

This document has two parts:

1. The March 14, 2011 JBC Staff figure setting document.
2. A March 17, 2011 memorandum that contains two technical comebacks. One corrects a fund source technical error and one makes a recommendation regarding a footnote that staff did not include in the figure setting document.

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2011-12 STAFF FIGURE SETTING
DEPARTMENT OF REVENUE**

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

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March 14, 2011**

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**DEPARTMENT OF REVENUE
FY 2011-12 STAFF FIGURE SETTING**

JBC WORKING DOCUMENT - ALL DECISIONS SUBJECT TO CHANGE
Staff Recommendation Does Not Represent Committee Decision

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**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Change
	Actual	Actual	Appropriation	Request	Requests
				Recommend.	
DEPARTMENT OF REVENUE					
Roxy Huber, Executive Director					
(1) Executive Director's Office					
Provides administrative, accounting, budgeting, auditing, planning, and research support for the Department, and is comprised of the following programs: Administration, Policy Analysis and Financial Services, Internal Auditor, Office of Human Resources, and Office of Research and Analysis. Major cash funds sources include the Highway Users Tax Fund (HUTF), the Colorado State Titling and Registration Account, the Licensing Services Cash Fund, the Driver's License Administrative Revocation Account, the Auto Dealers License Fund, the Limited Gaming Fund, the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Racing Cash Fund, the State Lottery Fund, and the Department of Revenue subaccount of the Automobile Inspection and Readjustment Account. The reappropriated funds sources are the State Lottery Fund and the Limited Gaming Fund.					
Personal Services	3,836,529	3,827,403	4,101,916	3,836,647	3,801,949
FTE	44.4	42.8	47.8	47.8	47.8
General Fund	2,150,214	1,989,204	1,268,020	931,080	940,919
Cash Funds	841,991	873,475	866,648	1,974,609	1,944,342
HUTF	418,445	411,465	1,379,601	387,762	381,818
Reappropriated Funds	425,879	553,259	587,647	543,196	534,870
Health, Life, and Dental	<u>6,799,391</u>	<u>6,070,227</u>	<u>7,800,682</u>	<u>8,099,173</u>	<u>6,984,799</u>
General Fund	4,021,098	3,027,692	2,545,983	2,753,548	2,342,713
Cash Funds	2,098,897	2,255,896	4,603,722	4,634,716	3,931,177
HUTF	679,396	786,639	650,977	710,909	710,909
Short-term Disability	<u>96,514</u>	<u>105,467</u>	<u>105,990</u>	<u>122,922</u>	<u>120,639</u>
General Fund	58,495	46,242	42,905	45,933	44,626
Cash Funds	30,677	51,010	54,680	67,241	66,063
HUTF	7,342	8,215	8,405	9,748	9,950
S.B. 04-257 Amortization Equalization Disbursement	<u>1,168,037</u>	<u>1,201,520</u>	<u>1,750,266</u>	<u>1,952,509</u>	<u>1,900,011</u>
General Fund	699,439	616,134	640,794	734,606	697,549
Cash Funds	373,125	477,352	979,223	1,063,690	1,045,067
HUTF	95,473	108,034	130,249	154,213	157,395

**FY 2011-12 Joint Budget Committee Staff Figure Setting
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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
S.B. 06-235 Supplemental Amortization Equalization						
Disbursement	<u>534,011</u>	<u>852,760</u>	<u>1,270,933</u>	<u>1,568,980</u>	<u>1,523,042</u>	
General Fund	319,123	376,505	464,876	590,309	556,778	
Cash Funds	174,257	410,013	711,026	854,750	839,786	
HUTF	40,631	66,242	95,031	123,921	126,478	
Salary Survey and Senior Executive Service	<u>2,970,519</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	1,801,622	0	0	0	0	
Cash Funds	918,801	0	0	0	0	
HUTF	250,096	0	0	0	0	
Performance-based Pay Awards	<u>1,151,316</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	688,768	0	0	0	0	
Cash Funds	373,808	0	0	0	0	
HUTF	88,740	0	0	0	0	
Shift Differential	<u>187,287</u>	<u>133,215</u>	<u>146,474</u>	<u>165,320</u>	<u>82,660</u>	
General Fund	48,105	14,494	4,686	2,900	1,450	
Cash Funds	25,367	41,699	47,117	46,597	23,299	
HUTF	113,815	77,022	94,671	115,823	57,911	
Workers' Compensation	<u>733,857</u>	<u>562,242</u>	<u>570,362</u>	<u>870,553</u>	<u>Pending</u>	
General Fund	452,719	228,206	220,431	307,934		
Cash Funds	220,674	289,314	303,788	490,894		
HUTF	60,464	44,722	46,143	71,725		
Operating Expenses	<u>954,585</u>	<u>982,016</u>	<u>1,369,412</u>	<u>1,248,265</u>	<u>1,237,693</u>	NP-5
General Fund	496,337	454,157	481,434	492,006	481,434	
Cash Funds	341,588	433,568	653,156	637,575	637,575	
HUTF	116,660	94,291	118,802	118,684	118,684	
Reappropriated Funds	0	0	116,020	0	0	

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Legal Services for 20,430 hours	<u>813,059</u>	<u>805,671</u>	<u>1,694,108</u>	<u>1,509,742</u>	<u>Pending</u>	
General Fund	450,445	449,981	921,993	734,627		
Cash Funds	350,883	343,915	760,340	763,340		
HUTF	11,731	11,775	11,775	11,775		
Administrative Law Judge Services - CF	7,238	8,808	14,756	4,114	<u>Pending</u>	
Purchase of Services from Computer Center	3,627,411	3,539,291	9,283,229	9,554,426	<u>Pending</u>	NP-3
FTE	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>		
General Fund	3,624,283	3,536,239	5,353,974	5,505,027		
Cash Funds	3,128	3,052	2,443,621	3,363,351		
HUTF	0	0	1,105,624	295,317		
Reappropriated Funds	0	0	380,010	390,731		
Multiuise Network Payments	<u>2,670,532</u>	<u>2,669,376</u>	<u>3,515,734</u>	<u>3,070,927</u>	<u>Pending</u>	
General Fund	642,797	100,185	330,544	364,604		
Cash Funds	1,976,728	2,518,210	2,893,817	2,485,646		
HUTF	51,007	50,981	265,722	195,026		
Reappropriated Funds	0	0	25,651	25,651		
Management and Administration of OIT	<u>423,337</u>	<u>381,749</u>	<u>1,032,231</u>	<u>1,053,864</u>	<u>Pending</u>	
General Fund	423,337	381,749	750,950	766,689		
Cash Funds	0	0	183,914	233,946		
HUTF	0	0	67,673	22,913		
Reappropriated Funds	0	0	29,694	30,316		
Payment to Risk Management and Property Funds	<u>273,165</u>	<u>177,414</u>	<u>57,560</u>	<u>207,890</u>	<u>Pending</u>	
General Fund	148,997	66,176	18,138	67,171		
Cash Funds	92,346	89,794	32,008	122,221		
HUTF	31,822	21,444	7,414	18,498		

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Vehicle Lease Payments	<u>389,471</u>	<u>444,815</u>	<u>716,481</u>	<u>727,339</u>	<u>Pending</u>	NP-4
General Fund	100,409	92,671	94,331	89,697		
Cash Funds	247,995	305,476	567,546	577,014		
HUTF	41,067	46,668	54,604	60,628		
Leased Space	<u>2,434,150</u>	<u>2,517,173</u>	<u>3,437,846</u>	<u>3,437,846</u>	<u>3,437,846</u>	
General Fund	1,315,622	518,820	512,451	512,451	512,451	
Cash Funds	1,118,528	1,998,353	2,925,395	2,925,395	2,925,395	
HUTF	0	0	0	0	0	
Capitol Complex Leased Space	<u>1,676,337</u>	<u>1,664,071</u>	<u>1,621,366</u>	<u>1,801,129</u>	<u>Pending</u>	
General Fund	1,301,729	1,106,163	1,055,065	1,154,926		
Cash Funds	348,692	532,921	542,149	619,428		
HUTF	25,916	24,987	24,152	26,775		
Communication Services Payments	<u>63,557</u>	<u>63,557</u>	<u>65,346</u>	<u>66,619</u>	<u>Pending</u>	
General Fund	19,321	19,321	19,865	11,148		
Cash Funds	39,660	39,660	40,776	47,857		
HUTF	4,576	4,576	4,705	7,614		
Utilities	<u>203,490</u>	<u>199,337</u>	<u>247,119</u>	<u>247,119</u>	<u>247,119</u>	
General Fund	85,037	2,369	0	0	0	
Cash Funds	16,849	94,688	143,703	143,703	143,703	
HUTF	101,604	102,280	103,416	103,416	103,416	
<i>Recommend. v.</i>						
<i>Approp.</i>						
SUBTOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	31,013,793	26,206,112	38,801,811	39,545,384	19,335,758	-50.2%
FTE	<u>44.4</u>	<u>42.8</u>	<u>48.8</u>	<u>48.8</u>	<u>47.8</u>	-2.0%
General Fund	18,847,897	13,026,308	14,726,440	15,064,656	5,577,920	-62.1%
Cash Funds	9,601,232	10,767,204	18,767,385	21,056,087	11,556,407	-38.4%
HUTF	2,138,785	1,859,341	4,168,964	2,434,747	1,666,561	-60.0%
Reappropriated Funds	425,879	553,259	1,139,022	989,894	534,870	-53.0%

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
(2) CENTRAL DEPARTMENT OPERATIONS						
Provides centralized departmental support for mail processing, forms development, transaction processing and records management. Major cash fund sources include the Identification Security Fund, the Colorado State Titling and Registration Account, the Outstanding Judgment and Warrants Account, the Licensing Services Cash Fund, the Driver's License Administrative Revocation Account, and the Auto Dealers License Fund. The sources of reappropriated funds are the State Lottery Fund and the Limited Gaming Fund.						
Personal Services	5,300,202	5,231,513	5,223,534	5,219,326	5,231,316	NP-3
FTE	<u>106.7</u>	<u>99.4</u>	<u>103.6</u>	<u>104.6</u>	<u>104.6</u>	
General Fund	4,886,543	4,847,963	4,517,875	4,416,657	4,440,922	NP-1
Cash Funds	206,543	215,011	276,162	613,140	603,763	
HUTF	102,646	101,285	346,692	103,260	101,681	
Reappropriated Funds	104,470	67,254	82,805	86,269	84,950	
Seasonal Tax Processing - General Fund	375,029	397,545	397,545	397,545	397,545	
Operating Expenses	<u>1,165,323</u>	<u>1,165,396</u>	<u>1,200,821</u>	<u>1,365,601</u>	<u>1,365,601</u>	
General Fund	1,028,494	1,028,545	1,055,001	1,217,644	1,217,644	DI-1, DI-2
Cash Funds	136,829	136,851	145,820	147,957	147,957	
Postage	<u>2,364,881</u>	<u>2,633,336</u>	<u>2,961,347</u>	<u>3,090,752</u>	<u>3,090,752</u>	
General Fund	2,134,475	2,381,067	2,639,800	2,744,148	2,744,148	DI-2
Cash Funds	216,993	238,360	307,638	332,695	332,695	
HUTF	13,413	13,909	13,909	13,909	13,909	
Pueblo Data Entry Center Payments	<u>1,669,560</u>	<u>1,674,840</u>	<u>1,892,091</u>	<u>1,910,582</u>	<u>1,910,582</u>	
General Fund	1,669,560	1,666,815	1,875,719	1,875,719	1,875,719	
Cash Funds	0	8,025	16,372	34,863	34,863	

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Document Imaging and Storage - General Fund	383,187	394,290	394,290	394,290	394,290	<i>Recommend. v. Approp.</i>
SUBTOTAL - (1) CENTRAL DEPARTMENT						
OPERATIONS	11,258,182	11,496,920	12,069,628	12,378,096	12,390,086	2.7%
FTE	<u>106.7</u>	<u>99.4</u>	<u>103.6</u>	<u>104.6</u>	<u>104.6</u>	1.0%
General Fund	10,477,288	10,716,225	10,880,230	11,046,003	11,070,268	1.7%
Cash Funds	560,365	598,247	745,992	1,128,655	1,119,278	50.0%
HUTF	116,059	115,194	360,601	117,169	115,590	-67.9%
Reappropriated Funds	104,470	67,254	82,805	86,269	84,950	2.6%

(3) INFORMATION TECHNOLOGY

(A) Systems Support

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

Personal Services	6,079,488	5,828,912	306,579	167,978	156,306	
FTE	<u>75.9</u>	<u>70.6</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
General Fund	4,026,540	4,167,933	105,484	112,174	101,169	DI-1, NP-1
Cash Funds	1,113,516	915,486	178,668	33,377	33,047	
HUTF	465,580	349,249	9,654	9,654	9,509	
Reappropriated Funds	473,852	396,244	12,773	12,773	12,581	
Operating Expenses	<u>723,970</u>	<u>644,034</u>	<u>847,111</u>	<u>800,222</u>	<u>800,222</u>	
General Fund	723,970	644,034	659,759	686,024	686,024	DI-1
Cash Funds	0	0	187,352	114,198	114,198	

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Programming Costs for Session Legislation	118,103	246,086	393,644	226,788	0	
FTE	<u>1.3</u>	<u>0.0</u>	<u>3.0</u>	2.2	<u>0.0</u>	
General Fund	81,024	132,316	79,927	66,846	0	
Cash Funds	37,079	113,770	313,717	159,942	0	
Reappropriated Funds	0	0	0	0	0	
						<i>Recommend. v. Approp.</i>
SUBTOTAL - (A) Systems Support	6,921,561	6,719,032	1,547,334	1,194,988	956,528	-38.2%
FTE	<u>77.2</u>	<u>70.6</u>	<u>3.0</u>	<u>2.2</u>	<u>0.0</u>	-100.0%
General Fund	4,831,534	4,944,283	845,170	865,044	787,193	-6.9%
Cash Funds	1,150,595	1,029,256	679,737	307,517	147,245	-78.3%
HUTF	465,580	349,249	9,654	9,654	9,509	-1.5%
Reappropriated Funds	473,852	396,244	12,773	12,773	12,581	-1.5%
(B) Colorado State Titling and Registration System						
The Colorado State Titling and Registration System is the State's centralized database for the distribution of registration taxes between the State, all its counties, and the Highway Users Tax Fund (HUTF). Cash funds are from the Colorado State Titling and Registration Account of the HUTF (Prior to FY 2008-09, the fund was classified as cash funds exempt).						
Personal Services - Cash Funds	20,081,449	2,023,144	449,429	449,429	442,688	
FTE	27.9	28.4	0.0	0.0	0.0	
Operating Expenses - Cash Funds	2,366,374	1,457,163	2,617,535	2,617,535	2,617,535	DI-6
County Office Asset Maintenance - Cash Funds	410,569	0	568,230	568,230	568,230	
County Office Improvements - Cash Funds	100,750	25,232	40,000	78,062	78,062	DI-6
						<i>Recommend. v. Approp.</i>
SUBTOTAL - (B) Colorado State Titling and Registration System - Cash Funds	22,959,142	3,505,539	3,675,194	3,713,256	3,706,515	0.9%
FTE	27.9	28.4	0.0	0.0	0.0	N/A

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
						<i>Recommend. v. Approp.</i>
SUBTOTAL - (3) INFORMATION						
TECHNOLOGY DIVISION	29,880,703	10,224,571	5,222,528	4,908,244	4,663,043	-10.7%
FTE	<u>105.1</u>	<u>99.0</u>	<u>3.0</u>	<u>2.2</u>	<u>0.0</u>	-100.0%
General Fund	4,831,534	4,944,283	845,170	865,044	787,193	-6.9%
Cash Funds	24,109,737	4,534,795	4,354,931	4,020,773	3,853,760	-11.5%
HUTF	465,580	349,249	9,654	9,654	9,509	-1.5%
Reappropriated Funds	473,852	396,244	12,773	12,773	12,581	-1.5%
 (4) TAXATION BUSINESS GROUP						
The Taxation Business Group is charged with the collection, administration, auditing, and enforcement responsibilities for all taxes, fees, bonds, and licenses covered under Colorado tax laws. This group includes and administrative section, the Taxation and Compliance Division, the Taxpayer Service Division, the Tax Conferee, and a Special Purpose Section. All divisions but Special Purpose carry out programmatic functions.						
 (A) Administration						
Personal Services	553,547	545,641	553,319	550,491	542,004	NP-3
FTE	<u>6.2</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	
General Fund	547,526	539,619	548,110	545,478	537,068	
Cash Funds	6,021	6,022	5,209	5,013	4,936	
Operating Expenses - General Fund	14,998	14,108	14,050	14,050	14,050	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (A) - Administration	568,545	559,749	567,369	564,541	556,054	-2.0%
FTE	<u>6.2</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	0.0%
General Fund	562,524	553,727	562,160	559,528	551,118	-2.0%
Cash Funds	6,021	6,022	5,209	5,013	4,936	-5.2%

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
(B) Taxation and Compliance Division						
Provides auditing services and enforces compliance with Colorado tax laws. The Division maintains five section and six district offices throughout Colorado and conducts audits of individual and corporate tax returns. The Mineral Audit Program audits royalties associated with oil, gas, and mineral mining activity of federal, state, and private land. The Reappropriated Funds sources are from the Mineral Audit Program, the State Land Board Administrative Fund, and indirect cost recoveries transferred from the Department of Natural Resources						
Personal Services	13,646,904	14,709,271	15,867,659	15,500,665	15,610,759	NP-3
FTE	<u>204.1</u>	<u>191.5</u>	<u>241.4</u>	<u>241.9</u>	<u>241.9</u>	
General Fund	13,548,691	14,580,829	15,705,928	15,344,443	15,456,880	NP-1
Cash Funds	1,269	1,237	59,548	52,883	52,090	
Reappropriated Funds	96,944	127,205	102,183	103,339	101,789	
Operating Expenses	<u>789,660</u>	<u>891,439</u>	<u>1,082,488</u>	<u>1,054,468</u>	<u>1,054,468</u>	
General Fund	789,660	891,439	1,072,022	1,044,002	1,044,002	
Cash Funds	0	0	10,466	10,466	10,466	
Joint Audit Program - General Fund	131,244	131,244	131,244	131,244	131,244	
Mineral Audit Program	659,323	697,857	786,250	789,701	789,701	
FTE	<u>7.3</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	
Reappropriated Funds	55,410	44,974	66,000	66,000	66,000	
Federal Funds	603,913	652,883	720,250	723,701	723,701	
<i>Recommend. v.</i>						
<i>Approp.</i>						
SUBTOTAL (B) - Taxation and Compliance						
Division	15,227,131	16,429,811	17,867,641	17,476,078	17,586,172	-1.6%
FTE	<u>211.4</u>	<u>202.5</u>	<u>252.4</u>	<u>252.9</u>	<u>252.9</u>	0.2%
General Fund	14,469,595	15,603,512	16,909,194	16,519,689	16,632,126	-1.6%
Cash Funds	1,269	1,237	70,014	63,349	62,556	-10.7%
Reappropriated Funds	152,354	172,179	168,183	169,339	167,789	-0.2%
Federal Funds	603,913	652,883	720,250	723,701	723,701	0.5%

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommend.	Change Requests
(C) Taxpayer Service Division						
Assists individual and business taxpayers through regional service centers and a call center; issues tax licenses and permits to businesses; collects local sales taxes for many cities, counties, and special districts; issues individual and business tax refunds. The Fuel Tracking System tracks the movement of gasoline and special fuels with the goal of expediting the collection of excise taxes. The primary sources of cash funds are the Highway Users Tax Fund (exempt from the 6% limit), the Aviation Fund, and Private Letter Rulings.						
Personal Services	4,431,631	4,518,471	4,638,705	4,538,247	4,569,454	NP-3
FTE	<u>76.5</u>	<u>72.1</u>	<u>80.4</u>	<u>80.4</u>	<u>80.4</u>	
General Fund	4,411,169	4,494,771	4,548,101	4,438,161	4,470,869	NP-1
Cash Funds	20,462	23,700	90,604	100,086	98,585	
Operating Expenses	<u>390,973</u>	<u>389,147</u>	<u>402,035</u>	<u>402,035</u>	<u>402,035</u>	
General Fund	390,973	389,147	401,535	401,535	401,535	
Cash Funds	0	0	500	500	500	
Fuel Tracking System - Cash Funds	472,133	472,888	485,386	484,559	484,559	NP-3
FTE	1.5	1.3	1.5	1.5	1.5	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (C) - Taxpayer Service Division	5,294,737	5,380,506	5,526,126	5,424,841	5,456,048	-1.3%
FTE	<u>78.0</u>	<u>73.4</u>	<u>81.9</u>	<u>81.9</u>	<u>81.9</u>	0.0%
General Fund	4,802,142	4,883,918	4,949,636	4,839,696	4,872,404	-1.6%
Cash Funds	492,595	496,588	576,490	585,145	583,644	1.2%

(D) Tax Conferee

Resolves protests to tax adjustments, review issues related to "home rule" city sales taxes and city and county sales and use taxes.

