

# JOINT BUDGET COMMITTEE



## STAFF FIGURE SETTING FY 2017-18

## DEPARTMENT OF REVENUE

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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## HOW TO USE THIS DOCUMENT

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is

provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables.

Decision items, both department-requested items and staff-initiated items, are discussed either in the Decision Items Affecting Multiple Divisions or at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

## DEPARTMENT OVERVIEW

The Department of Revenue administers the state's tax laws and collects taxes due, administers motor vehicle registration and titling and driver's licensing, regulates and enforces state laws for selected industries, and operates the State Lottery.

The *Executive Director's Office* provides central budgeting, fiscal note coordination, revenue and expenditure accounting, purchasing and contract administration, human resources, internal auditing, project management, facilities safety, and security, and a hearings division for the Department. The office is funded through direct and indirect costs charged to divisions. In addition, the Executive Director's Office includes a Citizen's Advocate who assists citizens and taxpayers with problems, grievances or inquiries. It also includes a Communications Director who is the primary contact for all media queries and requests for information and a Legislative Liaison who directs all legislative matters for the Department. Additionally, the Executive Director's Office supports the Office of Research and Analysis that develops reports, such as the Department's annual report and monthly and quarterly sales tax reports. They also develop analytical data and estimate the refunding of State of Colorado excess revenues under Article X, Section 20 of the State Constitution (TABOR).

### THE TAXATION BUSINESS GROUP:

- Is responsible for the administration, collection, and enforcement of individual and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, and severance taxes, as well as all other taxes collected by the state;
- Collects local sales taxes on behalf of counties, many cities, and special districts;
- Provides assistance and information to taxpayers about compliance with Colorado's tax laws;
- Attempts to resolve taxpayer disputes before they reach the court system; and
- Administers several pass-through fund distributions to local governments.

### THE DIVISION OF MOTOR VEHICLES:

- Licenses drivers, maintains records of licensed drivers, and applies administrative sanctions against drivers who violate traffic laws, including for drunk driving and for excessive points on their licenses;
- Oversees the vehicle emissions testing stations (including mobile testing stations);
- Registers and titles motor vehicles;
- Administers the motor vehicle insurance identification database to prevent the registration of vehicles that are not insured; and
- Assists first-time drunk-driving offenders in obtaining ignition interlock devices.

### THE ENFORCEMENT BUSINESS GROUP:

- Regulates and enforces laws related to the limited stakes gaming industry;
- Enforces laws regarding liquor and tobacco retailers, including laws against selling those products to minors, and licenses retailers and special events where alcohol is served;
- Regulates horse racing (dog racing is currently inactive) and pari-mutuel betting (including off-track betting);
- Regulates retailers and sales agents in the motor vehicle sales industry;
- Regulates the medical and recreational marijuana industries; and

**THE STATE LOTTERY DIVISION:**

Operates the State Lottery, which sells scratch ticket games and the multi-state lottery games, PowerBall and Mega Millions. The net proceeds of the Lottery benefit the following State funds:

- Conservation Trust Fund;
- Colorado Division of Parks and Outdoors Recreation;
- Great Outdoors Colorado; and
- Public schools capital construction fund.

**SUMMARY OF STAFF RECOMMENDATIONS**

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2016-17 APPROPRIATION</b>						
H.B. 16-1405 (Long Bill)	\$336,697,926	\$103,760,809	\$225,641,524	\$6,471,205	\$824,388	1,414.7
S.B. 17-169 (Supplemental Bill)	1,111,856	(30,000)	1,090,473	51,383	0	0.0
Other legislation	1,774,488	(3,050,396)	4,824,884	0	0	15.7
<b>TOTAL</b>	<b>\$339,584,270</b>	<b>\$100,680,413</b>	<b>\$231,556,881</b>	<b>\$6,522,588</b>	<b>\$824,388</b>	<b>1,430.4</b>
<b>FY 2017-18 RECOMMENDED APPROPRIATION</b>						
FY 2016-17 Appropriation	\$339,584,270	\$100,680,413	\$231,556,881	\$6,522,588	\$824,388	1,430.4
Staff-initiated appropriation true-ups	(72,506)	(72,506)	0	0	0	0.0
R1 DMV Waitless system maintenance	183,042	0	183,042	0	0	0.0
BA1 Driver license documents	1,207,840	0	1,207,840	0	0	0.0
R2 License plate and year tab ordering	4,056,720	209,642	3,847,078	0	0	0.0
R3 LED operating increase	0	0	0	0	0	0.0
R4 DMV leased space	1,072,506	0	1,072,506	0	0	0.0
R5/NBA6 GenTax maintenance, support, and hosting	4,543,316	4,543,316	0	0	0	0.0
R6 Auto Industry Division staff increase	307,882	0	307,882	0	0	4.0
R7 Division of Racing Events staff	0	0	0	0	0	0.0
R8 Amendment 35 Distribution	0	0	0	0	0	0.0
Centrally appropriated line items	4,713,170	2,231,355	2,805,166	(323,351)	0	0.0
Non-prioritized request items	1,180,523	536,325	644,238	(40)	0	0.0
Adjustment for forecast	(432,353)	(455,603)	23,250	0	0	0.0
Annualize prior year legislation	220,611	3,159,767	(2,939,156)	0	0	0.9
Technical adjustment	0	0	0	0	0	0.0
Annualize prior year budget action	(1,147,905)	(3,092,133)	1,995,611	(51,383)	0	0.0
<b>TOTAL</b>	<b>\$355,417,116</b>	<b>\$107,740,576</b>	<b>\$240,704,338</b>	<b>\$6,147,814</b>	<b>\$824,388</b>	<b>1,435.3</b>
<b>INCREASE/(DECREASE)</b>	<b>\$15,832,846</b>	<b>\$7,060,163</b>	<b>\$9,147,457</b>	<b>(\$374,774)</b>	<b>\$0</b>	<b>4.9</b>
Percentage Change	4.7%	7.0%	4.0%	(5.7%)	0.0%	0.3%
<b>FY 2017-18 EXECUTIVE REQUEST</b>						
Request Above/(Below) Recommendation	\$1,307,275	\$1,150,143	\$157,132	\$0	\$0	1.0

**DESCRIPTION OF INCREMENTAL CHANGES**

**STAFF-INITIATED APPROPRIATION TRUE-UPS:** The recommendation includes minor adjustments to line items in the Department to more closely match appropriations with recent expenditures resulting in a decrease of \$72,506 General Fund.

**R1 DIVISION OF MOTOR VEHICLES WAITLESS SYSTEM MAINTENANCE:** The recommendation includes an increase of \$183,042 Cash Funds to fund ongoing maintenance and operating costs, including materials and licensing fees, to operate the Waitless queuing system.

**R2 LICENSE PLATE AND YEAR-TAB ORDERING:** The recommendation includes a total increase of \$4,056,720 including \$209,642 General Fund and \$3,847,078 cash funds spending authority to meet increased demand for license plates and address the revenue deficiency created by the General Assembly exempting fees for certain items paid by this line item. The sources of cash funds is the License Plate Cash Fund and the CSTAR Account of the Highway Users Tax Fund.

**R3 LIQUOR ENFORCEMENT DIVISION OPERATING INCREASE:** The recommendation includes denying a request to increase appropriations by \$52,884 cash funds for increased investigation and enforcement actions that require an overnight stay due to distance from regional offices and provide additional liquor enforcement training for enforcement officers.

**R4 DIVISION OF MOTOR VEHICLES LEASED SPACE:** The recommendation includes an increase of \$1,072,506 Cash Funds to expand and/or relocate the following DMV offices: Northglenn, Colorado Springs, and Fort Morgan. The Department identified these locations as those most in need to address current capacity.

**R5/NBA6 GEN TAX MAINTENANCE, SUPPORT, AND HOSTING:** The recommendation includes an increase of \$4,543,316 General Fund to refresh the mainframe infrastructure hosting the GenTax computing environment managed by the Governor's Office of Information Technology. The increase also include the addition of four staff persons provided by the software vendor as well as software licensing costs.

**R6 Auto Industry Division staff increase:** The recommendation includes an increase of \$307,882 cash funds to support an additional 4.0 FTE in the Auto Industry Division to increase regulatory activities previously ceased during the economic downturn due to the industry's recent financial recovery.

**R7 DIVISION OF RACING EVENTS STAFF INCREASE:** The recommendation includes denying the Department's request to convert a temporary legal assistant to a full-time position by increasing cash fund appropriations by \$31,989.

**R8 AMENDMENT 35 DISTRIBUTION:** The recommendation includes denying the Department's request to include an (I) notation in the Long Bill for the Amendment 35 Distribution housed in the Special Purpose Division of the Taxation Business Group.

**CENTRALLY APPROPRIATED LINE ITEMS:** The recommendation includes an increase of \$4,713,170 total funds (including \$2,231,355 General Fund) related to employee benefits and other centrally appropriated items. Some of these line items are pending and will reflect Committee action when it is taken. This total includes the following changes:

CENTRALLY APPROPRIATED LINE ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Salary survey adjustment	\$2,063,548	\$884,630	\$1,176,480	\$2,438	0.0
Health, life, and dental adjustment	1,167,840	305,035	856,189	6,616	0.0
SAED adjustment	349,714	149,052	200,340	322	0.0
AED adjustment	313,436	133,516	179,641	279	0.0
CORE adjustment	295,853	118,643	177,210	0	0.0
Leased space adjustment	246,319	16,596	229,723	0	0.0
Capitol Complex leased space adjustment	240,065	163,730	76,335	0	0.0
Legal services adjustment	201,111	113,262	87,849	0	0.0
Indirect cost recovery adjustment	168,180	(168,180)	168,180	168,180	0.0
Payments to OIT adjustment	159,082	72,281	86,801	0	0.0
Payment to risk management / property funds adjustment	23,054	8,584	14,470	0	0.0
Short-term disability adjustment	6,745	2,910	3,828	7	0.0
Shift differential adjustment	6,139	(2,227)	8,366	0	0.0
ALJ adjustment	2,119	0	2,119	0	0.0
Indirect cost allocation adjustment	(461,864)	462,684	(423,355)	(501,193)	0.0
Workers' compensation adjustment	(68,171)	(29,161)	(39,010)	0	0.0
<b>TOTAL</b>	<b>\$4,713,170</b>	<b>2,231,355</b>	<b>\$2,805,166</b>	<b>(\$323,351)</b>	<b>0.0</b>

**NON-PRIORITIZED REQUEST ITEMS:** The recommendation includes adjustments related to budget requests made by other departments that impact the Department of Revenue in FY 2017-18, which are summarized below.

NON-PRIORITIZED REQUEST ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
NP 5 PBX Telephone System Replacement	\$791,172	\$359,479	\$431,693	\$0	0.0
NP HRIS Maintenance	233,251	105,981	127,270	0	0.0
NP OIT Secure Colorado	146,808	66,704	80,104	0	0.0
NP 4 OIT Deskside	58,710	26,676	32,034	0	0.0
NBA2 DTRS Budget Amendment	12,849	5,838	7,011	0	0.0
NP Resources for administrative courts	107	0	107	0	0.0
NP Property Fund Supplemental	0	0	0	0	0.0
NBA3 Health Life Dental Adjustment	(51,073)	(29,585)	(21,448)	(40)	0.0
NP Annual fleet vehicle request	(11,301)	1,232	(12,533)	0	0.0
<b>TOTAL</b>	<b>\$1,180,523</b>	<b>536,325</b>	<b>\$644,238</b>	<b>(\$40)</b>	<b>0.0</b>

**ADJUSTMENT FOR FORECAST:** The recommendation includes adjustments related to changing revenue forecast for Tobacco and Marijuana tax dollars distributed to local governments via statutory or constitutional formula.

Annualize prior year legislation: The request includes a net increase of \$220,611 total funds, including \$3,159,767 General Fund to reflect the FY 2017-18 impact of bills passed in previous sessions, which is summarized in the table below.

ANNUALIZE PRIOR YEAR LEGISLATION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Annualize SB 16-040	\$321,199	\$0	\$321,199	2.2
Annualize HB 16-1467	120,672	120,672	0	0.0
Annualize HB 16-1142	45,038	45,038	0	0.0
Annualize HB 16-1194	33,077	33,077	0	0.0



ANNUALIZE PRIOR YEAR LEGISLATION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Annualize SB 16-090	21,336	0	21,336	0.0
Annualize HB 16-1056	12,525	0	12,525	0.4
Annualize SB 16-197	7,784	0	7,784	1.1
Annualize HB 16-1211	7,565	0	7,565	0.2
Annualize HB 16-1415	0	3,200,000	(3,200,000)	0.0
Annualize HB 14-1072	(100,587)	(100,587)	0	(2.4)
Annualize HB 16-1261	(88,491)	0	(88,491)	(1.3)
Annualize SB 15-282	(42,030)	(42,030)	0	0.0
Annualize HB 16-1332	(37,038)	(37,038)	0	0.0
Annualize HB 15-1181	(26,385)	(26,385)	0	0.0
Annualize HB 14-1311	(20,414)	(20,414)	0	0.7
Annualize SB 16-030	(12,566)	(12,566)	0	0.0
Annualize SB 15-260	(8,480)	0	(8,480)	0.0
Annualize HB 15-1367	(6,351)	0	(6,351)	0.0
Annualize SB 15-260	(5,733)	0	(5,733)	0.0
Annualize HB 16-1136	(510)	0	(510)	0.0
<b>TOTAL</b>	<b>\$220,611</b>	<b>3,159,767</b>	<b>(\$2,939,156)</b>	<b>0.9</b>

**TECHNICAL ADJUSTMENT:** The recommendation includes staff-initiated net-zero cash fund adjustments throughout the Department to match cash fund details between JBC and OSPB budgeting software.

**Annualize prior year budget action:** The request includes a net decrease of \$1,147,905 total funds for prior year budget actions summarized in the table below:

ANNUALIZE PRIOR YEAR BUDGET ACTION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize FY13-14 R1 CITA Annual Maintenance and Support	\$116,021	\$116,021	\$0	\$0	0.0
Annualize FY16-17 R1 DMV Funding Deficit	0	(3,200,000)	3,200,000	0	0.0
Annualize FY 2016-17 Drivers License BA	(1,090,473)	0	(1,090,473)	0	0.0
Annualize FY16-17 R4 MED FTE	(113,916)	0	(113,916)	0	0.0
Annualize FY16-17 BA1 Income Tax Refund Fraud	(38,154)	(38,154)	0	0	0.0
Annualize NP OEDIT Historic Preservation Tax Credit spending authority	(21,383)	30,000	0	(51,383)	0.0
<b>TOTAL</b>	<b>(\$1,147,905)</b>	<b>(3,092,133)</b>	<b>\$1,995,611</b>	<b>(\$51,383)</b>	<b>0.0</b>

## MAJOR DIFFERENCES FROM THE REQUEST

Staff's recommendations for FY 2017-18 are \$1.3 million lower than the request (including \$1.2 million General Fund), including the following significant differences:

- The recommendation includes \$1,080,000 General Fund less than the amount requested reflecting the recommendations made by the Joint Technology Committee on R5?NBC6 GenTax maintenance, supporting, and hosting.
- The recommendation includes denying three decision items:
  - R3 Liquor Enforcement Division, the request totaled \$52,884 cash funds;
  - R7 Division of Racing Events staff increase \$31,989 cash funds; and
  - R8 Amendment 35 Distribution.

## DECISION ITEMS AFFECTING MULTIPLE DIVISIONS

### → R4 DMV LEASED SPACE

*REQUEST:* The Department requests an increase of \$1,090,106 cash funds from the Licensing Services Cash Fund in FY 2017-18 and \$179,106 in FY 2018-19 to expand and/or relocate three state-run offices of the Division of Motor Vehicles (DMV).

*RECOMMENDATION:* JBC Staff recommends approving \$1,072,506 cash funds in FY 2017-18, and the Department request of \$179,106 cash funds for continuation funding in FY 2018-19 and ongoing.

*ANALYSIS:* The Department of Revenue operates the state-wide Division of Motor Vehicles including operating 36 driver license offices throughout the state. Funding for the state-run licensing offices is appropriated to the Leased Space line item in the Executive Director's Office. While the line item has received additional appropriations related to implementing legislation, the Leased Space line item has not seen a significant operational increase in over ten years.

The current Colorado Springs and Northglenn driver license offices do not meet the needs of the customer base and require an expansion of the existing space or relocation to other locations. Leases for these locations are approaching the end of their terms, with each ending in June 2020 and June 2021, respectively.

Assuming the Committee approves the Department request, the Department states its first strategic priority will be to negotiate with each of the current property owners of the Northglenn and Colorado Springs locations over the coming months to explore expansion options.

The Fort Morgan lease has been in holdover since 2007 and also requires relocation to an office that is better suited to meet the needs of the DMV.

At each location, the limited space restricts the number of workstations that can be installed, which limits the number of customers that can be served. As a result, customers are waiting longer and wait times at these locations have historically been higher than other offices. Data provided by the Department explains the Northglenn and Colorado Springs offices serve 14 percent of all customers at the 31 larger driver license offices. Because these offices have historically had longer wait times and serve a significant customer base, the Department anticipates reducing wait times at both locations will drive down the statewide average. The Department strives to serve each customer within 15 minutes.

Additionally, the waiting room space is limited and results in customers having to stand for extended periods of time while they wait to be seen. These limitations do not provide a positive customer experience and prevents the Department from serving customers in an efficient and effective manner.

The Department continues to assess each of its driver license offices to determine how to maximize the efficient use of space. Both the Colorado Springs and Northglenn offices were targeted due to an increase in statewide population concentrated on the Front Range. It also takes into consideration

whether office locations can co-locate with other state-run facilities; e.g. the Department of Labor and Employment’s Workforce Development.

The Department’s estimates are included in the tables below:

OFFICES TO RENEGOTIATE AND EXPAND								
Location	Current sqft.	Future sqft.	Change in sqft.	Current Market Rate per sqft.	Annual Cost of new sqft.	Additional Cost for new sqft.	Cost to Buildout Expansion	Cost of Moving
Northglenn	3,480	7,000	3,520	\$25.00	\$88,000	\$870	\$354,000	\$35,000
Colorado Springs	9,575	12,273	2,698	20.50	55,309	29,587	462,000	35,000
<b>Subtotal</b>					<b>\$143,309</b>	<b>\$30,457</b>	<b>\$816,000</b>	<b>\$70,000</b>
OFFICES TO RELOCATE								
Location		Current sqft.	Change in sqft.	Current Market Rate per sqft.	Annual Cost of new sqft.	Additional Cost for new sqft.	Cost to Buildout Expansion	Cost of Moving
Fort Morgan		1,000	0	\$15.00	\$5,340	n/a	\$20,000	\$5,000
<b>Total</b>					<b>\$148,649</b>	<b>\$30,457</b>	<b>\$836,000</b>	<b>\$75,000</b>
<b>Grand Total (All totals from above line summed)</b>								<b>\$1,090,106</b>

JBC Staff is not comfortable recommending approving the total cost requested for moving expenses and is instead recommending a slightly discounted amount. Because moving costs typically scale based on the volume of items that must be moved, it is illogical that moving costs for both the Northglenn and Colorado Springs offices would cost the same. JBC Staff considered using a rate of \$3.65 per sqft, which equals the per sqft rate of moving the 9,575 sqft Colorado Springs office at \$35,000. This would result in a recommendation discounted by about \$22,000. JBC Staff instead chose to use a rate of \$5.00 per sqft, which equals the moving costs for moving Fort Morgan.

Therefore, for the Northglenn office, JBC Staff recommends an appropriation of \$17,400 instead of \$35,000. JBC Staff recommends all other components of the Department request, which increases appropriations from the Licensing Services Cash Fund to the Department by \$1,072,506 cash funds in FY 2017-18.

**→ R5 AND NBA9/OIT BA4 GEN TAX SYSTEM MAINTENANCE, SUPPORT, AND HOSTING**

*REQUEST:* The Department’s amended request is to increase appropriations by \$5,623,316 General Fund in FY 2017-18, including continuation funding of \$1,416,257 General Fund in FY 2018-19 and ongoing, to maintain the GenTax System managed by the Governor’s Office of Information Technology. The Request includes three components: (1) refreshing the technological infrastructure, (2) licensing and support from the GenTax software vendor, and (3) adding GenTax System enhancements intended to increase the customer service experience.

*RECOMMENDATION:* JBC Staff recommends the Committee approve the components of the project approved by the Joint Technology Committee on February 24, 2017. This includes (1) \$2,834,549 General Fund to refresh technological infrastructure for GenTax provided by the Governor’s Office of Information Technology; and (2) \$1,708,767 to allow the Department to acquire additional staff resources from Fast Enterprises for a total increase of \$4,543,316 General Fund.

*ANALYSIS:* GenTax is the State of Colorado’s tax processing and administration information system, development of which was funded under the name Colorado Integrated Tax Architecture (CITA). GenTax is an enterprise application that annually processes over 10 million tax returns and over \$11B for the state of Colorado and other local jurisdictions. GenTax is a fully integrated system that spans the entire process from beginning-to-end including return and payment processing, return evaluation and adjusting, billing, collections, auditing, and customer correspondence. GenTax also includes a customer self-service portal where individual and businesses can file returns, make payments, respond to inquiries, and view and manage their own accounts.

The system is primarily used by the Department of Revenue’s Taxation Business Group (80 percent), but is also used by all the Divisions within the Department of Revenue including Enforcement (3 percent), Motor Vehicles (3 percent), Lottery (0.1 percent), Administrative Offices Division (2%), and Budget and Financial Services (12 percent). GenTax functionality provided to other sections includes:

- International Registration Plan program functionality for DMV;
- Gaming Casino EZ File functionality for Enforcement;
- Winnings Intercept functionality for Lottery;
- Report repository for Office of Research and Analysis within the Administrative Offices Division; and
- Revenue Accounting and Remittance Processing functionality provided to the Office of Budget and Financial Services Division.

The last year of a five-year contract negotiated with the developer of GenTax, Fast Enterprises, will occur in FY 2017-18 requiring the Department to enter renegotiations, particularly over the hosting of the GenTax system environment. When the Department submitted its initial budget request, it anticipated migrating the environment from servers maintained by the Governor’s Office of Information Technology (OIT) to ones maintained by Fast Enterprises. However, in January, the Department informed the Committee that negotiations with Fast Enterprises had reached a deadlock, primarily over Fast Enterprises refusal to accept liability if breaches of personally identifiable information were to occur.

After coming to this conclusion, the Department and OIT developed a solution to refresh the hardware and software licenses on servers maintained by OIT; this solution was submitted as an OIT prioritized Budget Amendment 4. During its January hearing with the Department, the Committee requested input from the Joint Technology Committee (JTC) on the original Department of Revenue request and since the OIT request includes such a critical component of Revenue’s initial request, it was logical to include the entire request in the review made by the JTC.

The JTC met on February 17<sup>th</sup> and 24<sup>th</sup> to discuss the GenTax request with staff from the Department, OIT, and JTC. On February 24, JTC Staff recommended and the JTC approved two components of the GenTax request, which includes (1) \$2,834,549 General Fund to refresh technological infrastructure for GenTax provided by the Governor’s Office of Information Technology; and (2) \$1,708,767 to allow the Department to acquire additional staff resources from Fast Enterprises for a total increase of \$4,543,316 General Fund.

