vehicles referenced by name in statute and would statute need to be amended if these sub-divisions are abolished?

13. Provide a detailed analysis showing the impact of the proposed legislation on the Licensing Services Cash Fund (LSCF). In particular, provide a fund balance and cash flow analysis of the LSCF as a result of allowing the fund to keep its fund balance rather than sweeping it into the HUTF.

14. How often has the Licensing Services Cash Fund operated with a deficit since the fund was created? Provide an explanation of what caused the fund to operate in deficit for every instance that it occurred.

15. What is the fiscal impact of the proposed Joint Budget Committee legislation going to be?

16. Provide an analysis of how the LSCF legislative proposal interacts with Department Request 1, Request 2, and Request 3. In other words, if the proposed legislation is adopted, what

impact will it have on the Department's need to fund FY 2014-15 change requests R1, R2, and R3 with General Fund versus LSCF revenues?

17. Regarding the Department's legislative request of the Joint Budget Committee, why is the Department bringing forth an idea that does not resolve the issue in the long term? Provide an analysis of the long term impact of the fee changes.

18. Provide an analysis of what additional measures would need to be taken for Driver and Vehicle Services to be completely cash funded without needing a General Fund subsidy.

19. Why is the Department proposing a short-term fix for funding the shortfall in the Driver's License Administrative Revocation Account (DLARA)?

20. What are the annual revenues to the First Time Drunk Driver Offender's Account? Have revenues leveled off? If so, why? Are judges waiving surcharges? Is the annual revenue expected to stay at the current level? What is the Department's goal with the First Time Drunk Driver Offender's Account?

21. How does the Department's Capital Construction request titled "Division of Motor Vehicle-Driver License, Record, Identification, and Vehicle Enterprise Solution" fit within the Department's strategic plan as well as Request 1, Request 2, Request 3, and Request 5?

22. How did the Department determine that the capital construction request for the replacement of the Driver License System (DLS) and the Colorado State Titling and Registration System (CSTARS) is the best solution for the systems? Did the Department consult with the Governor's OIT?

23. How was the cost estimate calculated for the Division of Motor Vehicles enterprise solution capital construction request?

24. Discuss the OIT and Department staff backfill component of the cost for the Division of Motor Vehicles enterprise solution capital construction request. Why is staff backfill necessary?

25. How do other states fund their driver's license offices/divisions?

26. How do Colorado driver's license fees compare to fees charged in other states?

27. Are there states that offer "glamour photography" for driver's licenses at an extra fee? Would providing an option for "glamour photography" provide additional revenues to the Division?

28. Provide figures detailing compliance rates with the use of ignition interlock devices.

3:15-3:25 BREAK

3:25-4:15 ENFORCEMENT BUSINESS GROUP

29. Provide an update on the implementation of the Marijuana Enforcement staffing plan, where does the Department currently stand?

30. The Department's Marijuana Cash Fund report projects that the Marijuana Cash Fund will receive $39.3 million in additional state sales tax revenues from the taxation of retail marijuana in FY 2013-14. Provide an analysis of the updated Department assumptions that show higher revenues to the Marijuana Cash Fund than during the writing of the November 2013 Ballot Initiative.

31. Provide an updated cash fund report for the Marijuana Cash Fund showing the Department's analysis of revenues, expenditures, fund balance, and target reserve.

32. Discuss H.B. 13-1317 and H.B 13-1318 in the context of the funding balance of the Marijuana Cash Fund. Why is the Department not reflecting disbursements from the Marijuana Cash Fund for functions defined within H.B. 13-1317 and H.B. 13-1318?

33. What is the Department plan for spending down the fund balance in the Marijuana Cash Fund?

34. Does the Department intend to submit a Budget Amendment to change the expenditures out of the Marijuana Cash Fund as a result of the passage of Proposition AA?

35. Provide an explanation of what the moneys appropriated for H.B. 13-1317 are being used for.

4:15-4:30 STATE LOTTERY DIVISION

36. Several of the key findings of the audit report stated that:

    - The Lottery has not always calculated its sales staff bonus incentives with actual sales data, as described in the approved plan.
    - The Lottery has not ensured that all sales staff bonus incentives are designed specifically to reward individual sales achievements.
    - The Lottery may be paying more in prize payouts than is needed to achieve optimal sales, thereby lessening the proceeds available for beneficiary agencies.
    - The most recent data available in a national study showed that in Fiscal Year 2011 Colorado’s prize payout percentage was 63 percent, 2 percentage points higher than the national average of 61 percent. The 2 percentage point difference equated to about $10.4 million.

Provide an update on the implementation of the audit report recommendations as they relate to the above four key findings.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.
2. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2013? What is the department doing to resolve the outstanding high priority recommendations?
   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/D36AE0269626A00B87257BF30051FF84/$FILE/1337S%20Annual%20Rec%20Database%20as%20of%2006302013.pdf
3. Does the department pay annual licensing fees for its state professional employees? If so, what professional employees does the department have and from what funding source(s) does the department pay the licensing fees? If the department has professions that are required to pay licensing fees and the department does not pay the fees, are the individual professional employees responsible for paying the associated licensing fees?
4. Does the department provide continuing education, or funds for continuing education, for professionals within the department? If so, which professions does the department provide continuing education for and how much does the department spend on that? If the department has professions that require continuing education and the department does not pay for continuing education, does the employee have to pay the associated costs?
5. During the hiring process, how often does the number one choice pick candidate turn down a job offer from the department because the starting salary that is offered is not high enough?
6. What is the turnover rate for staff in the department?