Personal Services - General Fund	883,400	828,677	1,490,775	1,515,258	1,492,208	NP-3
FTE	8.3	8.0	11.7	12.0	12.0	
Operating Expenses - General Fund	21,750	20,817	43,284	24,604	24,604	
						<i>Recommend. v. Approp.</i>

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
SUBTOTAL (D) - Tax Conferee - General Fund	905,150	849,494	1,534,059	1,539,862	1,516,812	-1.1%
FTE	8.3	8.0	11.7	12.0	12.0	2.6%
(E) Special Purpose						
Distributes applicable percentage of gross cigarette taxes to counties, cities, and towns; distributes grants to low-income, disabled, and elderly citizens; provides moneys to entities with alternative fuel programs. All funds are continuously appropriated by constitutional or statutory provisions.						
Cigarette Tax Rebate - General Fund	12,114,946	11,639,906	11,300,000	0	11,000,000	BRI-1
Amendment 35 Distribution to Local Governments - Cash Funds	1,409,292	1,336,086	1,341,000	1,341,000	1,338,300	
Old Age Heat & Fuel & Property Tax Assistance - General Fund	5,264,129	7,581,317	8,200,000	7,700,000	7,500,000	
Alternative Fuels Rebate - Cash Funds	329,032	352,638	310,601	310,601	0	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (E) - Special Purpose	<u>19,117,399</u>	<u>20,909,947</u>	<u>21,151,601</u>	<u>9,351,601</u>	<u>19,838,300</u>	-6.2%
General Fund	17,379,075	19,221,223	19,500,000	7,700,000	18,500,000	-5.1%
Cash Funds	1,738,324	1,688,724	1,651,601	1,651,601	1,338,300	-19.0%
						<i>Recommend. v. Approp.</i>
SUBTOTAL (4) - TAXATION BUSINESS						
GROUP	41,112,962	44,129,507	46,646,796	34,356,923	44,953,386	-3.6%
FTE	<u>303.9</u>	<u>289.9</u>	<u>352.0</u>	<u>352.8</u>	<u>352.8</u>	0.2%
General Fund	38,118,486	41,111,874	43,455,049	31,158,775	42,072,460	-3.2%
Cash Funds	2,238,209	2,192,571	2,303,314	2,305,108	1,989,436	-13.6%
Reappropriated Funds	152,354	172,179	168,183	169,339	167,789	-0.2%
Federal Funds	603,913	652,883	720,250	723,701	723,701	0.5%

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Change	
	Actual	Actual	Appropriation	Request	Recommend.	Requests
(5) DIVISION OF MOTOR VEHICLES						
(A) Administration						
The Division is responsible for licensing drivers and issuing identification documents, administering driver records and administrative sanctions, titling and registering motor vehicles traveling on Colorado's roadways, enforcing the state's vehicle emissions testing program, and administering the Motorist Insurance Identification database program and the Ignition Interlock Subsidy program. Major cash funds sources are detailed in each division.						
Personal Services	801,661	905,359	909,201	909,470	895,536	NP-3
FTE	<u>9.2</u>	<u>10.5</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	
General Fund	404,036	185,514	0	0	0	
Cash Funds	202,364	192,246	200,475	722,981	711,904	
HUTF	195,261	527,599	708,726	186,489	183,632	
Operating Expenses	<u>50,349</u>	<u>35,088</u>	<u>54,250</u>	<u>54,250</u>	<u>54,250</u>	
General Fund	27,465	14,635	0	0	0	
Cash Funds	11,647	10,383	9,717	43,121	43,121	
HUTF	11,237	10,070	44,533	11,129	11,129	
						<i>Recommend. v.</i>
						<i>Approp.</i>
SUBTOTAL (A) - Administration	852,010	940,447	963,451	963,720	949,786	-1.4%
FTE	<u>9.2</u>	<u>10.5</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	0.0%
General Fund	431,501	200,149	0	0	0	N/A
Cash Funds	214,011	202,629	210,192	766,102	755,025	259.2%
HUTF	206,498	537,669	753,259	197,618	194,761	-74.1%

(B) Driver and Vehicle Services

Driver and Vehicle Services administers driver's licensing and records management, vehicle registration, and regulation of commercial driving schools. The primary cash funds sources are the Licensing Services Cash Fund, the Identification Security Fund, the Colorado State Titling and Registration Account, the Driver's License Administrative Revocation Account, the License Plate Cash Fund, the Outstanding Judgments and Warrants Account, and the Penalty Assessment Account. Pursuant to S.B. 09-275, for fiscal years 2008-09, 2009-10, 2010-11, and 2011-12, Highway User's Tax Fund (Off-the-top) moneys are permitted to be used in this section.

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Personal Services	16,367,648	16,055,723	16,714,739	16,573,074	16,370,003	DI-4, NP-3
FTE	<u>362.8</u>	<u>346.7</u>	<u>379.5</u>	<u>378.4</u>	<u>378.4</u>	
General Fund	9,260,606	808,717	0	0	0	
Cash Funds	7,107,042	11,666,785	15,565,565	5,423,452	14,020,381	
HUTF	0	3,580,221	1,149,174	11,149,622	2,349,622	
Operating Expenses	<u>1,458,742</u>	<u>1,217,301</u>	<u>1,682,474</u>	<u>1,684,157</u>	<u>1,684,157</u>	
General Fund	1,172,812	0	0	0	0	
Cash Funds	285,930	829,675	1,682,474	1,684,157	1,684,157	
HUTF	0	387,626	0	0	0	
Driver's License Documents	<u>2,309,381</u>	<u>2,424,999</u>	<u>3,051,030</u>	<u>3,810,592</u>	<u>3,810,592</u>	DI-3
General Fund	1,690,039	292,807	0	0	0	
Cash Funds	619,342	2,132,192	3,051,030	3,810,592	3,810,592	
HUTF	0	0	0	0	0	
License Plate Ordering - Cash Funds	5,979,714	4,185,258	6,568,860	6,518,776	6,518,776	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (B) - Driver and Vehicle Services	26,115,485	23,883,281	28,017,103	28,586,599	28,383,528	1.3%
FTE	<u>362.8</u>	<u>346.7</u>	<u>379.5</u>	<u>378.4</u>	<u>378.4</u>	-0.3%
General Fund	12,123,457	1,101,524	0	0	0	N/A
Cash Funds	13,992,028	18,813,910	26,867,929	17,436,977	26,033,906	-3.1%
HUTF	0	3,967,847	1,149,174	11,149,622	2,349,622	104.5%

(C) Vehicle Emissions

The Emissions section conducts audits of inspection and readjustment stations and facilities to ensure compliance with vehicle emissions testing standards under the Automobile Inspection and Readjustment Program. Cash funds source is the DOR subaccount of the Automobile Inspection and Readjustment Account.

Personal Services - Cash Funds	921,870	941,867	1,194,476	1,195,152	1,176,893	NP-3
FTE	14.2	14.3	18.3	18.3	18.3	

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Operating Expenses - Cash Funds	67,040	52,827	88,725	88,725	88,725	<i>Recommend. v. Approp.</i>
SUBTOTAL (C) - Vehicle Emissions - Cash Funds	988,910	994,694	1,283,201	1,283,877	1,265,618	-1.4%
FTE	14.2	14.3	18.3	18.3	18.3	0.0%
(D) Titles						
Provides administrative and accounting support for the issuance of motor vehicle titles. Certifies vehicle ownership for tax assessment and other purposes. Ensures uniformity among the State's county clerks. Cash funds source is the Colorado State Titling and Registration Account.						
Personal Services - Cash Funds	1,481,298	1,503,546	1,639,881	1,639,246	1,614,153	NP-3
FTE	32.6	32.8	34.5	34.5	34.5	
Operating Expenses - Cash Funds	170,979	181,608	281,824	305,574	305,574	DI-5 <i>Recommend. v. Approp.</i>
SUBTOTAL (D) - Titles - Cash Funds	1,652,277	1,685,154	1,921,705	1,944,820	1,919,727	-0.1%
FTE	32.6	32.8	34.5	34.5	34.5	0.0%
(E) Motorist Insurance Identification Database Program						
Maintains the database to compare motor vehicle registration records against insured motorist records to authorize the accurate license suspension of uninsured drivers. The cash funds source is the Motorist Insurance Identification Database Account.						
Personal Services - Cash Funds	285,770	267,333	329,048	329,234	329,234	NP-3
FTE	1.0	1.0	1.0	1.0	1.0	
Operating Expenses - Cash Funds	433	500	500	500	500	<i>Recommend. v. Approp.</i>
SUBTOTAL (E) - Motorist Insurance Identification Database Program - Cash Funds	286,203	267,833	329,548	329,734	329,734	0.1%
FTE	1.0	1.0	1.0	1.0	1.0	0.0%

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
(F) Ignition Interlock Program						
Program assists first time drunk driving offenders with obtaining ignition interlock devices to allow those offenders to drive with restrictions. Cash funds source is the First Time Drunk Driving Offender Account.						
Personal Services - Cash Funds	0	0	210,846	211,284	208,057	NP-3
FTE	0.0	0.0	5.4	5.4	5.4	
Operating Expenses - Cash Funds	0	0	934,842	934,842	934,842	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (F) - Ignition Interlock Program - CF	0	0	1,145,688	1,146,126	1,142,899	-0.2%
FTE	0.0	0.0	5.4	5.4	5.4	0.0%

						<i>Recommend. v. Approp.</i>
SUBTOTAL (5) - DIVISION OF MOTOR						
VEHICLES	29,894,885	27,771,409	33,660,696	34,254,876	33,991,292	1.0%
FTE	<u>419.8</u>	<u>405.3</u>	<u>449.7</u>	<u>448.6</u>	<u>448.6</u>	-0.2%
General Fund	12,554,958	1,301,673	0	0	0	N/A
Cash Funds	17,133,429	21,964,220	31,758,263	22,907,636	31,446,909	-1.0%
HUTF	206,498	4,505,516	1,902,433	11,347,240	2,544,383	33.7%

(6) MOTOR CARRIER SERVICES DIVISION

Monitors compliance with statutory weight and size restrictions for commercial vehicles and collects fuel taxes and inspects transporters of hazardous materials. The cash funds sources are the Highway Users Tax Fund "off-the-top", the Hazardous Materials Safety Fund, and the Nuclear Materials Transportation Fund.

Personal Services	6,749,253	7,096,415	6,907,329	6,880,931	6,786,695	NP-3
FTE	<u>125.3</u>	<u>125.0</u>	<u>129.3</u>	<u>129.2</u>	<u>129.2</u>	
General Fund	607,691	610,747	555,525	544,472	547,309	NP-1
Cash Funds	19,055	27,491	4,168	0	0	
HUTF	6,054,184	6,382,496	6,337,156	6,336,459	6,239,386	
Reappropriated Funds	68,323	75,681	10,480	0	0	

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Operating Expenses	432,186	504,402	515,305	515,305	515,305	
General Fund	37,736	38,045	38,045	38,045	38,045	
Cash Funds	0	0	0	0	0	
HUTF	394,450	466,357	477,260	477,260	477,260	
Fixed and Mobile Ports Maintenance - HUTF	213,597	197,934	221,545	221,545	221,545	
Motor Carrier Safety Assistance Program - FF	794,273	739,724	95,369	0	0	
FTE	8.7	8.9	1.1	0.0	0.0	
Hazardous Materials Permitting Program - CF	174,661	142,474	197,258	207,973	207,973	NP-3
FTE	3.8	2.2	4.0	4.0	4.0	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (6) - MOTOR CARRIER						
SERVICES	8,363,970	8,680,949	7,936,806	7,825,754	7,731,518	-2.6%
FTE	<u>137.8</u>	<u>136.1</u>	<u>134.4</u>	<u>133.2</u>	<u>133.2</u>	-0.9%
General Fund	645,427	648,792	593,570	582,517	585,354	-1.4%
Cash Funds	193,716	169,965	201,426	207,973	207,973	3.3%
HUTF	6,662,231	7,046,787	7,035,961	7,035,264	6,938,191	-1.4%
Reappropriated Funds	68,323	75,681	10,480	0	0	-100.0%
Federal Funds	794,273	739,724	95,369	0	0	-100.0%

(7) ENFORCEMENT BUSINESS GROUP

7,216,752

(A) Administration

Administers the functions of the Enforcement Business Group, which includes limited gaming, liquor and tobacco law enforcement, racing events (horse racing), the Hearings Division, motor vehicle dealer licensing, and medical marijuana enforcement. Cash funds sources are detailed in each division.

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Personal Services	506,406	524,210	608,840	627,172	617,579	NP-3
FTE	<u>6.0</u>	<u>6.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	
General Fund	46,689	32,313	31,360	27,243	26,826	
Cash Funds	349,877	385,926	455,799	498,262	490,641	
Reappropriated Funds	109,840	105,971	121,681	101,667	100,112	
Operating Expenses	<u>9,800</u>	<u>10,283</u>	<u>12,780</u>	<u>12,780</u>	<u>12,780</u>	
General Fund	0	(14)	524	598	598	
Cash Funds	7,467	8,073	9,719	10,940	10,940	
Reappropriated Funds	2,333	2,224	2,537	1,242	1,242	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (A) - Administration	516,206	534,493	621,620	639,952	630,359	1.4%
FTE	<u>6.0</u>	<u>6.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	0.0%
General Fund	46,689	32,299	31,884	27,841	27,424	-14.0%
Cash Funds	357,344	393,999	465,518	509,202	501,581	7.7%
Reappropriated Funds	112,173	108,195	124,218	102,909	101,354	-18.4%

(B) Limited Gaming Division

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

Personal Services - Cash Funds	5,705,604	6,084,986	6,643,998	6,814,235	6,709,930	NP-3
FTE	77.0	83.3	92.0	92.0	92.0	
Operating Expenses - Cash Funds	527,947	362,426	613,084	887,228	887,228	
Licensure Activities - Cash Funds	130,520	123,096	181,497	181,497	181,497	
Investigations - Cash Funds	28,712	64,961	263,964	263,964	263,964	

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommend.	Change Requests
Payments to other State Agencies - Cash Funds	3,027,091	3,200,581	3,338,626	3,853,589	3,853,589	
Distribution to Gaming Cities and Counties - Cash Funds	85,281,086	96,742,402	23,788,902	113,166,266	23,788,902	
Indirect Cost Assessment - Cash Funds	579,221	610,868	705,049	683,537	683,537	
<i>Recommend. v. Approp.</i>						
SUBTOTAL (B) - Limited Gaming Division - Cash Funds	95,280,181	107,189,320	35,535,120	125,850,316	36,368,647	2.3%
FTE	77.0	83.3	92.0	92.0	92.0	0.0%

(C) Liquor Enforcement Division

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

Personal Services - Cash Funds	1,358,291	1,464,979	1,662,312	1,655,839	1,630,521	NP-3
FTE	17.7	17.8	21.0	21.0	21.0	
Operating Expenses - Cash Funds	50,509	60,105	56,326	56,326	56,326	
<i>Recommend. v. Approp.</i>						
SUBTOTAL (C) - Liquor Enforcement Division - Cash Funds	1,408,800	1,525,084	1,718,638	1,712,165	1,686,847	-1.8%
FTE	17.7	17.8	21.0	21.0	21.0	0.0%

(D) Tobacco Enforcement Program

Enforces laws prohibiting the sale of tobacco to minors. The cash funds sources are the Tobacco Education Programs Fund and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund.

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
Personal Services	452,645	426,075	495,359	495,878	488,310	NP-3
FTE	<u>6.5</u>	<u>5.7</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	
General Fund	127,764	130,462	142,689	142,838	133,842	
Cash Funds	324,881	295,613	352,670	353,040	354,468	
Operating Expenses	<u>27,473</u>	<u>26,634</u>	<u>31,379</u>	<u>31,379</u>	<u>31,379</u>	
General Fund	7,080	6,864	7,201	7,201	7,201	
Cash Funds	20,393	19,770	24,178	24,178	24,178	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (D) - Tobacco Enforcement Program	480,118	452,709	526,738	527,257	519,689	-1.3%
FTE	<u>6.5</u>	<u>5.7</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	0.0%
General Fund	134,844	137,326	149,890	150,039	141,043	-5.9%
Cash Funds	345,274	315,383	376,848	377,218	378,646	0.5%

(E) Division of Racing Events

Licenses racetracks and individuals in dog and horse racing, allocates race days among racetracks, tests animals for drugs and oversees wagering. The cash funds sources are the Racing Cash Fund and Horse Breeders' and Owners' Awards and Supplement Purse Fund.

Personal Services - Cash Funds	774,349	665,540	1,129,370	1,124,341	1,107,222	NP-3
FTE	10.5	6.8	11.7	11.7	11.7	
Operating Expenses - Cash Funds	54,383	55,875	91,385	91,385	91,385	
Laboratory Services - Cash Funds	27,875	25,841	104,992	104,992	104,992	
Commission Meeting Costs - Cash Funds	1,200	750	1,200	1,200	1,200	
Racetrack Applications - Cash Funds	18,274	21,912	25,000	25,000	25,000	
Purses and Breeders Awards - Cash Funds	1,052,555	1,381,360	1,106,142	1,106,142	1,106,142	

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
						<i>Recommend. v. Approp.</i>
SUBTOTAL (E) - Division of Racing Events - Cash						
Funds	1,928,636	2,151,278	2,458,089	2,453,060	2,435,941	-0.9%
FTE	10.5	6.8	11.7	11.7	11.7	0.0%
(F) Hearings Division						
Conducts hearings on driver's license suspensions and revocations, probationary licenses, habitual traffic offenders, misuse of temporary registration permits, and horse and dog racing licenses. Provides computer support and data analysis for traffic safety programs. Cash funds source is the Driver's License Administrative Revocation Account.						
Personal Services - Cash Funds	1,828,927	1,789,273	2,008,018	2,013,689	1,982,877	NP-3
FTE	27.1	25.6	28.8	28.8	28.8	
Operating Expenses - Cash Funds	69,235	59,611	98,938	98,938	98,938	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (F) - Hearings Division - Cash Funds	1,898,162	1,848,884	2,106,956	2,112,627	2,081,815	-1.2%
FTE	27.1	25.6	28.8	28.8	28.8	0.0%
(G) Motor Vehicle Dealer Licensing Board						
Licenses automobile dealers, wholesalers, and salespeople, regulates the distribution and sales of motor vehicles, investigates and resolves complaints and legal violations against Board licensees. Cash funds source is the Auto Dealers License Fund.						
Personal Services - Cash Funds	1,553,445	1,677,806	1,789,582	1,790,409	1,762,994	NP-3
FTE	23.5	26.3	28.2	28.2	28.2	
Operating Expenses - Cash Funds	77,689	150,617	119,023	119,023	119,023	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (G) - Motor Vehicle Dealer Licensing						
Board - Cash Funds	1,631,134	1,828,423	1,908,605	1,909,432	1,882,017	-1.4%
FTE	23.5	26.3	28.2	28.2	28.2	0.0%

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
(H) Medical Marijuana Enforcement						
Licenses medical marijuana dispensaries, growing facilities and medical marijuana infused products manufacturing facilities. Investigates complaints and enforces laws and regulations regarding such facilities. Cash funds source is the Medical Marijuana License Cash Fund.						
Medical Marijuana Enforcement - Cash Funds	0	0	7,578,280	7,079,661	7,039,732	NP-3
FTE	0.0	0.0	106.8	106.8	106.8	
						<i>Recommend. v. Approp.</i>
SUBTOTAL (H) - Medical Marijuana Enforcement -						
Cash Funds	0	0	7,578,280	7,079,661	7,039,732	-7.1%
FTE	0.0	0.0	106.8	106.8	106.8	0.0%
(I) Bingo-Raffle Enforcement						
Enforces state laws regarding Bingo. Referred question to voters was defeated, this program remains in Department of State.						
Personal Services - Cash Funds	0	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	0.0	
SUBTOTAL (I) - Bingo-Raffle Enforcement - Cash						
Funds	0	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	0.0	
SUBTOTAL (7) - ENFORCEMENT BUSINESS GROUP						
	103,143,237	115,530,191	52,454,046	142,284,470	52,645,047	0.4%
FTE	<u>168.3</u>	<u>171.5</u>	<u>304.0</u>	<u>304.0</u>	<u>304.0</u>	0.0%
General Fund	181,533	169,625	181,774	177,880	168,467	-7.3%
Cash Funds	102,849,531	115,252,371	52,148,054	142,003,681	52,375,226	0.4%
Reappropriated Funds	112,173	108,195	124,218	102,909	101,354	-18.4%

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommend.	Change Requests
(8) STATE LOTTERY DIVISION						
Operates the State's Lottery through the sale of scratch tickets and online tickets, including tickets for the multi-state lottery (PowerBall). The source of cash funds is the State Lottery Fund. Prior to FY 2008-09, the Lottery Fund was classified as Cash Funds Exempt.						
Personal Services - Cash Funds	7,764,011	8,093,583	8,931,192	8,929,478	8,793,014	NP-3
FTE	115.5	113.1	126.0	126.0	126.0	
Operating Expenses - Cash Funds	1,181,797	1,000,098	1,203,156	1,203,156	1,203,156	
Payments to Other State Agencies - Cash Funds	141,733	130,188	239,410	239,410	239,410	
Travel - Cash Funds	109,457	105,120	113,498	113,498	113,498	
Marketing and Communications - Cash Funds	11,664,439	14,599,002	14,700,000	14,700,000	14,700,000	
Multi-state Lottery Fees - Cash Funds	101,002	103,370	177,433	177,433	177,433	
Vendor Fees - Cash Funds	8,659,163	9,623,664	12,571,504	12,571,504	12,571,504	
Prizes - Cash Funds	301,506,498	313,919,655	424,104,016	424,104,016	0	
Powerball Prize Variance - Cash Funds	7,289,207	7,575,512	8,523,000	8,523,000	0	
Retailer Compensation - Cash Funds	36,480,909	38,146,774	52,241,350	52,241,350	52,241,350	
Ticket Costs - Cash Funds	2,763,037	3,262,844	6,578,000	6,578,000	6,578,000	
Research - Cash Funds	250,000	250,000	250,000	250,000	250,000	
Indirect Costs Assessment - Cash Funds	533,305	528,898	537,749	508,309	508,309	