The component the JTC did not support was an appropriation to the Department for a total \$1,080,000 General Fund to support an additional three on-site support resources. This portion of the request was nebulously described as funding to provide support to GenTax to address strategic

initiatives and other opportunities to improve customer service levels to state taxpayers. Ultimately, the Department provided examples of customer service and customer experience initiatives that have already been recognized as opportunities including e.g.:

- Adding all remaining taxes and reports to Revenue Online so that taxpayers can file electronically;
- Revenue Online changes and enhancements to improve the experience for taxpayers;
- Instant Messaging so that taxpayers can interact with the Call Center through Instant Messaging in addition to phone;
- Implementation of the Licensing Manager – registration, issuance, renewal, suspension, and revocation of licenses;
- Implementation of the Credit Manager, for refundable credits, which includes enhanced tracking and reporting from filing through revenue accounting;
- Case Management system for criminal tax enforcement;
- Implementing an opt-in electronic correspondence system where taxpayers can opt-in to receive notices and other communication electronically instead of through the mail;
- Implementing the same return adjustment, period summary, taxpayer inquiry, and adjustment protest resolution processes from individual income tax to corporate, fiduciary, partnership, and sales tax returns;
- Improving transaction detail display on billing notices;
- Responding to an ever-changing refund fraud environment; and
- Being an active participant in the national anti-fraud initiatives.

This data goes a long way to boast at the successes that the GenTax team has had rolling out new improvements, but does nothing to substantiate the request justifying an annual appropriation exceeding \$1.0 million. The GenTax team should be encouraged to continue identifying improvements to GenTax but it should also be encouraged to plan strategically and not plan based solely on what appropriation the General Assembly provides. JBC Staff would warm to the Department request if it were able to provide actual data. That could be in the form of quantitative data, such as reduced transaction time for taxpayers, and elimination of unnecessary redundancies; or qualitative data, such as taxpayer surveys reporting successes from previous improvements.

The JTC recommended approving the following to components of the amended GenTax request: (1) \$2,834,549 General Fund to refresh technological infrastructure for GenTax provided by the Governor’s Office of Information Technology; and (2) \$1,708,767 to allow the Department to acquire additional staff resources from Fast Enterprises for a total increase of \$4,543,316 General Fund.

The first component of the amended request is funding to allow OIT to purchase new hardware infrastructure and to relicense varying software applications (e.g. Windows Server and VMWare) for the Department’s system. The structure of the amended request includes an annual operating appropriation totaling \$1,416,257, which will allow the OIT to upgrade GenTax on a five-year replacement cycle. Hardware components and software licenses are described in the table below.

OIT COSTS FOR HOSTING GEN TAX ON REFRESHED TECHNOLOGY			
Simple Description	FY 2017-18 Request	FY 2018-19 Ongoing	Detailed Description
Compute	\$252,864	\$50,573	Six blade style hosts with three years of support to host the GenTax servers. Ongoing costs are for hardware refresh on a five year cycle.
Network	96,404	19,281	Networking hardware and associated licensing required for virtual server blades. Ongoing costs are for hardware refresh on a five year cycle.
Storage	1,741,629	348,326	Two High Performance Storage SAN’s (Storage Area Network) to store

OIT COSTS FOR HOSTING GEN TAX ON REFRESHED TECHNOLOGY			
Simple Description	FY 2017-18 Request	FY 2018-19 Ongoing	Detailed Description
			the GenTax data.
Vendor Installation	73,623	14,725	To maintain vendor certification, all modifications must be installed by the vendor.
Virtual Server Software Licensing	211,304	42,261	Enterprise License Agreement.
System wide Growth in Compute and Storage	0	845,746	Annual 35 percent growth based on historical growth, year-to-date actuals, and estimated vendor requirements. Growth rate applies only to: Compute, Network, Storage, Management Licensing and Support, Vendor installation, and Virtual Server Software Licensing.
Server Count Expansion	0	3,600	Annual cost per server for expansion beyond current GenTax server count. Total equates to \$300 monthly charge for 12 months.
Management Licensing and Support	40,595	8,119	Management licensing and ongoing maintenance needed for compute, network, and storage. Ongoing costs are for annual maintenance and support.
Server Datacenter Edition License and Database Software Upgrades	418,130	83,626	Operating system and database licensing, server software subscription fees, and software assurance needed for the GenTax servers.
<b>Total</b>	<b>\$2,834,549</b>	<b>\$1,416,257</b>	

Server growth estimates appear reasonable yet conservative. The nine other states also contracted with Fast Enterprises and utilizing similar GenTax software experience similar growth ranging from 20 to 30 percent annually. Even if there is a one-year spike in the growth rate it will not be unmanaged by the Department and OIT unless it exceeds nearly 150 percent of prior year, which is unlikely to occur.

Both JTC Staff and JBC Staff, as well as some members of the JTC, expressed a concern over the Department’s decision not to seek alternative third-party hosting vendors. While not totally assuaging staff, of the 30 jurisdictions utilizing GenTax software not a single one hosts GenTax on a third party other than Fast Enterprises and by far the majority host GenTax in house; only 4 jurisdictions host with Fast Enterprises. Fast Enterprises does not have expertise in hosting GenTax on other servers in third-party data centers and the OIT is unable to estimate what bugs may arise. Fast Enterprises also requires a specific level of service (compute, network, and storage requirements) for GenTax to perform as designed and it is unclear if data centers were both willing and able to comply with those requirements.

The second component approved by the JTC includes additional funding to replace 6.0 FTE initially funded in the first year GenTax was included in the operating budget with four staff from Fast Enterprises. The Department reports that OIT staff are not the ideal type of technology staff required to support daily work on the GenTax system. Therefore, staff from OIT provide much less support to GenTax than was initially contemplated by the FY 2012-13 operating budget request. Currently, \$418,180 is transferred from the Department of Revenue to the OIT related to GenTax support; which is appropriated to the Payments to OIT line item.

During briefing, JBC Staff expressed concerns over whether the Department was continuing to receive appropriations to support the OIT staff initially included in the operating budget. Having now had time to review additional information, funding that would have supported OIT staff for GenTax was removed during the common policy figure setting process for the Governor’s Office of Information Technology because services it provides are directly billed.

There may still be an unanswered question on whether OIT should employ programming-type staff capable of identifying and making bug fixes or whether this work, typically specialized to one system, is better performed by a third party programmer. Jurisdictions that are comparable to Colorado with GenTax employ between 8 and 17 Fast Enterprises staff, however, every single state provided by the Department also receives support from in-house IT ranging from 7.0 to 35.0 FTE. However, if OIT is unable or unwilling to employ the type of staff persons that would be ideal for the support role the Department requires, JBC Staff does not see a benefit in forcing it upon them. If the purpose of OIT is to primarily oversee implementation of projects and not perform system level coding then it is the most logical conclusion to provide the Department with resources to obtain Fast Enterprises staff for that purpose.

Ultimately, JBC Staff also recommends the components of the amended request recommended by the Joint Technology Committee for a total increased appropriation of \$4,543,316 General Fund.

#### → R6 AUTO INDUSTRY DIVISION REGULATORY STAFF INCREASE

*REQUEST:* The Department requests an increase of \$361,682 in FY 2017-18 and \$328,500 in FY 2018-19 and thereafter from the Auto Dealers License Cash Fund to fund an additional 4.0 FTE. The Department also requests that the name of the Long Bill group be changed from Motor Vehicle Dealer Licensing Board to Auto Industry Division to eliminate confusion about what the Long Bill appropriations fund and to be consistent with the operational name of the division.

*RECOMMENDATION:* JBC Staff recommends that Committee approve the Department, but, pursuant to JBC policy, the recommendation does not include the requested adjustments to the following line items: Health, Life, and Dental; Short-term Disability; S.B. 04-257 Amortization Equalization Disbursement; and S.B. 06-235 Supplemental Amortization Equalization Disbursement. Therefore, the total appropriation increase will be \$307,882 cash funds from the Auto Dealers License Cash Fund in FY 2017-18.

*ANALYSIS:* The Auto Industry Division (AID) is responsible for the licensing and enforcement functions of the Motor Vehicle Dealer Board. These functions include regulating the motor vehicle and power sport industries including licensing dealers and salespersons, conducting compliance investigations, conducting enforcement actions, and providing educational opportunities to the regulated industry to improve its initial compliance.

The workload of the AID is driven primarily by the number of licensed persons and entities. The personal services and operating expenses line items under the Motor Vehicle Dealer Licensing Board subsection of the Long Bill primarily represent funding for the AID. Licensing fees have supported this program since its inception in 1945. Subsequent to the passage of H.B. 71-1378, these fees were deposited into the Auto Dealers License Cash Fund (ADL Fund) and specific appropriations to the Board were reflected in the Long Bill beginning in FY 1972-73.

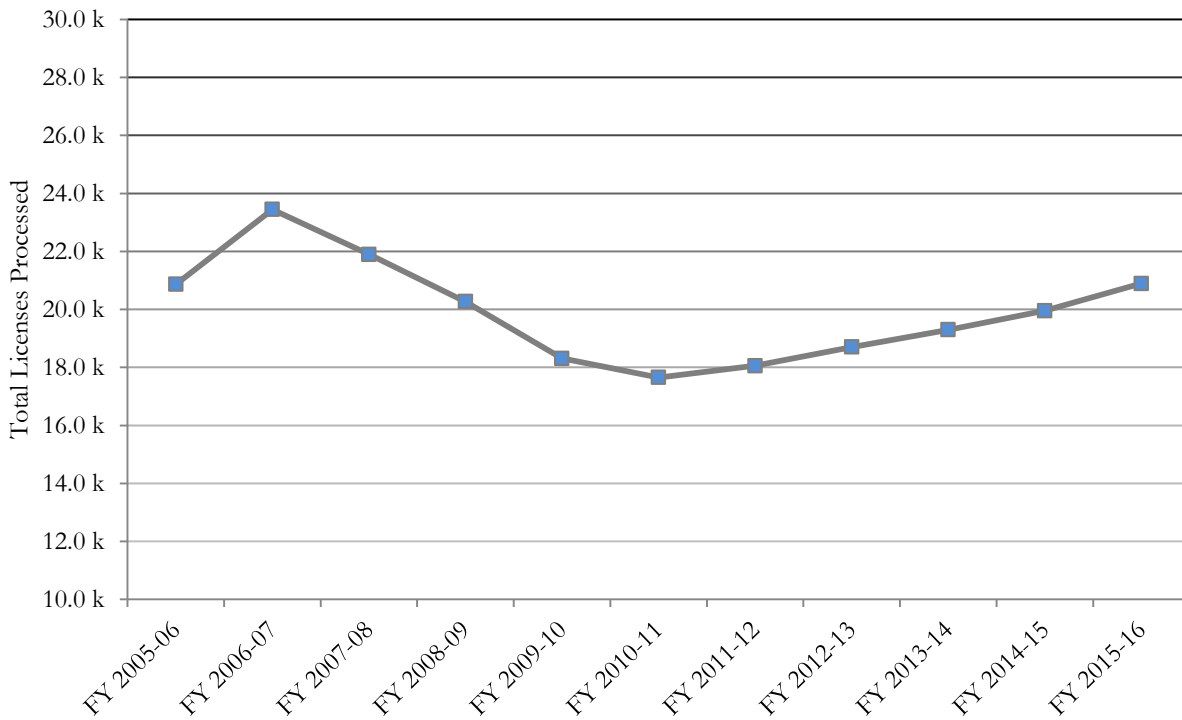
Pursuant Section 12-6-110 (1), C.R.S., the Motor Vehicle Licensing Board has fee setting authority for those credited to the ADL Fund and, pursuant to Subsection (5) of the same Section, it must annually propose fees to cover the direct and indirect costs of regulating the auto industry. This authority, including the duty to adjust fees to cover direct and indirect costs of regulation, has resided with the Motor Vehicle Licensing Board since FY 1981-82

Like almost every aspect of the economy, the auto industry was adversely impacted nationwide by the economic crisis in 2008 and 2009. The local industry also suffered and thus generated decreased fee revenue credited to the Auto Dealers License Fund, which funds the Auto Industry Division’s operations. As a result, all compliance inspections and unlicensed sales complaint investigations were suspended or abridged. The Division’s educational components were also suspended.

Since the economy begun rebounding, the number of licensees recovered to levels that existed prior to the recession. The table below summarizes data from before the Great Recession through the most recent completed fiscal year and a line chart of the total follows the table.

Licensing Activities of Auto Industry Division											
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Dealer Licenses	n/a	n/a	n/a	5,170	4,663	4,466	4,493	4,343	4,383	4,200	4,558
Salespersons Licenses	n/a	n/a	n/a	15,099	13,645	13,186	13,566	14,356	14,912	15,752	16,335
<b>Total</b>	<b>20,865</b>	<b>23,446</b>	<b>21,895</b>	<b>20,269</b>	<b>18,308</b>	<b>17,652</b>	<b>18,059</b>	<b>18,699</b>	<b>19,295</b>	<b>19,952</b>	<b>20,893</b>

TOTAL LICENSES PROCESSED BY AUTO INDUSTRY DIVISION



A recent article published by *Bloomberg* on February 21, 2017 noted “[t]he country’s auto debt hit a record in the fourth quarter of 2016, according to the Federal Reserve Bank of New York, when a rush of year-end car shopping pushed vehicle loans to a dubious peak of \$1.16 trillion.” The article continues to present information about some potential factors motivating consumers to rely on more vehicle debt including low interest rates and increased confidence in the economy. However, the revealing observation the authors make is an estimated half of all new auto loans, and three-quarters of all subprime auto loans, are underwritten by the automaker selling the vehicle. One



conclusion that may be drawn is automakers have an incentive to make it easier for dealers to lend to the subprime market, even if the borrower is likely to default. Unlike the subprime mortgage market, vehicles are comparatively easy to repossess and resell at profit.

The \$2.3 million appropriation to AID currently supports 26.2 FTE. The AID received this appropriation since the 2006 Long Bill increased the appropriation by \$322,365 and added 5.0 FTE. The funding was recommended by the Joint Budget Committee to address media reports of an extensive backlog for investigating consumer complaints.

Now that the Division's cash fund balance is growing and the motor vehicle industry is again active, the Division is seeking to reengage in regulatory activities it performed prior to the economic downturn. The Department reminds that the most effective regulatory programs have a balance of education, compliance, and enforcement. Compliance inspections and educational outreach programs are used to encourage compliance by helping licensees identify proactive operational improvements that will reduce potential enforcement actions against them. However, under the current spending authority in the fund, the division is unable to provide these proactive programs to licensees.

Therefore, the Department requests an increase of \$361,682 in FY 2017-18 and \$328,500 in FY 2018-19 and thereafter from the ADL Fund to fund an additional 4.0 FTE. The Department also requests that the name of the Long Bill group be changed from Motor Vehicle Dealer Licensing Board to Auto Industry Division to eliminate confusion about what the Long Bill appropriations fund and to be consistent with the operational name of the division. The funding will allow the division to optimize its effectiveness as a regulatory program with a balance of education, compliance, and enforcement efforts that will benefit the auto industry and the citizens of Colorado.

JBC Staff recommends that Committee approve the Department, but, pursuant to JBC policy, the recommendation does not include the requested adjustments to the following line items: Health, Life, and Dental; Short-term Disability; S.B. 04-257 Amortization Equalization Disbursement; and S.B. 06-235 Supplemental Amortization Equalization Disbursement. Therefore, the appropriation increase will total \$307,882 cash funds from the ADL Fund

#### → R7 RACING EVENTS STAFF INCREASE

*REQUEST:* The Department requests \$31,989 in FY 2017-18 and \$27,286 in FY 2018-19 and thereafter in the Racing Cash Fund for 1.0 FTE and associated expenses in the Division of Racing Events.

*RECOMMENDATION:* JBC Staff recommends denying the Department request.

*ANALYSIS:* The Division of Racing Events is a regulatory, enforcement, and pari-mutuel tax collecting agency of state government. It is responsible for regulating all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring, and enforcement. The major functions of the Division are:

- To promote racing and the recreational, entertainment, and commercial benefits derived from it;
- To establish high standards of sport and fair-play; to promote the health and safety of the animals involved in racing; and
- To foster honesty and fair-dealing in the industry.

The Division's stakeholders include the wagering public, horse and greyhound associations, individual owners, breeders, and other occupational licensees/license applicants, and the owner and operator of the single horse racetrack. The Division is also responsible for safeguarding the health and safety of racing animals.

After the last greyhound race track in the State shut down on June 28, 2008, the appropriation for the Division was decreased by \$332,823 and 6.8 FTE in FY 2009-10 to account for the reduced responsibilities of the Division with regard to greyhound racing. Subsequently, in 2014 the General Assembly prohibited live greyhound racing in Colorado. However, wagering on simulcast greyhound races broadcast from other states continues to be permitted.

The Division employs a Legal Assistant on a 9-month temporary basis to provide legal analysis and support for its regulatory activities. The Legal Assistant is greatly involved in the licensing, disciplinary, investigatory, and rule-making processes. This request seeks to convert the temporary employee to a 12-month permanent position. The paragraphs that follow detail the responsibilities and duties of the Legal Assistant.

Annually, as averaged over the past five years, Division issues 751 business/occupational licenses, generates documents and assists in 27 rulings resulting in fines or suspensions, attends approximately 5 Commission disciplinary hearings, and completes 42 investigations with 64 percent of those resulting in criminal or administrative charges. The Legal Assistant is required to attend hearings and advise the Assistant Attorney General assigned to Division on the position of the Division in those administrative matters. This position must then generate the official Orders and Rulings of the Stewards based upon their oral rulings and disseminate those rulings to all affected parties. Further, the Legal Assistant drafts Director's Orders as the need arises for execution and dissemination to affected parties.

The Legal Assistant generates nearly all legal documents that are produced in the name of Division. In addition to the generation of Notices of Hearing, this position generates Orders, notices of proposed denial of license, notices of denial of license, warning letters for rule violations. Duties also include reviewing policies and procedures of the Division, ensuring that any updates are in compliance with State policies and statutory obligations, and making sure that any discovery requests made by outside attorneys are answered in a timely fashion.

The Division currently utilizes professional temporary services for ten positions, including the Legal Assistant, who is retained for up to nine months. A Legal Assistant is an integral part of the RAC team that is most efficient only when there is continuity in the role. To re-train and re-educate a new Legal Assistant every race season, a result of having seasonal temporary employees, creates inefficiencies by placing an increased burden upon the Director, the Agent-in-Charge, the Licensing Supervisor, the Stewards, and the Investigative staff when they must all contribute to the training and education of the new hire. By having continuity in the Legal Assistant position, it would allow all employees to focus on their position.

JBC Staff does not doubt the Division would realize efficiencies by employing a full-time legal assistant. Institutional knowledge, especially in a highly regulated industry such as racing is a valuable resource. In 1998, the Division regulated six race tracks and it employed 38.0 FTE and in FY 2016-17 it received appropriations to support 7.7 FTE to regulate one race track. Finally, the Department

only presented information about the duties the temporary Legal Assistant performed. It provided examples of situations where institutional knowledge may be helpful. However, none of the information presented demonstrates how a more efficiently operating Division with a full time Legal Assistant would produce budgetary efficiencies. Finally, in its official budget request, the Department concludes that without authority for a year-round Legal Assistant it will continue utilizing temporary resources.

Due to the forgoing reasons, JBC Staff recommends denying the Department request.

**(1) EXECUTIVE DIRECTOR'S OFFICE**

The Executive Director's Office provides central budgeting, fiscal note coordination, revenue and expenditure accounting, purchasing and contract administration, human resources, internal auditing, project management, facilities safety, and security, and a hearings division for the Department. The office is funded through direct and indirect costs charged to divisions. Additionally, the Executive Director's Office supports the Office of Research and Analysis that develops reports, such as the Department's annual report and monthly and quarterly sales tax reports. They also develop analytical data and estimate the refunding of State of Colorado excess revenues under Article X, Section 20 of the State Constitution.

EXECUTIVE DIRECTOR'S OFFICE					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
<b>FY 2016-17 Appropriation</b>					
H.B. 16-1405 (Long Bill)	\$61,949,221	\$28,822,111	\$27,345,386	\$5,781,724	124.1
S.B. 17-169 (Supplemental Bill)	0	0	0	0	0.0
Other legislation	439,325	112,566	326,759	0	0.0
<b>TOTAL</b>	<b>\$62,388,546</b>	<b>\$28,934,677</b>	<b>\$27,672,145</b>	<b>\$5,781,724</b>	<b>124.1</b>
<b>FY 2017-18 RECOMMENDED APPROPRIATION</b>					
FY 2016-17 Appropriation	\$62,388,546	\$28,934,677	\$27,672,145	\$5,781,724	124.1
R4 Division of Motor Vehicles leased space	179,106	0	179,106	0	0.0
R5/NBA6 GenTax maintenance, support, and hosting	2,834,549	2,834,549	0	0	0.0
R6 Auto Industry Division staff increase	26,710	0	26,710	0	0.0
R7 Division of Racing Events staff	0	0	0	0	0.0
Centrally appropriated line items	5,006,854	2,230,535	3,060,341	(284,022)	0.0
Non-prioritized request items	524,351	211,108	313,283	(40)	0.0
Annualize prior year legislation	(33,640)	(12,566)	(21,074)	0	0.0
Technical adjustment	0	0	0	0	0.0
Annualize prior year budget action	2,336,812	94,481	2,244,246	(1,915)	29.6
<b>TOTAL</b>	<b>\$73,263,288</b>	<b>\$34,292,784</b>	<b>\$33,474,757</b>	<b>\$5,495,747</b>	<b>153.7</b>
<b>INCREASE/(DECREASE)</b>	<b>\$10,874,742</b>	<b>\$5,358,107</b>	<b>\$5,802,612</b>	<b>(\$285,977)</b>	<b>29.6</b>
Percentage Change	17.4%	18.5%	21.0%	(4.9%)	23.9%
<b>FY 2017-18 EXECUTIVE REQUEST</b>	<b>\$73,348,306</b>	<b>\$34,290,421</b>	<b>\$33,562,138</b>	<b>\$5,495,747</b>	<b>153.7</b>
Request Above/(Below) Recommendation	\$85,018	(\$2,363)	\$87,381	\$0	0.0

**DECISION ITEMS - EXECUTIVE DIRECTOR'S OFFICE (NONE)****(A) ADMINISTRATION AND SUPPORT****PERSONAL SERVICES**

This line item pays for the program's staff, their benefits, and contract services. The staff are responsible for the Department's administration, auditing, accounting, budgeting, personnel management, and research functions. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

*STATUTORY AUTHORITY:* Sections 24-50-101 *et seq.*, C.R.S.

*REQUEST AND RECOMMENDATION:* The Department requests an appropriation of \$9,308,619 total funds and 124.1 FTE, including \$3,491,030 General Fund, \$357,065 cash funds, and \$5,460,524 reappropriated funds. **Staff recommends approving the Department request.**

#### HEALTH, LIFE, AND DENTAL

This line item provides funding for the employer's share of the cost of group benefit plans providing health, life, and dental insurance for state employees. The reappropriated funds portion of this line item corresponds to the health, life, and dental benefits of employees whose salaries are included in the indirect cost recovery plan.

*STATUTORY AUTHORITY:* Sections 24-50-609, 24-50-611, and 24-50-104 (1) (a) (II), C.R.S.

*REQUEST:* The Department requests an appropriation of \$11,888,320 total funds, which includes \$4,692,581 General Fund, \$7,172,070 cash funds, and \$17,093 reappropriated funds.

*RECOMMENDATION:* **Staff recommends approving a total appropriation of \$11,848,685, including \$4,692,581 General Fund, \$7,132,435 cash funds, and \$5,460,524 reappropriated funds.** This reflects Committee action on compensation common policies and JBC Staff recommendation on R6 Auto Industry Division Regulatory Staff Increase and R7 Division of Racing Events Staff Increase.

#### SHORT-TERM DISABILITY

This line item provides funding for the employer's share of the state employees' short-term disability insurance premiums.

*STATUTORY AUTHORITY:* Sections 24-51-701 and 24-50-104(1) (a) (II), C.R.S.

