

**Department of Revenue
FY 2007-08 Joint Budget Committee
HEARING AGENDA**

Wednesday, January 3, 2007, 1:30 - 3:00 pm

1:30 - 1:55 Common Questions

Performance Measures

1. How do your performance measures influence department activities and budgeting?
2. To what extent do the performance outcomes reflect appropriation levels?
3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?
4. As a department director, how do you judge your department's performance? What key measures and targets do you use?

Implementing Legislation Concerning Illegal Immigration:H.B.06S-1023 and H.B.06S-1009

5. Provide a list of programs in your department that are subject to the provisions of the two bills.
6. How has your department implemented the provisions of the two bills? What problems have been encountered in implementing them?
7. Provide an estimate of the costs your department will incur in FY 2006-07 to implement the bills. Are any additional costs anticipated in FY 2007-08? If so, please elaborate.
8. Provide a summary of anticipated savings in FY 2006-07 in your department as a result of not providing services to individuals who are in the country illegally. Are any additional savings anticipated in FY 2007-08? If so, please elaborate.

1:55 - 2:15 Department Overview and Budget Request

Overview

9. What steps has the Department taken to meet the following recommendations in the recent severance tax audit?
 - Adopt procedures to ensure self-reported oil and gas production data are supported by independent calibration reports. Work with the Colorado Oil and Gas Conservation Commission to make data available and accessible.

- Ensure that all taxpayers subject to severance taxation have filed a return by:
 - (a) accessing and using Department of Natural Resources production and permit data,
 - (b) conducting data matches,
 - (c) verifying royalty owners have filed a return, and
 - (d) enforcing compliance with filing requirements.
 - Improve audit selection methodology for severance tax audits by exposing all taxpayers to potential audit and using risk of noncompliance.
 - Improve the quality of severance tax audit work plans by including all necessary steps to test production and transportation, processing, and manufacturing cost deductions; and developing standardized audit work plans for metallic minerals and molybdenum ore.
 - Better manage resources to increase the number of severance tax audits completed by :
 - (a) providing additional funding for severance tax audits,
 - (b) developing a formal severance tax audit training program, and
 - (c) obtaining instruction on the effective use of all necessary databases.
10. For the Motor Vehicle Dealer Licensing Board, why is such a large amount in fines levied and such a small amount collected?
 11. What is the remedy to collect these fines? How are these fines utilized?
 12. For special license plates, do the fees cover the costs to the state? Do the fees cover the costs at the county level? Please explain.
 13. Which taxes (and fees, if any) flow directly to the General Fund?
 14. For the requested audit software, is the requested software a stand-alone system? Does it tie into any of the current tax databases? Will it tie into the new tax information system?
 15. What is the status of the plan to replace the legacy tax information systems over a period of years?
 16. Why is there a reduction in federal funds for the Mineral Audit Program?
 17. Which footnotes were vetoed?
[A revised "Long Bill Footnote Update" is included in the briefing document.]

2:15 - 3:00 Issues

Performance Measure Issue

18. What are the department's top four goals, expressed in quantified data?
19. What is the department's analysis as to the optimum level of staffing that is needed to collect the taxes that are due? Please explain the analysis.
20. What are the department's goals for how long people should wait in line for services provided by the department, including driver licenses?

Colorado Integrated Tax Architecture (CITA) Project

21. Please discuss the scope of this project and what has been accomplished so far.
22. Please provide the names of the vendors who submitted bids in response to the CITA Request for Proposal.
23. Has the department considered piloting parts of the system?
24. What are the components of the project?
25. What is the total cost associated with this project?
26. Will the new system change the cost as a percent of collection? If so, in what way? If not, why not?
27. What cost of collection does the department expect to achieve with the new system?

Division of Motor Vehicles Decision Item

28. Please explain how the department plans to reduce wait times at drivers license offices and improve the accessibility of drivers license offices.
29. When drivers license offices were closed because of budget reductions, where were those FTE assigned?
30. Have pay raises for non-metro employees been frozen? What is the discrepancy between metro and non-metro employee pay increases? Has there been a memo in the department that discussed freezing salaries in non-high volume areas of the state?
31. Which offices will the additional 25.0 FTE be assigned to? Please discuss the reasoning behind this decision.

32. Could the department open more offices in the County Clerks offices? Please explain.
33. Are the new staff assigned for security reasons a result of requirements in the Real ID Act? Could these expenditures be exempt from the 6 percent limit as a federal mandate? [Note: Staff has submitted this question to the Office of Legislative Legal Services.]
34. What is the cost of the changes required by the Real ID Act?
35. In the Driver and Vehicle Services portion of the budget, General Fund is going up significantly. Why?
36. How would the system be impacted if we went to 100 percent cash funding of this office?
37. How could the department be funded based on meeting a performance standard for wait times in revenue offices?
38. Could the department charge a convenience fee to provide services in stores or shopping malls? Please explain.
39. Why did the department refuse to provide a copy of its drivers license issuance procedures?
40. What are the specific legal issues in the court case on identification document requirements? What is the status of the case?

Cost of Sales Tax Collection

41. Please discuss the cost of collection of sales and use taxes.
42. Please explain the department's method of determining the cost of collection of sales and use taxes.
43. Why, when cities collect their own sales taxes, do sales tax revenues go up?
44. What would be the impact of allowing the counties to collect their own taxes?

Ad Valorem (Property Tax) Severance Tax Credit

45. Please discuss the cost of collection of severance tax.
46. Please explain the department's method of determining the cost of collection of severance tax.
47. What is the department's best estimate of the total amount of the ad valorem credit in FY 2005-06?
48. What is department's recommendation on a calibration process, that is, on a process for

checking the accuracy of flow meters over time?

49. What is the number of situations in which no return was filed? How is the department addressing this?

Conservation Easement Income Tax Credit

50. Please discuss enforcement of the conservation easement income tax credit.
51. How is the bill Rep. Spradley carried related to this budget issue?

Motor Carrier Fees and Fines

52. Please discuss Colorado's commercial vehicle fees and fines and how they are related to highway safety.
53. Why is the department enforcing statutes differently on rig up trucks and taking the trucks off the road?

State Lottery

54. What are the avenues of expansion for the Lottery within current law? What is the Lottery's capacity to grow?
55. Please provide the numbers of Lottery FTE that are located in Pueblo, in Denver, and in the other Lottery locations, for the last five years.