**FY 2011-12 Joint Budget Committee Staff Figure Setting
Department of Revenue**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change
	Actual	Actual	Appropriation	Request	Recommend.	Requests
						<i>Recommend. v. Approp.</i>
SUBTOTAL (8) - STATE LOTTERY DIVISION -						
Cash Funds	378,444,558	397,338,708	530,170,308	530,139,154	97,375,674	-81.6%
FTE	115.5	113.1	126.0	126.0	126.0	0.0%
						<i>Recommend. v. Approp.</i>
TOTAL - DEPARTMENT OF REVENUE	633,112,290	641,378,367	726,962,619	805,692,901	273,085,804	-62.4%
FTE	<u>1,401.5</u>	<u>1,357.1</u>	<u>1,521.5</u>	<u>1,520.2</u>	<u>1,517.0</u>	<u>-0.3%</u>
General Fund	85,657,123	71,918,780	70,682,233	58,894,875	60,261,662	-14.7%
Cash Funds	535,130,777	552,818,081	640,449,673	723,769,067	199,924,663	-68.8%
HUTF	9,589,153	13,876,087	13,477,613	20,944,074	11,274,234	-16.3%
Reappropriated Funds	1,337,051	1,372,812	1,537,481	1,361,184	901,544	-41.4%
Federal Funds	1,398,186	1,392,607	815,619	723,701	723,701	-11.3%

DEPARTMENT OF REVENUE
FY 2010-11 FIGURE SETTING
JBC Working Document - All Decisions Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Summary of Staff Recommendations (Does not include pending items)						
	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2010-11 Long Bill	\$692,910,944	\$90,178,072	\$599,754,847	\$1,494,825	\$1,483,200	1,416.9
Special Bills	10,880,181	(19,463,486)	30,968,592	42,656	(667,581)	101.6
Supplementals	<u>23,521,494</u>	<u>(32,353)</u>	<u>23,553,847</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
Current FY 2010-11 Appropriation	\$727,312,619	\$70,682,233	\$654,277,286	\$1,537,481	\$815,619	1,518.5
<i>Recommended Changes from FY 2010-11 appropriation</i>						
DI #3 - Driver's License Documents Line Increase	1,373,272	0	1,373,272	0	0	0.0
DI #1 - Remittance Processing System Upgrade	180,065	180,065	0	0	0	0.0
DI #2 - Sales Tax Delinquency Billings	121,991	121,991	0	0	0	0.0
DI # 6 - County Office Improvements	38,062	0	38,062	0	0	0.0
DI #4 - Funding Driver and Vehicle Services (Refinances \$2.3 million LSCF with HUTF ("Off-the-top"))	0	0	0	0	0	0.0
Staff recommended change - Discontinue line item appropriations for Lottery Prizes and Powerball Prize Variance	(432,627,016)	0	(432,627,016)	0	0	0.0
Extension of PERA Contribution Shift (SB 11-076)	(1,727,753)	(565,086)	(1,147,105)	(15,562)	0	0.0
1.5 Percent Personal Services Base Reduction	(1,313,727)	(437,505)	(863,280)	(12,942)	0	0.0
Eliminate "Programming Costs for Session Legislation" line item	(244,180)	(73,088)	(171,092)	0	0	0.0
Total of Recommended Changes	(434,199,286)	(773,623)	(433,397,159)	(28,504)	0	0.0

Summary of Budget Balancing Options Requiring Legislation						
	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
<u>Expenditure Reductions</u>						
None						
<u>Revenue Increases</u>						
Continue temporary suspension of State sales tax exemption for cigarettes	\$31,038,416	\$31,038,416	\$0	\$0	\$0	0.0
Continue temporary suspension of sales tax vendor administrative fee	\$71,579,236	\$71,579,236	\$0	\$0	\$0	0.0
<u>Cash Fund Transfers</u>						
Transfer Licensing Services Cash Fund to General Fund Requested	\$0	\$2,000,000	(\$2,000,000)	\$0	\$0	0.0
Transfer First-Time Drunk- Driving Offender Account Fund Balance to General Fund	\$0	\$0	\$0	\$0	\$0	0.0
Transfer Fund Balance from Auto Dealers License Fund to General Fund	\$0	\$0	\$0	\$0	\$0	0.0
Transfer fund balance from Liquor Enforcement and State Licensing Authority Cash Fund to General Fund	\$0	\$0	\$0	\$0	\$0	0.0

(1) EXECUTIVE DIRECTOR'S OFFICE

The Executive Director's Office includes a citizens' advocate, a public information officer, and the following units: Central Budget Office, Accounting and Financial Services, Internal Audit, Office of Human Resources, and Office of Research and Analysis. The Executive Director's Office section of the Long Bill includes centrally appropriated direct and indirect costs.

Staffing Summary	Executive Director's Office			
	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management and Administration	3.9	5.0	5.0	5.0
Central Budget Office	3.7	4.0	4.0	4.0
Accounting and Financial Services	14.5	16.3	16.3	16.3
Internal Auditor	5.0	6.0	6.0	6.0
Human Resources	8.1	8.5	8.5	8.5
Research and Analysis	<u>7.5</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>
Total	42.7	47.8	47.8	47.8

Personal Services

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

The Department requests an appropriation of \$3,883,467 and 47.8 FTE, including \$982,774 General Fund, \$866,339 cash funds, \$1,396,398 cash funds from the Highway Users Tax Fund (HUTF), and \$587,647 reappropriated funds.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), annualization of FY 2010-11 decision items and budget amendments, the Governor's proposed 2.0 percent General Fund Personal Services cut, and the Statewide PERA contribution reduction. Pursuant to approved Committee policy, the Governor's proposed 2.0 percent General Fund personal services cut has been replaced with a 1.5 percent personal services base reduction from all fund sources.

Staff recommends an appropriation of \$3,801,949 and 47.8 FTE including \$940,919 General Fund, \$1,944,342 cash funds from various sources, \$381,818 cash funds from HUTF "off-the-top" moneys, and \$534,870 reappropriated funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Executive Director's Office						
	Total	FTE	General Fund	Cash Funds	HUTF	Reapprop. Funds
FY 2010-11 Long Bill	\$3,833,467	47.8	\$1,991,261	\$866,648	\$387,911	\$587,647
2010 Special Bill Appropriations	336,057	0.0	(655,633)	0	991,690	0
FY 2010-11 Supplemental Appropriation to Department	<u>(67,608)</u>	<u>0.0</u>	<u>(67,608)</u>	<u>0</u>	<u>0</u>	<u>0</u>
FY 2010-11 Appropriation	\$4,101,916	47.8	\$1,268,020	\$866,648	\$1,379,601	\$587,647
Annualization of FY 2010-11 Decision Items	0	0.0	0	0	0	0
Annualization of 2010 Special Bills	(311,057)	0.0	(311,057)	991,690	(991,690)	0
Annualization of SB 10-146 PERA contribution change	87,099	0.0	22,329	19,691	31,727	13,352
Annualization of Supplemental Bill	67,608	0.0	67,608	0	0	0
Indirect costs adjustments	0	0.0	(70,438)	139,760	(23,397)	(45,925)
Statewide 1.5% Personal Services Base Reduction	(59,184)	0.0	(14,647)	(30,267)	(5,944)	(8,326)
Statewide SB 11-076 PERA contribution reduction	<u>(84,433)</u>	<u>0.0</u>	<u>(20,896)</u>	<u>(43,180)</u>	<u>(8,479)</u>	<u>(11,878)</u>
Staff Recommendation	\$3,801,949	47.8	\$940,919	\$1,944,342	\$381,818	\$534,870

Health, Life, and Dental

This line item provides funding for the employer's share of the cost of group benefit plans providing health, life, and dental insurance for state employees. The Department request is for a total of \$8,099,173, including \$2,753,548 General Fund.

Pursuant to Committee policy, Staff recommends an appropriation of \$6,984,799, comprised of \$2,342,713 General Fund, \$3,931,177 cash funds from various sources, and \$710,909 cash funds from HUTF "off-the-top" moneys.

Short-term Disability

This line item provides funding for the employer's share of the state employees' short-term disability insurance premiums. The Department's request is for \$122,922, including \$45,933 General Fund.

Pursuant to Committee policy, Staff recommends an appropriation of \$120,639, including \$44,626 General Fund, \$66,063 cash funds, and \$9,950 cash funds from Highway Users Tax Fund (HUTF).

S.B. 04-257 Amortization Equalization Disbursement

This line item provides additional funding to increase the state contribution for the Public Employees' Retirement Association (PERA). The Department's amended request is for \$1,952,509, including \$734,606 General Fund.

Pursuant to Committee policy, staff recommends, an appropriation of \$1,900,011, including \$697,549 General Fund, \$1,045,067 cash funds, and \$157,395 cash funds from the HUTF.

S.B. 06-235 Supplemental Amortization Equalization Disbursement

This line item provides additional funding to increase the state contribution for PERA. The Department's amended request is for \$1,568,980, including \$590,309 General Fund.

Pursuant to Committee policy, staff recommends, an appropriation of \$1,523,042, including \$556,778 General Fund, \$839,786 cash funds, and \$126,478 cash funds from the HUTF.

Salary Survey and Senior Executive Service

This line item is used to pay for annual increases for salary survey and senior executive service positions. The Department did not request funding for this line. **Pursuant to Committee policy, staff recommends an appropriation of \$0.**

Performance-based Pay Awards

This line item funds pay increases related to employee performance evaluations. The Department did not request funding for this line. **Pursuant to Committee policy, staff recommends an appropriation of \$0.**

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. The Department's request is for \$165,320, including \$2,900 General Fund.

Committee policy is to take 40 percent of FY 2009-10 actual expenditures. **Pursuant to Committee policy, Staff recommends an appropriation of \$82,660**, comprised of \$1,450 General Fund, \$23,299 cash funds from various sources of cash funds, and \$57,911 from HUTF "off-the-top" moneys.

Workers' Compensation

This line item is used to pay the Department's estimated share for inclusion in the State's worker's compensation program for state employees. The program is administered by the Department of Personnel and Administration. The Department request is for \$870,553, including \$307,934 General Fund.

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

Operating Expenses

This line item provides funding for the Executive Director's Office expenses, including office supplies and materials, telecommunications, travel, training, printing, information technology updates and equipment maintenance and replacement, variable vehicle expenses including maintenance, fuel and insurance for the Department's assigned fleet, and a large portion of the Department capital outlay needs. The Department has requested an appropriation \$1,248,265, including \$492,006 General Fund. The Department's request includes both a supplemental appropriation and a common policy increase that the Committee has disapproved.

Staff recommends an appropriation of \$1,237,693, including \$481,434 General Fund, \$637,575 cash funds, and \$118,684 cash funds from the HUTF. The calculation of the recommended appropriation is detailed in the following table.

Executive Director's Office - Operating Expenses Appropriation Detail					
	Total	General Fund	Cash Funds	HUTF	Reapprop. Funds
FY 2011-12 Long Bill Appropriation	\$1,076,245	\$501,837	\$454,775	\$119,633	\$0
Special Bill Appropriations	293,167	(20,403)	198,381	(831)	116,020
Annualization of 2010 Decision Items	(14,180)	0	(14,180)	0	0
Annualization of Special Bills	<u>(117,539)</u>	<u>0</u>	<u>(1,401)</u>	<u>(118)</u>	<u>(116,020)</u>
Staff Recommendation	\$1,237,693	\$481,434	\$637,575	\$118,684	\$0

Legal Services

This line item funds the cost of purchasing legal services from the Department of Law based of the Department's level of legal service hours and the hourly rate which will be set by the Committee. The Department requests an appropriation \$1,509,742, including \$734,627 General Fund, \$763,340 cash funds from various sources, and \$11,775 cash funds from the HUTF. The Department's request is detailed in the following table:

Legal Services Hours Department Request		
	Legal Services Hours	Requested Appropriation
Long Bill Base Appropriation	11,165	\$819,176
Temporary Long Bill (through FY 2014- 15) appropriation for conservation easement backlog (2010 Budget Amendment)	5,400	\$396,198

Legal Services Hours Department Request		
	Legal Services Hours	Requested Appropriation
Annualization of H.B. 10-1284 (Regulation and Enforcement of Medical Marijuana)	3,600	\$271,368
Annualization of H.B. 10-1193 (Sales Tax out-of-state retailers)	265	\$20,000
Annualization of S.B. 10-141 (Ballot Measure to Transfer Bingo) Contingency request)	<u>75</u>	<u>\$3,000</u>
Department Request	20,505	\$1,509,742
JBC Staff Change (Reduce by request for Bingo regulation)	(75)	\$0
Staff Recommendation	20,430	Pending

Staff recommendation is for an appropriation sufficient to purchase 20,430 legal services hours. The appropriation recommendation is pending Committee common policy on the rate for legal service hours. Staff will ultimately reflect the Committee's common policy decision in the appropriation for this line.

Administrative Law Judge Services

This line item funds the purchase of administrative law judge and paralegal services from the Division of Administrative Hearings. The Department has requested \$4,114 cash funds.

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

Purchase of Services from Computer Center

This line item is for the purchase of services from the Computer Center from the Department of Personnel and Administration. The Department's request is for \$9,554,426, and 1.0 FTE, including \$5,505,027 General Fund.

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

Multiuse Network Payments

This line item is used to pay the Department's share of the statewide multi-use network. The Department's request is for \$3,070,927, including \$364,604 General Fund.

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

Management and Administration of OIT

This line item provides funding for the Department's share of the expenses of the Administration Division in the Office of Information and Technology (OIT). The Department's request is for \$1,053,864, including \$766,689 General Fund.

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

Payment to Risk Management and Property Funds

This line item provides funding for the Department's share of the statewide costs for two programs operated by the Department of Personnel and Administration: (1) the liability program (which provides coverage related to liability claims); and (2) the property program (which provides insurance coverage for state buildings and their contents). The Department's request is for \$207,890, including \$67,171 General Fund.

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

Vehicle Lease Payments

This line item provides funding for annual payments to the Department of Personnel and Administration for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles. The Department requested \$727,339, including \$89,697 General Fund.

The Department's request incorporates an two statewide common policy decision items. The Annual Fleet Vehicle Replacements increases the request by \$12,153, including \$15,413 General Fund and the Annual Fleet Vehicle Replacement Technical True-up increases the request by \$21,913 including \$17,538 General Fund.

Vehicle Replacements

The Department is requesting the replacement of seven vehicles in FY 2011-12, all in the Lottery Division. Four of the vehicles are cargo vans, each is projected to have at least 120,000 miles by the time they are replaced, and staff recommends approval of the replacement of these four vehicles with similar type vehicles.

The remaining three vehicles are for the security department. Each of these vehicles will have in excess of 140,000 miles on them by the time they are replaced. The Department is requesting that these vehicles be replaced with similar type vehicles. Two of the vehicles to be replaced are 4X4 utility vehicles, and one is a sedan. According the Department, the security department personnel need vehicles to "travel to high-tier ticket selling retailers to make sure the ticket sold is valid within 24 hours of the drawing." The security department's responsibilities take them to all parts of the State including traveling over mountain passes in the winter months. One utility vehicle would be assigned to Denver and the other to Pueblo.

Staff is unconvinced of the necessity for the lottery to purchase utility vehicles that cost more to purchase and operate than sedans. Staff obtained data from the Department of Personnel and Administration on the cost to purchase and operate these vehicles, detailed in the table below.

Vehicle Purchase Price and Operating Costs Sedan vs. SUV 4X4							
Vehicle Type	Purchase Price	Lease Term (months)	Lease Rate/ Month	Maint. CPM	Fuel CPM	Total CPM /a	Operating Costs for 150,000 miles
Sedan	\$18,399	120	\$195	\$0.057	\$0.080	\$0.137	\$20,550
SUV 4X4 /b	\$18,114/ \$21,900	96	\$255/ \$309	\$0.071	\$0.120	\$0.191	\$28,650

/a Does not include common accident rate CPM across all classes of vehicles of \$0.016.

/b Two different types of SUV are slated for purchase. The Department of Personnel and Administration classifies them as one type for cost per mile for maintenance and fuel expense.

The Department states that it has to go to all parts of the state as the reason for requiring 4X4 utility vehicles in order to check on retailers compliance with law and regulations. However, the Liquor Enforcement Division and the Tobacco Enforcement Program, which also must travel throughout the state and must respond in a timely manner to complaints, operate 18 vehicles, of which 16 are sedans and two are small vans. The Tax Compliance section, also with statewide responsibilities, has 31 vehicles, of which 30 are sedans and one is an SUV.

Staff cannot justify to the Committee the purchase of 4X4 utility vehicles for the occasional need to travel over mountain passes during storms. As seen in the table above, these vehicle cost almost 40 percent more to operate over their lifetimes. Most retailers are located on paved roads that do not require 4X4 vehicles to reach **Staff recommends the replacement of the seven vehicles requested by the Department, however the recommended mix is four cargo vans and three sedans.**

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

Leased Space

This line item funds leasing costs for more than 80 office locations throughout the state, mostly for Drivers License Offices and State Lottery Offices. The breakdown of the uses of the leased space is shown in the table below. The Department has requested an appropriation of \$3,437,846, including \$512,451 General Fund, and \$2,925,395 cash funds from various cash fund sources.

The following table shows a breakdown of the Department's leased space base request for the various programs within the Department.

Department of Revenue Allocation of Leased Space by Division						
	FY 2009-10 Actual		FY 2010-11 Appropriation		FY 2011-12 Request.	
	Sq. Ft.	Total	Sq. Ft.	Total	Sq. Ft.	Total
Cash Documents	12,437	\$ 27,500	12,437	\$ 31,500	12,437	\$ 31,500
Information Technology	264	3,853	264	4,770	264	4,770
Taxation	22,269	339,462	24,424	469,964	24,424	469,964
Motor Vehicle	82,796	1,308,885	83,906	1,458,549	83,906	1,458,549
Enforcement	12,705	145,046	43,085	762,374	43,085	762,374
State Lottery	<u>62,038</u>	<u>692,427</u>	<u>68,538</u>	<u>710,689</u>	<u>68,538</u>	<u>710,689</u>
Total	192,509	\$2,517,173	232,654	\$3,437,846	232,654	\$3,437,846

The increase from FY 2009-10 to FY 2010-11 is primarily the result of the appropriation for leased space in H.B. 10-1284, which regulates the dispensing, cultivating and manufacturing of medical marijuana and medical marijuana infused products.

Staff recommends an appropriation of \$3,437,846, including \$512,451 General Fund, and \$2,925,395 cash funds.

Capitol Complex Leased Space

This line item funds payments to the Department of Personnel and Administration for the costs of maintaining state buildings that are part of the Capitol Complex. The Department has requested a total of \$1,801,129, including \$1,154,926 General Fund for the following leased space within the Capitol Complex Facilities:

Capitol Complex Leased Space Allocation Location			
	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Recommendation
Location	Square Feet	Square Feet	Square Feet
Capitol Complex	74,580	74,580	74,580
Grand Junction	5,869	5,869	5,869
North Campus	5,700	5,700	5,700
Pierce Street	<u>116,448</u>	<u>116,448</u>	<u>116,448</u>
Total	202,597	202,597	202,597

Staff recommends providing sufficient funding to cover the leased space costs for a total of 202,597 square feet, as identified in the table above. Staff recommendation for the

appropriation is pending Committee common policy on lease rates. Staff will ultimately reflect the Committee's common policy decision in the appropriation for this line.

Communications Services Payments

This line item funds the Department's payments to the Department of Personnel and Administration to support the statewide Digital Trunked Radio system per Common policy. The Department's request is for \$66,619, including \$11,148 General Fund.

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

Utilities

This line item provides funding to support the cost of utilities at the Department's state-owned facilities that include driver's license offices, ports-of-entry, and gaming offices. The Department has requested a continuation appropriation of \$247,119, all of which is from various cash funds sources.

Staff recommends a continuation appropriation of \$247,119 cash funds, including \$103,416 cash funds from the HUTF.

(2) CENTRAL DEPARTMENT OPERATIONS

This division picks up, receives, sorts, and distributes documents, checks, cash, correspondence and other documents for the Department. It maintains business tax account registrations and prepares business tax documents, validating each non-processable document with an identification number. It batches and prepares processable documents, encodes and endorses checks, assigns validation numbers and captures information from tax documents with scan lines, produces images of all checks and most documents, and prepares checks for deposit.