*REQUEST:* The Department's request is for \$144,548 total funds including \$61,749 General Fund, \$82,629 cash funds, and \$170 reappropriated funds.

*RECOMMENDATION:* **Staff recommends approving an appropriation of \$144,039 total funds including \$61,749 General Fund, \$82,120 cash funds, and \$170 reappropriated funds.** This reflects Committee action on compensation common policies and JBC Staff recommendation on R6 Auto Industry Division Regulatory Staff Increase and R7 Division of Racing Events Staff Increase.

#### S.B. 04-257 AMORTIZATION EQUALIZATION DISBURSEMENT

This line item provides additional funding to increase the state contribution for the Public Employees' Retirement Association (PERA).

*STATUTORY AUTHORITY:* Section 24-51-411, C.R.S.

*REQUEST:* The Department's request is for \$3,807,946 total funds, including \$1,625,034 General Fund, \$2,178,439 cash funds, and \$4,473 reappropriated funds.

**RECOMMENDATION:** Staff recommends approving an appropriation of \$3,796,382 total funds including \$1,625,034 General Fund, \$2,166,875 cash funds, and \$4,473 reappropriated funds. This reflects Committee action on compensation common policies and JBC Staff recommendation on R6 Auto Industry Division Regulatory Staff Increase and R7 Division of Racing Events Staff Increase.

#### S.B. 06-235 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT

This line item provides additional funding to increase the state contribution for PERA.

*STATUTORY AUTHORITY:* Section 24-51-411, C.R.S.

*REQUEST:* The Department's request is for \$3,807,946 total funds, including \$1,625,034 General Fund, \$2,178,439 cash funds, and \$4,473 reappropriated funds.

**RECOMMENDATION:** Staff recommends approving an appropriation of \$3,796,382 total funds including \$1,625,034 General Fund, \$2,166,875 cash funds, and \$4,473 reappropriated funds. This reflects Committee action on compensation common policies and JBC Staff recommendation on R6 Auto Industry Division Regulatory Staff Increase and R7 Division of Racing Events Staff Increase.

#### SALARY SURVEY

This line item funds salary adjustments resulting from the Department of Personnel and Administration's annual compensation report.

*STATUTORY AUTHORITY:* Section 24-50-104, C.R.S.

*REQUEST:* The Department requests an appropriation of \$2,063,548 total funds, including \$884,630 General Fund, \$1,176,480 cash funds, and 2,438 reappropriated funds.

**RECOMMENDATION:** JBC Staff recommendation is *pending* Committee action on the statewide salary survey.

#### SHIFT DIFFERENTIAL

This line item funds the adjustment made to compensate employees whose work schedule is outside of the regular Monday through Friday, 8:00 a.m. to 5:00 p.m. work schedule.

*STATUTORY AUTHORITY:* Section 24-50-104, C.R.S.

*REQUEST:* The Department's request is for \$130,712 total funds, including \$1,273 General Fund and \$129,439 cash funds.

**RECOMMENDATION:** JBC Staff recommends the Department request, in accordance with Committee action on compensation common policies.

## WORKERS' COMPENSATION

This line item is used to pay the Department's estimated share for inclusion in the State's worker's compensation program for state employees. The program is administered by the Department of Personnel and Administration.

*STATUTORY AUTHORITY:* Section 24-30-150.7, C.R.S.

*REQUEST:* The Department request is for \$1,010,311 total funds, including \$407,438 General Fund, and \$602,873 cash funds.

*RECOMMENDATION:* **Staff recommends an appropriation of \$985,589 total funds, including \$397,467 General Fund and \$588,122 cash funds, in accordance with Committee action on operating common policies.**

## OPERATING EXPENSES

This line item provides funding for the Executive Director's Office expenses, including office supplies and materials, telecommunications, travel, training, printing, information technology updates and equipment maintenance and replacement, variable vehicle expenses including maintenance, fuel and insurance for the Department's assigned fleet, and a large portion of the Department capital outlay needs.

*STATUTORY AUTHORITY:* Section 24-35-105, C.R.S.

*REQUEST:* The Department request is for \$2,278,963 total funds, including \$1,570,378 General Fund and 708,680 cash funds.

*RECOMMENDATION:* JBC Staff recommends approving the Department request, which includes JBC Staff recommendation on R6 Auto Industry Division Regulatory Staff Increase.

## POSTAGE

Due to the volume of mail that it handles, the Department operates its own mail center, as opposed to most Departments that use the centralized mail center in the Department of Personnel and Administration. The Department mails a wide variety of items to taxpayers and licensees, including tax forms, motor vehicle titles, driver license renewal applications, reminders, bill, refund warrants, inquiries, licenses, hearing notices, tax booklets, and other miscellaneous documents. This line item was added during the FY 2014-15 budget cycle and used to reside in the Central Department Operations long bill group, which is why the FY 2013-14 Actual column is blank in the Numbers Pages.

*STATUTORY AUTHORITY:* Section 24-35-105, C.R.S.

*REQUEST:* The Department requests an appropriation of \$3,201,047 total funds, including \$2,922,509 General Fund and \$360,156 cash funds.

*RECOMMENDATION:* JBC Staff recommends the Committee approve the Department request, which represents continuation level funding.

**LEGAL SERVICES**

This line item funds the cost of purchasing legal services from the Department of Law based of the Department's level of legal service hours and the hourly rate which will be set by the Committee.

*STATUTORY AUTHORITY:* Section 24-31-101, C.R.S.

*REQUEST:* The Department requests an appropriation of \$4,195,701 total funds, including \$2,485,414 General Fund for a total of 43,637 legal service hours.

*RECOMMENDATION:* **Staff recommends 50,437.0 total hours. The recommendation includes an increase of 6,800.0 hours reflecting annualization of special bills detailed in the table below.** The amount of the recommendation is *pending* the setting of a legal services blended rate. Staff requests permission to apply the approved hourly rate for legal services to the hours approved to calculate the appropriation.

SPECIAL BILLS ENACTED IN 2016 INCREASING LEGAL SERVICE HOURS TO DEPT. OF REVENUE			
	FY 2016-17	FY 2017-18	Ongoing
<b>FY 2016-17 Long Bill Appropriated Legal Service Hours "Base"</b>	<b>43,637.0</b>	<b>43,637.0</b>	<b>43,637.0</b>
S.B. 16-036 (Surety Requirement for Tax Appeals)	1,052.5	3,750.0	3,750.0
S.B. 16-040 (Marijuana Owner Changes)	750.0	750.0	750.0
S.B. 16-197 (Liquor-licensed Drugstore Multiple Licenses)	2,400.0	2,000.0	2,000.0
H.B. 16-1211 (Marijuana Transporter License)	100.0	200.0	200.0
H.B. 16-1261 (Retail Marijuana Sunset)	100.0	100.0	100.0
<b>TOTAL LEGAL SERVICE HOURS</b>	<b>48,039.5</b>	<b>50,437.0</b>	<b>50,437.0</b>
INCREASE/(DECREASE)	4,402.5	6,800.0	6,800.0
Percentage Change	10.1%	15.6%	15.6%

**ADMINISTRATIVE LAW JUDGE SERVICES**

This line item funds the purchase of administrative law judge and paralegal services from the Division of Administrative Hearings. This line is adjusted for past usage, and the Department of Personnel, which administers the program, "trues-up" the billings after the fact in subsequent fiscal years.

*STATUTORY AUTHORITY:* Section 24-30-1001, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$11,463 cash funds.

*RECOMMENDATION:* Staff recommends \$11,303 cash funds, in accordance with Committee action on operating common policies.

**PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS**

Payment to Risk Management and Property Funds is an allocation appropriated to each department based on a shared statewide risk formula for two programs, the Liability Program and the Property



Program. The state's liability program is used to pay liability claims and expenses brought against the state. The property program provides insurance coverage for state buildings and their contents.

*STATUTORY AUTHORITY:* Section 24-30-1510, C.R.S.

*REQUEST:* The Department's request is for \$337,229 total funds including \$134,942 General Fund and \$200,972 cash funds.

*RECOMMENDATION:* Staff recommends \$336,022, including \$135,510 General Fund and \$200,512 cash funds, in accordance with Committee action on operating common policies.

#### VEHICLE LEASE PAYMENTS

This line item provides funding for annual payments to the Department of Personnel and Administration for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles.

*STATUTORY AUTHORITY:* Section 24-30-1104 (2), C.R.S.

*REQUEST:* The Department requests an appropriation of \$699,529 total funds, including \$176,928 General Fund and \$522,601 cash funds.

*RECOMMENDATION:* **Staff recommends an appropriation of \$660,489 total funds, including \$170,950 General Fund and \$489,539 cash funds.** The recommendation includes JBC Staff recommendation on R6 Auto Industry Division Regulatory Staff Increase.

#### LEASED SPACE

This line item funds leasing costs for more than 80 office locations throughout the state, mostly for Driver's License Offices and State Lottery Offices.

*STATUTORY AUTHORITY:* Section 24-35-105, C.R.S.

*REQUEST:* The Department has requested an appropriation of \$4,767,479, including \$792,046 General Fund and \$3,975,430 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which includes JBC Staff recommendation on R4 Division of Motor Vehicles Leased Space and R6 Auto Industry Division Regulatory Staff Increase.

#### CAPITOL COMPLEX LEASED SPACE

This line item is used to pay the Department of Personnel for the costs of maintaining state buildings that are part of the capitol complex. Capitol Complex Leased Space is appropriated based on usable square footage utilized by each state department.

*STATUTORY AUTHORITY:* Section 24-30-1104, C.R.S.

*REQUEST:* The Department has requested an appropriation of \$2,549,644 total funds, including \$1,697,747 General Fund and \$851,897 cash funds.

*RECOMMENDATION:* Staff recommends an appropriation of \$2,315,184 total funds, including \$310,443 General Fund, in accordance with Committee-approved operating common policy.

#### PAYMENTS TO OIT

This line item is administered by the Governor's Office of Information Technology (OIT). This line item reflects the consolidation of Department appropriations for information technology services made during the FY 2014-15 budget cycle. The consolidated lines include the following previously discrete line items: Management and Administration of OIT, Purchase of Services from Computer Center, Multiuse Network Payments, Communication Services Payments, and Information Technology Security.

*STATUTORY AUTHORITY:* Section 24-37.5-104, C.R.S.

*REQUEST:* The Department request for this line item is for \$19,133,932 total funds, including \$11,160,220 General Fund and \$7,973,712 cash funds.

*STAFF RECOMMENDATION:* **Staff recommendation is *pending* Committee action on IT common policies. Staff recommendation includes an increase of \$2,834,549 General Fund for R5/NBA6 GenTax Maintenance, support, and hosting.** Staff requests permission to reflect Committee-approved common policy on Payments to OIT in the Department's Long Bill.

#### CORE OPERATIONS

This line item provides funds for the Department's share of the operational costs of Colorado Operations Resource Engine (CORE).

*STATUTORY AUTHORITY:* Section 24-30-1104, C.R.S.

*REQUEST:* The Department requests an appropriation of \$680,600 total funds, including \$274,471 General Fund and \$406,129 cash funds.

*RECOMMENDATION:* Staff recommends an appropriation of \$718,378 total funds, including \$289,707 General Fund and \$428,671 cash funds, in accordance with Committee action on operating common policies.

#### UTILITIES

This line item provides funding to support the cost of utilities at the Department's state-owned facilities that include driver's license offices and gaming offices.

*STATUTORY AUTHORITY:* Section 24-35-105, C.R.S.

*REQUEST:* The Department has requested an appropriation of \$143,703 cash funds, which represents a continuation level of funding.

*RECOMMENDATION:* Staff recommends approval of the Department's request for a continuation appropriation.

## MERIT PAY

This line item funds salary increases to employees based on formulas that reward performance.

*STATUTORY AUTHORITY:* Section 24-50-104 (1) (c), C.R.S.

*REQUEST:* The Department requests an appropriation of \$0 total funds.

*RECOMMENDATION:* **JBC Staff recommendation is *pending* Committee action on the statewide merit pay.**

## (B) HEARINGS DIVISION

This division conducts hearings in a variety of areas including driver's license suspensions, revocations, probationary licenses, cancellation or denial of medical and physical disability, habitual traffic offenders, horse and dog racing licenses, and other actions that affect the licensing rights of citizens. The division also provides computer support and data analysis for public awareness programs related to traffic safety. Starting in FY 2016-17 the Hearings Division budget moved from the Enforcement Division to the Executive Director's Office.

## PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Sections 42-2-132, and 12-6-123, C.R.S.

*REQUEST:* The Department requests an appropriation of \$2,366,482 total funds and 29.6 FTE.

*RECOMMENDATION:* Staff recommends the Committee approve the Department request.

## OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*STATUTORY AUTHORITY:* Sections 42-2-132, and 12-6-123, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$101,408 total funds, comprised of \$2,470 General Fund and \$98,938 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation request.

## INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S

*REQUEST:* The Department requests \$176,307 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

## (2) INFORMATION TECHNOLOGY DIVISION

The Division is responsible for the support and maintenance of the Department systems that are not supported and maintained by the Governor's Office of Information Technology. These are entirely made up of contract services. The division has two subdivisions, Systems Support, which supports most of the Department's information technology services, and the Colorado State Titling and Registration System (CSTARS) unit, which supports the CSTARS that connects the county clerks with the state's information systems.

INFORMATION TECHNOLOGY DIVISION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
<b>FY 2016-17 Appropriation</b>				
H.B. 16-1405 (Long Bill)	\$4,701,277	\$957,265	\$3,744,012	0.0
<b>TOTAL</b>	<b>\$4,701,277</b>	<b>\$957,265</b>	<b>\$3,744,012</b>	<b>0.0</b>
<b>FY 2017-18 RECOMMENDED APPROPRIATION</b>				
FY 2016-17 Appropriation	\$4,701,277	\$957,265	\$3,744,012	0.0
Staff-initiated appropriation true-ups	(72,506)	(72,506)	0	0.0
Non-prioritized request items	656,172	325,217	330,955	0.0
Technical adjustment	0	0	0	0.0
<b>TOTAL</b>	<b>\$5,284,943</b>	<b>\$1,209,976</b>	<b>\$4,074,967</b>	<b>0.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$583,666</b>	<b>\$252,711</b>	<b>\$330,955</b>	<b>0.0</b>
Percentage Change	12.4%	26.4%	8.8%	0.0%
<b>FY 2017-18 EXECUTIVE REQUEST</b>	<b>\$5,357,449</b>	<b>\$1,282,482</b>	<b>\$4,074,967</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$72,506	\$72,506	\$0	0.0

### DECISION ITEMS - INFORMATION TECHNOLOGY DIVISION

#### → STAFF INITIATED—RENAME “COLORADO STATE TITLING AND REGISTRATION SYSTEM” SUBDIVISION “DRIVES SUPPORT”

*REQUEST:* The Department did not request the name change.

*RECOMMENDATION:* JBC Staff recommends the Committee change the name of the subdivision from “Colorado State Titling and Registration System” to “DRIVES Support”.

*ANALYSIS:* Over the President’s Day holiday weekend of 2017 the Department of Revenue deployed major components of the new driver’s license and vehicle registration computer system called the Colorado Driver’s license, Record, Identification, and Vehicle Enterprise Solution or DRIVES. The DRIVES project is completely replacing the legacy driver’s license system and the Colorado State Titling and Registration System. Because the Department will no longer be operating the Colorado State Titling and Registration System and the appropriations recommended in subdivision (B) will support ongoing maintenance of the DRIVES system, JBC Staff recommends changing the name to match the current system name.

## LINE ITEM DETAIL - INFORMATION TECHNOLOGY DIVISION

### (A) SYSTEM SUPPORT

This unit currently supports the tax information systems; systems for driver's licenses, vehicle records, accident statistics, and fuel taxes; the International Registration Plan and the Commercial Vehicle Electronic Credentialing system; and enforcement systems for licensing, reporting, tax filing, and case management.

#### PERSONAL SERVICES

This line item pays for contract services. Although this is a personal services line, there are no FTE in the line. The line item pays for contract services to maintain those systems that are not maintained by the Governor's Office of Information Technology. This line item also provides funding for appropriations to implement bills passed by the General Assembly that require programming expenses in the Department's information systems (even if the programming is provided by OIT).

*STATUTORY AUTHORITY:* Section 24-50-101 *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$147,506 General Fund.

*RECOMMENDATION:* Staff recommends an appropriation of \$100,000 General Fund, which more closely approximates actual expenditures in FY 2015-16.

#### OPERATING EXPENSES

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

*STATUTORY AUTHORITY:* Section 24-35-105, C.R.S.

*REQUEST:* The Department requests an appropriation of \$1,541,490 total funds, including \$1,134,976 General Fund and \$406,514 cash funds. The request includes an increase of \$656,172 total funds, including \$325,217 General Fund for the Non-Prioritized Request 5 PBX Telephone System Replacement.

***RECOMMENDATION:* Staff recommendation is pending JBC Action on the Office of Information Technology request related to the Department telephone system replacement.** Staff recommends a base appropriation of \$860,318 total funds, including \$784,759 General Fund and \$75,559 cash funds, which more closely approximates actual expenditures in FY 2015-16. **Staff requests permission to adjust this line item to reflect future Committee action.**

### (B) COLORADO STATE TITLING AND REGISTRATION SYSTEM

The Colorado State Titling and Registration System (CSTARS) is the state's centralized database for the distribution of registration taxes between the state, all its counties, and the Highway Users Tax Fund (HUTF). CSTARS was created in 1983 to automate the distribution of vehicle registration taxes. CSTARS enables Colorado's 64 county clerks' offices to issue more than 2 million vehicle titles and 4.3 million vehicle registrations every year. This appropriation funds hardware, software, and technical support to maintain the system and ensure adequate access for the county clerks.

The CSTARS unit is supported by the Colorado State Titling and Registration Account, a subaccount of the Highway Users Tax Fund, under Section 42-1-211 (2), C.R.S. Sources of Revenue include a share of fees and taxes for titling and registering motor vehicles; for titling manufactured homes; and for the sale of some special license plates.

#### PERSONAL SERVICES

This line item pays for contract services. Although this is a personal services line, there are no FTE in the line. The line item pays for contract services to maintain those systems related to CSTARS that are not maintained by the Governor's Office of Information Technology.

*STATUTORY AUTHORITY:* Section 24-50-101, *et seq.*, and section 42-1-211, C.R.S.

*REQUEST:* The Department requests continuation funding of \$442,688 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department request, which represents a continuation level of funding.

#### OPERATING EXPENSES

This line item funds information technology related contracts for the Department as they relate specifically to the Colorado State Titling and Registration System. Other costs include telecommunications expenses, general office supplies, and printing expenses.

*STATUTORY AUTHORITY:* Section 42-1-211, C.R.S.

*REQUEST:* The Department has requested a continuation appropriation of \$2,617,535 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department request, which represents a continuation level of funding.

#### COUNTY OFFICE ASSET MAINTENANCE

This line item provides funding for replacement of infrastructure every four years (the Office of Information Technology standard for replacement of this type of equipment is every three years).

*STATUTORY AUTHORITY:* Section 42-1-211, C.R.S.

*REQUEST:* The Department is requesting continuation funding of \$568,230 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department request, which represents a continuation level of funding.

#### COUNTY OFFICE IMPROVEMENTS

This line item provides funding for improvements to and expansion of county offices to provide services related to CSTARS. Counties are required by statute (Section 42-1-210, C.R.S.) to provide motor vehicle title and registration services in a manner that is convenient and easily accessible to the public. The State (Department of Revenue) is required to provide necessary data processing equipment, software, support, and training to support the counties (Section 42-1-211, C.R.S.) The

line item was established to provide for a stable appropriation to fund the expansion and improvements to the CSTAR system. Funding requests for this line item are based on approval from the CSTARS Advisory Committee (Section 42-1-211 (4), C.R.S.), which receives and prioritizes requests from the counties for funding the expansions and improvements in county offices.

*STATUTORY AUTHORITY:* Section 42-1-211, C.R.S.

*REQUEST:* The Department is requesting continuation funding of \$40,000 cash funds from the CSTARS account.

*RECOMMENDATION:* Staff recommends approval of the Department request, which represents a continuation level of funding.



### (3) TAXATION BUSINESS GROUP

The Taxation Business Group is charged with the collection, administration, audit, and enforcement responsibilities pertaining to all taxes, fees, bonds, and licenses covered under Colorado's tax laws. The business group is directed by an administrative section. Senior management, policy-making, and budgetary support for the division are contained in this section. This division is primarily funded from General Fund appropriations, but does receive some moneys from the Highway Users Tax Fund (HUTF) and federal programs.

TAXATION BUSINESS GROUP						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2016-17 Appropriation</b>						
H.B. 16-1405 (Long Bill)	\$70,696,278	\$66,236,005	\$3,415,800	\$220,085	\$824,388	404.2
S.B. 17-169 (Supplemental Bill)	21,383	(30,000)	0	51,383	0	0.0
Other legislation	59,276	37,038	22,238	0	0	0.0
<b>TOTAL</b>	<b>\$70,776,937</b>	<b>\$66,243,043</b>	<b>\$3,438,038</b>	<b>\$271,468</b>	<b>\$824,388</b>	<b>404.2</b>
<b>FY 2017-18 RECOMMENDED APPROPRIATION</b>						
FY 2016-17 Appropriation	\$70,776,937	\$66,243,043	\$3,438,038	\$271,468	\$824,388	404.2
R8 Amendment 35 Distribution, support, and hosting	1,708,767	1,708,767	0	0	0	0.0
R8 Amendment 35 Distribution	0	0	0	0	0	0.0
Centrally appropriated line items	92	1,414	(1,322)	0	0	0.0
Adjustment for forecast	(432,353)	(455,603)	23,250	0	0	0.0
Annualize prior year legislation	(64,736)	(27,667)	(37,069)	0	0	(1.7)
Technical adjustment	0	0	0	0	0	0.0
Annualize prior year budget action	109,741	159,667	1,457	(51,383)	0	0.0
<b>TOTAL</b>	<b>\$72,098,448</b>	<b>\$67,629,621</b>	<b>\$3,424,354</b>	<b>\$220,085</b>	<b>\$824,388</b>	<b>402.5</b>
<b>INCREASE/(DECREASE)</b>	<b>\$1,321,511</b>	<b>\$1,386,578</b>	<b>(\$13,684)</b>	<b>(\$51,383)</b>	<b>\$0</b>	<b>(1.7)</b>
Percentage Change	1.9%	2.1%	(0.4%)	(18.9%)	0.0%	(0.4%)
<b>FY 2017-18 EXECUTIVE REQUEST</b>						
Request Above/(Below) Recommendation	\$1,056,750	\$1,080,000	(\$23,250)	\$0	\$0	(0.0)

#### DECISION ITEMS - TAXATION BUSINESS GROUP

##### → R8 AMENDMENT 35 DISTRIBUTION

*REQUEST:* The Department requests an informational (I) annotation for the Amendment 35 Distribution to Local Governments line item for FY 2017-18 and thereafter to ensure the Department is able to comply with the constitutional distribution of Amendment 35 Tobacco Tax funds to local and county governments.

*RECOMMENDATION:* JBC Staff recommends denying the request because the appropriation is based on the Committee approved distribution of Amendment 35 Tobacco Tax revenues which is not an informational amount.

*ANALYSIS:* In November 2004, voters passed Amendment 35 to the Colorado Constitution, which increased the tax on cigarettes.

Pursuant to Section 39-22-623 (1)(B)(c), C.R.S., the Department is statutorily required to distribute 30 percent of these moneys deposited in the Tobacco Tax Cash Fund to local and county governments, which compensates these entities for a loss of tax revenue as a result of the tax increase. The Amendment 35 Distribution to Local Governments line item was created in FY 2006-07 to implement this allocation. The *appropriation* is based on Legislative Council’s Amendment 35 Tobacco Tax forecast, and the March 2015 revenue forecast reduced the appropriation by \$414,900. Pursuant to Section 39-22-623 (1)(a)(II)(B), C.R.S.:

Moneys apportioned pursuant to this subparagraph (II) shall be included for informational purposes in the general appropriation bill or in supplemental appropriation bills for the purpose of complying with the limitation on state fiscal spending imposed by section 20 of article X of the state constitution and section 24-77-103, C.R.S.

The Department contends that, due to the lack of the (I) annotation on this line item in the Long Bill, it did not have adequate spending authority to meet its obligation to distribute the estimated total tobacco tax cash funds for the 2015-16 fiscal year. The Office of the State Controller agreed to grant the Department custodial spending authority under Section 39-22-623 (1)(a)(II)(B), C.R.S., allowing it to fulfill its statutory obligation without over-expending the appropriation.

The JBC Staff analyst responsible for making recommendations related to the Amendment 35 distribution opposes this action primarily because the language in statute, “informational purposes”, was placed into statute prior to the Joint Budget Committee including the definition of (I) notation in the Long Bill. The first time the Joint Budget Committee defined the (I) notation was in FY 2012-13. It could be argued that the language contained in Section 39-22-623 (1)(a)(II)(B), C.R.S., could not contemplate a future General Assembly beginning to use similar phrasing and including a definition in the Long Bill and, therefore, does not have the same meaning as an (I) notation.

JBC Staff recommends against attaching an (I) notation to the Amendment 35 distribution. The lack of the (I) notation did not prevent the Department from fulfilling its statutory duty and the State Controller applied the law contained in the statute to grant custodial authority over the funds. On the other hand: (1) these funds are pass-through funds to local government, and (2) the appropriation is based on an economic forecast and does not require or receive thorough JBC Staff attention. JBC Staff does not object if the Committee were to accept the Department request.

→ STAFF INITIATED—RENAME “COLORADO INTEGRATED TAX ARCHITECTURE MAINTENANCE AND SUPPORT” LINE ITEM “GEN TAX MAINTENANCE AND SUPPORT”.

*REQUEST:* The Department did not request the name change.

*RECOMMENDATION:* JBC Staff recommends the Committee change the name of the subdivision from “Colorado Integrated Tax Architecture Maintenance and Support” to “GenTax Maintenance and Support”.

*ANALYSIS:* The Colorado Integrated Tax Architecture (CITA) Maintenance and Support line item was added to the Department in FY 2013-14 when the CITA capital construction project moved from development into operations as the GenTax system. To increase transparency and coordinate the nomenclature of computer systems managed by the state departments, JBC Staff recommends the Committee rename the Colorado Integrated Tax Architecture (CITA) Maintenance and Support line item “GenTax Maintenance and Support”.

## LINE ITEM DETAIL - TAXATION BUSINESS GROUP

### (A) ADMINISTRATION

#### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Sections 24-50-101, *et seq.*, and 24-35-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests continuation funding of \$532,823 total funds and 5.0 FTE, including \$505,100 General Fund and \$27,723 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department request, which represents a continuation level of funding.

#### OPERATING EXPENSES

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

*STATUTORY AUTHORITY:* Section 27-35-105, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$13,100 General.

*RECOMMENDATION:* Staff recommends approval of the Department request, which represents a continuation level of funding.

#### GEN TAX MAINTENANCE AND SUPPORT (FORMERLY THE COLORADO INTEGRATED TAX ARCHITECTURE (CITA) MAINTENANCE AND SUPPORT)

This line item provides funding for the managed services contract that supports and maintains the Department's GenTax software tax collection and administration system.

The GenTax software is the culmination of the Colorado Integrated Tax Architecture (CITA) project, a five-phase project to replace the Department of Revenue's tax collection systems. The project received funding of \$53.6 million of capital construction moneys.

*STATUTORY AUTHORITY:* Section 24-35-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$7,534,570 total funds, including \$7,524,570 General Fund and \$10,000 cash funds.

*RECOMMENDATION:* Staff recommends an appropriation of \$6,454,570 total funds, including \$6,444,570 General Fund and \$10,000 cash funds, which includes the JBC Staff recommendation on R5 and NBA9/OIT BA4 GenTax System Maintenance, Support, and Hosting.

## (B) TAXATION AND COMPLIANCE DIVISION

The Taxation and Compliance Division utilizes various methods to assist in the collection of monies due the State including: filing bankruptcy claims; recording and releasing tax liens and judgments; garnishment of wages and bank accounts; income tax distraint warrants; resolution of taxpayer disputes; and the utilization of private collection agencies. The Division also audits or examines Colorado tax returns both at the Department through its Discovery Program and at business locations through its Field Audit program. Audits are also conducted for the purpose of ascertaining whether royalties have been properly submitted to the State from operating and royalty mineral interests in Colorado.

This division conducts more than 7,000 field audits each year, primarily for retail sales tax, consumer use tax, corporate income tax, and mineral royalties. Tax agents are located in Denver and in six district offices around Colorado, as well as out-of-state offices located in the New York City metro area, Chicago, Houston, Dallas, Los Angeles, and San Francisco. The Division also manages the Joint Audit Program, the Joint Federal/State Motor Fuel Tax program and the Mineral Audit Program.

### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Sections 24-50-101, *et seq.*, and 24-35-101 *et seq.*, C.R.S.

*REQUEST:* The Department requested an appropriation of \$17,426,840 total funds and 234.6 FTE including \$16,207,728 General Fund, \$1,065,027 cash funds, and \$154,085 reappropriated funds.

*RECOMMENDATION:* Staff recommends the Department's request, which represents a continuation level of funding.

### OPERATING EXPENSES

This line item funds the out-of-state travel needs of its senior auditors, as well as providing the general office expenses for the Division, and the expenses of five programs supporting the Division: Office Collection; Office Audit; Protest Resolution; Field Compliance; and Field Audit.

*STATUTORY AUTHORITY:* Section 24-35-105, C.R.S.

*REQUEST:* The Department requests an appropriation of \$1,057,353 total funds, including \$1,031,212 General Fund and \$26,141 cash funds.

*RECOMMENDATION:* Staff recommends the Department's request, which represents a continuation level of funding.

#### JOINT AUDIT PROGRAM

This line item provides funding for the state's membership in the Multi-State Tax Commission (MTC). The MTC conducts audits on out-of-state businesses, which complements the Department's efforts in the Field Audit Program. The Department has had a partnership with the MTC for over 20 years.

*STATUTORY AUTHORITY:* Section 24-35-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$131,244 General Fund.

*RECOMMENDATION:* Staff recommends approval of the Department request, which represents a continuation level of funding.

#### MINERAL AUDIT PROGRAM

Pursuant to Section 24-35-115, C.R.S., the Department audits royalties associated with oil, gas, and mineral mining activity on federal, state, and private land. Audits are conducted by a work group in the Department which statutorily can have no other duties. The majority of the funding comes from the federal government, with the remainder coming from the State Land Board and the Oil and Gas Conservation Commission, both in the Department of Natural Resources. Federal funds are from the Federal Minerals Management Service (MMS) as the Department conducts audits on their behalf on lands under federal control.

*STATUTORY AUTHORITY:* Section 24-35-115, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$890,388 and 10.2 FTE, which is comprised of \$66,000 reappropriated funds from the two programs in the Department of Natural Resources, the State Board of Land Commissioners for \$65,500 and the Oil and Gas Conservation Commission for \$500. The federal funds totaling \$824,388 are included in the Long Bill for information purposes only, for that reason, no recent expenditures are included in the numbers pages.

*RECOMMENDATION:* Staff recommends approval of the Department request, which represents a continuation level of funding.

#### (C) TAXPAYER SERVICE DIVISION

The Taxpayer Service Division (TPS) administers the State's tax programs and provides assistance and information to Colorado taxpayers. The Division maintains five service centers in Colorado Springs, Denver, Fort Collins, Grand Junction, and Pueblo, as well as a tax information call center. The Division produces public information campaigns, administers tax classes to promote voluntary compliance, and distributes information to the public to explain the State's tax laws and policies. TPS also issues licenses and permits, processes tax forms and requests for refunds, resolves taxpayer

problems, and intercepts income tax refunds for payment of debts owed to other State agencies and the Internal Revenue Service.

This Division also collects local sales taxes on behalf of non-home-rule cities, counties, and special districts. The division administers the property tax/rent heat/fuel grant program; severance taxes; the gasoline, special fuel, and aviation fuel environmental response surcharge; the International Fuel Tax Agreement; cigarette, tobacco, liquor and marijuana excise taxes; public utility assessments; and food service licensing.

#### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Sections 24-50-101, *et seq.*, and 24-35-101 *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$8,424,420 total funds and 137.6 FTE, including \$8,119,069 General Fund and \$305,351 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

#### OPERATING EXPENSES

The largest expenditure in this line is for transaction fees (which are capped at \$13,000 per month) for the automated call system. These fees are assessed per interactive voice response system call and web hits. It also funds general office supplies and expenses.

*STATUTORY AUTHORITY:* Section 24-35-105, C.R.S.

*REQUEST:* The Department requests an appropriation of \$524,961 total funds, including \$520,281 General Fund and \$4,680 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

#### SEASONAL TAX PROCESSING

This is a new line item in this division created in FY 2014-15 budget cycle. This line item funds the seasonal processing expenses that occur during the individual income tax filing season.

*STATUTORY AUTHORITY:* Section 24-35-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests \$296,961 General Fund.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

#### DOCUMENT MANAGEMENT

This line item provides funding for the data entry services provided by the Department of Personnel to capture information from paper tax forms and from driver's license documentation, and image and store tax returns and related documentation primarily for audit purposes, account error resolutions, or taxpayer requests and inquiries.

*STATUTORY AUTHORITY:* Section 24-30-1104, C.R.S.

*REQUEST:* The Department requests \$3,064,572 total funds, including \$3,026,053 General Fund and \$38,519 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

#### FUEL TRACKING SYSTEM

Pursuant to Section 39-27-109, C.R.S., the Department of Revenue tracks the movement of gasoline and special fuel with the goal of expediting the collection of excise taxes. Most funding provides an electronic tracking system maintained by a third party. Funding for this program is from the Highway Users Trust Fund (not from HUTF Off the Top), pursuant to Section 43-4-201 (3) (a) (V), C.R.S.

*STATUTORY AUTHORITY:* Section 39-27-109.7, C.R.S.

*REQUEST:* The Department requests \$495,569 cash funds and 1.5 FTE.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

#### INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S

*REQUEST:* The Department requests \$9,800 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve the Department request based on the Department indirect cost plan.

#### (D) TAX CONFEREE

The Tax Conferee serves as an intermediary in the hearing process and acts as the Executive Director's official designee for tax hearings. These can include tax assessment disputes and refund denials. Employees in this unit conduct reviews, legal research, investigations, interviews, and negotiations. They also assist taxpayers in clarifying decisions. If a hearing with the Tax Conferee fails to achieve a successful resolution, then a formal hearing with the Executive Director is granted. Finally, if a feasible resolution is not attained, the aggrieved party may elevate the dispute to the

judicial system. Under Section 29-2-106.1, C.R.S., Department staff may hear appeals of final decisions from home rule cities and counties.

#### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Sections 39-21-103, 39-21-104, 29-2-106.1, and 24-50-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests \$2,727,972 General Fund and 13.6 FTE.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

#### OPERATING EXPENSES

This line item funds subscriptions to legal research materials and phone charges, plus general office supplies and expenses.

*STATUTORY AUTHORITY:* Sections 39-21-103, 39-21-104, 29-2-106.1, and 24-50-105, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$62,504 General Fund.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

#### (E) SPECIAL PURPOSE

This section of the Long Bill provides funding for four "pass-through" programs administered by the Department. The oversight costs are relatively small and are absorbed by other divisions within the Taxation Business Group.

#### CIGARETTE TAX REBATE

Pursuant to Section 39-22-623, C.R.S., this program distributes 27 percent of the gross state revenue from state cigarette tax to incorporated cities and towns that levy taxes and adopt formal budgets as well as to counties. These distributions are made in proportion to the state sales taxes collected in the jurisdiction to the total state sales taxes collected, which the Department of Revenue annually certifies to the State Treasurer. In order to qualify for the rebate, units of local government are prohibited from imposing fees, licenses, or taxes on cigarettes.

This appropriation is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S. and is included in the Long Bill for informational purposes.

*STATUTORY AUTHORITY:* Section 39-22-623, C.R.S.

*REQUEST:* The Department requests an appropriation of \$9,111,999.



*RECOMMENDATION:* Staff recommends an appropriation based on the March 2017 economic forecast that the JBC adopts as its revenue forecast. Based on Office of State Planning and Budgeting December 2016 economic forecast, the appropriation would be \$8,962,915. Staff requests permission to reflect the estimate from the March 2017 forecast that the Committee elects to utilize.

#### AMENDMENT 35 DISTRIBUTION TO LOCAL GOVERNMENTS

House Bill 05-1262 implemented Amendment 35, passed by the voters in November 2004. Three percent of the total revenue and interest earned on proceeds deposited into the Tobacco Tax Cash Fund are earmarked for municipal and county governments to "compensate proportionately for tax Revenue reductions attributable to lower cigarette and tobacco sales resulting from implementation of the tax." These moneys are allocated to local governments according to the provisions set forth in Section 39-22-623, C.R.S. The Department of Revenue receives part of the 3 percent allocation to the General Fund (20%), the Old Age Pension Medical Fund (50%), and the Department of Revenue (30%).

This appropriation is authorized by Section 21 of Article X of the Colorado Constitution and thus, is not subject to the limitation on state fiscal year spending imposed by Section 20 of Article X of the State Constitution. The appropriation is included in the Long Bill for informational purposes.

*STATUTORY AUTHORITY:* Section 21, Article X, Colorado Constitution.

*REQUEST:* The Department requests an appropriation of \$1,297,770 cash funds from the Tobacco Tax Cash Fund.

*RECOMMENDATION:* Staff recommendation is for \$1,321,020 cash funds, which represents Committee Action on Tobacco Revenue Allocation decisions. If the Committee makes any adjustments to the Tobacco Revenue Allocation, Staff requests permission to reflect final action for the Department of Revenue.

#### OLD AGE HEAT AND FUEL AND PROPERTY TAX ASSISTANCE GRANT

Pursuant to Sections 39-31-101 and 104, C.R.S., the Department distributes heat, fuel, and property tax assistance grants to qualified low-income individuals age 65 and over or disabled. This appropriation is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S. and is included in the Long Bill for informational purposes. Both the Governor's Office of State Planning and Budgeting and Legislative Council often refer to this program as the "Aged Property Tax & Heating Credit."

*STATUTORY AUTHORITY:* Section 39-31-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$7,300,000 General Fund. The Department's request is based on the December 2016 Office of State Planning and Budgeting (OSPB) economic forecast.

*RECOMMENDATION:* Staff recommends an appropriation based on the March 2017 economic forecast that the JBC adopts as its revenue forecast. Based on Office of State Planning and Budgeting December 2016 economic forecast, the appropriation would be \$7,300,000. Staff requests permission to reflect the estimate from the March 2017 forecast that the Committee elects to utilize.

### COMMERCIAL VEHICLE ENTERPRISE SALES TAX REFUND

Section 42-1-225, C.R.S., requires the Department of Revenue to issue sales tax refunds for entities that paid sales taxes on qualified purchases or lease of commercial vehicles used for interstate commerce. The sales tax refund comes from the Commercial Vehicle Enterprise Tax Fund. Moneys in the cash fund are derived from a portion of the fines on overweight vehicles and pursuant to Section 42-1-225 (1), C.R.S., moneys in the fund is continuously appropriated to the Department of Revenue for the purpose of paying tax refunds.

*STATUTORY AUTHORITY:* Section 42-1-225, C.R.S.

*REQUEST:* The Department requests an informational appropriation of \$120,524 cash funds from the Commercial Vehicle Enterprise Tax Fund.

*RECOMMENDATION:* Staff recommends the Department request, which represents a continuation level of funding.

### RETAIL MARIJUANA SALES TAX DISTRIBUTION TO LOCAL GOVERNMENTS

This line item was added during the FY 2013-14 supplemental process. Section 39-28.8-203 (1) (a) (V), C.R.S., requires that moneys apportioned to local governments (15.0 percent of the special sales tax) as a result of the Proposition AA 10.0 percent special sales tax on retail marijuana products be included for informational purposes in the general appropriation bill or in supplemental appropriation bills and is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S.

*STATUTORY AUTHORITY:* Section 39-28.8-203, C.R.S.

*REQUEST:* The Department requests that \$12,281,482 General Fund exempt from spending and appropriations limits be reflected in the Long Bill. The Department's request is based on the September 2016 Office of State Planning and Budgeting (OSPB) economic forecast.

*RECOMMENDATION:* Staff recommends an appropriation based on the March 2017 economic forecast that the JBC adopts. Based on Office of State Planning and Budgeting December 2016 economic forecast, the appropriation would be \$12,300,000. Staff requests permission to reflect the estimate from the March 2017 forecast that the Committee elects to utilize.

**(4) DIVISION OF MOTOR VEHICLES**

The Division of Motor Vehicles consists of Administration, Driver Services and Vehicle Services sections. These sections are responsible for the enforcement and administration of the laws governing driver licensing and vehicle registration.

DIVISION OF MOTOR VEHICLES					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
<b>FY 2016-17 Appropriation</b>					
H.B. 16-1405 (Long Bill)	\$43,435,761	\$7,383,488	\$35,878,249	\$174,024	490.1
S.B. 17-169 (Supplemental Bill)	1,090,473	0	1,090,473	0	0.0
Other legislation	21,929	(3,200,000)	3,221,929	0	0.4
<b>TOTAL</b>	<b>\$44,548,163</b>	<b>\$4,183,488</b>	<b>\$40,190,651</b>	<b>\$174,024</b>	<b>490.5</b>
<b>FY 2017-18 RECOMMENDED APPROPRIATION</b>					
FY 2016-17 Appropriation	\$44,548,163	\$4,183,488	\$40,190,651	\$174,024	490.5
R1 DMV Waitless system maintenance	183,042	0	183,042	0	0.0
BA1 Driver license documents	1,207,840	0	1,207,840	0	0.0
R2 License plate and year tab ordering	4,056,720	209,642	3,847,078	0	0.0
R4 Division of Motor Vehicles leased space	893,400	0	893,400	0	0.0
Centrally appropriated line items	29,464	(72)	29,536	0	0.0
Annualize prior year legislation	33,351	3,200,000	(3,166,649)	0	0.4
Annualize prior year budget action	(882,748)	(3,166,168)	2,281,505	1,915	0.0
<b>TOTAL</b>	<b>\$50,069,232</b>	<b>\$4,426,890</b>	<b>\$45,466,403</b>	<b>\$175,939</b>	<b>490.9</b>
<b>INCREASE/(DECREASE)</b>	<b>\$5,521,069</b>	<b>\$243,402</b>	<b>\$5,275,752</b>	<b>\$1,915</b>	<b>0.4</b>
Percentage Change	12.4%	5.8%	13.1%	1.1%	0.1%
<b>FY 2017-18 EXECUTIVE REQUEST</b>					
Request Above/(Below) Recommendation	\$17,600	\$0	\$17,600	\$0	(0.0)

**DECISION ITEMS - DIVISION OF MOTOR VEHICLES****→ R1 DMV WAITLESS SYSTEM MAINTENANCE**

**REQUEST:** The Department requests an increase of \$183,042 General Fund in FY 2017-18 and ongoing for the estimated hardware and software maintenance cost to support the implemented “Waitless” system. The hardware and software maintenance is imperative to the system’s functionality and the DMV’s goal to enhance customer service by reducing wait times.

**RECOMMENDATION:** JBC Staff recommends the Committee Approve the Department Request.

**ANALYSIS:** In FY 2014-15, the General Assembly approved the Division of Motor Vehicles (DMV) change request R2 DMV-Customer Service Enhancements including \$1.5 million for the purchase and installation of “Waitless” queuing and data management technology to 31 state-operated driver license offices. The purpose of the system is to reduce customer service wait times by providing an office management system to measure and manage the efficiency and effectiveness of driver license operations. The system collects vital data regarding wait times and transaction times, provides statistical information to improve office procedures, and provides on-line appointment scheduling.

The ongoing cost of \$158,638 that was identified in the request in FY 2014-15 primarily accounted for the purchase of the thermal kiosk paper. The hardware and software maintenance costs were not included in the request because they were unknown at the time, and the Department intended to submit a request for the necessary additional appropriation once maintenance costs were determined.

In FY 2015-16, the Department negotiated a hardware maintenance contract through June 30, 2017, and a software maintenance contract through March 31, 2017. The cost for both contracts is funded in FY 2016-17 by the ongoing appropriation that was identified in the original request due to a lower cost of kiosk paper than the DMV anticipated as a result of less than a full year of operations following implementation.

In FY 2017-18, the hardware maintenance cost is estimated to increase and the full cost for kiosk paper will be realized. Therefore, the ongoing appropriation will no longer cover the cost of both maintenance renewals. The Department anticipates the following costs:

ONGOING MAINTENANCE COSTS OF “WAITLESS” TECHNOLOGY	
	Ongoing Costs
<b>Base appropriation from FY 2014-15 R2 Approved Budget Increase for kiosk paper</b>	<b>\$158,638</b>
Components of R1 DMV Waitless System Maintenance	
Additional annual cost of kiosk paper	10,000
Annual hardware maintenance cost	203,710
Annual software maintenance cost	127,970
<b>Total Annual Cost</b>	<b>\$341,680</b>
Less Base appropriation from FY 2014-15 R2 Approved Budget Increase	(158,638)
<b>Additional Appropriation Requested for FY 2017-18</b>	<b>\$183,042</b>

JBC Staff recommends approval of the Department request.

**→ R2 LICENSE PLATE AND YEAR TAB ORDERING**

Request: The Department requests a total increase of \$4,056,720, including \$209,642 in General Fund and \$3,847,078 in cash funds spending authority, in the License Plate Ordering line item in FY 2017-18. The Department requests that \$4,058,874 of the total FY 2017-18 cash fund spending authority in the License Plate Ordering line item come from the CSTARS fund. Of this amount, \$2,924,874 is a shift in the fund split of the line item to mitigate the FY 2017-18 revenue shortfall in License Plate Cash Fund caused by discretionary exemptions and programming issues in the CSTARS program. The remaining \$1,134,000 of this total is for an infusion of 300,000 plates to boost inventories and ensure a readily available supply of regular passenger license plates that can better withstand issuance fluctuations and supply chain disruptions. The Department also requests that the License Plate Cash Fund be granted continuous spending authority.

Recommendation: JBC Staff recommends the Committee approve the Department’s request with some slight modifications. First, JBC Staff continues to not recommend granting the License Plate Cash Fund continuous spending authority. Second, the ultimate Staff recommendation depends entirely on when S.B. 17-176 (Use of HUTF CSTARS Account) becomes law and for that reason, Staff recommends the Committee grant special permission based on whether the bill authorizing

appropriations from the CSTAR Account of the Highway User Tax Fund is enacted before introduction of the Long Bill.

If S.B. 17-176 is enacted, JBC Staff recommends reflecting letternotes in the Long Bill that represent that Department's requested appropriation including its requested fund splits. However, if S.B. 17-176 has not yet been enacted at the time of Long Bill introduction, JBC Staff requests permission to instead reflect the appropriation from "Various Sources of Cash Funds" to allow the Department to access the CSTAR Account for License Plate Ordering after enactment of S.B. 17-176 without further action from the General Assembly. If the Committee is not comfortable granting this freedom to the Department, JBC Staff will bring a footnote further describing the intent of the General Assembly during Staff Comebacks that can be included in the special bill has not yet been enacted.