The division enters tax data into the tax information systems, and reviews and corrects data before it posts to the master files. It establishes taxpayer accounts and taxpayer liability, and deposits payments, including electronic funds transfers, and prepares refunds. Last year the division processed approximately 6.4 million pieces of outgoing mail and approximately \$10 billion in of tax and fee payments. The division also designs and produces the Department's more than 2,448 forms and publications, including web-based forms, and mails motor vehicle titles, income tax refund warrants, tax forms, tax coupon books, notices of driver hearings and other confidential and time sensitive materials. The division ensures proper storage, retention, and disposition of all Department records.

Central Department Operations				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management/Supervisors	12.9	14.0	14.0	14.0
Administrative Support	50.5	51.4	52.6	52.6
Accountants	9.9	9.0	9.0	9.0
Professionals	5.0	5.2	5.0	5.0
Tax Examiners	<u>21.0</u>	<u>24.0</u>	<u>24.0</u>	<u>24.0</u>
Total	99.3	103.6	104.6	104.6

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requests an appropriation of \$5,219,326 and 102.0 FTE, including \$4,416,657 General Fund, \$613,140 cash funds from various sources, \$103,260 cash funds from the HUTF "off-the-top", and \$86,269 reappropriated funds from the Limited Gaming Fund and the State Lottery Fund.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), annualization of FY 2010-11 decision items and budget amendments, the Governor's proposed 2.0 percent General Fund Personal Services cut, and the Statewide PERA contribution reduction. Pursuant to approved

Committee policy, the Governor's proposed 2.0 percent General Fund personal services cut has been replaced with a 1.5 percent personal services base reduction from all fund sources.

Staff recommends an appropriation of \$5,231,316 and 104.6 FTE, including \$4,440,922 General Fund, \$603,763 cash funds from various sources, including \$101,681 from HUTF "off-the-top" moneys, and \$84,950 reappropriated funds from the Limited Gaming Fund and State Lottery Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Central Department Operations						
		FTE	General Fund	Cash Funds	HUTF	Reapprop. Funds
FY 2010-11 Long Bill	\$5,210,827	102.0	\$4,812,416	\$217,820	\$97,786	\$82,805
2010 Special Bill Appropriations	58,342	1.6	(248,906)	58,342	248,906	0
Supplemental Appropriation	<u>(45,635)</u>	<u>0.0</u>	<u>(45,635)</u>	<u>0</u>	<u>0</u>	<u>0</u>
FY 2010-11 Appropriation	\$5,223,534	103.6	\$4,517,875	\$276,162	\$346,692	\$82,805
Annualization of PERA Contribution Shift	112,270	0.0	98,231	4,693	7,562	1,784
Annualization of 2010 Special Bills	34,898	1.0	0	283,804	(248,906)	0
Annualization of Supplemental Appropriation	45,635	0.0	45,635	0	0	0
Indirect Costs Adjustments	0	0.0	(63,752)	60,458	(71)	3,365
Statewide 1.5 % Vacancy Savings Base Reduction	(81,245)	0.0	(68,970)	(9,377)	(1,579)	(1,319)
Statewide SB 11-076 PERA contribution reduction	<u>(103,776)</u>	<u>0.0</u>	<u>(88,097)</u>	<u>(11,977)</u>	<u>(2,017)</u>	<u>(1,685)</u>
Staff Recommendation	\$5,231,316	104.6	\$4,440,922	\$603,763	\$101,681	\$84,950

Seasonal Tax Processing

While the Department receives and processes tax and fee payments year-round, this line item funds the seasonal processing expenses that occur during the individual income tax filing season. The Department requests an appropriation of \$397,545 General Fund, which is sufficient to fund 13 temporary employees during the tax processing season.

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

Operating Expenses (Decision Items #1 & 2)

This line item provides the Department its forms creation and processing (approximately 50% of the line), and general office supplies for the Division. The Department requests an appropriation of \$1,365,601, including \$1,217,644 General Fund.

Decision Item #1 - Remittance Processing System Software Upgrade

The Department requests a total increase of \$180,065 General Fund for the purchase of a software upgrade to the remittance processing system. The request includes \$145,000 for this line item and a total of \$34,065 for two other line items in the Information Technology Division.

This request is required because the State was notified by the remittance processing system software vendor that it would no longer support the current version of the software after July 1, 2011. The State received this notification in April 2010.

The remittance processing system prepares various tax documents for deposit of the daily revenue into the Treasury. The system processes approximately 2.8 million checks worth about \$3.2 billion per year. The system performs the following functions:

- Captures account numbers, liability amounts, and check amounts;
- Balances transactions;
- Applies endorsement information to the back of each check;
- Assigns document control numbers and applies the number to checks and remittance documents;
- Captures images of all checks and all coupon-sized remittance documents;
- Creates daily deposit slips; and,
- Creates reports and populates data and image files into the tax system.

The remittance system was installed in January, 2000, and was expected to have a useful life of seven years. Through measures designed to extend its life, the Department has extended that life to over 11 years. However, the software vendor will not support the current system after July 1, 2011. Without the system support of the vendor, there is an increased risk of system failure that would delay deposits of State General Fund revenue and the distribution of sales tax receipts to local jurisdictions. There would also be significant expense to implement a manual system to temporarily replace the existing processing system and to purchase replacement software on an emergency basis.

The request is for a total of \$180,065, which includes \$145,000 for this line item. For this line item, the request is for the purchase of the software upgrade (\$135,000) and onsite installation services (\$10,000). It also requires the purchase of a server and related operating software for \$26,265 and integration services from the Governor's Office of Information Technology of \$8,800. These will be requested in the Information Technology Division.

Staff recommends approval of Decision Item #1, for a one-time total of \$180,065 General Fund, including \$145,000 for this line item.

Decision Item #2 - Sales Tax Delinquency Billings

The Department requests an increased appropriation of \$121,991 General Fund to expand the number of billings sent to delinquent sales tax accounts. The request is split between this line item (\$17,643) and the Postage line item (\$104,348). The requested appropriation for this line item is for supplies such as perforated paper and envelopes to support mailings to delinquent taxpayers.

The Department estimates that funding this request will increase General Fund revenues by \$2.24 million in FY 2011-12 and by \$2.69 million in subsequent years. It will also increase revenues of local jurisdictions because the State collects sales taxes for the majority of cities, counties, and special districts.

The Department maintains custody of delinquent accounts for up to one year, after which it refers those accounts to collections agencies. The Department focuses most of its efforts for delinquent accounts for the first 140 days, sending a series of mailings. For the last seven months, it works with delinquent taxpayers that have set up accounts, but does not mail monthly statements to those taxpayers.

The scheduled implementation of the sales tax module of the Colorado Integrated Tax Architecture in October 2011 allows the Department to implement industry best practices, which includes making monthly mailings to delinquent taxpayers for the remaining seven months that the Department has possession of the account.

Staff recommends approval of the decision item for an ongoing appropriation totaling \$121,991 General Fund, including an increase of \$17,643 for this line item.

Staff recommends an appropriation of \$1,365,601, including \$1,217,644 General Fund and \$147,957 cash funds from various sources. Staff's calculation of the recommended appropriation is detailed in the following table.

Central Department Operations Operating Expense					
	Total	General Fund	Cash Funds	HUTF	Reapprop. Funds
FY 2010-11 Long Bill Appropriation	\$1,191,888	\$1,055,001	\$136,887	\$0	\$0
2010 Special Bills	<u>8,933</u>	<u>0</u>	<u>8,933</u>	<u>0</u>	<u>0</u>
FY 2010-11 Appropriation	\$1,200,821	\$1,055,001	\$145,820	\$0	\$0

Central Department Operations Operating Expense					
	Total	General Fund	Cash Funds	HUTF	Reapprop. Funds
Annualization of 2010 Special Bills	2,137	0	2,137	0	0
Decision Item #1 - Remittance Processing System Software Upgrade	145,000	145,000	0	0	0
Decision Item #2 - Sales Tax Delinquency Billings	<u>17,643</u>	<u>17,643</u>	<u>0</u>	<u>0</u>	<u>0</u>
Department Request	\$1,365,601	\$1,217,644	\$147,957	\$0	\$0

Postage (Decision Item # 2)

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.

The Department has requested \$3,090,752, including \$2,744,148 General Fund, \$332,695 cash funds and \$13,909 cash funds from the HUTF. The request incorporates appropriations from special bills passed during the 2010 session, the annualization of those bills, and Decision Item # 2, Sales Tax Delinquency Billings.

Decision Item #2 - Sales Tax Delinquency Billings

Staff recommends increasing the appropriation by \$104,438 General Fund, as discussed in the Central Department Operations, Operating Expenses line item above.

Staff recommends an appropriation of \$3,090,752, including \$2,744,148 General Fund, \$332,695 cash funds from various sources, and \$13,909 cash funds the HUTF.

Pueblo Data Entry Center Payments

This line item provides funding for the data entry services provided by the Department of Personnel and Administration to capture information from paper tax forms and from driver's license documentation. The Department requests \$1,910,582, including \$1,875,719 General Fund and \$34,863 cash funds from various sources. The request incorporates appropriations from special bills passed during the 2010 session and the annualization of those bills.

Staff recommends an appropriation of \$1,910,582, including \$1,875,719 General Fund, and \$34,863 cash funds from various sources.

DOCUMENT IMAGING AND STORAGE

This line provides funding for the Department to image and store tax returns and related documentation primarily for audit purposes, account error resolutions, or taxpayer requests and inquiries. The Department request a continuation appropriation of \$394,290 General Fund.

Staff recommends a continuation appropriation of \$394,290 General Fund.

(3) INFORMATION TECHNOLOGY DIVISION

The Division is responsible for the maintenance of the Department systems for three business groups and the Executive Director's Office. The division has two subdivisions, Systems Support, which provides most of the Department's information technology services, and the Colorado State Titling and Registration System (CSTARS) unit, which supports the CSTARS information system.

Due to the FY 2010-11 consolidation of information technology services into the Governor's Office of Information Technology (OIT), most of the appropriations in this Division were transferred to the OIT. The Department will be charged back for those services through centrally-appropriated line items in the Executive Director's Office.

(A) SYSTEMS SUPPORT

This unit currently supports 51 separate tax information systems; systems for driver's licenses, vehicle records, accident statistics, and fuel taxes; the International Registration Plan, the Commercial Vehicle Electronic Credentialing system and ports of entry business system; and enforcement systems for licensing, reporting, tax filing, and case management. It also provides production and enterprise services, data and voice communication infrastructure, information security, personal computer support, and centralized print operations. In addition, this unit responsible for programming that implements session legislation.

Information Technology Division - Systems Support				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management and Administration	12.2	0.0	0.0	0.0
Programmers/Analysts	29.2	0.0	0.0	0.0
Database Analysts	6.1	0.0	0.0	0.0
Network Support	10.0	0.0	0.0	0.0
Computer Support	2.7	0.0	0.0	0.0
Other Support	6.2	0.0	0.0	0.0
Telecommunications	2.0	0.0	0.0	0.0
Legislative Programming	<u>2.2</u>	<u>3.0</u>	<u>2.2</u>	<u>0.0</u>
Total	70.6	3.0	2.2	0.0

Personal Services (Decision Item #1)

This line item pays for contract services. The Department has requested an appropriation of \$167,978, including \$112,174 General Fund, \$33,377 cash funds from various sources, \$9,654 cash funds from the HUTF, and \$12,773 reappropriated funds. The request incorporates appropriations from special bills passed during the 2010 session, the annualization of those bills, and Decision Item # 1,

Remittance Processing System Software Upgrade, as well as a 2.0 percent General Fund Personal services cut as requested by the Governor.

Pursuant to Committee policy, staff has substituted a 1.5 percent vacancy savings base reduction for the Governor's recommendation of a 2.0 percent one-time General Fund personal services cut. This base reduction applies to all personal services lines and all fund sources.

The Department's request also included \$11,401 cash funds for the regulation of Bingo and Raffle games. The proposal to move the regulation of those games to the Department of Revenue from the Department of State failed during the 2010 election. It is not included in the staff recommendation.

Decision Item # 1 - Remittance Processing System Software Upgrade

As discussed in the Central Department Operations Division, **staff recommends a one-time increase in the appropriation for this line item of \$8,800 General Fund**, which is for services provided by OIT for the integration of the system.

Staff recommends an appropriation of \$156,306, including \$101,169 General Fund, \$33,047 cash funds from various sources, \$9,509 cash funds from HUTF "off-the-top" moneys, and \$12,581 reappropriated funds.

Operating Expenses

This line funds information technology related contracts for the Department, telecommunications expenses, general office supplies, and printing costs. The Department requests an appropriation of \$800,222, including \$686,024 General Fund and \$114,198 cash funds. The request includes appropriations from special bills passed during the 2010 session, the annualizations of those special bills, and an appropriation for Decision Item # 1, Remittance Processing System Software Upgrade, as well as a 2.0 percent General Fund Personal services cut as requested by the Governor.

Decision Item # 1 - Remittance Processing System Software Upgrade

As discussed in the Central Department Operations Division, **staff recommends a one-time increase in the appropriation for this line item of \$26,265 General Fund**, which is for the purchase of a server and associated software for the remittance processing system.

Staff recommends a appropriation of \$800,222, including \$686,024 General Fund and \$114,198 cash funds from various sources.

Programming Costs for 2008 Session Legislation

In previous years, this line funded the costs for the Department to reprogram its information technology systems to implement legislation passed by the General Assembly. In line with Committee Policy adopted in 2010, **Staff recommends that this line be eliminated**. The costs associated with programming associated with session legislation for the Department of Revenue are now being included in the appropriations for each bill.

(B) COLORADO STATE TITLING AND REGISTRATION SYSTEM

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

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

Insolvency of Colorado State Titling and Registration Account.

At the staff briefing for the Department of Revenue in December 2009, staff advised the Committee that the Colorado State Titling and Registration (CSTAR) Account of the Highway Users Tax Fund (HUTF) was potentially headed for insolvency. *At that time*, the projection for the CSTAR Account was that by the end of FY 2010-11, the expenditures would have exceeded available funds, requiring expenditure reductions that would have impacted the ability of the Department to process titles and registrations in a timely manner.

During the 2010 session, the General Assembly passed H.B. 10-1341, which, for FY 2010-11 and FY 2011-12 transfers the end-of-year fund balance in the Motorist Insurance Identification Account (another sub-account of the HUTF) to the CSTAR Account, thus alleviating funding concerns for the system for those two fiscal years.

The JBC is currently carrying a bill (H.B. 11-1182) that adds a fee for the CSTAR system to vehicles registrations while reducing the fee for the Motorist Insurance Identification Account. That bill has passed the House and is now in the Senate. It would alleviate funding issues with the CSTAR account for the near future.

Information Technology Division - Colorado State Titling and Registration System				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management and Administration	4.6	0.0	0.0	0.0
Customer Support	6.8	0.0	0.0	0.0
Computer Support	3.3	0.0	0.0	0.0
Network Support	5.4	0.0	0.0	0.0
Programmers/Analysts	<u>8.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

Information Technology Division - Colorado State Titling and Registration System				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Total	28.4	0.0	0.0	0.0

Personal Services

This line item pays for contract services. The personnel that were formerly funded by this line have been transferred to OIT and are funded from centrally appropriated line items in the Executive Director's Office. The Department requests funding of \$449,429 cash funds.

Because this line is cash funded, the Governor's original request did not include any personal services reduction. Pursuant to Committee policy, staff has applied the 1.5 percent vacancy savings base reduction to this line for the recommended appropriation. That reduction reduces the appropriation by \$6,741

Staff recommends an appropriation of \$442,688 cash funds from the CSTARS account.

Operating Expenses

This line item funds information technology related contracts for the Department as they relate specifically to the Colorado State Titling and Registration System. Other costs include telecommunications expenses, general office supplies and printing expenses. The Department has requested a continuation appropriation of \$2,617,535 cash funds from the CSTARS account.

Staff recommends an appropriation of \$2,617,535 cash funds from the CSTARS account.

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). The Department is requesting continuation funding of \$568,230 cash funds from the CSTAR account.

Staff recommends an appropriation of \$568,230 cash funds from the CSTAR Account.

County Office Improvements (Decision Item #6)

This line item provide funding for improvements to and expansion of county offices to provide services related to CSTARS. Counties are required by statute (Section 42-1-210, C.R.S.) to provide motor vehicle title and registration services in a manner that is convenient and easily accessible to the public. The State (Department of Revenue) is required to provide necessary data processing equipment, software, support, and training to support the counties (Section 42-1-211, C.R.S.) The line item was established to provide for a stable appropriation to fund the expansion and improvements to the CSTAR system. Funding requests for this line item are based on approval from the CSTARS Advisory Committee (Section 42-1-211 (4), C.R.S.), which receives and prioritizes requests from the counties for funding the expansions and improvements in county offices.

Decision Item # 6 - County Office Improvements

The Department requests an increase in the appropriation for this line item of \$38,062 cash funds from the CSTAR Account. The request would provide funding for the opening of a new office in Norwood, in San Miguel County. The request includes funds to purchase a server, two workstations and two printers. San Miguel County supports the opening of the new office to better serve residents of the County who must currently travel mountainous roads, sometimes during extreme weather conditions to get to the County Courthouse in Telluride. The request for funding for this office has been presented to the CSTAR Advisory Committee and that Committee has approved San Miguel County's request and asks for approval of the funding.

Staff recommends an appropriation of \$78,062 cash funds from the Colorado State Titling and Registration Account.

(4) TAXATION BUSINESS GROUP

This group is charged with collection, administration, auditing and enforcement responsibilities for all taxes, fees, bonds, and licenses covered under Colorado tax laws. This group includes an administrative section, the Taxation and Compliance Division, the Taxpayer Service Division, the Tax Conferee, which carry out programmatic functions, and a Special Purpose section for administering various rebates, distributions, and grants.

(A) ADMINISTRATION

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

Taxation Business Group Administration				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management and Administration	2.0	2.0	2.0	2.0
Financial Services	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Total	6.0	6.0	6.0	6.0

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department's request is for an appropriation \$550,491 General Fund and 6.0 FTE. This includes \$545,478 General Fund.

The Governor's request for a 2.0 percent one-time reduction in personal services did not apply to this line. Pursuant to approved Committee policy, staff has included this line item for the 1.5 percent personal services base reduction.

Staff recommends an appropriation of \$542,004 and 6.0 FTE, including \$537,068 General Fund and \$4,936 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Taxation Business Group - Administration				
	Total	FTE	General Fund	Cash Funds
FY 2010-11 Long Bill Appropriation	\$553,319	6.0	\$548,110	\$5,209
Annualization of SB 10-146 PERA Contribution Change	12,473	0.0	12,356	117
Indirect Costs Adjustments	0	0.0	174	(174)
Statewide 1.5% Personal Services Base Reduction	(8,487)	0.0	(8,410)	(77)
Statewide SB 11-076 PERA contribution reduction	<u>(15,301)</u>	<u>0.0</u>	<u>(15,162)</u>	<u>(139)</u>
Staff Recommendation	\$542,004	6.0	\$537,068	\$4,936

Operating Expenses

This line item funds the Taxation Group's portion of a high volume printer that several groups share. This printer is capable of producing the forms and mass billings that the Taxation Group requires. The line also funds general office expenses needed for this section. The Department requests a continuation appropriation of \$14,050 General Fund.

Staff recommends an appropriation of \$14,050 General Fund.

(B) TAXATION AND COMPLIANCE DIVISION

This division enforces Colorado's tax laws. It conducts more than 7,000 field audits each year, primarily for retail sales tax, consumer use tax, corporate income tax, and mineral royalties. Tax agents are located in Denver and in six district offices around Colorado, as well as out-of-state offices located in the New York City metro area, Chicago, Houston, Dallas, Los Angeles, and San Francisco. The division's new Discovery Unit investigates the nexus or legal presence of taxpayers to determine if their presence in Colorado is sufficient to subject them to Colorado tax laws. Division staff also contacts delinquent taxpayers; verify licensing; issues distraint warrants; file property tax liens, transcripts of judgment, bankruptcy claims, writs of garnishment; and refer cases for criminal prosecution when necessary. The Division also manages the Joint Audit Program, the Joint Federal/State Motor Fuel Tax program and the Mineral Audit Program.

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

Taxpayer Business Group Taxation and Compliance (Including Mineral Audit Program)				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 request	FY 2011-12 Recommendation
Management and Administration	19.4	16.0	16.0	16.0
Revenue Agent	80.4	113.0	113.0	113.0
Compliance Agent	34.4	36.0	36.0	36.0
Tax Examiners	65.5	84.4	84.9	84.9
Criminal Investigator	1.0	1.0	1.0	1.0
Program Assistants	<u>1.7</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total	202.4	252.4	252.9	252.9

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$15,500,665 and 241.9 FTE, including \$15,344,443 General Fund.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), annualization of FY 2010-11 decision items and budget amendments, the Governor's proposed 2.0 percent General Fund Personal Services cut, and the Statewide PERA contribution reduction. Pursuant to approved Committee policy, the Governor's proposed 2.0 percent General Fund personal services cut has been replaced with the 1.5 percent personal services base reduction from all fund sources.