Analysis: In FY 2015-16, the Department of Revenue issued over 1.4 million plates, 186,000 placards, and 7.8 million year-tabs for over 5.6 million registered vehicles in the State. The License Plate Ordering line item funds payments to the Department of Corrections, Correctional Industries (CCi) for the purchase of license plates and products used to document registered vehicles in the state pursuant to Section 42-3-301, C.R.S. The Department charges a material fee equal to the direct costs to produce the items pursuant to the same section of statute. This fee revenue is deposited into the License Plate Cash Fund and is used to provide funding for the costs to purchase the plates, placards, and year-tabs from CCi.

The License Plate Cash Fund should not be confused with the Licensing Services Cash Fund, the balance of which has been insufficient to cover operations of the DMV in recent years and thus have been focus of previous conversations with the Joint Budget Committee.

The Department contends that growth in demand for plates and tabs is the result of consumers replacing vehicles with new purchases, vehicle registrants changing plate types on their currently registered vehicle, and replacements for lost, stolen, or damaged plates and tabs. The Department forecasts a continued average 10.0 percent increase in the number of regular passenger plates year-over-year. JBC staff believes that the activities observed by the Department are the result of consumers finally being comfortable with their personal finances and making room in the household budget to purchase a vehicle after postponing such thing through the Great Recession.

Growth in the number of license plates offered by the State of Colorado no longer presents the Department with any significant issues since the implementation of the Print-on-Demand program for less frequently elected license plates. JBC Staff previously reported a number of errors or bugs in the code for the CSTAR System and it appears that none of these is the result of the variety of plates and constant reprogramming of the CSTAR System to accommodate each. The Department successfully deployed one phase of the replacement system, DRIVES over the President's Day weekend and therefore bugs diverting funds in unexpected ways in the CSTAR System will no longer be present. Initial observations relayed to JBC Staff indicate the rollout went smoothly.

One of the concerns JBC Staff had during briefing related to diverting funds from a cash fund account that had a statutory oversight Committee without fully informing the CSTAR Committee. Since that time, JBC Staff has been provided with documentation assuring the CSTAR Committee had meaning input into this budget request and approved purchasing license plates with the CSTAR Account.

**NON-FEE PRODUCTS**

To further compound the need for funding, the General Assembly has increasingly directed the DMV not to collect fees on certain license plates, tabs, and placards. The General Assembly has only provided minimal ongoing General Fund appropriations to the License Plate Ordering line item for this purpose. The total volume of products for which the Department may not collect fees has increased at an average rate of 3.3 percent over the past five years. The Department assured JBC staff that it is requesting General Fund on all license plate bills that restrict its ability to collect a fee and yearly growth is provided in the table below.

VOLUME OF PLATES ISSUED WITH NO FEE ALLOWED							
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Total Issued	420,490	424,575	440,341	438,361	462,500	484,201	501,485
Percent Change	n/a	1.0 %	3.6 %	(0.5 %)	5.2 %	4.5 %	3.5 %
Revenue Avoided	\$161,074	\$157,626	\$164,814	\$165,483	\$181,912	\$202,091	\$209,122
Plate Ordering GF Appropriation	\$0	\$0	\$0	\$0	\$0	\$70,026	\$16,212

Additionally, the Department states counties are permitted to make exemptions of materials fees at the time of issuance. Once the DRIVES project is completed, the DMV will be able to track how much revenue was diverted from the License Plate Cash Fund due to county exemptions but, currently it is not capable. The Department reports that anecdotally, the counties most frequently exempt fees for customer service related reasons including year tabs claimed lost in the mail or damaged validating tabs on persons with disabilities placards.

In an effort to mitigate this in future license plate bills, JBC staff intends to include a point to consider on all JBC Analysis documents to bills that are routed to the Appropriations Committee. Important to note, if a bill that has a fiscal note with no impact, it may not be routed to the appropriations committees and therefore elude JBC staff.

The Department also provides plates to law enforcement agencies at no cost for undercover operations. All of these plates are issued at the Department’s Lakewood DMV location and require the vehicle to also have its regular government license plate. Since FY 2009-10, the Department has issued 39,610 undercover license plates at an estimated revenue loss of \$160,816 or an average of \$22,973. Undercover plates are issued at one office location to federal, state, county and city law enforcement for use on passenger vehicles, light trucks, motorcycles, and trailers. Counties are neither authorize to issue undercover or covert plates, nor do they have the technical ability to do so if attempted.

Agencies applying for covert plates complete a form provided by the Department of Revenue (available to Committee Members upon request of JBC Staff because it is not published publically). The form requires inclusion of a formal request printed on law enforcement agency letterhead signed by the lead law enforcement officer (e.g chief, sheriff, etc.). Finally, the form requires the agency to agree to the following conditions:

- Plates will be used for official police business on vehicles that are involved in sensitive government business;
- Plates will not be used for personal gain;
- Valid registration and plates assigned to vehicle that are not undercover remain in the vehicle at all times;

- Plates are returned when they are no longer in use; and
- Requesting agency is responsible for all liability for issuance of the plate including compliance with mandatory insurance and emissions requirements.

Statute authorizes counties to exempt some fees that would otherwise be credited to the License Plate Cash Fund in a number of limited circumstances. The Department only began tracking these in October and the limited data available thus far indicates technical issues with the CSTAR System and customer service as reasons fees were exempted by counties outside statutory authority. Items counties are authorized to exempt include qualified military exempt license plates and annual year-tabs, annual placards and tabs for persons with disabilities, and general government vehicles.

Statute provides the Department of Revenue and the counties a fee exemption for standard general government issued license plates. Due to the General Assembly affirmatively providing that exemption, JBC Staff does not recommend a change to how the Department manages issuing undercover license plates.

The Department satisfactorily addressed each of the administrative concerns affecting the License Plate Cash Fund JBC Staff initially identified, many of which will be solved with full deployment of the DRIVES project. To manage the structural deficit in the License Plate Cash Fund, the only authorized source of funding for this line item besides General Fund, the Department utilized its stockpiled inventory to satisfy the demand since FY 2012-13. Toward the end of FY 2015-16 the Department shuffled license plates from offices that still had inventory to locations with higher demand. Moving plates from site-to-site has its own avoidable operational costs. The table below illustrates inventory changes throughout the state DMV system assuming no change is made.

SUMMARY OF LICENSE PLATE INVENTORY ACTIVITY						
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 <sup>a</sup>	FY 2017-18 <sup>a</sup>
Beginning Inventory	1,031,690	882,629	605,625	449,525	113,745	113,745
Issued	997,006	1,031,427	1,121,558	1,181,457	1,535,894	1,996,662
Purchased	847,945	754,423	965,458	845,677	1,535,894	1,996,662
Ending Inventory	882,629	605,625	449,525	113,745	113,745	113,745
<b>Change in Inventory</b>	<b>(149,061)</b>	<b>(277,004)</b>	<b>(156,100)</b>	<b>(335,780)</b>	<b>0</b>	<b>0</b>

<sup>a</sup> Department's projected license plate needs

The Committee will notice that FY 2016-17 and FY 2017-18 appear to be providing plates on a just-in-time supply chain basis; what the table does not describe are the additional costs of temporary tags for plates printed just-in-time. The Department communicated that DMVs throughout the state historically maintained an inventory of standard passenger vehicle license plates to satisfy about six months of demand. Maintaining an inventory of license plates is not required by any statute, but provides better customer service at a lower cost to the vehicle registrant than “print-on-demand” services.

The Department considers the minimum number of plates to have on hand in inventory to be six months of supply. This amount allows the necessary three-months of lead time for Corrections to manufacture and ship license plates to the counties while maintaining no less than three months of supply to allow for unforeseen supply chain anomalies.

Therefore, the Department requested and the Committee introduced legislation to grant the General Assembly authority to appropriated funds to the Department of Revenue for License Plate Ordering from the CSTAR Account of the Highway Users Tax Fund via S.B. 17-176. **In accordance with**

**the Committee approval of the Department’s S1 License Plate and Year Tab Ordering request, JBC Staff recommends the Department request with minor modifications.**

First, JBC Staff continues to not recommend granting the License Plate Cash Fund continuous spending authority. Second, the ultimate Staff recommendation depends entirely on when S.B. 17-176 (Use of HUTF CSTARS Account) becomes law and for that reason, Staff recommends the Committee grant special permission based on whether the bill authorizing appropriations from the CSTAR Account of the Highway User Tax Fund is enacted before introduction of the Long Bill.

If S.B. 17-176 is enacted, JBC Staff recommends reflecting letternotes in the Long Bill that represent that Department’s requested appropriation including its requested fund splits. However, if S.B. 17-176 has not yet been enacted at the time of Long Bill introduction, JBC Staff requests permission to instead reflect the appropriation from “Various Sources of Cash Funds” to allow the Department to access the CSTAR Account for License Plate Ordering after enactment of S.B. 17-176 without further action from the General Assembly. If the Committee is not comfortable granting this freedom to the Department, JBC Staff will bring a footnote further describing the intent of the General Assembly during Staff Comebacks that can be included in the special bill has not yet been enacted.

**→ BA1 DRIVER LICENSE DOCUMENTS SPENDING AUTHORITY**

*REQUEST:* The Department requests an increase of \$1,207,840 cash funds from the Licensing Services Cash Fund to fund the increased number of driver license documents being requested by residents of Colorado.

*RECOMMENDATION:* Consistent with Committee action on the Department’s supplemental request on the same topic, JBC Staff recommends the Committee approve the Department request.

*ANALYSIS:* The Division of Motor Vehicles (DMV) issues identification cards and driver licenses pursuant Article 2 of Title 42, C.R.S. The General Assembly appropriates spending authority to the DMV to purchase those documents on the Drivers License Documents line item. Through a series of Joint Budget Committee-sponsored bills, for better or worse, the General Assembly continues to move toward fully funding the DMV through fee revenue. The table below provides a brief summary of the bill affecting the Licensing Services Cash Fund.

BILL	RELEVANT SUMMARY
S.B. 07-241 (Drivers and Plate License Fees)	Increased fees charged for driver’s licenses and created the Licensing Services Cash Fund (LSCF). All fee revenue generated from licensing drivers is deposited in the new fund.
S.B. 09-274 (Use HUTF for DMV Licenses)	Reduced General Fund appropriations by \$16.2 million, replaced it with increased cash spending authority. Finally, diverted other fees charged by DMV to the LSCF. It also authorized HUTF Off-The-Top appropriations for DMV.
H.B. 10-1387 (Finance Driver’s Licenses DOR)	Continued authorizing HUTF Off-The-Top funding for 1 more year, continued diversion of fees to the LSCF for two years.
S.B. 14-194 (Driver’s License Fee Allocation)	Permanently directed all fees to the LSCF, provided minimal, permissive fee setting authority (up to 5 percent increase per year) and consolidated several small cash funds
S.B. 16-1415 (Driver & Motor Vehicle Services)	Adjusted a number of fees that flow into LSCF to more closely approximate cost of providing the service. To reduce impact to TABOR, fee on driver’s licenses increases by a dollar each year until it reaches \$28 in FY 2018-19. Adjusts the share of the fee retained by counties when clerks provide DMV services, as an agent of the state. Exempts LSCF from cash fund reserve limit to allow DMV to plan for issuance cycles.

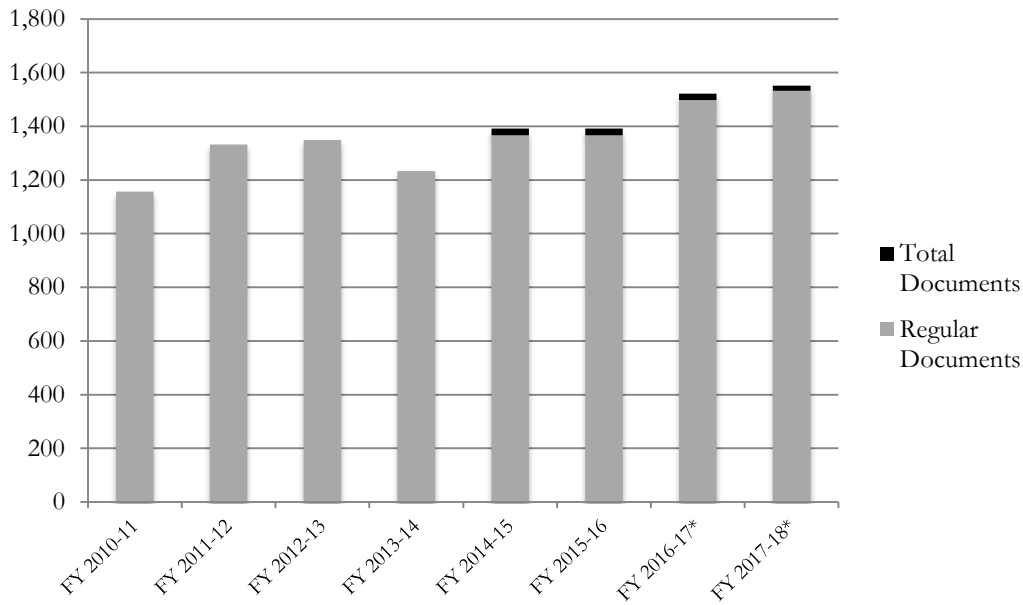


The Department requested additional cash fund spending authority to address increased projections for document issuance in FY 2016-17. During the FY 2016-17 budget process, the number of documents projected to be issued in the year was approximately 1.2 million and the appropriation was calculated assuming document costs of \$4.159 each, which continues to be the actual cost. Based on updated calculations incorporating actual document issuance through October, the DMV now projects it will issue over 1.5 million in FY 2016-17 and FY 2017-18. Historic and projected document issuance provided by the Department is included below:

RECENT DOCUMENT ISSUANCE AND PROJECTIONS				
FISCAL YEAR	REGULAR DOCUMENTS	CRCSA DOCUMENTS	TOTAL DOCUMENTS	PERCENT CHANGE
FY 2010-11	1,156,451	0	1,156,451	n/a
FY 2011-12	1,332,547	0	1,332,547	15.2%
FY 2012-13	1,349,049	0	1,349,049	1.2%
FY 2013-14	1,233,690	0	1,233,690	-8.6%
FY 2014-15	1,367,028	24,937	1,391,965	12.8%
FY 2015-16	1,367,123	24,890	1,392,013	0.0%
FY 2016-17*	1,497,688	24,275	1,521,963	9.3%
FY 2017-18*	1,532,837	19,120	1,551,957	2.0%

\*Projected

RECENT DOCUMENT ISSUANCE AND PROJECTIONS (IN THOUSANDS)



\*Projected

The Department and JBC Staff are uncertain if more Colorado residents are choosing to renew their outside the regular renewal cycle due to the new driver license style. Regardless, the expenditures for Drivers License Documents is driven entirely by the number of persons acquiring new or renewed documents.

Consistent with JBC Action on the Department’s supplemental request, JBC Staff recommends the Committee approve the Department’s request.

**① INFORMATIONAL - THE DMV AS A TABOR ENTERPRISE**

Since 2010 the General Assembly has increasingly provided the Division of Motor Vehicles (DMV) with more control over the sources of revenue that fund the cash funds dedicated to operating the DMV. This has led to a yearly budget request from the Department once it discovers an unintended consequence of past legislation and often results in a JBC-sponsored bill adjusting fees to closer approximate the cost of providing the service.

As one of the most public-facing government operations of the state, successful operation of the DMV is critical to the public's confidence in its state government. It also fulfills critical functions to ensure our roadways are safe including, for example, licensing new drivers, assisting law enforcement with license verification, and revoking licenses from unsafe drivers. An efficiently-run DMV benefits every single person who has any presence in the state. Many of these services are reminiscent of those you may approach a private business for and therefore a fee-for-service model makes sense; however, many other DMV services do not fit into this category, such as, maintaining driving records of all licensed drivers, educating the public, and interfacing with law enforcement.

The Department of Revenue was asked to comment on the idea of operating the DMV as a TABOR enterprise. As expected, the Department cited current law to say it was not possible. What JBC Staff would find more persuasive would be concrete examples of why the DMV deserves General Fund. For example: how and why the DMV may be harmed if forced to operate as a TABOR enterprise; how customer service may be negatively affected, and how fees would need to increase. Instead, the Department cites the need for bond issuing authority and the inability to receive more than 10 percent of its annual revenue from state or local government; both objections, in theory, could be solved in a single piece of legislation.

However, JBC Staff *does not* recommend the Committee seriously consider converting the DMV to a TABOR Enterprise. JBC-sponsored S.B. 14-194 (Issuance of ID Documents) granted the DMV authority to raise fees at most 5.0 percent per year allowing the General Assembly to maintain oversight to ensure fees did not increase drastically. If the DMV were a TABOR enterprise, it would need full control over the fees that fund its operations and therefore less General Assembly oversight to encourage efficient use of its resources. JBC Staff intention with bringing up Enterprises in conversations about the DMV was to shift the Committee's attention from fully cash funding the DMV through fee-revenue to thinking that operating the DMV is the type of essential state function taxes should fund and should therefore receive a dedicated General Fund appropriation.

**LINE ITEM DETAIL - DIVISION OF MOTOR VEHICLES****(A) ADMINISTRATION**

The Administration subgroup includes the Senior Director, Deputy Director, administrative support staff, division financial staff, and the Investigations Unit. The Administration subgroup supports the administrative and financial management of all DMV operations. The Investigations Unit is responsible for conducting investigations on both driver and vehicle records. This unit is accountable for preserving and protecting the integrity of motor vehicle records by investigating and preventing fraud, ensuring statutory compliance, and providing victim advocacy. The unit is also

responsible for all Exception Processing for Colorado residents who cannot meet the established requirements for driver licenses or identification cards.

#### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Sections 24-50-101, *et seq.* and 42-2-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$1,591,393 and 18.9 FTE, including \$234,776 General Fund

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

#### OPERATING EXPENSES

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

*STATUTORY AUTHORITY:* Sections 24-50-105 and 42-2-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$85,244 total funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents a continuation level of funding.

#### (B) DRIVER SERVICES

The Driver Services subgroup includes three programs: Driver License (including the Commercial Driver License Program (CDL), Driver Control, and Ignition Interlock.

The **Driver License Program** is responsible for issuing driver licenses, instruction permits, identification cards, and commercial driver licenses to the citizens of Colorado. Additionally, this section also issues copies of driving records, oversees the curriculum and training of commercial driving schools, and licenses and oversees third-party testers who administer driving and motorcycle skill tests.

The **Driver Control Program** is responsible for collecting, maintaining, analyzing, and producing all driver records for the state. It receives and processes penalty assessment citations and processes fine payments and administers driver license sanctions by imposing license suspensions and revocations in accordance with the law. The Driver Control Program also supports law enforcement with a 24/7 communications center that provides information on drivers and vehicles and supports prosecutors and courts with the production of evidence packets. This section also monitors drive log data on interlock restricted drivers and imposes restraints.

The **Ignition Interlock Program** is discussed in detail at the line item level.

## PERSONAL SERVICES

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions. The cash funds are primarily from the Licensing Services Cash Fund, the following accounts of the Highway Users Tax Fund: the Colorado State Titling and Registration Account, Driver's License Administrative Revocation Account, and the First-time Drunk Driving Offender Account, and several funds that provide minimal funding.

*STATUTORY AUTHORITY:* Sections 24-50-101, *et seq.* and 42-2-125, C.R.S.

*REQUEST:* The Department requests an appropriation of \$20,010,265 total funds and 399.1 FTE, including \$3,064,873 General Fund, \$16,834,358 cash funds, and \$111,034 reappropriated funds.

*RECOMMENDATION:* Staff recommends the Committee approve the Department request, which represents continuation level funding.

## OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*STATUTORY AUTHORITY:* Sections 24-50-105 and 42-2-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$3,190,728 total funds, including \$418,104 General Fund, \$2,744,854 cash funds, and \$10,170 reappropriated funds.

*RECOMMENDATION:* Staff recommends an appropriation of \$3,173,128 total funds, including \$418,104 General Fund, \$2,744,854 cash funds, and \$10,170 reappropriated funds, which includes JBC Staff recommendation on R1 DMV Waitless System Maintenance and R4 Division of Motor Vehicles Leased Space.

## DRIVER'S LICENSE DOCUMENTS

This line item funds all material costs associated with the production of driver's licenses, instructional permits, and identification cards including related security features. The physical driver's license is produced by a third party vendor under contract to the Department, who also mails the document to the customer. The line also provides funding for verification of Social Security information, and verification of an applicant's legal immigration/visa status. In addition to receiving funding from the Licensing Services Cash Fund, this line receives funding for security purposes from the Identification Security Fund.

*STATUTORY AUTHORITY:* Section 42-2-101, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$6,409,680 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which includes JBC Staff recommendation on BA1 Driver License Documents Increase.

### IGNITION INTERLOCK PROGRAM

House Bill 08-1194 requires first time drunk driving offenders to obtain an ignition interlock for their vehicle in order to reinstate their licenses. It increased the driver's license reinstatement fee by \$35 and credited that increase to the newly created "First Time Drunk Driver Offender account". The moneys in the account were to be used to assist those who cannot afford an ignition interlock system to purchase them so they can continue to drive for employment related purposes. The fund also supports high-visibility drunk-driving enforcement actions administered by the Department of Transportation.

*STATUTORY AUTHORITY:* Section 42-2-125, C.R.S.

*REQUEST:* The Department requests \$1,231,243 cash funds and 6.9 FTE.

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

### INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*STATUTORY AUTHORITY:* Sections 42-2-114.2, 42-2-132, and 24-75-1401, C.R.S.  
C.R.S.

*REQUEST:* The Department requests \$2,292,025 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve the Department request based on the Department indirect cost plan.

### (C) VEHICLE SERVICES

The Vehicle Services subgroup includes the following programs: Titles, Registrations, Motor Insurance Identification Database (MIIDB), and Vehicle Emissions.

The **Titles Program** oversees titling of vehicles by the Department's authorized agents, the county clerks in each county in the state. It also maintains an inventory of license plates and is the agency that orders and distributes license plates to the counties. The **Registration Program** is operationally managed alongside the Titles Program. This program coordinates vehicle registration and license plate issuance activities through the 64 county clerks throughout the state and orders and monitors inventory of license plates and related products.

### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Sections 24-50-101, *et seq.*, 42-4-301, and 42-7-601, *et seq.*, C.R.S.

*REQUEST:* The Department requests \$2,640,590 total funds and 50.0 FTE, including \$453,247 General Fund and \$2,187,343 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents continuation level funding.

#### OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*STATUTORY AUTHORITY:* Sections 24-50-105, 42-4-301, and 42-7-601, et seq., C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$459,882 total funds, including \$27,169 General Fund and \$432,713 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents continuation level funding.

#### LICENSE PLATE ORDERING

This line item funds payments to the Department of Correction, Correctional Industries for producing and distributing license plates, permits, placards, tabs, and other related items. These products are distributed to the State's 64 counties and the State offices for timely distribution to customers. The funding comes from the License Plate Cash Fund, which is funded by fees charged for license plates and associated products. The General Fund appropriation is necessary due to no revenue on a number of plates and products the General Assembly directed the Division not to collect fees.

*STATUTORY AUTHORITY:* Sections 17-24-109 and 42-3-301, C.R.S.

*REQUEST:* The Department requests an appropriation of \$10,195,299, including \$216,315 General Fund and \$9,978,984 cash funds.

*RECOMMENDATION:* Staff recommends approval of the Department's request. The request includes the JBC Staff recommendation for R2 License Plate and Year Tab Ordering. Under current law, all of the cash fund appropriation will come from the License Plate Cash Fund. JBC Staff requests permission to adjust the cash fund split between the License Plate Cash Fund and the Colorado State Titling and Registration Account of the Highway Users Tax Fund if S.B. 17-176 (Funding for License Plates) as requested by the Department.

#### MOTORIST INSURANCE IDENTIFICATION DATABASE PROGRAM

This program helps law enforcement officials verify owner compliance with motor vehicle insurance requirements and authorizes administrative suspension of driver's licenses that are held by motorists suspected of being uninsured. A \$0.10 motorist insurance identification fee is credited to the Motorist Insurance Identification (MII) Account, a special purpose account within the Highway Users Tax Fund (HUTF), whenever a motor vehicle is registered. All funding for the program is from the MII Account.

*STATUTORY AUTHORITY:* Section 42-7-601, *et seq.*, C.R.S.

*REQUEST:* The Department requests \$337,006 cash funds and 1.0 FTE.

*RECOMMENDATION:* Staff recommends approval of the Department's continuation request.

#### EMISSIONS PROGRAM

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

*STATUTORY AUTHORITY:* Section 42-4-301, C.R.S.

*REQUEST:* The Department requests \$1,256,439 cash funds and 15.0 FTE.

*RECOMMENDATION:* Staff recommends approval of the Department's request, which represents continuation level funding.

#### INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S

*REQUEST:* The Department requests \$386,449 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

**(5) ENFORCEMENT BUSINESS GROUP**

This group regulates and enforces laws related to: limited gaming; the State's liquor wholesalers and retailers and tobacco retailers; licenses liquor retailers, wholesalers, and manufacturers; issues alcohol licenses for special events; regulates live horse racing events and pari-mutuel wagering (including off-track simulcast establishments); regulates and licenses the motor vehicle dealer industry; and licenses and regulates the marijuana industry.

ENFORCEMENT BUSINESS GROUP					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
<b>FY 2016-17 Appropriation</b>					
H.B. 16-1405 (Long Bill)	\$57,603,151	\$361,940	\$56,945,839	\$295,372	279.2
Other legislation	1,253,958	0	1,253,958	0	15.3
<b>TOTAL</b>	<b>\$58,857,109</b>	<b>\$361,940</b>	<b>\$58,199,797</b>	<b>\$295,372</b>	<b>294.5</b>
<b>FY 2017-18 RECOMMENDED APPROPRIATION</b>					
FY 2016-17 Appropriation	\$58,857,109	\$361,940	\$58,199,797	\$295,372	294.5
R3 Liquor Enforcement Division operating increase	0	0	0	0	0.0
R6 Auto Industry Division staff increase	281,172	0	281,172	0	4.0
R7 Division of Racing Events staff	0	0	0	0	0.0
Centrally appropriated line items	(330,854)	(522)	(291,003)	(39,329)	0.0
Annualize prior year legislation	285,636	0	285,636	0	2.2
Technical adjustment	0	0	0	0	0.0
Annualize prior year budget action	(2,712,326)	(180,113)	(2,532,213)	0	(29.6)
<b>TOTAL</b>	<b>\$56,380,737</b>	<b>\$181,305</b>	<b>\$55,943,389</b>	<b>\$256,043</b>	<b>271.1</b>
<b>INCREASE/(DECREASE)</b>	<b>(\$2,476,372)</b>	<b>(\$180,635)</b>	<b>(\$2,256,408)</b>	<b>(\$39,329)</b>	<b>(23.4)</b>
Percentage Change	(4.2%)	(49.9%)	(3.9%)	(13.3%)	(7.9%)
<b>FY 2017-18 EXECUTIVE REQUEST</b>					
Request Above/(Below) Recommendation	\$75,401	\$0	\$75,401	\$0	1.0

**DECISION ITEMS - ENFORCEMENT BUSINESS GROUP****→ R3 LIQUOR ENFORCEMENT DIVISION**

*REQUEST:* The Department requests an increase of \$52,884 cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund for operating costs to increase staff presence at multi-day festivals and provide additional specialized training to Liquor Enforcement investigators.

*RECOMMENDATION:* JBC Staff recommends the Committee deny the request at this time. JBC Staff further recommends the Committee request a draft bill to authorize the Liquor Enforcement Division to implement a license renewal application fee for all liquor licensed entities, grant fee-making authority, and direct that all fees under the State Liquor Licensing Authority's rulemaking authority are adjusted to account for the direct and indirect costs of regulating the liquor industry. JBC Staff requests permission to work with Department staff on details of the bill during draft. The draft will be presented in the coming weeks and, at that time, the Committee will decide whether to introduce the legislation.



*ANALYSIS:* Section 12-47-202, C.R.S., provides the Liquor Enforcement Division (or State Licensing Authority) with rulemaking authority and broadly defines 20 different subject areas for which rules may be promulgated. One subject area the Licensing Authority may promulgate rules is defined by subsection (2)(a)(I)(E) and specifically states rules may be promulgated relating to:

Inspections, investigations, searches, seizures, and such activities as *may* become necessary from *time to time*, including a range of penalties for use by the [local] licensing authorities. . . when licensees' employees violate certain provisions of [the liquor code] including the sale or service of alcohol beverages to persons under twenty-one years of age. (JBC Staff emphasis).

None of the other 19 subsections the General Assembly granted rulemaking authority to the Licensing Authority uses this limiting language and statutory construction would grant “from time to time” extra credence. It is evident to JBC Staff the General Assembly did not intend inspections, investigations, searches, seizures, and other activities to be a primary function of the Licensing Authority. The plain language of the statute indicates these activities should only be performed intermittently and directs the State Licensing Authority to promulgate rules used by local licensing authorities. JBC Staff is unconvinced that operating routine sting operations is a function the state should be performing on behalf of local governments. Additionally, JBC Staff has not been made aware of public concern over underage consumption compared to other states.

However, JBC Staff spoke to a former manager from a local licensing authority to obtain the perspective of the local government on the state’s role in regulating the liquor industry, who had some observations worth sharing. For example, at one point in Colorado’s recent history, but prior to the year 2000, several Colorado communities generally deprioritized enforcing underage drinking laws in their regions. Without the State Licensing Authority stepping in to conduct the inspections and investigations these communities could continue to ignore state and national liquor laws, which ostensibly harms each community.

The second example was a bit more persuasive to JBC Staff, especially because he once was a resident of a small Colorado mountain community. Many of those smaller communities both in the mountains and throughout the state have very limited law enforcement personnel. What is very common in these communities is that almost everyone in that community knows who the law enforcement officers are. Clearly, attempting any type of undercover investigation when the observer, and likely the minor cooperating with the enforcement action, is known to many of the potential targets compromises its effectiveness. Local Licensing Authorities also appreciate having the State Licensing Authority as a resource to avoid souring working relationships between the Local Authority and local licensees.

Funding for Liquor enforcement activities comes entirely from the Liquor Enforcement Division and State Licensing Authority Cash Fund (the Fund). It receives fee revenue from application and licensing fees collected by the Licensing Authority. When first presented with this budget request, JBC Staff asked the Department to estimate the effect an increase would have on liquor licensees. After looking more closely at the data, the Department came to the conclusion that *new* liquor license applications account for almost 60 percent of all annual fee revenue to the Fund.

Many of the fees levied by the Licensing Authority are set in Section 12-47-501, C.R.S., however, new application fees are set by the Licensing Authority through rulemaking. Coincidentally, the week after the JBC Staff briefing for the Department of Revenue that included brief discussion of this request, the Licensing Authority implemented increased fees for four application types. Those fees are described below:

- Applications for a new license increased from \$920 to \$1,950;
- New licenses with concurrent review increased from \$1,020 to \$2,050;
- New application for transfer of a license increased from \$920 to \$1,950; and
- New application for transfer and conversion for an additional liquor-licensed drugstore increased from \$1,200 to \$2,230.

While the fee change is drastic, it is the result of the Department reducing its fees in previous years to spend down its fund balance to come into compliance with the uncommitted cash fund reserve requirement. However, after the Department began looking more closely at the cash flow for the Fund it identified an unintended consequence of passage of S.B. 16-197 (Liquor Licensed Drug Stores). In response to its passage, the industry appears to have taken a “wait and see” approach. This resulted in a 26 percent reduction to the volume of first time applicants in the first half of the fiscal year over the same period the year before.

Fees that are set in statute for renewals of licenses, in contrast, range from \$50 to \$300. Other fees imposed on the liquor industry are those required by the local licensing authority. The local licensing authority fees are also set in the Colorado Revised Statutes. Local licensing authority transfer 85 percent of fees it collects that are set pursuant to Section 12-57-501, C.R.S., back to the Department, and is deposited in the Fund.

JBC Staff is concerned that the unintended consequence of funding enforcement activities with a cash fund primarily funded with fees on new market entrants serves as an administrative barrier to entry. It appears at least some local licensing authorities identified the cash flow issue related to first time applicants, who have decided to impose a license renewal application fee.

JBC Staff recommends the Committee deny the request at this time. JBC Staff further recommends the Committee request a draft bill to authorize the Liquor Enforcement Division to implement a license renewal application fee for all liquor licensed entities, grants fee-making authority, and direct all fees under the State Liquor Licensing Authority’s rulemaking authority are adjusted to account for the direct and indirect costs of regulating the liquor industry. JBC Staff requests permission to work with Department staff on details of the bill during draft. The draft will be presented in the coming weeks and, at that time, the Committee will decide whether to introduce the legislation.

The Department is supportive and informally requested this piece of legislation. The recommended legislation will not have an impact on TABOR in FY 2017-18 because revenue generated through the renewal fee was already counted as revenue generated from the first time application fee. The Liquor Enforcement Division sets the new application fee to generate sufficient revenue to account for its appropriations and it is seeing reduced revenue from first time applications. Thus, the renewal fee revenue will replace the unrealized revenue anticipated to be generated by the new application fee post passage of S.B. 16-197 (Liquor Licensed Drug Stores).

## LINE ITEM DETAIL - ENFORCEMENT BUSINESS GROUP

### (A) ADMINISTRATION

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

#### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Section 24-50-101 *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$716,238 total funds and 8.0 FTE, including \$5,931 General Fund.

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

#### OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*STATUTORY AUTHORITY:* Section 24-35-105, C.R.S.

*REQUEST:* The Department requests an appropriation of \$12,780 total funds.

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

### (B) LIMITED GAMING DIVISION

This division licenses, regulates, and supervises any devices, persons, locations, and activities related to limited gaming in the cities of Black Hawk, Central City, and Cripple Creek. This includes conducting background checks on gaming license applicants, patrolling casinos to observe potential violations of gaming laws, and conducting audits to verify that regulated businesses remit the proper amount of gaming taxes.

The Colorado Limited Gaming Commission has the constitutional authority to allocate funds for the Division; funding is not subject to appropriation by the General Assembly. Thus, the appropriations for this Division are shown for informational purposes. The Commission has generally adopted the Committee's common policies where applicable. The source of cash funds is the Limited Gaming Fund

The Division's direct costs for Health, Life, and Dental and Short-term Disability Insurance, Amortization Equalization and Supplemental Amortization Equalization Disbursements, Worker's Compensation, Legal Services, Payment to Risk Management and Property Funds, Vehicle Lease Payments, and Leased Space for Gaming Site Offices are included in the Executive Director's Office centrally-appropriated budget lines.

### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Section 12-47.1-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$7,066,096 cash funds and 91.0 FTE.

*RECOMMENDATION:* Staff recommends reflecting the Department's request as an informational appropriation, which represents continuation funding.

### OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies, and printing costs.

*STATUTORY AUTHORITY:* Section 12-47.1-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$1,032,595 cash funds.

*RECOMMENDATION:* Staff recommends reflecting the Department's request as an informational appropriation, which represents continuation funding.

### PAYMENTS TO OTHER STATE AGENCIES

This line item funds the costs associated with other State agencies performing work for the Limited Gaming Division. These agencies include the Colorado State Patrol, Colorado Bureau of Investigations, Division of Fire Safety, and Department of Local Affairs.

*STATUTORY AUTHORITY:* Sections 12-47.1-1601, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$4,497,011 cash funds.

*RECOMMENDATION:* Staff recommends reflecting the Department's request as an informational appropriation, which represents continuation funding.

### DISTRIBUTION TO GAMING CITIES AND COUNTIES

The Distribution to Gaming Cities and Counties line item reflects the net proceeds distribution of Limited Gaming Funds to eligible counties and cities, including Gilpin and Teller counties, and the Cities of Black Hawk, Central City, and Cripple Creek. The Constitutional provisions provide directions as to the distribution of revenues: funding for historic preservation in the three gaming cities as well as statewide, funding for the host cities and counties for the impacts of gaming, and the General Fund for state impacts.

If one looks at the two years of actual expenditures in the numbers pages, you will notice that the expenditures greatly exceed the appropriations for those years. This is because the Office of the Controller accounts for all distributions, such as to the State Historical Society and other funds,

through this line, but codes each category differently. Distributions to the limited gaming cities and counties are coded as expenditures, while transfers to the State Historical Society and other transfers are coded as transfers. This makes the line item appear to be over-expended, while the actual expenditures are well within the appropriation.

*STATUTORY AUTHORITY:* Section 9, Article XVIII, Colorado Constitution and Section 12-47.1-701, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$23,788,902 cash funds.

*RECOMMENDATION:* Staff recommends reflecting the Department's request as an informational appropriation.

#### INDIRECT COST ASSESSMENT

This line item reflects the total indirect cost assessment against the Limited Gaming Fund for the Department of Revenue. The request is based on the Departmental and Statewide Indirect Cost Allocation Plan. The plan is updated each year to reflect accurate assessments against the Limited Gaming Fund.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S

*REQUEST:* The Department requests an appropriation of \$599,370 cash funds.

*RECOMMENDATION:* Staff recommends reflecting an appropriation of \$599,370 cash funds based on the Department indirect cost plan as an informational appropriation.

#### (C) LIQUOR AND TOBACCO ENFORCEMENT DIVISION

This Division licenses and regulates liquor wholesalers and retailers, licenses special events to serve alcohol, and enforces federal and state laws regarding the sales of liquor and tobacco products to minors. The major sources of funding are the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Tobacco Education Programs Fund, the General Fund and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund.

#### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Section 24-35-401, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$2,585,643 total funds and 30.0 FTE, including \$168,589 General Fund.

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

### OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*STATUTORY AUTHORITY:* Section 24-35-401, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$164,521 total funds, including \$7,201 General Fund.

*RECOMMENDATION:* Consistent with Staff recommendation on R3 Liquor Enforcement Division Operating Increase, Staff recommends approval of the Department's request.

### INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S.

*REQUEST:* The Department requests \$187,063 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

### (D) DIVISION OF RACING EVENTS

This division regulates greyhound and horse racing events, and supervises pari-mutuel betting at the race tracks. It is also responsible for allocating race dates to racing associations, and adopting rules for the supervision of racing events, racing officials and licenses. The source of funds is the Division of Racing Cash Fund.

The division regulates and oversees one horse racetrack and twelve licensed off-track betting facilities offering simulcast racing from out-of-state venues.

### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Sections 12-60-201, *et seq.*, and 12-60-501 *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$942,670 cash funds and 8.7 FTE.

*RECOMMENDATION:* JBC Staff recommends an appropriation of \$925,806 cash funds and 7.7 FTE, which reflects JBC Staff recommendation on R7 Division of Racing Events Staff Increase.

### OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*STATUTORY AUTHORITY:* Sections 12-60-201, *et seq.*, and 12-60-501 *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$227,280 cash funds.

*RECOMMENDATION:* Staff recommends an appropriation of \$221,627 cash funds, which reflects JBC Staff recommendation on R7 Division of Racing Events Staff Increase.

### PURSES AND BREEDERS AWARDS

This line item represents a pass-through appropriation. The Division does not spend the appropriation associated with this line item. Section 12-60-704, C.R.S., created a trust fund that contains moneys deposited by licensees and operators of in-state simulcast facilities for horse racing. The Racing Commission promulgates rules that allow for distributions from this fund to owners and breeders of Colorado-bred horses.

The funds available for distribution for this line item are driven by pari-mutuel wagering. Section 12-60-701 (2) (b), C.R.S., provide that the operator of a race track or licensed in-state facility that receives simulcast races shall pay 0.5 percent of the gross receipts of pari-mutuel wagers on win, place, or show, and 1.5 percent of all other pari-mutuel wagers. The moneys deposited under this section are paid into a trust account. The moneys are distributed according to statute and rules established by the racing commission to the breeder associations, whose by-laws govern the distributions.

*STATUTORY AUTHORITY:* Section 12-60-704, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$1,400,000 cash funds from the Horse Breeders' and Owners' Awards and Supplemental Purse Fund.

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

### INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S

*REQUEST:* The Department requests \$50,716 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

### (NULL) HEARINGS DIVISION

For figure setting recommendations for the Hearings Division, see the Executive Director's Office. During the 2016 legislative session, the Joint Budget Committee approved a Department request to move the Hearings Division from the Enforcement Business Group to the Executive Director's Office, where it had been functionally operating, to align the long bill with Department operations.

### (E) MOTOR VEHICLE DEALER LICENSING BOARD

The Motor Vehicle Dealer Licensing Board is responsible for licensing and regulation of automobile dealers and sales people as well as promulgating consumer protection regulations. Additionally, the Board conducts licensing and disciplinary hearings, and investigates suspected violations. Sources of cash fund includes fees imposed on the regulated industry.

### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Section 12-6-123, C.R.S.

*REQUEST:* The Department requests \$2,254,070 cash funds and 21.2 FTE.

*RECOMMENDATION:* Staff recommends the Committee approve the Department request, which reflects JBC Staff recommendation on R6 Auto Industry Division Regulatory Staff Increase.

### OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*STATUTORY AUTHORITY:* Section 12-6-123, C.R.S.

*REQUEST:* The Department requests \$174,626 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve the Department request, consistent with Staff recommendation on R6 Auto Industry Division Regulatory Staff Increase.

### INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S

*REQUEST:* The Department requests \$179,152 cash funds.



*RECOMMENDATION:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

#### (F) MARIJUANA ENFORCEMENT

The Marijuana Enforcement Division provides regulatory oversight to the retail and medical marijuana industries. It does not have oversight over doctors prescribing marijuana or over the caregiver program. The Division inspects cultivation, storefronts, and processing facilities for compliance with statute and rule. It has rulemaking authority for marijuana regulation.

#### MARIJUANA ENFORCEMENT

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions. The line also funds the operating expenses, including telecommunications, general office supplies, and printing costs.

*STATUTORY AUTHORITY:* Sections 12-43.3-101, *et seq.* and 39-28.8-501, *et seq.*, C.R.S.

*REQUEST:* The Department requests \$9,752,353 cash funds from the Marijuana Cash (not Tax) Fund and 103.2 FTE.

*RECOMMENDATION:* Staff recommends approving the Department request.

#### INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment against this Division, which is based on the Department and Statewide indirect cost allocation plans. The purpose is two-fold: (1) It will offset additional General Fund in the Executive Director's Office and (2) will provide a more accurate reflection of the true costs of cash-funded programs. The appropriation for the line reflects the administrative support of this division provided by the Executive Director's Office.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S

*REQUEST:* The Department requests \$825,052 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

## (6) STATE LOTTERY DIVISION

The State Lottery Division is a TABOR enterprise under Article X, Section 20, of the Colorado Constitution. Cash funds appropriations are from the Lottery Fund. The Lottery sells scratch lottery and jackpot (PowerBall, MegaMillions, and Lotto) tickets.

Expenses are paid from the Lottery Fund. After expenses of the State Lottery Division, the remainder is distributed to the Conservation Trust Fund, Great Outdoors Colorado, Parks and Outdoor Recreation in the Department of Natural Resources, and Public School Capital Construction Fund.

The Executive Director of the Department of Revenue has budgetary control over the State Lottery and thus can limit the budget internally. This is the same control the Executive Director has over all areas of the budget for the Department, however, for the State Lottery Division every dollar that is not expended on administering the program is an extra dollar that is included for distributions to State Lottery Fund recipients.

STATE LOTTERY DIVISION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
<b>FY 2016-17 Appropriation</b>				
H.B. 16-1405 (Long Bill)	\$98,312,238	\$0	\$98,312,238	117.1
<b>TOTAL</b>	<b>\$98,312,238</b>	<b>\$0</b>	<b>\$98,312,238</b>	<b>117.1</b>
<b>FY 2017-18 RECOMMENDED APPROPRIATION</b>				
FY 2016-17 Appropriation	\$98,312,238	\$0	\$98,312,238	117.1
Centrally appropriated line items	7,614	0	7,614	0.0
Annualize prior year budget action	616	0	616	0.0
<b>TOTAL</b>	<b>\$98,320,468</b>	<b>\$0</b>	<b>\$98,320,468</b>	<b>117.1</b>
<b>INCREASE/(DECREASE)</b>	<b>\$8,230</b>	<b>\$0</b>	<b>\$8,230</b>	<b>0.0</b>
Percentage Change	0.0%	0.0%	0.0%	0.0%
<b>FY 2017-18 EXECUTIVE REQUEST</b>				
Request Above/(Below) Recommendation	\$0	\$0	\$0	0.0

### DECISION ITEMS - STATE LOTTERY DIVISION (NONE)

The Executive Branch did not submit any decision items for this division.

### LINE ITEM DETAIL - STATE LOTTERY DIVISION

#### PERSONAL SERVICES

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

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests \$9,491,527 cash funds and 117.1 FTE

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

#### OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$1,203,156 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

#### PAYMENTS TO OTHER STATE AGENCIES

This line item funds the costs of various audits, fingerprint and name checks through CBI, and data storage fees provided by the Department of Personnel and Administration's Document Solutions Group.

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$239,410 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

#### TRAVEL

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

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$113,498 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

#### MARKETING AND COMMUNICATIONS

This line item is used to reimburse vendors for goods and services related to the marketing, sale, advertising, public relations, consumer awareness, retailer awareness, drawings, customer support, and retailer support of Lottery games and products. These include sponsorships, newspaper and television advertising, promotional coupons, free tickets, Lottery Bucks and billboards.

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

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

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

### MULTI-STATE LOTTERY FEES

This line item is used to pay vendors for goods and services related to administering multi-state games of which Colorado is, or may become, a participating Lottery. These payments include the costs of maintaining compliance with multi-state game rules and policies. These costs vary year to year based on many factors such as per-capita sales of each state participating in a multi-state lottery, the number of states participating, the level of service provided by the multi-state game vendors, changes in multi-state rules and policies, and inflation.

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$177,433 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

### VENDOR FEES

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

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$12,571,504 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

### RETAILER COMPENSATION

These payments are commissions, cashing bonuses, and marketing agreement bonuses to compensate retailers for selling State Lottery products. Retailers are paid a 7.0 percent commission on scratch sales, and a 6.0 percent commission for online sales. The bonus for selling to a PowerBall jackpot winner is \$50,000. Retailers receiving these payments include convenience stores; gas stations; supermarkets such as; tobacco shops; and liquor stores. This is a variable appropriation and is usually adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$52,241,350 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

### TICKET COSTS

This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$6,578,000 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

**RESEARCH**

This line funds marketing research on lottery products.

*STATUTORY AUTHORITY:* Section 24-35-201, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$250,000 cash funds.

*RECOMMENDATION:* Staff recommends approval of the continuation appropriation.

**INDIRECT COST ASSESSMENT**

This line item reflects the total indirect cost assessment against the Limited Gaming Fund for the Department of Revenue. The request is based on the Departmental and Statewide Indirect Cost Allocation Plan. The plan is updated each year to reflect accurate assessments against the Lottery Fund.