Staff recommends funding of \$15,610,759 and 241.9 FTE, including \$15,456,880 General Fund, \$52,090 cash funds and \$101,789 reappropriated funds from the Mineral Audit Program. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Taxation Business Group - Taxation and Compliance Division					
	Total	FTE	General Fund	Cash Funds	Reapprop. Funds
FY 2010-11 Long Bill	\$15,796,332	240.4	\$15,634,601	\$59,548	\$102,183
2010 Special bill appropriations	121,584	1.0	121,584	0	0
FY 2010-11 Supplemental appropriation	<u>(50,257)</u>	<u>0.0</u>	<u>(50,257)</u>	<u>0</u>	<u>0</u>
FY 2010-11 Appropriation	15,867,659	241.4	15,705,928	59,548	102,183

Personal Services Calculation					
Taxation Business Group - Taxation and Compliance Division					
	Total	FTE	General Fund	Cash Funds	Reapprop. Funds
Annualization of FY 2010-11 decision items	22,807	0.5	22,807	0	0
Annualization of 2010 special bills	(55,625)	0.0	(55,625)	0	0
Annualization of PERA contribution change	283,368	0.0	282,279	1,089	0
Annualization of FY 2010-11 Supplemental appropriation	50,257	0.0	50,257	0	0
Indirect costs adjustments	1,156	0.0	7,754	(7,754)	1,156
Personal services base reduction	(242,544)	0.0	(240,201)	(793)	(1,550)
Statewide SB 11-076 PERA contribution reduction	<u>(316,319)</u>	<u>0.0</u>	<u>(316,319)</u>	<u>0</u>	<u>0</u>
Staff Recommendation	\$15,610,759	241.9	\$15,456,880	\$52,090	\$101,789

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. The Department is requesting \$1,054,468, including \$1,044,002 General Fund. The request includes annualization a FY 2010-11 budget amendment.

Staff recommends an appropriation of \$1,054,468, including \$1,044,002 General Fund and \$10,466 cash funds. The recommendation is detailed in the following table:

Operating Expenses Calculation			
Taxation Business Group - Taxation and Compliance Division			
	Total	General Fund	Cash Funds
FY 2010-11 Long Bill appropriation	\$1,082,488	\$1,072,022	\$10,466
Annualization of FY 2010-11 decision item/budget amendment	<u>(28,020)</u>	<u>(28,020)</u>	<u>0</u>
JBC Staff Recommendation	\$1,054,468	\$1,044,002	\$10,466

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

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

Mineral Audit Program

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

The majority of the funding comes from the federal government, with the remainder coming from the State Land Board and the Oil and Gas Conservation Commission, both in the Department of Natural Resources. The Department is requesting \$789,701 and 11.0 FTE, including \$66,000 reappropriated funds from the State Land Board Administration Fund (\$65,500) and from the Oil and Gas Conservation Fund (\$500), and \$723,701 federal funds. The Department's request reflects a funding adjustment by the Federal Government of an increase of \$3,451

Staff recommends an appropriation of \$789,701 and 11.0 FTE, including \$66,000 reappropriated funds from the State Land Board Administration Fund and the Oil and Gas Conservation Fund, and \$723,701 federal funds.

(C) TAXPAYER SERVICE DIVISION

The Taxpayer Services Division is designed to facilitate the process of filing tax returns and understanding the state's tax system by outreach activities and by staffing a call center which answers questions from the taxpaying public. Efforts are also focused on distributing information through the media and by maintaining a website. The division maintains regional service centers in Grand Junction, Fort Collins, Denver, Colorado Springs, and Pueblo to serve walk-in taxpayers. It produces public information and education programs that enhance voluntary compliance. The staff not only provides information but also may resolve problems by updating or correcting a taxpayer's account or by explaining the department's position on the basis of tax law and policy.

This division collects local sales taxes on behalf of 246 cities, counties, and special districts. It ensures that all taxpayer liabilities have been paid to other state agencies, as well as to the U.S. Internal Revenue Service, before a refund is issued. The division administers the property tax/rent heat/fuel grant program; severance taxes; the gasoline, special fuel, and aviation fuel environmental response surcharge; the International Fuel Tax Agreement; cigarette, tobacco, and liquor excise taxes; public utility assessments; and food service licensing.

The following table provides information on the Division's personnel assignments.

Taxation Business Group Taxpayer Service Division				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management and Administration	5.0	6.0	6.0	6.0
Professionals	5.8	6.0	6.0	6.0
Tax Examiners	<u>62.4</u>	<u>69.9</u>	<u>69.9</u>	<u>69.9</u>
Total	73.2	81.9	81.9	81.9

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$4,597,269 and 79.4 FTE, including \$4,506,665 General Fund, and \$90,604 cash funds.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), annualization of FY 2010-11 decision items and budget amendments, the Governor's proposed 2.0 percent General Fund Personal Services cut, and the Statewide PERA contribution reduction. Pursuant to approved Committee policy, the Governor's proposed 2.0 percent General Fund personal services cut has been replaced with the 1.5 percent personal services base reduction from all fund sources.

Staff recommends an appropriation of \$4,569,454, and 80.4 FTE, including \$4,470,869 General Fund and \$98,585 cash funds from the Aviation Fund and Private Letter Rulings. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Taxation Business Group - Taxpayer Service Division				
	Total	FTE	General Fund	Cash Funds
FY 2010-11 Long Bill	\$4,680,705	80.4	\$4,590,101	\$90,604
FY 2010-11 Supplemental Appropriation	<u>(42,000)</u>	<u>0.0</u>	<u>(42,000)</u>	<u>0</u>
FY 2010-11 Appropriation	\$4,638,705	80.4	\$4,548,101	\$90,604
Annualization of FY 2010-11 decision items/budget amendments	(41,490)	0.0	(41,490)	0
Annualization of PERA contribution change	87,700	0.0	85,972	1,728
Annualization of FY 2010-11 Supplemental Appropriation	42,000	0.0	42,000	0

Personal Services Calculation				
Taxation Business Group - Taxpayer Service Division				
	Total	FTE	General Fund	Cash Funds
Indirect costs adjustments	0	0.0	(7,754)	7,754
Statewide 1.5% personal services base reduction	(70,903)	0.0	(69,402)	(1,501)
Statewide SB 11-076 PERA contribution reduction	(86,558)	0.0	(86,558)	0
Staff Recommendation	\$4,569,454	80.4	\$4,470,869	\$98,585

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. The Department is requesting a continuing appropriation of \$402,035, including \$401,535 General Fund and \$500 cash funds.

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

Fuel Tracking System

Pursuant to Section 39-27-109, C.R.S., the Department of Revenue tracks the movement of gasoline and special fuel with the goal of expediting the collection of excise taxes. Most funding provides an electronic tracking system maintained by a third party. Funding for this program is from the Highway Users Trust Fund (not from "off-the-top" moneys), pursuant to Section 43-4-201 (3) (a) (V), C.R.S. The Department is requesting a appropriation of \$484,559 cash funds and 1.5 FTE.

The Department's request incorporates the annualization of the S.B. 10-146 Statewide PERA contribution shift and the extension of the PERA contribution shift for FY 2011-12.

Staff recommends an appropriation of \$484,559 cash funds and 1.5 FTE from the Highway Users Tax Fund (HUTF). This includes a reduction of \$2,035 for the statewide PERA contribution reduction. Under Section 43-4-201 (3) (a) (V), C.R.S., expenditures to administer this program are from the HUTF (not "off-the-top" moneys).

(D) TAX CONFEREE

This section conducts pre-hearing conferences to resolve protests of tax assessments and refund denials, so that the dispute does not need to proceed to a formal administrative hearing. The tax conferee resolves about 95 percent of disputes at a pre-hearing conference. If a pre-hearing fails, tax conferee staff coordinate legal representation in hearings and lawsuits and facilitate settlements at any stage. Under section 29-2-106.1, C.R.S., Department staff may hear appeals of final decisions from home rule cities and counties.

Taxpayer Business Group Tax Conferee				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management and Administration	2.0	2.0	2.0	2.0
Tax Conferees	<u>6.0</u>	<u>9.7</u>	<u>10.0</u>	<u>10.0</u>
Total	8.0	11.7	12.0	12.0

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$1,513,996 General Fund and 12.0 FTE. In the FY 2010-11 Long Bill, a budget amendment was approved to eliminate the conservation easement backlog over a five-year period. The appropriation was increased by \$576,189 and 3.7 FTE as a result of that budget amendment.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. This Division was not subject to the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$1,492,208 and 12.0 FTE General Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Taxation Business Group - Tax Conferee		
	FTE	General Fund
FY 2010-11 Long Bill	11.7	\$1,490,775
Annualization of FY 2010-11 budget amendment	0.3	27,704
Annualization of S.B. 10-146 PERA contribution change	0.0	18,214
Statewide 1.5% personal services base reduction	0.0	(23,050)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(21,435)</u>
Staff Recommendation	12.0	\$1,492,208

Operating Expenses

This line item funds subscriptions to legal research materials and phone charges, plus general office supplies. The Department requests an appropriation of \$24,604 General Fund. The Department request incorporates a annualization of the FY 2010-11 budget amendment for the conservation easement backlog that reduces the request by \$18,680.

Staff recommends an appropriation of \$24,604 General Fund.

(E) SPECIAL PURPOSE

This section of the Long Bill shows four "pass-through" programs administered by the Department. The oversight costs are relatively small and are absorbed by other divisions within the Taxation Business Group. All funds are continuously appropriated.

Cigarette Tax Rebate (Budget Reduction Request #1)

Pursuant to Section 39-22-623, C.R.S., this program distributes 27 percent of the gross state cigarette tax to incorporated cities and towns that levy taxes and adopt formal budgets as well as to counties. These distributions are made according to a state sales tax collection formula, which the Department of Revenue annually certifies to the State Treasurer. In order to qualify for the rebate, units of local government are prohibited from imposing fees, licenses or taxes on cigarettes. This appropriation is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S. The Governor proposed a two-year suspension of this rebate in his FY 2011-12 budget request, and the Department requested an appropriation of \$0 General Fund. The JBC carried a bill to suspend the rebate for the remainder of FY 2010-11, and for FY 2011-12 and FY 2012-13. That bill (S.B. 11-162) was lost.

Therefore, Staff recommends reflecting Legislative Council staff's December 2010 estimate of \$11.0 million General Fund for this line. Staff requests permission to update and include the March 2011 Legislative Council estimate in the Long Bill. This figure is included in the Long Bill for informational purposes only.

Amendment 35 Distribution to Local Governments

House Bill 05-1262 implemented Amendment 35, passed by the voters in November 2004. Three percent of the total Revenue and interest earned on proceeds deposited into the Tobacco Tax Cash Fund are earmarked for municipal and county governments to "compensate proportionately for tax Revenue reductions attributable to lower cigarette and tobacco sales resulting from implementation of the tax." These moneys are allocated to local governments according to the provisions set forth in Section 39-22-623, C.R.S. The Department of Revenue is part of the 3 percent allocation to the General Fund (20%), the Old Age Pension Medical Fund (50%), and the Department of Revenue (30%). The Department requests a continuation budget of \$1,341,000 cash funds.

Based on the December 2010 Legislative Council Staff Economic Forecast, staff estimates that \$1,314,900 will be available for this line in FY 2011-12. In addition, due to forecast errors in past years, there is an additional \$23,400 available that has not been appropriated in FY 2010-11.

Staff recommends an appropriation of \$1,338,300 cash funds from the Tobacco Tax Cash Fund.

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.

The Department requests an appropriation of \$7.7 million General Fund. **Staff recommends reflecting the Legislative Council staff's December 2010 estimate of \$7.5 million General Fund for this line. Staff requests permission to update and include the March 2011 Legislative Council estimate in the Long Bill.** This figure is included in the Long Bill for informational purposes only.

Alternative Fuels Rebate

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

Acting on a Staff recommendation, the JBC is running a bill that repeals this program and ends the diversion of sales tax dollars from the General Fund to the Alternative Fuels Rebate program. This will increase General Fund by approximately \$400,000 per year. The bill (S.B. 11-163) has passed both houses of the General Assembly and has been signed into law. **Staff recommends an appropriation of \$0 for this line item.**

(5) DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles issues drivers licenses and state identification cards; keeps driver records; issues titles for and registers motor vehicles; regulates commercial driving schools; enforces interstate trucking laws through the ports of entry system; enforces the state's auto emissions program; oversees the Motorist Insurance Identification Database, and assists drivers who have been convicted of drunk driving with obtaining ignition interlock devices to enable those drivers to operate motor vehicles with restrictions placed upon them.

(A) ADMINISTRATION

The Division's administrative functions are contained in this long bill group. Senior management and the budget and support functions of the entire division are contained within this section. The personnel of the section are shown in the table below. This section also administers the Motor Carrier Services Division.

Staffing Summary	Division of Motor Vehicles Administration			
	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Managers and Administration	1.7	2.0	2.0	2.0
Professionals	2.0	2.0	2.0	2.0
Policy Analysts and Financial Services	6.8	7.0	7.0	7.0
Total	10.5	11.0	11.0	11.0

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested a continuation appropriation of \$909,201 cash funds and 11.0 FTE. The request includes the decision item to refinance \$533,619 General Fund with cash funds the Highway Users Tax Fund (HUTF) Off-the-top appropriation that is not included in staff's recommendation).

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. This Division was not included in the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$895,356 cash funds and 11.0 FTE, including \$183,632 cash funds from HUTF "off-the-top" moneys. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation					
Division of Motor Vehicles - Administration					
	Total	FTE	General Fund	Cash Funds	HUTF
FY 2010-11 Long Bill	\$909,201	11.0	\$522,292	\$200,475	\$186,434
2010 Special bill appropriations	<u>0</u>	<u>0.0</u>	<u>(522,292)</u>	<u>0</u>	<u>522,292</u>
FY 2010-11 Appropriation	\$909,201	11.0	\$0	\$200,475	\$708,726
Annualization of 2010 special bill appropriations	0	0.0	0	522,292	(522,292)
Annualization of SB 10-146 PERA contribution change	19,718	0.0	0	15,675	4,043
Statewide 1.5% personal services base reduction	(13,934)	0.0	0	(11,077)	(2,857)
Statewide SB 11-076 PERA contribution reduction	<u>(19,449)</u>	<u>0.0</u>	<u>0</u>	<u>(15,461)</u>	<u>(3,988)</u>
Staff Recommendation	\$895,536	11.0	\$0	\$711,904	\$183,632

Operating Expenses

This line item funds telecommunications, general office supplies and printing costs. The Department requests an appropriation of \$54,250 cash funds, including \$11,129 from the HUTF. The request includes annualization of H.B. 10-1387, which refinanced funding for driver's license offices.

Staff recommends an appropriation of \$54,250 cash funds, including \$11,129 cash funds from HUTF "off-the-top" moneys.

(B) DRIVER AND VEHICLE SERVICES

This section administers drivers licensing and records management, motor vehicle registration, the regulation of commercial driving schools, and ordering and distribution of license plates for all county and state offices. This section operates 37 drivers license offices and oversees 17 county drivers license offices statewide. The offices also perform non-driver related tasks, including registering voters, sending file information to the U.S. Selective Service System for prospective registrants, verifying social security numbers with the Social Security Administration, registering organ and tissue donors, and soliciting donations for the Donor Awareness Council.

The Driver Control Program maintains the official records of all drivers in the state; records administrative sanctions against drivers; takes administrative action revoking driving privileges when information is received from courts, law enforcement agencies, or other appropriate agencies; and investigates fraud.

Staffing Summary	Division of Motor Vehicles Driver and Vehicle Services			
	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Accounting	2.5	3.0	3.0	3.0
Management and Administration	0.0	140.9	140.9	140.9
Driver's License Managers	13.1	0.0	0.0	0.0
Driver's License Examiners	179.3	214.8	214.8	214.8
Professionals	0.0	13.2	13.4	13.4
Micrographic Equipment Operators	0.0	2.5	2.5	2.5
Compliance Investigators	<u>4.2</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total	199.1	379.4	379.6	379.6

Personal Services (Decision Item #4)

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requests an appropriation of \$16,605,333 cash funds from various sources and 379.3 FTE.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was not included in the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from cash fund sources in the recommendation.

Decision Item #4 - Funding Driver and Vehicle Services

The Department requests \$11,149,622 cash funds to partially refinance Driver and Vehicle Services with funding from the Highway Users Tax Fund (HUTF) "off-the-top" moneys. The moneys would offset funding from the Licensing Services Cash Fund, which is not earning the revenues that were expected from an increase in the number of residents obtaining and renewing driver's licenses and identification documents.

HUTF "off-the-top" moneys are allowed by statute (Section 43-4-201 (3) (a) (III) (C), C.R.S.) to be appropriated to the Department of Public Safety (Colorado State Patrol) and the Department of Revenue (Ports of Entry Section) for the supervision of the highways. The term "off-the-top" refers to these uses in that these appropriations are made before any other statutory distributions of the HUTF to the cities, counties, and the State highway fund.

This decision item requires the enactment of H.B. 11-1161 (which has passed both houses of the General Assembly), which would authorize for FY 2011-12, an extension of the authority to use

HUTF "off-the-top" moneys in the Division of Motor Vehicles for administration of the issuance of driver's licenses. Pursuant to Section 43-4-201 (3) (a) (I) (B), C.R.S., these appropriations are permitted to grow from year to year by a maximum of 6.0 percent, regardless of the growth in the overall HUTF.

The following table details the FY 2010-11 appropriations and the FY 2011-12 requests for the "off-the-top" appropriations. In particular it represents allowable and staff's calculation of the allowable appropriation from "off-the-top" moneys.

FY 2011-12 HUTF "Off-the-Top" Budget Request			
	FY 2010-11 Appropriation	FY 2011-12 Requests	FY 2011-12 JBC Staff Recommend.
Allowable appropriation for Off-the-Top" moneys (6% Growth over previous years appropriation)	\$115,447,952	\$122,374,829	\$122,374,829
<u>Department of Public Safety</u>			
Long Bill appropriation for Colorado State Patrol	96,889,092	98,726,697	98,623,384
Capital Construction (Colorado State Patrol)	1,149,834	0	0
H.B. 10-1113	295,406	0	0
Supplemental funding for Colorado State Patrol	44,202	0	0
<u>Department of Revenue</u>			
Long Bill appropriation for Ports of Entry (JBC Staff Recommendation)	9,659,717	9,794,452	9,697,379
Long Bill appropriation for Driver and Vehicle Services	0	11,149,622	2,349,622
Capital Construction	2,329,036	0	0
H.B. 10-1387 Funding Driver and Vehicle Services	2,702,602	0	0
H.B. 10-1113	(40,395)	0	0
FY 2010-11 Supplemental funding for Driver and Vehicle Services	1,155,689	0	0
JBC Staff Recommendation for FY 2010-11 Long Bill supplemental to refinance LSCF with HUTF /a	<u>1,262,769</u>	<u>0</u>	<u>0</u>
FY 2010-11 Appropriation (Base for FY 2011-12 Growth)	<u>115,447,952</u>	<u>119,670,771</u>	<u>110,670,385</u>
Appropriation Under/(Over) the Limit	\$0	\$2,704,058	\$11,704,444

/a For FY 2010-11, this line is a staff recommendation for fully funding HUTF "off-the-top" appropriations. If this recommendation is not approved by the JBC, then appropriations for FY 2010-11 will remain \$1,262,769 below the limit of "off-the-top appropriations, and allowable appropriation FY 2011-12 will be reduced by \$1,338,535 from the figure in "Allowable appropriations . . ." in the table.

The Department requests to refinance \$11,149,622 cash funds from the Licensing Services Cash Fund (LSCF) with cash funds from the HUTF "off-the-top" moneys. This request will address two issues, a revenue shortfall in the LSCF, and permitting a transfer of funding from the LSCF to the General Fund to address the General Fund revenue shortfall.

Licensing Services Cash Fund Revenue Shortfall

During the last two sessions, the General Assembly has refinanced General Fund in the operations of driver's license offices with a combination of funding from the LSCF and HUTF "off-the-top" moneys. Senate Bill 09-274 partially refinanced the General Fund for the operation of driver's license offices for FY 2009-10 by diverting all driver's license fees to the LSCF. This action increased cash funding for driver's license office operations by \$17.0 million and decreased General Fund by \$16.2 million (the difference resulting from the pay date shift of General Fund employees). Including centrally appropriated expenses, this left approximately \$3.0 million appropriated from the General Fund to provide funding for driver's license offices.

Revenues to the LSCF for FY 2009-10 came in significantly under projections. Including the diversion of fees to the LSCF, the Department projected that total revenue to the LSCF would be \$23.1 million, while actual revenues were only \$18.4 million. When preparing the FY 2009-10 budget, the Department provided a projection of 1,074,250 documents to be issued in the fiscal year, while actual documents issued were 905,836, 15.7 percent lower than projections. The Department instituted measures to restrict spending to match revenues, including holding positions open and restricting hours of operations in some locations, in FY 2009-10, and the LSCF ended the year with a fund balance of \$2.1 million.

During the 2010 session, the General Assembly passed H.B. 10-1387, which for FY 2010-11 and FY 2011-12 diverted driver's license fees to the LSCF and authorized the use of HUTF "off-the-top" moneys for funding driver's license offices (HUTF moneys authorized only in FY 2010-11). For FY 2010-11, the LSCF provided \$17.3 million in funding for driver's license offices and the HUTF provided \$2.7 million, replacing all General Fund appropriations to Driver and Vehicle Services in the Division of Motor Vehicles.