*STATUTORY AUTHORITY:* Section 24-75-1401, C.R.S

*REQUEST:* The Department requests an appropriation of \$754,590 cash funds.

*RECOMMENDATION:* Staff recommends the Committee approve this Department request based on the Department indirect cost plan.

## LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

### LONG BILL FOOTNOTES

Staff recommends **CONTINUING AND MODIFYING** the following footnote:

- 87 Department of Revenue, Division of Motor Vehicles, Driver Services, Personal Services – The initial fiscal note estimated a total of 66,000 individuals would request an appointment for a S.B. 13-251 document. Continued operations for this program at more than one office are premised on the need to handle the INITIAL ~~up-front~~ surge of applicants. It is the Intent of the General Assembly that once the annual appointments FOR FIRST-TIME APPLICANTS made available for individuals who are not lawfully present in the United States falls below 5,000 per year or the total ~~appointments~~ PERSONS served reaches 66,000 the Division will reduce the offices that provide the service to one location.

**COMMENT:** Based on current projections made by JBC Staff, the S.B. 13-251 Program is expected to serve 66,000 applicants between February and March 2018. This footnote continues the compromise made for FY 2015-16.

### REQUESTS FOR INFORMATION

Staff recommends continuing and **CONTINUING AND MODIFYING** the following request for information:

- N Department of Revenue, Division of Motor Vehicles, Driver Services, Personal Services – The Department is requested to submit to the Joint Budget Committee by the first of every ~~month~~ QUARTER, beginning ~~May 1, 2015~~ JUNE 30, 2017, a report about the progress made on meeting the demand for services offered under S.B. 13-251, which was estimated at 66,000 individuals. For individuals served who are not lawfully present IN THE UNITED STATES, the report should include the number of appointments made available, the number of “no shows” for appointments, the number of appointments that resulted in no document issuance, the number of documents issued, and a justification based in data for why there is a continued need to offer services for individuals who cannot demonstrate a lawful presence in the United States at more than one location. IF THE NUMBER OF PERSONS WHO RECEIVE A NEW IDENTIFICATION DOCUMENT EXCEEDS 66,000, IT IS FURTHER REQUESTED THE DEPARTMENT PROVIDE WRITTEN NOTICE TO THE JOINT BUDGET COMMITTEE AS SOON AS PRACTICAL.

**COMMENT:** This request will continue monitoring the progress the Department is making to meet the initial demand of Colorado Road and Community Safety Act drivers licenses and identification products but reduce the amount of staff time required to compile a monthly report by requesting quarterly reports and the additional notification if/when 66,000 persons have been served.

Staff recommends **DISCONTINUING** THE following requests for information:

- N Department of Revenue, Division of Motor Vehicles, Driver Services, Operating Expenses – The Department is requested to continue to submit to the Joint Technology Committee and Joint Budget Committee, quarterly reports about the progress of installation of the Wait Less technology the Department is implementing in 31 of its offices.

**COMMENT:** The Department fully deployed all Wait Less kiosks to each of the 31 driver license offices it identified would benefit from such technology as of June 30, 2016, and therefore progress updates are unnecessary.

## INDIRECT COST ASSESSMENTS

### DESCRIPTION OF INDIRECT COST ASSESSMENT METHODOLOGY

The Department of Revenue indirect cost assessment methodology is calculated based on three components: an “*Indirect Cost Pool*”, an “*Indirect Cost Base*”, and an “*Indirect Cost Rate*”.

The *Indirect Cost Pool* is comprised of personal services expenses in the Executive Director's Office. In addition, for business group and divisional indirect costs, the *Indirect Cost Pool* for those divisions consist of personal services and operating expenses in the Administration Section/Division of those Business Groups/Divisions.

The *Indirect Cost Base* is comprised of the appropriations for personal services in each business group or division.

The *Indirect Cost Rate* is calculated either based on the number of FTE and/or the workload, where it can be identified. Because each division and cash fund may have different rates based on the number of FTE or workload, the number of different variations is not included here.

### INDIRECT COST POOL

The Indirect Cost Pool is based on the estimated personal services, operating, and utility line items for the requested budget year in the Commissioner's and Administrative Services Office. For FY 2017-18, the Department's Indirect Cost Pool as requested is \$8,951,554. Table 1 outlines which line items are included in the Department's Indirect Cost Pool.

Division	Request
Executive Director's Office	\$8,951,554
<b>FY 2017-18 Indirect Cost Pool</b>	<b>\$8,951,554</b>

### INDIRECT COST BASE

The Indirect Cost Base is set equal to the Indirect Cost Pool. Table 2 summarizes the Department's Indirect Cost Base by division.

Division and Line Item	Request
(1) EDO (A) Admin, Personal Services	\$748,860
(1) EDO, (B) Hearings, Personal Services	185,740
(3) TBG, (A) Admin., Personal Services	31,375
(3) TBG, (B) TAC, Personal Services	1,472,118
(3) TBG, (B) TAC, Mineral Audit	64,005
(3) TBG, (C) TPS, Personal Services	863,441
(3) TBG, (C) TPS, Fuel Tracking System	9,413
(3) TBG, (D) Tax Conferee, Personal Services	85,340
(4) DMV, (A) Admin., Personal Services	118,598



Division and Line Item	Request
(4) DMV, (B) Driver Services, Personal Services	2,504,356
(4) DMV, (B) Driver Services, Ignition Interlock	43,298
(4) DMV, (C) Vehicle Services, Personal Services	313,751
(4) DMV, (C) VS, Motorist Information Database	6,275
(4) DMV, (C) VS, Emissions	94,125
(5) EBG, (A) Admin., Personal Services	50,200
(5) EBG, (B) Gaming, Personal Services	571,026
(5) EBG, (C) Liquor & Tobacco, Personal Services	188,250
(5) EBG, (D) Racing, Personal Services	48,318
(5) EBG, (F) Dealer Board, Personal Services	170,680
(5) EBG, (G) Marijuana, Personal Services	647,581
(6) Lottery, Personal Services	734,804
<b>Total</b>	<b>\$8,951,554</b>

## INDIRECT COST REQUEST

For FY 2017-18 the Department has requested \$8,951,554 for indirect cost assessments. This amount is equal to the Indirect Cost Pool. Table 3 shows the FY 2017-18 Department indirect cost assessment based on the November 1 request for each division.

Division	General Fund	Cash Fund	Total
(1) EDO (A) Admin, Personal Services	\$748,860	\$0	\$748,860
(1) EDO, (B) Hearings, Personal Services	14,056	171,684	185,740
(3) TBG, (A) Admin., Personal Services	29,744	1,631	31,375
(3) TBG, (B) TAC, Personal Services	1,382,134	89,984	1,472,118
(3) TBG, (B) TAC, Mineral Audit	64,005	0	64,005
(3) TBG, (C) TPS, Personal Services	832,129	31,312	863,441
(3) TBG, (C) TPS, Fuel Tracking System	0	9,413	9,413
(3) TBG, (D) Tax Conferee, Personal Services	85,340	0	85,340
(4) DMV, (A) Admin., Personal Services	21,335	97,263	118,598
(4) DMV, (B) DS, Personal Services	397,459	2,106,897	2,504,356
(4) DMV, (B) DS, Ignition Interlock	0	43,298	43,298
(4) DMV, (C) VS, Personal Services	53,840	259,911	313,751
(4) DMV, (C) VS, MIIDB	0	6,275	6,275
(4) DMV, (C) VS, Emissions	0	94,125	94,125
(5) EBG, (A) Admin., Personal Services	18,009	32,191	50,200
(5) EBG, (B) Gaming, Personal Services	0	571,026	571,026
(5) EBG, (C) Liquor & Tobacco, Personal Services	12,299	175,951	188,250
(5) EBG, (D) Racing, Personal Services	0	48,318	48,318
(5) EBG, (F) Dealer Board, Personal Services	0	170,680	170,680
(5) EBG, (G) Marijuana, Personal Services	0	647,581	647,581
(6) Lottery, Personal Services	0	734,804	734,804
<b>Total</b>	<b>\$3,659,210</b>	<b>\$5,292,344</b>	<b>\$8,951,554</b>

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

**Appendix A: Number Pages**

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
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**DEPARTMENT OF REVENUE**  
**Barbara Brohl, Executive Director**

**(1) EXECUTIVE DIRECTOR'S OFFICE**

**(A) Administration and Support**

Personal Services	<u>2,800,874</u>	<u>8,640,343</u>	<u>9,293,030</u>	<u>9,308,619</u>	<u>9,308,619</u>
FTE	104.1	118.5	124.1	124.1	124.1
General Fund	5,215,909	4,133,244	3,182,842	3,491,030	3,491,030
Cash Funds	268,116	116,051	355,980	357,065	357,065
Reappropriated Funds	4,316,849	4,391,048	5,754,208	5,460,524	5,460,524
Health, Life, and Dental	<u>8,924,637</u>	<u>11,429,894</u>	<u>10,731,918</u>	<u>11,888,320</u>	<u>11,848,685</u> *
General Fund	3,212,467	4,617,983	4,417,131	4,692,581	4,692,581
Cash Funds	5,403,539	6,811,911	6,297,694	7,172,070	7,132,435
Reappropriated Funds	308,631	0	17,093	23,669	23,669
Short-term Disability	<u>153,779</u>	<u>161,525</u>	<u>137,294</u>	<u>144,548</u>	<u>144,039</u> *
General Fund	57,926	67,780	58,839	61,749	61,749
Cash Funds	89,498	93,745	78,292	82,629	82,120
Reappropriated Funds	6,355	0	163	170	170
S.B. 04-257 Amortization Equalization Disbursement	<u>2,817,337</u>	<u>3,256,984</u>	<u>3,482,946</u>	<u>3,807,946</u>	<u>3,796,382</u> *
General Fund	1,060,378	1,364,916	1,491,518	1,625,034	1,625,034
Cash Funds	1,641,420	1,892,068	1,987,234	2,178,439	2,166,875
Reappropriated Funds	115,539	0	4,194	4,473	4,473

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>2,641,254</u>	<u>3,145,951</u>	<u>3,446,668</u>	<u>3,807,946</u>	<u>3,796,382</u> *
General Fund	994,105	1,318,385	1,475,982	1,625,034	1,625,034
Cash Funds	1,538,832	1,827,566	1,966,535	2,178,439	2,166,875
Reappropriated Funds	108,317	0	4,151	4,473	4,473
Salary Survey	<u>1,882,386</u>	<u>1,013,694</u>	<u>326,822</u>	<u>2,063,548</u>	<u>2,063,548</u>
General Fund	984,502	437,145	105,296	884,630	884,630
Cash Funds	897,884	576,549	219,611	1,176,480	1,176,480
Reappropriated Funds	0	0	1,915	2,438	2,438
Shift Differential	<u>123,439</u>	<u>123,728</u>	<u>124,573</u>	<u>130,712</u>	<u>130,712</u>
General Fund	3,988	3,858	3,500	1,273	1,273
Cash Funds	119,451	119,870	121,073	129,439	129,439
Reappropriated Funds	0	0	0	0	0
Workers' Compensation	<u>932,407</u>	<u>998,853</u>	<u>1,053,760</u>	<u>1,010,311</u>	<u>985,589</u>
General Fund	356,425	381,825	426,628	407,438	397,467
Cash Funds	575,982	617,028	627,132	602,873	588,122
Operating Expenses	<u>2,013,374</u>	<u>2,091,831</u>	<u>2,273,088</u>	<u>2,278,963</u>	<u>2,278,963</u> *
General Fund	1,475,126	1,427,982	1,570,283	1,570,283	1,570,283
Cash Funds	538,248	663,849	702,805	708,680	708,680
Postage	<u>3,001,380</u>	<u>3,004,889</u>	<u>3,197,199</u>	<u>3,201,047</u>	<u>3,201,047</u>
General Fund	2,663,773	2,667,280	2,837,043	2,840,891	2,840,891
Cash Funds	337,607	337,609	360,156	360,156	360,156

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>FY 2017-18 Recommendation</b>
Legal Services	<u>4,077,024</u>	<u>3,944,797</u>	<u>4,565,981</u>	<u>4,738,573</u>	<u>4,738,573</u>
General Fund	2,410,984	2,350,878	2,558,122	2,671,384	2,671,384
Cash Funds	1,666,040	1,593,919	2,007,859	2,067,189	2,067,189
Administrative Law Judge Services	<u>10,246</u>	<u>8,063</u>	<u>9,077</u>	<u>11,463</u>	<u>11,303</u> *
General Fund	0	0	0	0	0
Cash Funds	10,246	8,063	9,077	11,463	11,303
Payment to Risk Management and Property Funds	<u>250,807</u>	<u>265,490</u>	<u>312,968</u>	<u>337,229</u>	<u>336,022</u> *
General Fund	97,131	102,817	126,926	136,257	135,510
Cash Funds	153,676	162,673	186,042	200,972	200,512
Vehicle Lease Payments	<u>539,127</u>	<u>494,025</u>	<u>664,080</u>	<u>699,529</u>	<u>660,489</u> *
General Fund	135,959	127,406	169,718	176,928	170,950
Cash Funds	403,168	366,619	494,362	522,601	489,539
Leased Space	<u>3,714,225</u>	<u>3,763,941</u>	<u>4,320,451</u>	<u>4,767,476</u>	<u>4,767,476</u> *
General Fund	616,949	599,732	775,450	792,046	792,046
Cash Funds	3,097,276	3,164,209	3,545,001	3,975,430	3,975,430
Capitol Complex Leased Space	<u>1,666,699</u>	<u>2,326,019</u>	<u>2,315,184</u>	<u>2,549,644</u>	<u>2,555,249</u>
General Fund	1,100,014	1,690,798	1,537,840	1,697,747	1,701,570
Cash Funds	566,685	635,221	777,344	851,897	853,679
Payments to OIT	<u>16,304,703</u>	<u>15,093,157</u>	<u>15,567,279</u>	<u>19,133,932</u>	<u>19,133,932</u> *
General Fund	8,379,236	7,546,246	8,026,495	11,160,220	11,160,220
Cash Funds	7,925,467	7,546,911	7,540,784	7,973,712	7,973,712
Reappropriated Funds	0	0	0	0	0

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
CORE Operations	<u>340,291</u>	<u>245,456</u>	<u>422,525</u>	<u>680,600</u>	<u>718,378</u>
General Fund	151,912	121,242	171,064	274,471	289,707
Cash Funds	188,379	124,214	251,461	406,129	428,671
Utilities	<u>79,354</u>	<u>72,279</u>	<u>143,703</u>	<u>143,703</u>	<u>143,703</u>
Cash Funds	79,354	72,279	143,703	143,703	143,703
Merit Pay	<u>640,667</u>	<u>726,034</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	253,483	296,561	0	0	0
Cash Funds	387,184	429,473	0	0	0
Reappropriated Funds	0	0	0	0	0
<b>SUBTOTAL - (A) Administration and Support</b>	59,914,010	60,806,953	62,388,546	70,704,109	70,619,091
FTE	<u>104.1</u>	<u>118.5</u>	<u>124.1</u>	<u>124.1</u>	<u>124.1</u>
General Fund	29,170,267	29,256,078	28,934,677	34,108,996	34,111,359
Cash Funds	25,888,052	27,159,827	27,672,145	31,099,366	31,011,985
Reappropriated Funds	4,855,691	4,391,048	5,781,724	5,495,747	5,495,747

**(B) Hearings Division**

Personal Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,366,482</u>	<u>2,366,482</u>
FTE	0.0	0.0	0.0	29.6	29.6
General Fund	0	0	0	178,955	178,955
Cash Funds	0	0	0	2,187,527	2,187,527
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>101,408</u>	<u>101,408</u>
General Fund	0	0	0	2,470	2,470
Cash Funds	0	0	0	98,938	98,938

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>0</u>	<u>176,307</u>	<u>176,307</u>
FTE	0.0	0.0	0.0	0.0	0.0
Cash Funds	0	0	0	176,307	176,307
<b>SUBTOTAL - (B) Hearings Division</b>	0	0	0	2,644,197	2,644,197
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>29.6</u>	<u>29.6</u>
General Fund	0	0	0	181,425	181,425
Cash Funds	0	0	0	2,462,772	2,462,772
<b>TOTAL - (1) Executive Director's Office</b>	59,914,010	60,806,953	62,388,546	73,348,306	73,263,288
FTE	<u>104.1</u>	<u>118.5</u>	<u>124.1</u>	<u>153.7</u>	<u>153.7</u>
General Fund	29,170,267	29,256,078	28,934,677	34,290,421	34,292,784
Cash Funds	25,888,052	27,159,827	27,672,145	33,562,138	33,474,757
Reappropriated Funds	4,855,691	4,391,048	5,781,724	5,495,747	5,495,747

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
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**(2) INFORMATION TECHNOLOGY DIVISION**

**(A) System Support**

Personal Services	<u>540,752</u>	<u>89,020</u>	<u>147,506</u>	<u>147,506</u>	<u>100,000</u>
General Fund	540,752	81,870	147,506	147,506	100,000
Cash Funds	0	7,150	0	0	0
Operating Expenses	<u>1,339,879</u>	<u>839,981</u>	<u>885,318</u>	<u>1,541,490</u>	<u>1,516,490</u> *
General Fund	1,265,178	771,084	809,759	1,134,976	1,109,976
Cash Funds	74,701	68,897	75,559	406,514	406,514

<b>SUBTOTAL - (A) System Support</b>	1,880,631	929,001	1,032,824	1,688,996	1,616,490
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	1,805,930	852,954	957,265	1,282,482	1,209,976
Cash Funds	74,701	76,047	75,559	406,514	406,514

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

Personal Services	<u>59,882</u>	<u>0</u>	<u>442,688</u>	<u>442,688</u>	<u>442,688</u>
Cash Funds	59,882	0	442,688	442,688	442,688
Operating Expenses	<u>2,555,941</u>	<u>2,372,171</u>	<u>2,617,535</u>	<u>2,617,535</u>	<u>2,617,535</u>
Cash Funds	2,555,941	2,372,171	2,617,535	2,617,535	2,617,535
County Office Asset Maintenance	<u>554,614</u>	<u>568,230</u>	<u>568,230</u>	<u>568,230</u>	<u>568,230</u>
Cash Funds	554,614	568,230	568,230	568,230	568,230
County Office Improvements	<u>34,983</u>	<u>33,627</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Cash Funds	34,983	33,627	40,000	40,000	40,000

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>SUBTOTAL - (B) Colorado State Titling and Registration System</b>	3,205,420	2,974,028	3,668,453	3,668,453	3,668,453
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds	3,205,420	2,974,028	3,668,453	3,668,453	3,668,453
<b>TOTAL - (2) Information Technology Division</b>	5,086,051	3,903,029	4,701,277	5,357,449	5,284,943
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	1,805,930	852,954	957,265	1,282,482	1,209,976
Cash Funds	3,280,121	3,050,075	3,744,012	4,074,967	4,074,967



*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>(3) TAXATION BUSINESS GROUP</b>					
<b>(A) Administration</b>					
Personal Services	<u>496,954</u>	<u>486,373</u>	<u>536,661</u>	<u>532,823</u>	<u>532,823</u>
FTE	5.0	5.0	5.0	5.0	5.0
General Fund	495,254	484,159	507,524	505,100	505,100
Cash Funds	1,700	2,214	29,137	27,723	27,723
Operating Expenses	<u>9,280</u>	<u>7,079</u>	<u>13,100</u>	<u>13,100</u>	<u>13,100</u>
General Fund	9,280	7,079	13,100	13,100	13,100
Colorado Integrated Tax Architecture Maintenance and Support	<u>3,715,658</u>	<u>4,206,750</u>	<u>4,678,134</u>	<u>7,534,570</u>	<u>6,454,570</u> *
General Fund	3,715,658	4,206,750	4,579,682	7,524,570	6,444,570
Cash Funds	0	0	47,069	10,000	10,000
Reappropriated Funds	0	0	51,383	0	0
<b>SUBTOTAL - (A) Administration</b>	4,221,892	4,700,202	5,227,895	8,080,493	7,000,493
FTE	5.0	5.0	5.0	5.0	5.0
General Fund	4,220,192	4,697,988	5,100,306	8,042,770	6,962,770
Cash Funds	1,700	2,214	76,206	37,723	37,723
Reappropriated Funds	0	0	51,383	0	0

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>(B) Taxation and Compliance Division</b>					
Personal Expenses	<u>15,231,360</u>	<u>16,186,684</u>	<u>17,391,180</u>	<u>17,426,840</u>	<u>17,426,840</u>
FTE	227.0	218.8	234.6	234.6	234.6
General Fund	14,561,621	15,782,065	16,172,068	16,207,728	16,207,728
Cash Funds	669,739	254,312	1,065,027	1,065,027	1,065,027
Reappropriated Funds	0	150,307	154,085	154,085	154,085
Operating Expenses	<u>858,018</u>	<u>878,457</u>	<u>1,057,353</u>	<u>1,057,353</u>	<u>1,057,353</u>
General Fund	853,582	862,789	1,031,212	1,031,212	1,031,212
Cash Funds	4,436	15,668	26,141	26,141	26,141
Joint Audit Program	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>
General Fund	131,244	131,244	131,244	131,244	131,244
Mineral Audit Program	<u>40,815</u>	<u>40,784</u>	<u>890,388</u>	<u>890,388</u>	<u>890,388</u>
FTE	10.0	11.3	10.2	10.2	10.2
General Fund	0	0	0	0	0
Reappropriated Funds	40,815	40,784	66,000	66,000	66,000
Federal Funds	0	0	824,388	824,388	824,388
<b>SUBTOTAL - (B) Taxation and Compliance</b>					
<b>Division</b>	16,261,437	17,237,169	19,470,165	19,505,825	19,505,825
FTE	237.0	230.1	244.8	244.8	244.8
General Fund	15,546,447	16,776,098	17,334,524	17,370,184	17,370,184
Cash Funds	674,175	269,980	1,091,168	1,091,168	1,091,168
Reappropriated Funds	40,815	191,091	220,085	220,085	220,085
Federal Funds	0	0	824,388	824,388	824,388

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>(C) Taxpayer Service Division</b>					
Personal Services	<u>5,808,828</u>	<u>6,440,031</u>	<u>8,482,054</u>	<u>8,424,420</u>	<u>8,424,420</u>
FTE	103.2	99.7	140.0	137.6	137.6
General Fund	5,642,180	6,282,728	8,177,189	8,119,069	8,119,069
Cash Funds	166,648	157,303	304,865	305,351	305,351
Operating Expenses	<u>316,073</u>	<u>468,082</u>	<u>568,656</u>	<u>524,961</u>	<u>524,961</u>
General Fund	313,986	464,749	563,976	520,281	520,281
Cash Funds	2,087	3,333	4,680	4,680	4,680
Seasonal Tax Processing	<u>320,638</u>	<u>295,238</u>	<u>296,391</u>	<u>296,391</u>	<u>296,391</u>
General Fund	320,638	295,238	296,391	296,391	296,391
Document Management	<u>2,907,883</u>	<u>2,915,171</u>	<u>3,045,371</u>	<u>3,064,572</u>	<u>3,064,572</u>
General Fund	2,905,724	2,907,060	3,006,852	3,026,053	3,026,053
Cash Funds	2,159	8,111	38,519	38,519	38,519
Fuel Tracking System	<u>518,220</u>	<u>540,146</u>	<u>494,598</u>	<u>495,569</u>	<u>495,569</u>
FTE	1.5	6.1	1.5	1.5	1.5
General Fund	0	0	0	0	0
Cash Funds	518,220	540,146	494,598	495,569	495,569
Indirect Cost Assessment	<u>7,332</u>	<u>9,797</u>	<u>9,708</u>	<u>9,800</u>	<u>9,800</u>
Cash Funds	7,332	9,797	9,708	9,800	9,800
<b>SUBTOTAL - (C) Taxpayer Service Division</b>	<b>9,878,974</b>	<b>10,668,465</b>	<b>12,896,778</b>	<b>12,815,713</b>	<b>12,815,713</b>
FTE	<u>104.7</u>	<u>105.8</u>	<u>141.5</u>	<u>139.1</u>	<u>139.1</u>
General Fund	9,182,528	9,949,775	12,044,408	11,961,794	11,961,794
Cash Funds	696,446	718,690	852,370	853,919	853,919

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>(D) Tax Conferee</b>					
Personal Services	<u>1,214,326</u>	<u>1,252,067</u>	<u>2,699,033</u>	<u>2,727,972</u>	<u>2,727,972</u>
FTE	12.4	13.1	12.9	13.6	13.6
General Fund	1,214,326	1,252,067	2,699,033	2,727,972	2,727,972
Cash Funds	0	0	0	0	0
Operating Expenses	<u>29,060</u>	<u>25,940</u>	<u>64,772</u>	<u>62,504</u>	<u>62,504</u>
General Fund	29,060	25,940	64,772	62,504	62,504
Cash Funds	0	0	0	0	0
<b>SUBTOTAL - (D) Tax Conferee</b>	<b>1,243,386</b>	<b>1,278,007</b>	<b>2,763,805</b>	<b>2,790,476</b>	<b>2,790,476</b>
FTE	<u>12.4</u>	<u>13.1</u>	<u>12.9</u>	<u>13.6</u>	<u>13.6</u>
General Fund	1,243,386	1,278,007	2,763,805	2,790,476	2,790,476
Cash Funds	0	0	0	0	0

**(E) Special Purpose**

Cigarette Tax Rebate	<u>10,461,631</u>	<u>10,542,818</u>	<u>10,900,000</u>	<u>8,962,915</u>	<u>8,962,915</u> *
General Fund	10,461,631	10,542,818	10,900,000	8,962,915	8,962,915
Cash Funds	0	0	0	0	0
Amendment 35 Distribution to Local Governments	<u>1,304,900</u>	<u>1,301,300</u>	<u>1,297,770</u>	<u>1,297,770</u>	<u>1,321,020</u> *
General Fund	1,304,900	0	0	0	0
Cash Funds	0	1,301,300	1,297,770	1,297,770	1,321,020
Old Age Heat and Fuel and Property Tax Assistance Grant	<u>5,622,987</u>	<u>5,807,240</u>	<u>6,900,000</u>	<u>7,300,000</u>	<u>7,300,000</u> *
General Fund	5,622,987	5,807,240	6,900,000	7,300,000	7,300,000

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
Commercial Vehicle Enterprise Sales Tax Refund	<u>55,586</u>	<u>0</u>	<u>120,524</u>	<u>120,524</u>	<u>120,524</u>
Cash Funds	55,586	0	120,524	120,524	120,524
Retail Marijuana Sales Tax Distribution to Local					
Governments	<u>5,908,308</u>	<u>9,858,697</u>	<u>11,200,000</u>	<u>12,281,482</u>	<u>12,281,482</u>
General Fund	5,908,308	9,858,697	11,200,000	12,281,482	12,281,482
Cash Funds	0	0	0	0	0
<b>SUBTOTAL - (E) Special Purpose</b>	23,353,412	27,510,055	30,418,294	29,962,691	29,985,941
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	23,297,826	26,208,755	29,000,000	28,544,397	28,544,397
Cash Funds	55,586	1,301,300	1,418,294	1,418,294	1,441,544
<b>TOTAL - (3) Taxation Business Group</b>	54,959,101	61,393,898	70,776,937	73,155,198	72,098,448
<i>FTE</i>	<u>359.1</u>	<u>354.0</u>	<u>404.2</u>	<u>402.5</u>	<u>402.5</u>
General Fund	53,490,379	58,910,623	66,243,043	68,709,621	67,629,621
Cash Funds	1,427,907	2,292,184	3,438,038	3,401,104	3,424,354
Reappropriated Funds	40,815	191,091	271,468	220,085	220,085
Federal Funds	0	0	824,388	824,388	824,388

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
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**(4) DIVISION OF MOTOR VEHICLES**

**(A) Administration**

Personal Services	<u>1,489,513</u>	<u>1,438,633</u>	<u>1,591,393</u>	<u>1,591,393</u>	<u>1,591,393</u>
FTE	9.6	18.9	18.9	18.9	18.9
General Fund	29,761	229,494	234,776	234,707	234,707
Cash Funds	1,413,009	1,161,790	1,305,272	1,305,341	1,305,341
Reappropriated Funds	46,743	47,349	51,345	51,345	51,345
Operating Expenses	<u>81,190</u>	<u>77,496</u>	<u>85,244</u>	<u>85,244</u>	<u>85,244</u>
General Fund	1,670	12,340	12,478	12,475	12,475
Cash Funds	76,221	62,071	69,376	69,379	69,379
Reappropriated Funds	3,299	3,085	3,390	3,390	3,390

<b>SUBTOTAL - (A) Administration</b>	1,570,703	1,516,129	1,676,637	1,676,637	1,676,637
FTE	<u>9.6</u>	<u>18.9</u>	<u>18.9</u>	<u>18.9</u>	<u>18.9</u>
General Fund	31,431	241,834	247,254	247,182	247,182
Cash Funds	1,489,230	1,223,861	1,374,648	1,374,720	1,374,720
Reappropriated Funds	50,042	50,434	54,735	54,735	54,735

**(B) Driver Services**

Personal Services	<u>15,482,311</u>	<u>16,808,829</u>	<u>19,812,451</u>	<u>20,010,265</u>	<u>20,010,265</u>
FTE	355.1	392.8	399.1	399.1	399.1
General Fund	9,035,849	7,148,247	3,031,041	3,064,873	3,064,873
Cash Funds	6,403,097	9,551,463	16,672,291	16,834,358	16,834,358
Reappropriated Funds	43,365	109,119	109,119	111,034	111,034

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
Operating Expenses	<u>1,737,745</u>	<u>2,096,586</u> 0.0	<u>2,096,686</u>	<u>3,190,728</u>	<u>3,173,128</u> *
General Fund	355,113	418,104	418,104	418,104	418,104
Cash Funds	1,372,158	1,668,312	1,668,412	2,762,454	2,744,854
Reappropriated Funds	10,474	10,170	10,170	10,170	10,170
Drivers License Documents	<u>4,304,131</u>	<u>4,888,229</u>	<u>6,292,313</u>	<u>6,409,680</u>	<u>6,409,680</u> *
Cash Funds	4,304,131	4,888,229	6,292,313	6,409,680	6,409,680
Ignition Interlock Program	<u>835,857</u>	<u>943,613</u>	<u>1,231,243</u>	<u>1,231,832</u>	<u>1,231,832</u>
FTE	6.2	6.5	6.9	6.9	6.9
Cash Funds	835,857	943,613	1,231,243	1,231,832	1,231,832
Indirect Cost Assessment	<u>1,641,119</u>	<u>2,313,099</u>	<u>2,271,782</u>	<u>2,292,025</u>	<u>2,292,025</u>
Cash Funds	1,641,119	2,313,099	2,271,782	2,292,025	2,292,025
<b>SUBTOTAL - (B) Driver Services</b>	<b>24,001,163</b>	<b>27,050,356</b>	<b>31,704,475</b>	<b>33,134,530</b>	<b>33,116,930</b>
FTE	<u>361.3</u>	<u>399.3</u>	<u>406.0</u>	<u>406.0</u>	<u>406.0</u>
General Fund	9,390,962	7,566,351	3,449,145	3,482,977	3,482,977
Cash Funds	14,556,362	19,364,716	28,136,041	29,530,349	29,512,749
Reappropriated Funds	53,839	119,289	119,289	121,204	121,204

**(C) Vehicle Services**

Personal Services	<u>2,489,250</u>	<u>2,228,530</u>	<u>2,620,004</u>	<u>2,640,590</u>	<u>2,640,590</u>
FTE	44.0	44.3	49.6	50.0	50.0
General Fund	436,648	446,139	453,247	453,247	453,247
Cash Funds	2,052,602	1,782,391	2,166,757	2,187,343	2,187,343

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	<b>FY 2014-15 Actual</b>	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Appropriation</b>	<b>FY 2017-18 Request</b>	<b>FY 2017-18 Recommendation</b>
Operating Expenses	<u>454,034</u>	<u>367,451</u>	<u>461,661</u>	<u>459,882</u>	<u>459,882</u>
General Fund	27,169	27,169	27,169	27,169	27,169
Cash Funds	426,865	340,282	434,492	432,713	432,713
License Plate Ordering	<u>5,224,811</u>	<u>5,922,519</u>	<u>6,117,753</u>	<u>10,195,299</u>	<u>10,195,299</u> *
General Fund	70,026	9,539	6,673	216,315	216,315
Cash Funds	5,154,785	5,912,980	6,111,080	9,978,984	9,978,984
Motorist Insurance Identification Database Program	<u>231,109</u>	<u>234,656</u>	<u>337,006</u>	<u>337,006</u>	<u>337,006</u>
FTE	0.6	1.0	1.0	1.0	1.0
Cash Funds	231,109	234,656	337,006	337,006	337,006
Emissions Program	<u>1,063,814</u>	<u>998,658</u>	<u>1,253,399</u>	<u>1,256,439</u>	<u>1,256,439</u>
FTE	13.9	13.6	15.0	15.0	15.0
Cash Funds	1,063,814	998,658	1,253,399	1,256,439	1,256,439
Indirect Cost Assessment	<u>572,040</u>	<u>345,973</u>	<u>377,228</u>	<u>386,449</u>	<u>386,449</u>
Cash Funds	572,040	345,973	377,228	386,449	386,449
<b>SUBTOTAL - (C) Vehicle Services</b>	<b>10,035,058</b>	<b>10,097,787</b>	<b>11,167,051</b>	<b>15,275,665</b>	<b>15,275,665</b>
<i>FTE</i>	<u>58.5</u>	<u>58.9</u>	<u>65.6</u>	<u>66.0</u>	<u>66.0</u>
General Fund	533,843	482,847	487,089	696,731	696,731
Cash Funds	9,501,215	9,614,940	10,679,962	14,578,934	14,578,934
<b>TOTAL - (4) Division of Motor Vehicles</b>	<b>35,606,924</b>	<b>38,664,272</b>	<b>44,548,163</b>	<b>50,086,832</b>	<b>50,069,232</b>
<i>FTE</i>	<u>429.4</u>	<u>477.1</u>	<u>490.5</u>	<u>490.9</u>	<u>490.9</u>
General Fund	9,956,236	8,291,032	4,183,488	4,426,890	4,426,890
Cash Funds	25,546,807	30,203,517	40,190,651	45,484,003	45,466,403
Reappropriated Funds	103,881	169,723	174,024	175,939	175,939



*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
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**(5) ENFORCEMENT BUSINESS GROUP**

**(A) Administration**

Personal Services	<u>659,909</u>	<u>677,192</u>	<u>716,238</u>	<u>716,238</u>	<u>716,238</u>
FTE	7.6	7.6	8.0	8.0	8.0
General Fund	19,864	21,821	5,931	5,418	5,418
Cash Funds	375,925	400,441	420,113	459,266	459,266
Reappropriated Funds	264,120	254,930	290,194	251,554	251,554
Operating Expenses	<u>12,078</u>	<u>11,420</u>	<u>12,780</u>	<u>12,780</u>	<u>12,780</u>
General Fund	369	397	106	97	97
Cash Funds	6,898	6,751	7,496	8,194	8,194
Reappropriated Funds	4,811	4,272	5,178	4,489	4,489

<b>SUBTOTAL - (A) Administration</b>	671,987	688,612	729,018	729,018	729,018
FTE	<u>7.6</u>	<u>7.6</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>
General Fund	20,233	22,218	6,037	5,515	5,515
Cash Funds	382,823	407,192	427,609	467,460	467,460
Reappropriated Funds	268,931	259,202	295,372	256,043	256,043

**(B) Limited Gaming Division**

Personal Services	<u>6,304,904</u>	<u>6,731,954</u>	<u>7,061,007</u>	<u>7,066,096</u>	<u>7,066,096</u>
FTE	81.6	83.2	91.0	91.0	91.0
Cash Funds	6,304,904	6,731,954	7,061,007	7,066,096	7,066,096
Operating Expenses	<u>525,112</u>	<u>561,843</u>	<u>1,032,595</u>	<u>1,032,595</u>	<u>1,032,595</u>
Cash Funds	525,112	561,843	1,032,595	1,032,595	1,032,595

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
Payments to Other State Agencies	<u>3,807,263</u>	<u>4,067,179</u>	<u>4,497,011</u>	<u>4,497,011</u>	<u>4,497,011</u>
Cash Funds	3,807,263	4,067,179	4,497,011	4,497,011	4,497,011
Distribution to Gaming Cities and Counties	<u>97,201,481</u>	<u>103,675,404</u>	<u>23,788,902</u>	<u>23,788,902</u>	<u>23,788,902</u>
Cash Funds	97,201,481	103,675,404	23,788,902	23,788,902	23,788,902
Indirect Cost Assessment	<u>682,531</u>	<u>573,006</u>	<u>599,627</u>	<u>599,370</u>	<u>599,370</u>
Cash Funds	682,531	573,006	599,627	599,370	599,370
<b>SUBTOTAL - (B) Limited Gaming Division</b>	108,521,291	115,609,386	36,979,142	36,983,974	36,983,974
FTE	81.6	83.2	91.0	91.0	91.0
Cash Funds	108,521,291	115,609,386	36,979,142	36,983,974	36,983,974

**(C) Liquor and Tobacco Enforcement Division**

Personal Services	<u>2,125,114</u>	<u>2,349,715</u>	<u>2,538,307</u>	<u>2,585,643</u>	<u>2,585,643</u>
FTE	27.1	28.6	28.9	30.0	30.0
General Fund	90,031	162,183	167,277	168,589	168,589
Cash Funds	2,035,083	2,187,532	2,371,030	2,417,054	2,417,054
Operating Expenses	<u>93,679</u>	<u>90,448</u>	<u>115,382</u>	<u>164,521</u>	<u>111,637</u> *
General Fund	6,744	7,201	7,201	7,201	7,201
Cash Funds	86,935	83,247	108,181	157,320	104,436
Indirect Cost Assessment	<u>131,668</u>	<u>122,089</u>	<u>165,085</u>	<u>187,063</u>	<u>187,063</u>
Cash Funds	131,668	122,089	165,085	187,063	187,063

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>SUBTOTAL - (C) Liquor and Tobacco</b>					
<b>Enforcement Division</b>	2,350,461	2,562,252	2,818,774	2,937,227	2,884,343
<i>FTE</i>	<u>27.1</u>	<u>28.6</u>	<u>28.9</u>	<u>30.0</u>	<u>30.0</u>
General Fund	96,775	169,384	174,478	175,790	175,790
Cash Funds	2,253,686	2,392,868	2,644,296	2,761,437	2,708,553
<b>(D) Division of Racing Events</b>					
Personal Services	<u>847,841</u>	<u>781,663</u>	<u>925,806</u>	<u>942,670</u>	<u>925,806</u> *
<i>FTE</i>	8.1	6.6	7.7	8.7	7.7
Cash Funds	847,841	781,663	925,806	942,670	925,806
Operating Expenses	<u>162,207</u>	<u>180,576</u>	<u>221,627</u>	<u>227,280</u>	<u>221,627</u> *
Cash Funds	162,207	180,576	221,627	227,280	221,627
Purses and Breeders Awards	<u>1,400,000</u>	<u>1,327,703</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>
Cash Funds	1,400,000	1,327,703	1,400,000	1,400,000	1,400,000
Indirect Cost Assessment	<u>65,834</u>	<u>46,199</u>	<u>50,283</u>	<u>50,716</u>	<u>50,716</u>
Cash Funds	65,834	46,199	50,283	50,716	50,716
<b>SUBTOTAL - (D) Division of Racing Events</b>					
<i>FTE</i>	<u>8.1</u>	<u>6.6</u>	<u>7.7</u>	<u>8.7</u>	<u>7.7</u>
Cash Funds	2,475,882	2,336,141	2,597,716	2,620,666	2,598,149

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>(E) Hearings Division</b>					
Personal Services	<u>1,864,858</u>	<u>1,729,875</u>	<u>2,365,531</u>	<u>0</u>	<u>0</u>
FTE	26.6	24.8	29.6	0.0	0.0
General Fund	0	0	178,955	0	0
Cash Funds	1,864,858	1,729,875	2,186,576	0	0
Operating Expenses	<u>92,217</u>	<u>77,457</u>	<u>101,408</u>	<u>0</u>	<u>0</u>
General Fund	0	0	2,470	0	0
Cash Funds	92,217	77,457	98,938	0	0
Indirect Cost Assessment	<u>423,379</u>	<u>134,019</u>	<u>174,821</u>	<u>0</u>	<u>0</u>
Cash Funds	423,379	134,019	174,821	0	0
<b>SUBTOTAL - (E) Hearings Division</b>	2,380,454	1,941,351	2,641,760	0	0
FTE	<u>26.6</u>	<u>24.8</u>	<u>29.6</u>	<u>0.0</u>	<u>0.0</u>
General Fund	0	0	181,425	0	0
Cash Funds	2,380,454	1,941,351	2,460,335	0	0

**(F) Motor Vehicle Dealer Licensing Board**

Personal Services	<u>1,815,118</u>	<u>1,952,304</u>	<u>2,005,769</u>	<u>2,254,070</u>	<u>2,254,070</u> *
FTE	26.1	26.4	27.2	31.2	31.2
Cash Funds	1,815,118	1,952,304	2,005,769	2,254,070	2,254,070
Operating Expenses	<u>296,999</u>	<u>132,645</u>	<u>134,684</u>	<u>174,626</u>	<u>174,626</u> *
Cash Funds	296,999	132,645	134,684	174,626	174,626
Indirect Cost Assessment	<u>142,643</u>	<u>176,258</u>	<u>177,626</u>	<u>179,152</u>	<u>179,152</u>
Cash Funds	142,643	176,258	177,626	179,152	179,152

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>SUBTOTAL - (F) Motor Vehicle Dealer</b>					
<b>Licensing Board</b>	2,254,760	2,261,207	2,318,079	2,607,848	2,607,848
<i>FTE</i>	<u>26.1</u>	<u>26.4</u>	<u>27.2</u>	<u>31.2</u>	<u>31.2</u>
Cash Funds	2,254,760	2,261,207	2,318,079	2,607,848	2,607,848
<b>(G) Marijuana Enforcement</b>					
Marijuana Enforcement	<u>4,734,175</u>	<u>5,740,461</u>	<u>9,591,548</u>	<u>9,752,353</u>	<u>9,752,353</u>
FTE	46.6	56.5	102.1	103.2	103.2
Cash Funds	4,734,175	5,740,461	9,591,548	9,752,353	9,752,353
Indirect Cost Assessment	<u>414,853</u>	<u>414,853</u>	<u>1,181,072</u>	<u>825,052</u>	<u>825,052</u>
General Fund	0	0	0	0	0
Cash Funds	414,853	414,853	1,181,072	825,052	825,052
<b>SUBTOTAL - (G) Marijuana Enforcement</b>					
<i>FTE</i>	<u>46.6</u>	<u>56.5</u>	<u>102.1</u>	<u>103.2</u>	<u>103.2</u>
General Fund	0	0	0	0	0
Cash Funds	5,149,028	6,155,314	10,772,620	10,577,405	10,577,405
<b>TOTAL - (5) Enforcement Business Group</b>					
<i>FTE</i>	<u>223.7</u>	<u>233.7</u>	<u>294.5</u>	<u>272.1</u>	<u>271.1</u>
General Fund	117,008	191,602	361,940	181,305	181,305
Cash Funds	123,417,924	131,103,459	58,199,797	56,018,790	55,943,389
Reappropriated Funds	268,931	259,202	295,372	256,043	256,043

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
<b>(6) STATE LOTTERY DIVISION</b>					
Personal Services	<u>8,047,988</u>	<u>7,529,311</u>	<u>9,490,911</u>	<u>9,491,527</u>	<u>9,491,527</u>
FTE	116.7	109.5	117.1	117.1	117.1
Cash Funds	8,047,988	7,529,311	9,490,911	9,491,527	9,491,527
Operating Expenses	<u>1,039,886</u>	<u>1,056,396</u>	<u>1,203,156</u>	<u>1,203,156</u>	<u>1,203,156</u>
Cash Funds	1,039,886	1,056,396	1,203,156	1,203,156	1,203,156
Payments to Other State Agencies	<u>95,569</u>	<u>92,338</u>	<u>239,410</u>	<u>239,410</u>	<u>239,410</u>
Cash Funds	95,569	92,338	239,410	239,410	239,410
Travel	<u>103,705</u>	<u>103,110</u>	<u>113,498</u>	<u>113,498</u>	<u>113,498</u>
Cash Funds	103,705	103,110	113,498	113,498	113,498
Marketing and Communications	<u>13,692,689</u>	<u>11,138,537</u>	<u>14,700,000</u>	<u>14,700,000</u>	<u>14,700,000</u>
Cash Funds	13,692,689	11,138,537	14,700,000	14,700,000	14,700,000
Multi-State Lottery Fees	<u>127,709</u>	<u>111,812</u>	<u>177,433</u>	<u>177,433</u>	<u>177,433</u>
Cash Funds	127,709	111,812	177,433	177,433	177,433
Vendor Fees	<u>9,182,204</u>	<u>10,764,406</u>	<u>12,571,504</u>	<u>12,571,504</u>	<u>12,571,504</u>
Cash Funds	9,182,204	10,764,406	12,571,504	12,571,504	12,571,504
Retailer Compensation	<u>39,815,292</u>	<u>1,598,814</u>	<u>52,241,350</u>	<u>52,241,350</u>	<u>52,241,350</u>
Cash Funds	39,815,292	1,598,814	52,241,350	52,241,350	52,241,350
Ticket Costs	<u>3,354,635</u>	<u>3,807,654</u>	<u>6,578,000</u>	<u>6,578,000</u>	<u>6,578,000</u>
Cash Funds	3,354,635	3,807,654	6,578,000	6,578,000	6,578,000

*JBC Staff Staff Figure Setting - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	FY 2017-18 Recommendation
Research	<u>130,765</u>	<u>156,225</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Cash Funds	130,765	156,225	250,000	250,000	250,000
Indirect Cost Assessment	<u>529,826</u>	<u>434,425</u>	<u>746,976</u>	<u>754,590</u>	<u>754,590</u>
Cash Funds	529,826	434,425	746,976	754,590	754,590
<b>TOTAL - (6) State Lottery Division</b>	76,120,268	36,793,028	98,312,238	98,320,468	98,320,468
<i>FTE</i>	<u>116.7</u>	<u>109.5</u>	<u>117.1</u>	<u>117.1</u>	<u>117.1</u>
Cash Funds	76,120,268	36,793,028	98,312,238	98,320,468	98,320,468
<b>TOTAL - Department of Revenue</b>	355,490,217	333,115,443	339,584,270	356,724,391	355,417,116
<i>FTE</i>	<u>1,233.0</u>	<u>1,292.8</u>	<u>1,430.4</u>	<u>1,436.3</u>	<u>1,435.3</u>
General Fund	94,539,820	97,502,289	100,680,413	108,890,719	107,740,576
Cash Funds	255,681,079	230,602,090	231,556,881	240,861,470	240,704,338
Reappropriated Funds	5,269,318	5,011,064	6,522,588	6,147,814	6,147,814
Federal Funds	0	0	824,388	824,388	824,388