Based on projections provided by the Department, staff expected that revenues to the LSCF in FY 2011-12 would be sufficient to fully fund driver's license offices for that fiscal year. In FY 2010-11, the document issuance by the Division has run even farther behind projections. The original projections had approximately 1,400,000 documents issued, while currently the projection is for 1,126,673, or about 18.6 percent lower than previous projections.

In order to fully fund the operations of the driver's license offices, the Department needs an appropriation from the HUTF "off-the-top" of \$1,349,622. This appropriation is expected to get the Department through FY 2011-12 without having to resort to restricting hours of operation and staffing of driver's license offices.

The actual and projected revenues, expenditures and balances for the LSCF are detailed in the table below for FY 2009-10, FY 2010-11, and FY 2011-12.

Licensing Services Cash Fund				
	FY 2009-10	FY 2010-11	FY 2011-12	
	Actual	Approp.	Request	JBC Staff Recommend.
Beginning Fund Balance	\$1,389,079	\$2,064,748	\$1,317,926	\$1,317,926
Actual/Anticipated Fee Collections (Net)	18,381,859	21,075,493	25,848,871	25,848,871
Actual/Anticipated Expenditures (Net)	<u>(\$17,706,190)</u>	<u>(\$23,818,707)</u>	<u>(\$25,521,622)</u>	<u>(\$25,521,622)</u>
Fund Balance before change requests	2,064,748	(678,466)	1,645,175	1,645,175
FY 2010-11 Supplemental #3 - Refinance LSCF with HUTF	0	1,149,174	0	0
FY 2010-11 Supplemental #4 - Driver's License Documents line increase	0	(415,551)	0	0
Additional Refinance of LSCF from HUTF "off-the-top" (Included in JBC Staff Recommendation for FY 2011-12 Long Bill)	0	1,262,769	0	0
Statewide decision items (PERA contribution swap, pro-rated benefits, and annual fleet vehicle replacement)	0	0	397,710	652,279
FY 2011-12 Decision Item #3 - Driver's License Documents line increase	0	0	(1,373,272)	(1,053,281)
<u>FY 2011-12 Decision Item #4</u>				
Refinance addresses the Funding Shortfall	0	0	1,349,622	1,349,622
Refinance permits cash fund transfer of LSCF	0	0	9,800,000	1,000,000
Transfer fund balance	<u>0</u>	<u>0</u>	<u>(9,800,000)</u>	<u>(2,000,000)</u>
Ending Fund Balance	\$2,064,748	\$1,317,926	\$2,019,235	\$1,593,795

Staff recommends approval of an increase in HUTF "off-the-top" funding for this line item of \$2,349,622, and a decrease of LSCF funding by a like amount. This recommendation includes \$1,000,000 for a potential cash fund transfer from the LSCF to the General Fund, which will be discussed at the end of the document under "Budget Balancing Options".

Transfer of \$9.8 million from the LSCF to the General Fund

This will be discussed later in this document under "Budget Balancing Options".

Staff recommends an appropriation of \$16,370,003 cash funds and 378.4 FTE, including \$2,349,622 from HUTF "off-the-top" moneys. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Division of Motor Vehicles - Driver and Vehicle Services Personal Services Calculation					
	Total	FTE	General Fund	Cash Funds	HUTF
FY 2010-11 Long Bill Appropriation	\$16,609,645	379.3	\$9,351,125	\$7,258,520	\$0
2010 Special bill appropriations	65,094	0.2	(9,351,125)	9,416,219	0
FY 2010-11 Supplemental appropriation	<u>40,000</u>	<u>0.0</u>	<u>0</u>	<u>(1,109,174)</u>	<u>1,149,174</u>
FY 2010-11 Appropriation	16,714,739	379.5	0	15,565,565	1,149,174
Annualization of 2010 special bill appropriations	(47,473)	(1.1)	0	(47,473)	0
Annualization of SB 10-146 PERA contribution change	344,011	0.0	0	344,011	0
Annualization of FY 2010-11 Supplemental	(40,000)	0.0	0	1,109,174	(1,149,174)
Decision Item # 4 - Funding Driver and Vehicle Services (Address Funding Shortfall)	0	0.0	0	(1,349,622)	1,349,622
Decision Item # 4 - Funding Driver and Vehicle Services (Permits Cash Fund Transfer from Licensing Services Cash Fund to General Fund)	0	0.0	0	(1,000,000)	1,000,000
Statewide 1.5% personal services base reduction	(254,569)	0.0	0	(254,569)	0
Statewide SB 11-076 PERA contribution reduction	<u>(346,705)</u>	<u>0.0</u>		<u>(346,705)</u>	<u>0</u>
Staff Recommendation	\$16,370,003	378.4	\$0	\$14,020,381	\$2,349,622

Operating Expenses

This line item funds costs including telecommunications, general office supplies, and printing costs. The Department has requested an appropriation of \$1,684,157 cash funds, primarily from the Licensing Services Cash Fund and Driver's License Administrative Revocation Account of the HUTF.

Staff recommends an appropriation of \$1,684,157 cash funds from various sources of cash funds. Staff's recommendation is detailed in the following table:

Division of Motor Vehicles - Driver and Vehicle Services Operating Expenses Calculation			
Description	Total	General Fund	Cash Funds
FY 2010-11 Long Bill	\$1,679,482	\$1,214,937	\$464,545
2010 Special bills	2,992	(1,214,937)	1,217,929
Annualization of 2010 Special bills	<u>1,683</u>	<u>0</u>	<u>1,683</u>
Total	\$1,684,157	\$0	\$1,684,157

Drivers License Documents (Decision Item # 3)

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.

The Department requests an appropriation of \$3,810,592 cash funds from the Licensing Services Cash Fund from the Identification Security Fund, which is funded through a fee of \$0.60 charged for each document issued.

Decision Item # 3 - Driver's License Documents Line Increase

The Department is requesting an increase of \$1,373,272 cash funds to provide for an increase in documents issued. The increase in documents issued is related to bills that passed in the 2000 and 2005 session that each changed the length of the valid term for driver's licenses.

In 2000, with the passage of S.B. 00-011, the length of time a driver's license would be valid was changed from five to ten years, resulting in a workload decrease as driver's did not have to renew their licenses as often. In 2005, with the passage of S.B. 05-047, the length of time a driver's license would be valid returned to five years for licenses issued after May 27, 2005.

As a result, starting May 27, 2010, drivers who were issued ten-year licenses starting in 2000 and drivers who were issued five-year license starting in 2005 will need to renew their licenses at the same time. This will result in a near doubling of the number of documents issued by the Department over the numbers that were issued between 2005 and 2010. Data from the Department indicates that it expects to issue 1,407,141 driver's license and identification documents in FY 2011-12, an increase of 545,000 from the low point of FY 2008-09.

Driver's licenses are produced and mailed to applicants by a third-party vendor at a cost of \$2.077 per document issued. In addition, there are security enhancements (facial recognition security, document verification through the American Association of Motor Vehicle Administrators, and document verification through the United States Citizenship and Immigration Service) that combined cost the State \$0.631 per applicant. The security enhancements are paid from the Identification Security Fund, which receives a fee of \$0.60 per document application. The remainder of the cost, *for FY 2010-11*

and FY 2011-12 only, is paid from the Licensing Services Cash Fund. In subsequent years, funding for this line item will return to the General Fund (or some other funding source).

The total cost of producing the driver's license is \$2.708, multiplied by the expected number of documents to be issued (\$1,407,161) equals the Department's request of \$3,810,592. The Department has requested that the appropriation be split as follows: \$2,846,051 from the Licensing Services Cash Fund and \$964,541 from the Identification Security Fund. Funding from the Identification Security Fund, at the level requested by the Department, will deplete that fund's assets by the end of FY 2012-13. The table below details the funds balances.

Identification Security Fund Revenues, Expenditures, and Fund Balances Department Request			
	FY 2010-11 Appropriation	FY 2011-12 Requested	FY 2012-13 Projected*
Beginning Fund Balance	\$345,026	\$178,321	\$58,076
Anticipated Revenues	676,004	844,297	850,285
Long Bill Appropriation	(644,450)	(964,541)	(970,738)
Supplemental Appropriation	<u>(198,259)</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	\$178,321	\$58,076	(\$62,377)

For FY 2011-12, the requested appropriation from the Identification Security Fund reduces fund balance by \$120,245, with an ending fund balance of \$58,076. If funding is continued at that level for FY 2012-13, as the Department has indicated it will request, the fund balance will be depleted and spending will have to be restricted. For FY 2012-13, staff will recommend a funding scheme that does not exceed the fund balance, though another funding source will have to be found to make up the difference.

Staff recommends approval of Decision Item # 3, Driver's License Document Line Increase, which increases the appropriation by \$1,373,272 cash funds. The source of the cash funds will be the Licensing Services Cash Fund (\$1,053,281) and the Identification Security Fund (\$319,991).

Staff recommends an appropriation of \$3,810,592 cash funds, with \$2,846,051 from the Licensing Services Cash Fund and \$964,541 from the Identification Security Fund.

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 Department requests \$6,518,776 cash funds from the License Plate Cash Fund, which includes 2010 Session special bill appropriations of \$99,964 and annualization of those bills that decreases the appropriation by \$50,084.

Staff recommends an appropriation of \$6,518,776 cash funds from the License Plate Cash Fund.

(C) VEHICLE EMISSIONS

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

Staffing Summary	Division of Motor Vehicles Vehicle Emissions			
	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Administration	2.5	2.5	2.5	2.5
Professionals	1.0	1.0	1.0	1.0
Inspectors	<u>10.6</u>	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>
Total	14.1	17.5	17.5	17.5

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$1,194,476 cash funds and 18.3 FTE.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was not included in the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends a continuation appropriation of \$1,176,893 cash funds and 18.3 FTE from the Automobile Inspection and Readjustment (AIR) Account. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Division of Motor Vehicles - Vehicle Emissions		
	FTE	Cash Funds
FY 2009-10 Long Bill	18.3	\$1,194,476

Personal Services Calculation Division of Motor Vehicles - Vehicle Emissions		
	FTE	Cash Funds
Annualization of SB 10-146 PERA contribution shift	0.0	22,778
Statewide 1.5% Vacancy Base reduction	0.0	(18,259)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(22,102)</u>
Staff Recommendation	18.3	\$1,176,893

Operating Expenses

This line item funds telecommunications, general office supplies, and printing costs. The Department requests a continuation funding level of \$88,725, cash funds.

Staff recommends a continuation appropriation of \$88,725 cash funds from the AIR Account.

(D) TITLES

The Titles program is responsible for the issuance of legal, negotiable certificates of title to prove vehicle ownership and protect the public when purchasing motor vehicles. Program staff review all high-risk title applications to verify that the assignment of ownership has been properly made. The program also assists the public, counties, law enforcement agencies and other state agencies by responding to other information requests and is responsible for managing and maintaining all title records. The program is funded through the Colorado State Titling and Registration (CSTARS) Account, a sub-account of the Highway Users Tax Fund.

Division of Motor Vehicles Titles				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Professionals and Managers	2.9	2.9	2.9	2.9
Administration	<u>30.1</u>	<u>31.6</u>	<u>31.6</u>	<u>31.6</u>
Total	33.0	34.5	34.5	34.5

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requested an appropriation of \$1,639,881 cash funds and 34.5 FTE. This request includes a reduction \$32,967 for the PERA contribution shift.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was not included in the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends a continuation appropriation of \$1,614,153 and 34.5 FTE cash funds from the CSTARS Account. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Division of Motor Vehicles - Titles		
	FTE	Cash Funds
FY 2010-11 Long Bill	34.5	\$1,639,881
Annualization of SB 10-146 PERA contribution shift	0.0	32,967
Statewide 1.5% Vacancy Base reduction	0.0	(25,093)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(33,602)</u>
Staff Recommendation	34.5	\$1,614,153

Operating Expenses

This line item funds the programs telecommunications costs, general office supplies, and printing costs. In addition this program funds Titles Digital Imaging Storage Costs. The Department request is for \$281,824 cash funds, which includes annualization of a FY 2010-11 budget amendment (\$71,250 decrease) and Decision Item # 5 (\$95,000 increase).

Decision Item # 5 - National Motor Vehicle Title Information System FY 2011-12 Operating Expenses

The Department is requesting \$95,000 cash funds from the CSTAR Account to fund the State's participation in and use of the National Motor Vehicle Title Information System (NMVTIS). This was approved as a budget amendment in FY 2010-11 as a one-time increase due to the solvency issues with the CSTAR account. This year, as well, until the account's solvency has been addressed, the Department is requesting this as a one-year increase.

The Department was informed, that beginning October 1, 2010, it will be charged for the maintenance and use of the NMVTIS. The system was created under the Federal Anti Car Theft Act of 1992, which was to deter trafficking in stolen vehicles by strengthening law enforcement against auto theft, combating auto title fraud, preventing "chop shop" related thefts, and inspecting exports for stolen vehicles. In 1996, the act was revised and responsibility for the system was transferred to the U.S. Department of Justice (DOJ).

Federal law allows the DOJ to contract the operation of the system to a third party. The American Association of Motor Vehicle Administrators has been the system operator since 1992. The system

was designed to allow the titling agency to verify the information on the paper title with the electronic data from the state that issued the title, and the system provides law enforcement agencies with a tool to assist in reducing auto theft and vehicle title related crimes.

Prior to October 1, 2010, the system had been funded by the DOJ. DOJ notified the system operator that on that date, it would no longer fund the system's operating costs. These costs must now be borne by the states that use the system. Colorado's share of the annual operating costs are \$95,000 for FY 2010-11.

The Department's base appropriation for Operating Expenses is \$210,574, so this request, if not approved, would represent almost half of the appropriation. The use of the system is mandated by Federal law and non-compliance by the State could jeopardize federal highway dollars designated for Colorado. Therefore, the Department would have to forego other expenses, primarily imaging and storage of title related documents.

Staff recommends approval of a one-time increase of \$95,000 cash funds for the expenses of operating the NMVTIS.

Staff recommends an appropriation of \$305,574 cash funds from the CSTAR Account.

(E) MOTORIST INSURANCE IDENTIFICATION DATABASE PROGRAM

This program helps law enforcement officials verify owner compliance with motor vehicle insurance requirements and authorizes administrative suspension of driver's licenses that are held by motorists suspected of being uninsured. A \$0.50 motorist insurance identification fee is credited to the Motorist Insurance Identification (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 MIIDB Account. House Bill 11-1182 would reduce the fee to \$0.10 effective July 1, 2011.

Division of Motor Vehicles Motorist Insurance Identification Database Program				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Administration	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total	1.0	1.0	1.0	1.0

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$329,234 cash funds and 1.0 FTE (an administrative assistant). The appropriation is primarily for contract services which pays the Statewide Internet Portal Authority to maintain this database.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments.

Staff recommends an appropriation of \$329,234 and 1.0 FTE cash funds from the MIIDB Account. Staff recommends exempting this line from the 1.5 percent personal services base reduction. This line has line 1.0 FTE, with the rest being allocated for a contract with a third party vendor for the MII system.

Personal Services Calculation Division of Motor Vehicles - Motorist Insurance Identification Database Program		
	FTE	General Fund
FY 2009-10 Long Bill	1.0	\$329,048
Annualization of SB 10-146 contribution shift	0.0	969
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(783)</u>
Staff Recommendation	1.0	\$329,234

Operating Expenses

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

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

(F) 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 can not afford an ignition interlock system to purchase them so they can continue to drive to work. The fund also supports high-visibility drunk-driving enforcement actions administered by the Department of Transportation.

Division of Motor Vehicles Ignition Interlock Program				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management and Administration	<u>0.0</u>	<u>5.4</u>	<u>5.4</u>	<u>5.4</u>
Total	0.0	5.4	5.4	5.4

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$211,284 cash funds and 5.4 FTE.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was not included in the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$208,057 and 5.4 FTE cash funds from the First Time Drunk Driving Offender Account. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Division of Motor Vehicles - Ignition Interlock Program		
	FTE	General Fund
FY 2009-10 Long Bill	5.4	\$210,846
Annualization of SB 10-146 contribution shift	0.0	4,312
Statewide 1.5% Vacancy Base reduction	0.0	(3,227)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(3,874)</u>
Staff Recommendation	5.4	\$208,057

Operating Expenses

This line pays for the purchase of ignition interlock devices that are then provided to first-time drunk-driving offenders who cannot afford them. It also pays for office supplies, telecommunications services and printing costs. The Department is requesting a continuation appropriation of \$934,842 cash funds from the First Time Drunk Driving Offender Account.

Staff recommends an appropriation of \$934,842 cash funds from the First Time Drunk Driving Offender Account.

(6) MOTOR CARRIER SERVICES

This Division includes the Port of Entry (POE) Section and the International Registration Plan section. The Port of Entry Section ensures compliance with statutory weight and size restrictions for commercial vehicles and is required to file an annual State Size and Weight Enforcement Plan for approval by the Federal Highway Administration, which qualifies Colorado for Federal funding of its highway infrastructure. The POE also enforces hazardous material transport requirements and verifies compliance with registration requirements for the various state and federal programs.

This division registers motor carriers; collects fuel taxes; collects registration fees charged to fuel distributors, petroleum storage companies, and interstate carriers; and enforces laws concerning both owners and operators of motor carriers. As part of these responsibilities, the Division operates ten static (with 17 facilities) and ten mobile ports.

House Bill 10-1113 transferred the Motor Carrier Safety Assistance Program to the Department of Public Safety, Colorado State Patrol on August 15, 2010. That transfer included 10.0 FTE that were in this Division.

Motor Carrier Services (Includes Motor Carrier Safety Assistance Program and Hazardous Materials Permitting Program)				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Managers and Professionals	3.3	9.0	7.0	7.0
Administration	4.5	2.0	2.0	2.0
Tax Examiners	4.0	4.0	4.0	4.0
Ports Officers	111.1	126.2	118.2	118.2
Driver's License Examiner	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total	124.9	143.2	133.2	133.2

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requests \$6,880,931 and 129.2 FTE, including \$544,472 General Fund and \$6,336,459 cash funds from Highway Users Tax Fund (HUTF) "off-the-Top" moneys.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Only the General Fund portion of this request was subject to the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$6,786,695 and 129.2 FTE, including \$547,309 General Fund, \$6,239,386 cash funds from HUTF "off-the-Top" moneys. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Motor Carrier Services Division						
	Total	FTE	General Fund	Cash Funds	HUTF	Reapprop. Funds
FY 2010-11 Long Bill	\$7,040,639	130.2	\$555,525	\$33,344	\$6,367,926	\$83,844
HB 10-1013 Transfer MSCAP	<u>(133,310)</u>	<u>(0.9)</u>	<u>0</u>	<u>(29,176)</u>	<u>(30,770)</u>	<u>(73,364)</u>
FY 2010-11 Appropriation	\$6,907,329	129.3	\$555,525	\$4,168	\$6,337,156	\$10,480
Annualization of SB 10-146 PERA contribution change	150,840	0.0	12,045	0	138,795	0
Annualization of HB 10-1013	(19,044)	(0.1)	0	(4,168)	(4,396)	(10,480)
Statewide 1.5% personal services base reduction	(105,587)	0.0	(8,514)	0	(97,073)	0
Statewide SB 11-076 PERA contribution reduction	<u>(146,843)</u>	<u>0.0</u>	<u>(11,747)</u>	<u>0</u>	<u>(135,096)</u>	<u>0</u>
Staff Recommendation	\$6,786,695	129.2	\$547,309	\$0	\$6,239,386	\$0

Operating Expenses

This line item includes funds telecommunications, general office supplies, and printing costs. The Department is requesting \$515,305, including \$38,045 General Fund and \$477,260 cash funds from HUTF "off-the-top" moneys.

Staff recommends an appropriation of \$515,305, including \$38,045 General Fund, and \$477,260 cash funds from the HUTF "off-the-tp" moneys.

Fixed and Mobile Port Maintenance

This line item was created to address ongoing maintenance and repair needs for the fixed and mobile ports of entry, to ensure that the ports remain safe and operational. The Department requests continuation funding of \$221,545 cash funds from the HUTF "off-the-top" moneys.

Staff recommends a continuation appropriation of \$221,545 cash funds from the HUTF "off-the-top" moneys.

Motor Carrier Safety Assistance Program

House Bill 10-1013 transferred this program to the Colorado State Patrol in the Department of Public Safety, effective August 15, 2010. The annualization of the bill transferred all remaining funding from the Department of Revenue for FY 2011-12.

Hazardous Materials Permitting Program

The Hazardous Materials Permitting Program monitors compliance with hazardous materials transportation regulations. There are 4.0 FTE associated with this program who perform safety inspections of hazardous materials transported on Colorado roadways. The personal services adjustments are for salary survey and performance awards. The Department has requested an appropriation of \$207,973 cash funds from the Hazardous Materials Safety Fund. The request includes an increase of \$12,952 cash funds to annualize the PERA contribution shift in S.B. 10-146 and includes a decrease of \$2,237 to reflect the S.B. 11-076 PERA contribution reduction.

Staff recommends a continuation appropriation of \$207,973 and 4.0 FTE cash funds from the Hazardous Materials Safety Fund.

(7) ENFORCEMENT BUSINESS GROUP

This group regulates limited gaming; enforces the State's liquor and tobacco laws; licenses liquor retailers, wholesalers, and manufacturers; regulates horse and dog racing events; regulates and licenses the motor vehicle dealer industry; adjudicates complaints related to drivers licenses, liquor licenses, certain racing licenses, and some tax disputes; and pursuant to H.B. 10-1284, licenses and regulates the medical marijuana industry.

(A) ADMINISTRATION

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

Enforcement Business Group Administration				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management / Administration	2.0	3.0	3.0	3.0
Professionals - Financial Services	<u>4.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total	6.0	8.0	8.0	8.0

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy increases or base reductions. The Department has requested \$627,172 and 8.0 FTE, including \$27,243 General Fund.

The Department's request incorporates appropriations from 2010 special bills (H.B. 10-1284 which regulates and licenses the medical marijuana industry), annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. This division was not included in the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends funding of \$617,579 and 8.0 FTE, including \$26,826 General Fund, \$490,641 cash funds from various sources, and \$100,112 reappropriated funds from the Limited Gaming Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Administration					
		FTE	General Fund	Cash Funds	Reapprop. Funds
FY 2010-11 Long Bill	\$527,440	6.0	\$31,360	\$374,399	\$121,681
HB 10-1284 Regulation and enforcement of medical marijuana appropriation	81,400	2.0	0	81,400	0
FY 2010-11 Appropriation	\$608,840	8.0	\$31,360	\$455,799	\$121,681
Annualization of HB 10-1284	18,517	0.0	0	18,517	0
Annualization of SB 10-146 PERA contribution change	12,139	0.0	722	8,617	2,800
Indirect costs adjustments	0	0.0	(4,309)	25,124	(20,815)
Statewide 1.5% personal services base reduction	(9,593)	0.0	(417)	(7,621)	(1,555)
Statewide SB 11-076 PERA contribution reduction	<u>(12,324)</u>	<u>0.0</u>	<u>(530)</u>	<u>(9,795)</u>	<u>(1,999)</u>
Staff Recommendation	\$617,579	8.0	\$26,826	\$490,641	\$100,112

Operating Expenses

This line item funds expenses such as telecommunications expenses, general office supplies, and printing costs. The Department requests an appropriation of \$12,780, including \$598 General Fund. The request includes appropriations in H.B. 10-1284 and indirect costs adjustments that combined increase General Fund by \$74, increase cash funds by \$3,121, and decrease reappropriated funds by \$1,295.

Staff recommends an appropriation of \$12,780, including \$598 General Fund, \$10,940 cash funds and \$1,242 reappropriated funds.

(B) LIMITED GAMING DIVISION

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

The Colorado Limited Gaming Commission has the constitutional authority to allocate funds for the Division; funding is not subject to appropriation by the General Assembly. However, 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 Worker's Compensation, Legal Services, Payment to Risk Management and Property Funds, Vehicle Lease Payments, and Leased Space for Gaming Site Offices are shown in the Executive Director's Office centrally-appropriated budget lines.

Enforcement Business Group Limited Gaming Division				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management and Administration	15.0	19.0	19.0	19.0
Licensing	5.0	5.0	5.0	5.0
Professionals - Financial Services	17.2	18.0	18.0	18.0
Investigators	<u>46.1</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>
Total	83.3	92.0	92.0	92.0

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested an appropriation of \$6,814,235 cash funds from the Limited Gaming Fund.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), Limited Gaming Commission approved adjustments, annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was exempted from the Governor's proposed 2.0 percent General Fund personal services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends reflecting an appropriation of \$6,709,930 and 92.0 FTE cash funds from the Limited Gaming Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Limited Gaming Division		
	FTE	Cash Funds
FY 2009-10 Long Bill	92.0	\$6,643,998
Limited Gaming Commission approved adjustments	0.0	177,548
Annualization of SB 10-146 PERA contribution shift	0.0	132,093
Statewide 1.5% vacancy base reduction	0.0	(104,305)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(139,404)</u>
Staff Recommendation	92.0	\$6,709,930

Operating Expenses

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department's requests an appropriation of \$887,228. The request includes a Gaming Commission adjustment of \$274,144.

Staff recommends reflecting the Department request of \$887,228 cash funds.

Licensure Activities

This line item funds costs associated with licensing of individuals associated with the gaming industry, including costs such as issuing badges, collecting applicant fingerprints, conducting computer searches, and other associated background checks. The Department is requesting a continuation appropriation.

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

Investigations

This line item funds cost associated with conducting background checks prior to licensing casino personnel, owners, and equipment manufacturers. Licensing often requires more detailed background checks and investigations, which is paid for in full by the applicants. The FY 2008-09 request is based on a continuation appropriation.

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

Payments to Other State Agencies

This line item funds the costs associated with other State agencies performing work for and related to Limited Gaming. These agencies include the Colorado State Patrol, Colorado Bureau of Investigations, Division of Fire Safety, and Department of Local Affairs. The Department requests an appropriation \$3,853,589, which includes a Gaming Commission adjustment of \$514,963.

Staff recommends reflecting the Department request of \$3,853,589 cash funds.

Distribution to Gaming Cities and Counties

The Distribution to Gaming Cities and Counties line item reflects the net proceeds distribution of Limited Gaming Funds to eligible 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.

From the net amount in the Limited Gaming Fund at year-end, the Constitution mandates the following distributions: 28% to the State Historical Fund, 12% to Gilpin and Teller Counties (in proportion to the gaming revenues generated in each county), 10% to the cities of Black Hawk, Central City, and Cripple Creek (in proportion to the gaming revenues generated in each county), and 50% to the General Fund, "or such other fund as the general assembly shall provide." Under current law, depending on the level of General Fund revenue, the following funds receive distributions of gaming revenues according to statutory formulas:

- General Fund
- Travel and Tourism Promotion Fund
- Bioscience Discovery Evaluation Cash Fund
- Local Government Limited Gaming Impact Fund
- Innovative Higher Education Research Fund
- New Jobs Incentives Cash Fund
- Creative Industries Cash Fund

The Department has requested an informational appropriation of \$113,166,266 cash funds from the Limited Gaming Fund. This amount includes all transfers of Limited Gaming moneys to the General Fund and the various cash funds that are slated to receive Limited Gaming moneys.

JBC Staff Initiated Change Request

In previous years, this line has reflected an appropriation of \$23.8 million cash funds. This year, the Department of Revenue request included an adjustment in the line of an increase of \$89.4 million. This adjustment would now have the line reflect all distributions from the Limited Gaming Fund, not just distributions to gaming cities and counties.

The Department's request would align the appropriation with the way the Controller applies the distributions from the Limited Gaming Fund. In discussions with the Controller's Office, they stated that even though all distributions go through this line, they are treated differently. Distributions that are destined for the gaming cities and counties have an "expenditure code" while those that are subsequently transferred to the other funds have a "transfer code."

This process creates a problem in "double counting" expenditures. All distributions, except those to the gaming cities and counties, are counted as General Fund or cash funds appropriations in the Departments responsible for administering those programs. For example, the State Historical Fund

expenditures from the gaming distributions are counted as cash funds appropriations in the Department of Higher Education. To count them **again** here in the Limited Gaming Division would be to double count these appropriations.

To avoid have double counted appropriations, there are two approaches the JBC could use. The first is to appropriate all distributions of gaming revenues here as a cash funds appropriations and to make all the other appropriations from reappropriated funds. The problem with this approach is what to do with the transfers to the General Fund. By definition, General Fund appropriations cannot be "reappropriated" when expended from the General Fund. These amounts, currently expected to be approximately \$20 million will be double counted if this approach is followed.

The second approach would be continue the current practice, which is to only appropriate the distributions to gaming cities and counties in this line and continue to make cash funds (and General Fund) appropriations from the funds which receive transfers from the Limited Gaming Fund.

Staff recommends the second approach, and therefore, recommends reflecting an appropriation of \$23,788,902 cash funds. Staff will work with the Department and the Controller's Office to try to resolve the issue of the distributions to other funds being counted as transfers from this line item.

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. The Department requests an appropriation of \$683,537, which includes adjustments for the FY 2009-10 personal services reductions, changes in the statewide and departmental indirect costs plans, and the effect of the PERA contribution shifts in FY 2010-11 and FY 2011-12.

Staff recommends reflecting the Department request of \$683,537 cash funds.

(C) LIQUOR ENFORCEMENT DIVISION

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

Enforcement Business Group Liquor Enforcement Division				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management/Administration	2.0	2.0	2.0	2.0
Licensing	3.3	4.0	4.0	4.0
Investigators	<u>12.5</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>
Total	17.8	21.0	21.0	21.0

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department has requested a continuation budget of \$1,534,576 cash funds.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was exempted from the Governor's proposed 2.0 percent General Fund Personal Services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$1,630,521 and 21.0 FTE cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Liquor Enforcement Division		
	FTE	Cash Funds
FY 2010-11 Long Bill	21.0	\$1,662,312
Annualization of SB 10-146 PERA contribution change	0.0	25,541
Statewide 1.5% personal services base reduction	0.0	(25,318)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(32,014)</u>
Staff Recommendation	21.0	1,630,521

Operating Expenses

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department requests a continuation appropriation of \$56,326 .

Staff recommends a continuation appropriation of \$56,326 cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund.

(D) TOBACCO ENFORCEMENT PROGRAM

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

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

Staffing Summary	Enforcement Business Group Tobacco Enforcement Program			
	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Administration	1.0	1.0	1.0	1.0
Investigators	<u>4.7</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>
Total	5.7	7.5	7.5	7.5

Personal Services

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

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. This division was exempted from the Governor's proposed 2.0 percent General Fund Personal Services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$488,310 and 7.5 FTE, including \$133,842 General Fund and \$354,468 cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table. Staff has allocated the full authorized appropriation from the Tobacco Education Program Fund, which reduces General Fund by \$6,816. This funding adjustment results in a total appropriation of \$350,000 (including Operating Expenses) for the Tobacco Enforcement Program as authorized in Section 24-22-117 (2) (c) (I), C.R.S.

Personal Services Calculation Enforcement Business Group - Tobacco Enforcement Program				
	Total	FTE	General Fund	Cash Funds
FY 2010-11 Long Bill	\$495,359	7.5	\$142,689	\$352,670
Annualization of SB 10-146 PERA contribution change	\$9,128	0.0	\$2,629	\$6,499
Statewide 1.5% personal services base reduction	(\$7,568)	0.0	(\$2,180)	(\$5,388)
Statewide SB 11-076 PERA contribution reduction	(\$8,609)	0.0	(\$2,480)	(\$6,129)
Funding Adjustment (Increase to authorized funding from the Tobacco Education Program Fund)	0	<u>0.0</u>	<u>(6,816)</u>	<u>6,816</u>
Staff Recommendation	\$488,310	7.5	\$133,842	\$354,468

Operating Expenses

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department has requested \$31,379, including \$7,201 General Fund.

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

(E) DIVISION OF RACING EVENTS

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

The division has been overseeing four greyhound racetracks and one horse racetrack. All of the greyhound racetracks have discontinued live races, but continue with simulcast racing from other out-of-state venues. The Department is projecting income of \$2,264,890 in FY 2009-10. A budget amendment to the FY 2009-10 request decreased the request by \$332,823 and 6.8 FTE to account for the reduced responsibilities of the Division with regard to greyhound racing.

Enforcement Business Group Division of Racing Events					
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation	
Management and Administration	3.0	5.0	5.0	5.0	
Investigators/Auditors	3.5	4.5	4.5	4.5	
General Professionals/Field Operations	0.0	1.2	1.2	1.2	
Veterinarians	<u>0.3</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
Total	6.8	11.7	11.7	11.7	

Personal Services

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

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was exempted from the Governor's proposed 2.0 percent General Fund Personal Services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$1,107,222 and 11.7 FTE cash funds. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Division of Racing Events		
	FTE	Cash Funds
FY 2010-11 Long Bill	11.7	\$1,129,370
Annualization of SB 10-146 PERA contribution change	0.0	11,872
Statewide 1.5% personal services base reduction	0.0	(17,119)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(16,901)</u>
Staff Recommendation	11.7	1,107,222

Operating Expenses

This line item funds such costs as telecommunications expenses, general office supplies, and printing costs. The Department has requested \$91,385 cash funds, which reflects a decrease of \$6,460 from Budget Amendment # 2 that reduced Division of Racing Events FTE.

Staff recommends a continuation appropriation of \$91,385 cash funds.

Laboratory Services

This line item funds costs associated with performing laboratory examinations of animal samples. Colorado law states that "at least one veterinarian employed or supervised by the Director shall be present at every racetrack during weighing in of animals and at all times that racing is being conducted." Division staff conduct physical examinations of animals, take blood and urine tests and other tests for the presence of prohibited drugs or medications, and weigh jockeys and greyhounds. The Department requests a continuation appropriation.

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

Commission Meeting Costs

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

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

Racetrack Applications

This line item funds the costs associated with the conduct of comprehensive background investigations of race meet applicants, the costs of which are paid for by the applicants. The Department requests a continuation appropriation.

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

Purses and Breeders Awards

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

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

(F) HEARINGS DIVISION

This division conducts hearings in a variety of areas including drivers license suspensions, revocations, probationary licenses, cancellation or denial of medical and physical disability, habitual traffic offenders, horse and dog racing licenses, and other actions that affect the licensing rights of

citizens. The division also provides computer support and data analysis for public awareness programs related to traffic safety. Funding for the Division is provided by the Drivers License Administrative Revocation Account, a sub-account of the Highway Users Tax Fund.

Enforcement Business Group Hearings Division				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Manager	1.0	1.0	1.0	1.0
Administration	6.7	8.0	8.0	8.0
Hearings Officers	<u>17.8</u>	<u>19.8</u>	<u>19.8</u>	<u>19.8</u>
Total	25.5	28.8	28.8	28.8

Personal Services

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

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was exempted from the Governor's proposed 2.0 percent General Fund Personal Services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$1,982,877 and 28.8 FTE cash funds from the Drivers License Revocation account, a sub-account of the Highway Users Tax Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation Enforcement Business Group - Hearing Division		
	FTE	Cash Funds
FY 2010-11 Long Bill	28.8	\$2,008,018
Annualization of FY 2010-11 decision items	0.0	4,840
Annualization of SB 10-146 PERA contribution change	0.0	41,289

Personal Services Calculation Enforcement Business Group - Hearing Division		
Statewide 1.5% personal services base reduction	0.0	(30,812)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(40,458)</u>
Staff Recommendation	28.8	1,982,877

Operating Expenses

This line item funds expenses such as telecommunications costs, general office supplies and printing costs. The Department is requesting a decision item to deploy an interactive voice response phone system. The Department is requesting a continuation appropriation of \$98,938 cash funds.

Staff recommends an appropriation of \$98,938 cash funds from the Drivers License Revocation account.

(G) MOTOR VEHICLE DEALER LICENSING BOARD

The Motor Vehicle Dealer Licensing Board is responsible for licensing and regulation of automobile dealers and sales people as well as promulgating consumer protection regulations. Additionally, the Board conducts licensing and disciplinary hearings, and investigates suspected violations.

Staffing Summary	Enforcement Business Group Motor Vehicle Dealer Licensing			
	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Manager	1.0	1.0	1.0	1.0
Administration	9.2	9.2	9.2	9.2
Professionals	3.0	3.0	3.0	3.0
Investigators	<u>13.1</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>
Total	26.3	28.2	28.2	28.2

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. This year, the Department is requesting an appropriation of \$1,789,582 cash funds and 28.2 FTE. The request includes a reduction of \$38,098 to reflect the PERA contribution shift included in S.B. 10-146.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction.

Because this Division is entirely cash funded, it was exempted from the Governor's proposed 2.0 percent General Fund Personal Services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$1,762,994 and 28.2 FTE cash funds from the Auto Dealers License Fund. This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation		
Enforcement Business Group - Motor Vehicle Dealer Licensing Board		
	FTE	Cash Funds
FY 2010-11 Long Bill	28.2	\$1,789,582
Annualization of SB 10-146 PERA contribution change	0.0	38,098
Statewide 1.5% personal service base reduction	0.0	(27,415)
Statewide SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(37,271)</u>
Staff Recommendation	28.2	1,762,994

Operating Expenses

This line item funds expenses such as telecommunication services, general office supplies and printing expenses. The Department requests an appropriation \$119,023 cash funds from the Auto Dealers License Fund.

Staff recommends an appropriation of \$119,023 cash funds from the Auto Dealers License Fund.

(H) MEDICAL MARIJUANA ENFORCEMENT DIVISION

The Medical Marijuana Enforcement Division was created by H.B. 10-1284, which created the State Licensing Authority. The Authority regulates and controls the licensing of cultivation, manufacture, distribution, and sale of medical marijuana or marijuana-infused products in the State. The Authority is authorized to adopt rules, forms, and applications to enforce the provisions of H.B. 10-1284. The Medical Marijuana License Cash Fund was created to pay expenses related with the licensing and oversight functions for medical marijuana facilities.

Enforcement Business Group Motor Vehicle Dealer Licensing				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management	0.0	1.0	1.0	1.0
Administration	0.0	8.5	8.5	8.5
Professionals - Financial Services	0.0	19.0	19.0	19.0
Investigators	<u>0.0</u>	<u>78.3</u>	<u>78.3</u>	<u>78.3</u>
Total	0.0	106.8	106.8	106.8

Medical Marijuana Enforcement

This line item pays for the program's staff, their benefits, and contract services and all operating expenses. All expenses are funded with moneys from the Medical Marijuana License Cash Fund. The Department requests an appropriation of \$7,079,661 cash funds and 106.8 FTE.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was exempted from the Governor's proposed 2.0 percent General Fund Personal Services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends an appropriation of \$7,039,732 cash funds and 106.8 FTE.

(I) BINGO-RAFFLE ENFORCEMENT

The transfer of Bingo and Raffle enforcement from the Secretary of State to the Department of Revenue was referred to the voters for the 2010 election. This Division was requested to provide enforcement in the Department of Revenue. The measure was not passed by the voters and **thus JBC approval of this Division is not recommended.**

(8) 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 State Lottery Fund. Previously, expenditures from the Fund were classified as cash funds exempt, with the reclassification of funds approved by the Committee, these expenditures will now be classified as cash funds.

The Lottery's direct costs for Worker's Compensation, Operating Expenses for variable vehicle expense, Legal Services, Purchase of Services from Computer Center, Multiuse Network Payments, Payments to Risk Management, Vehicle Lease Payments, Leased Space, Capitol Complex Leased Space, and Communications Services Payments are shown in the Executive Director's Office consolidated budget lines. In FY 2006-07, those expenditures totaled \$1,501,662.

State Lottery Division				
Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommendation
Management & Administration	39.0	43.0	45.0	45.0
Sales	41.1	41.0	41.0	41.0
Accounting and Analysis	9.0	12.0	11.0	11.0
Investigators	7.0	8.5	9.0	9.0
Programmers/IT Support	<u>17.0</u>	<u>21.5</u>	<u>20.0</u>	<u>20.0</u>
Total	113.1	126.0	126.0	126.0

Personal Services

This line item pays for the program's staff, their benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year, and common policy base reductions. The Department requests a continuation appropriation of \$8,931,192 cash funds and 126.0 FTE.

The Department's request incorporates appropriations from 2010 special bills, annualization of those appropriations (including the PERA contribution change from S.B. 10-146), and annualization of FY 2010-11 decision items and budget amendments, and the Statewide PERA contribution reduction. Because this Division is entirely cash funded, it was exempted from the Governor's proposed 2.0 percent General Fund Personal Services cut. Pursuant to approved Committee policy, staff has included the 1.5 percent personal services base reduction from all fund sources in the recommendation.

Staff recommends a continuation appropriation of \$8,793,014 cash funds and 126.0 FTE This recommendation is based on the Personal Services Calculation approved by the Committee and detailed in the following table.

Personal Services Calculation State Lottery Division		
	FTE	Cash Funds
FY 2010-11 Long Bill	126.0	\$8,931,192
Annualization of SB 10-146 PERA contribution change	0.0	166,428
Statewide 1.5% personal services base reduction	0.0	(136,464)
SB 11-076 PERA contribution reduction	<u>0.0</u>	<u>(168,142)</u>
Staff Recommendation	126.0	8,793,014

Operating Expenses

This line item funds hardware/software maintenance, training, freight, disaster recovery insurance, telecommunications expenses, equipment rentals, general office supplies, capital outlay, utilities, and printing costs. The Department requested a continuation appropriation.

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

Payments to Other State Agencies

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

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

Travel

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

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

Marketing and Communications

This line item is used to reimburse vendors for goods and services related to the marketing, sale, advertising, public relations, consumer awareness, retailer awareness, drawings, customer support, and retailer support of Lottery games and products. These include sponsorships, newspaper and television advertising, promotional coupons, free tickets, Lottery Bucks and billboards. The Department requests a continuation appropriation of \$14,700,000 cash funds.

Staff recommends a continuation appropriation of \$14,700,000 cash funds.

Multi-State Lottery Fees

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

Staff recommends a continuation appropriation of \$177,433 cash funds.

Vendor Fees

This line is used to pay vendors for two categories of services: variable vendor fees, and fixed vendor fees. This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

Budget Amendment # 3 - Lottery Variable Costs Adjustment

In January, the Department requested and received approval for a FY 2010-11 supplemental decrease to this line item of \$195,350 to reflect updated sales projections. They are requesting a budget amendment to continue the spending authorization to FY 2011-12. The Department's amended request is for \$12,571,504 cash funds.

Staff recommends an appropriation of \$12,571,504 cash funds.

Prizes

This line item is used to pay Lottery prizes associated with games approved by the Lottery commission. This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

Budget Amendment # 3 - Lottery Variable Costs Adjustment

In January, the Department requested and received approval for a FY 2010-11 supplemental increase to this line item of \$23,839,456 to reflect updated sales projections. They are requesting a budget amendment to continue the spending authorization to FY 2011-12. The Department's amended request is for \$424,104,016 cash funds.

JBC Staff Initiated Change Request

Section 24-35-210 (1), C.R.S. explicitly states that "expenses" do not include amounts expended for lottery prizes. Prizes are paid out the lottery fund or from moneys collected from the sale of lottery tickets or other products.

The appropriation for Prizes have increased by more 70.0 percent in the last ten years, and now amount to \$432.6 million for FY 2010-11. This amount represents 81.6 percent of Lottery appropriations, 59.5 percent of Department of Revenue appropriations, and 2.2 percent of total State appropriations. In FY 2000-01, lottery prizes were 2.0 percent of total State appropriations. Including lottery prizes in the appropriation gives the appearance of State expenditures being greater than they

really are and distorts the perception of the size of the Department of Revenue and indeed the entire State budget. The following table details these appropriations from FY 2000-01 and FY 2010-11.

Lottery Prize Appropriations					
	FY 2000-01		FY 2010-11		
	Appropriation	Prize as a Percent	Appropriation	Prize as a Percent	Percent Growth
Lottery Prizes (including Powerball Prize Variance)	\$241,354,411	N/A	\$432,627,016	N/A	79.3%
Total State Lottery Division	308,731,824	78.2%	530,170,308	81.6%	71.7%
Total Department of Revenue	475,640,652	50.7%	726,962,619	59.5%	52.8%
Total State Operating	\$12,164,938,681	2.0%	\$19,537,414,887	2.2%	60.6%

Appropriations are the General Assembly's method of control over expenditures. However, in the case of Lottery prizes, the only method the General Assembly has to "control" these expenditures is to restrict the sale of lottery tickets. Restricting sales in that manner would reduce the moneys going to the beneficiaries of lottery revenues (Great Outdoors Colorado, the Conservation Trust Fund, Colorado State Parks, and the Public School Capital Construction Assistance Fund).

Staff recommends elimination of this line item appropriation, as permitted by statute. If the Committee does not approve this recommendation, staff recommends approving the Department request. Under Section 24-35-210 (1), C.R.S., this line item is continuously appropriated.

Powerball Prize Variance

This line is used to reimburse the Multi-State Lottery Association (MUSL) for the State's share of the 'lower tier' prize pool, which are any prizes other than the Powerball jackpot. Based on statistical data, if the State's payout is greater than average, this line item will decrease to reflect a reimbursement for the difference. Conversely, if the State's payout is less than average, this line item will increase accordingly. This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

Budget Amendment # 3 - Lottery Variable Costs Adjustment

In January, the Department requested and received approval for a FY 2010-11 supplemental decrease to this line item of \$4,437,000 to reflect updated sales projections. They are requesting a budget amendment to continue the spending authorization to FY 2011-12. The Department's amended request is for \$8,523,000 cash funds.

Pursuant to the JBC Staff initiated staff request discussed in the Prizes line item, staff recommends elimination of this appropriation as permitted by statute. If the Committee does not approve this recommendation, staff recommends approving the Department request. Under Section 24-35-210 (1), C.R.S., this line item is continuously appropriated.

Retailer Compensation

These payments are commissions, cashing bonuses, and marketing agreement bonuses to compensate retailers for selling State Lottery products. Retailers are paid a 7 percent commission on scratch sales, and a 6 percent commission for online sales. The bonus for selling to a powerball jackpot winner is \$50,000. Retailers receiving these payments include convenience stores; gas stations; supermarkets such as; tobacco shops; and liquor stores. This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

Budget Amendment # 3 - Lottery Variable Costs Adjustment

In January, the Department requested and received approval for a FY 2010-11 supplemental increase to this line item of \$2,950,750 to reflect updated sales projections. They are requesting a budget amendment to continue the spending authorization to FY 2011-12 The Department's amended request is for \$52,241,350 cash funds.

Staff recommends an appropriation of \$52,241,350 cash funds.

Ticket Costs

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

Budget Amendment # 3 - Lottery Variable Costs Adjustment

In January, the Department requested and received approval for a FY 2010-11 supplemental increase to this line item of \$294,000 to reflect updated sales projections. They are requesting a budget amendment to continue the spending authorization to FY 2011-12 The Department's amended request is for \$6,578,000 cash funds.

Staff recommends an appropriation of \$6,578,000 cash funds.

Research

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

Indirect Cost Assessment

Based on Department and State-wide indirect cost plans, the Department requests an appropriation of \$508,309 cash funds.

Staff recommends an appropriation of \$508,309 cash funds.

FOOTNOTES and REQUESTS FOR INFORMATION

Staff does not recommend any footnotes for the Department of Revenue.

Staff recommends the following written requests for information. The struck text and small caps indicates the changes. Staff's recommendations are in priority order.

DEPARTMENT OF REVENUE

1. **Department of Revenue, Executive Director's Office, Taxation Business Group, Taxation and Compliance Division, Taxpayer Service Division, and Tax Conferee --** The Department is requested to provide to the Joint Budget Committee, no later than September 30, 2011, a report detailing the amount of additional General Fund revenue realized during the fiscal year ending on June 30, 2011 from the General Assembly's funding of the Department's decision item to address the "conservation easement backlog". A similar report is requested by September 30, 2012 for additional General Fund revenue realized during FY 2011-12.
2. **Department of Revenue, Taxation Business Group, Taxation and Compliance Division --** The Department is requested to provide to the Joint Budget Committee, by September 30, 2011, a report detailing the amount of additional General Fund revenue realized during FY 2010-11 by the General Assembly's funding of 2009 Decision Item #1, "Out-of-state tax law compliance and enforcement". A similar report is requested by September 30, 2012 for additional General Fund revenue realized during FY 2011-12.
3. **Department of Revenue, Taxation Business Group, Taxation and Compliance Division --** The Department is requested to provide to the Joint Budget Committee, by September 30, 2011, a report on the effectiveness of 2010 Decision Item # 1 - "Treasury Offset Program". The report should provide the amount of additional revenue gained by the state by the full implementation of the program authorized by the General Assembly during the 2010 Legislative session.
4. **Department of Revenue, Taxation Business Group, Taxation and Compliance Division --** The Department is requested to provide to the Joint Budget Committee, by September 30, 2011, a report on the effectiveness of 2010 Decision Item # 2 - "Delinquency Billings". The report should provide the amount of additional revenue gained by the state by the implementation of the program authorized by the General Assembly during the 2010 Legislative session.
5. **Department of Revenue, Taxation Business Group, Taxation and Compliance Division --** The Department of Revenue is requested to provide to the Joint Budget Committee, by September 30, 2011 for FY 2010-11, a report on the effectiveness of 2010 Budget Amendment # 5 - "Tax Code Compliance Initiative". The report should provide the amount of additional

revenue gained by the state by the implementation of the initiative authorized by the General Assembly during the 2010 Legislative session.

6. **Department of Revenue, State Lottery Division** -- The Department is requested to submit a report to the Joint Budget Committee, by September 30, 2011, on the employment location of senior management employees of the State Lottery Division, pursuant to Section 24-35-202 (1), C.R.S., which requires the Lottery headquarters to be located in the city of Pueblo. This report should identify each position in senior management of the Division, and where the primary offices of the incumbents in those positions are located.
7. **DEPARTMENT OF REVENUE, INFORMATION TECHNOLOGY DIVISION** -- THE DEPARTMENT IS REQUESTED TO SUBMIT A REPORT TO THE JOINT BUDGET COMMITTEE WITH ITS SUPPLEMENTAL BUDGET REQUESTS ON JANUARY 1, 2012, ON THE ACTUAL COSTS, BY FUND TYPE, FOR PROGRAMMING 2011 SESSION LEGISLATION, INCLUDING ANY ECONOMIES OF SCALE REALIZED FROM COMBINING LIKE PROGRAMMING.

Staff recommends that the following requests for information not be renewed for FY 2011-12.

- **Department of Revenue, Information Technology Division, Colorado State Titling and Registration System** -- The Department is requested to provide, for the fiscal year starting July 1, 2010, quarterly reports to the Joint Budget Committee on the fund balance, revenues, and expenditures in the Colorado State Titling and Registration Account created in Section 42-1-211 (2), C.R.S., a sub-account of the Highway Users Tax Fund. The reports should come as soon as possible after the end of the quarters that end on September 30, 2010, December 31, 2010, March 31, 2011, and June 30, 2011.

Comment: Because of the passage of H.B. 10-1341 and H.B. 11-1381, the Colorado State Titling and Registration Account is no longer in danger of insolvency, therefor this report is no longer needed.

- **Department of Revenue, Taxation Business Group, Taxation and Compliance Division** -- The Department is requested to provide to the Joint Budget Committee, as soon as possible after the end of the fiscal year that ends on June 30, 2011, but no later than September 30, 2011, a report detailing the amount of additional General Fund revenue realized during FY 2010-11 by the General Assembly's funding of the program to allow senior auditors to travel eight weeks each out-of-state to audit companies that are based out-of-state.

Comment: This program was approved during the 2008 session, and with the report provided for FY 2010-11, staff will have adequate information with which to base an evaluation of the effectiveness of the program.

BUDGET BALANCING OPTIONS

REVENUE INCREASES

Continue temporary suspension of State sales exemption for cigarettes.

As part of the proposed budget balancing package for FY 2011-12, the Governor has proposed extending the suspension of the sales tax exemption for cigarettes through 2013-14. The proposal is anticipated to increase General Fund revenue by \$31.0 million in FY 2011-12, by \$30.3 million in FY 2012-13, and by \$29.5 million in FY 2013-14. This action was taken during the current downturn to suspend the sales tax exemption for cigarettes in FY 2009-10 and FY 2010-11. The suspension expires after June 30, 2011.

Staff recommends the Committee consider carrying a bill that would extend the suspension of the exemption from sales taxes for cigarettes.

Continue temporary suspension of sales tax vendor fee.

As part of the proposed budget balancing package for FY 2011-12, the Governor has proposed extending the suspension of the sales tax vendor administration fee. The vendor administration fee is a fee that the State allows a retailer to retain in order to collect and remit sales taxes. Prior to the economic downturn, the fee was set at 3.33 percent of the sales tax collected.

During both of the recent downturns in the economy, this fee has either been reduced or suspended. In 2003, the General Assembly passed H.B. 10-1017 that temporarily reduced the vendor fee to 2.00 percent. Again in March 2009, the General Assembly passed S.B. 09-212 which temporarily reduced the vendor fee from 3.33 percent to 1.35 percent for vendors who are required to file monthly. The reduction did not affect those vendors who were not required to file monthly. Subsequently, S.B. 09-275 suspended the vendor fee entirely for all vendors from July 1, 2009 to June 30, 2011.

This proposal is to extend the suspension of the vendor fee for an additional three fiscal years, through June 30, 2014. Extending the suspension would increase General Fund revenue by 71.6 million in FY 2011-12, by 74.1 million in FY 2012-13, and by \$74.9 million in FY 2013-14.

Staff recommends the Committee consider carrying a bill that would extend the suspension of the sales tax vendor fee.

CASH FUND TRANSFERS

The Governor has proposed transferring fund balance from four funds to the General Fund. These proposed transfers are as follows:

- Transfer \$9,800,000 from the Licensing Services Cash Fund.
- Transfer \$2,568,029 from the First Time Drunk Driving Offender Account of the Highway Users Tax Fund.
- Transfer \$500,000 from the Auto Dealers License Fund.

- Transfer \$150,000 from the Liquor Enforcement Division and State Licensing Authority Cash Fund.

Cash Fund Transfer from the Licensing Services Cash Fund.

This proposed transfer is a part of Decision Item # 4 (Funding Driver and Vehicle Services) and depends on the enactment of H.B. 11-1161, which authorizes the use of Highway Users Tax Fund (HUTF) "off-the-top" moneys for FY 2011-12 in the Division of Motor Vehicles, Driver and Vehicle Services. Decision item # 4 would refinance \$11,149,622 in appropriation from the Licensing Services Cash Fund (LSCF) with moneys from the HUTF "off-the-top". **Staff recommends against this cash fund transfer as proposed.** Staff was concerned that this transfer would violate the Constitutional provision, in Article X, Section 18, which states: "the proceeds from the imposition of any license, registration fee, or *other charge* with respect to operation of any motor vehicle on any public highway in this state . . . be used exclusively for the construction, maintenance, and supervision of the public highways of this state."

Staff asked for an opinion from the Office of Legislative Legal Services (OLLS). Their response is as follows:

Legislative Legal Services believes that Article X, Section 18 of the State Constitution prohibits the proposed transfer of \$9.8 million from the Licensing Services Cash Fund to the General Fund:

"1. Article X, section 18 of the state constitution states in relevant part the 'the proceeds from the imposition of any **license**, registration fee, or other charge with respect to the operation of any motor vehicle upon any public highway in this state . . . shall, except costs of administration, be used exclusively for the construction, maintenance, and supervision of the public highways of this state.' (Emphasis added) While it is a common misconception that it is the depositing of moneys into the highway users tax fund subject them to the limitation of article X, section 18, the reality is that it is the source from which the moneys are derived that matters, not the fund into which they are deposited."

Staff Alternative

Included in the overall funding for the LSCF, which is primarily from fees for all types of driver's licenses and fees on special license plates, is a fee for each identification card issued. Identification cards carry a fee of \$9.90, all of which is credited to the LSCF in FY 2010-11 and FY 2011-12. Approximately \$1.0 million in such fees are earned each year. Because identification cards are not "licenses related to driving on the public highways", these fees are not subject to Article X, Section 18 of the State Constitution and thus can be transferred to the General Fund (according to Legislative Legal Services).

Staff recommends the Committee approve a transfer of \$1.0 million from the LSCF to the General Fund in FY 2011-12, which corresponds to the amount of revenue earned by the LSCF from the fees for identification cards.

Further, **staff recommends the approval of a FY 2010-11 supplemental added on to the FY 2011-12 Long Bill refinancing \$1,262,769 of the LSCF appropriation in FY 2010-11 with moneys from**

the HUTF "off-the-top", and reserving \$1.0 million of the resulting year end fund balance as being the \$1.0 million earned from the fees for identification cards, and in FY 2011-12, increasing the cash fund transfer from the above paragraph from the LSCF to the General Fund from \$1.0 million to \$2.0 million. At the present time, the HUTF "off-the-top" appropriation for FY 2010-11 is \$1,262,769 below the allowable appropriation, so the recommended appropriation from those moneys would not exceed allowable appropriations from the HUTF "off-the-top". The amount of the increased cash fund transfer could not increase by more than \$1.0 million because it is tied to the amount of revenue generated by the fees for identification cards in FY 2010-11. While doing this additional transfer is not the preferred alternative of OLLS, they do believe it is defensible, given the plenary powers of the General Assembly.

Cash Fund Transfer from the First Time Drunk Driving Offender Account of the HUTF.

The Governor has requested that \$2.6 million be transferred from the First Time Drunk Driver Offender Account, a sub-account of the HUTF. **Staff recommends against this proposal.** Staff was concerned that this transfer would violate the Constitutional provision, in Article X, Section 18, which states: "the proceeds from the imposition of any license, registration fee, or *other charge* with respect to operation of any motor vehicle on any public highway in this state . . . be used exclusively for the construction, maintenance, and supervision of the public highways of this state."

Staff asked for an opinion from OLLS. Their response is as follows:

Legislative Legal Services believes that Article X, Section 18 of the State Constitution prohibits the transfer of moneys from the First Time Drunk Driving Offender Account in the Highway Users Tax Fund to the General Fund for purpose of balancing the budget because:

1. "The moneys that are credited to the account come from a 'restoration fee' that is imposed on an individual 'whose **license** or other privilege to operate a motor vehicle in this state has been suspended, cancelled, or revoked' as a prerequisite to receiving a new license or having their old license or privilege to drive restored; and
2. Consequently, the 'restoration fee' is a 'license ... with respect to the operation of any motor vehicle upon any public highway in this state' and the proceeds that it generates may be used only for the purposes specified in Article X, Section 18 of the State Constitution."

Cash fund transfer from the Auto Dealers License Fund

The Governor has proposed transferring \$500,000 from the Auto Dealers License Fund to the General Fund in FY 2011-12. This fund will have a liquid fund balance at the beginning of FY 2011-12 of \$1,011,369, which exceeds the target reserve fund balance by \$559,418. The fund balance in this fund was created out of the severe downturn in the economy, and in the case, specifically the automotive sales industry in FY 2008-09.

In response to the dramatic downturn in applications and renewals for dealerships, agents, distributorships, and sales persons, the Department increased fees for FY 2009-10. As the economy recovered, and application and renewal activity increased in FY 2009-10, the Department reduced fees

for FY 2010-11, but the excess reserve fund balance remains. The following table details the revenues, expenditures, proposed fund balance transfer, and ending fund balance for the Auto Dealers License Fund.

Auto Dealers License Fund Effect of Proposed Fund Balance Transfer				
	FY 2009-10 Actual	FY 2010-11 Estimated	FY 2011-12 Requested	FY 2012-13 Projected
Beginning Fund Balance	\$345,825	\$1,223,961	\$1,011,369	\$305,531
Actual/Anticipated Cash Inflow	3,457,755	2,526,503	2,526,503	2,526,503
Actual/Anticipated Cash Outflow	(2,579,619)	(2,739,095)	(2,732,341)	(2,801,458)
Available Fund Balance Prior to Balance Transfer	1,223,961	1,011,369	805,531	30,576
Fund Balance Transfer	0	0	(500,000)	0
Year End Fund Balance	1,223,961	1,011,369	305,531	30,576
Targeted Fund Balance (16.5 percent of Appropriation)	432,087	451,951	450,836	462,241
Excess / (Deficit) of Target Fund Balance	\$791,874	\$559,418	(\$145,305)	(\$431,665)

Staff recommends against this proposal to transfer \$500,000 from the Auto Dealers License Fund to the General Fund. This transfer will require the Department to increase fees, most likely in FY 2012-13 because expenditures exceed revenues by approximately \$250,000 per year. The fund balance at the end of FY 2012-13 is projected at \$30,576, which means the Department will have to increase fees in FY 2012-13. The Department would have to increase fees in any event by FY 2014-15 at the latest as the drain of the resources of the cash fund continue. The Department has the authority to set these fees to cover the direct and indirect costs of the Motor Vehicle Dealer Licensing Board.

Cash fund transfer from the Liquor Enforcement Division and State Licensing Authority Cash Fund

The Governor has proposed transferring \$150,000 from the Liquor Enforcement Division and State Licensing Authority Cash Fund to the General Fund in FY 2011-12. This fund will have a liquid fund balance at the beginning of FY 2011-12 of \$703,750, which exceeds the target reserve fund balance by \$321,326. The Department reduced some fees in FY 2010-11 in order to work down the excess fund balance. The following table details the revenues, expenditures, proposed fund balance transfer, and ending fund balance for the Auto Dealers License Fund.

Liquor Enforcement Division and State Licensing Authority Cash Fund Effect of Proposed Fund Balance Transfer				
	FY 2009-10 Actual	FY 2010-11 Estimated	FY 2011-12 Requested	FY 2012-13 Projected
Beginning Fund Balance	\$828,966	\$938,991	\$703,750	\$304,529
Actual/Anticipated Cash Inflow	2,225,334	2,081,887	2,081,887	2,081,887
Actual/Anticipated Cash Outflow	<u>(2,115,309)</u>	<u>(2,317,128)</u>	<u>(2,331,108)</u>	<u>(2,377,879)</u>
Available Fund Balance Prior to Balance Transfer	938,991	703,750	454,529	8,537
Fund Balance Transfer	<u>0</u>	<u>0</u>	<u>(150,000)</u>	<u>0</u>
Year End Fund Balance	\$938,991	\$703,750	\$304,529	\$8,537
Targeted Fund Balance (16.5 percent of Appropriation)	349,171	321,424	384,633	392,350
Excess / (Deficit) of Target Fund Balance	\$589,820	\$382,326	(\$80,104)	(\$383,813)

Staff recommends against this proposal to transfer \$150,000 from the Liquor Enforcement and State Licensing Authority Cash Fund to the General Fund. This transfer will require the Department to increase fees, most likely in FY 2012-13 because expenditures exceed revenues by over \$250,000 per year. The fund balance at the end of FY 2012-13 is projected at \$8,537, which means the Department will have to increase fees in FY 2012-13. The Department would have to increase fees in any event by FY 2014-15 at the latest as the drain of the resources of the cash fund continue. The Department has the authority to set these fees to cover the direct and indirect costs of the State Liquor Licensing Authority.

MEMORANDUM

TO: Joint Budget Committee

FROM: David Meng, JBC Staff
303-866-3147

SUBJECT: Staff Comebacks for Department of Revenue

DATE: March 17, 2011

1. During figure setting for the Department of Revenue, staff recommended an appropriation for the Information Technology Division, System Support, Personal Services that contained an incorrect fund split. The recommendation included elimination of the Department's requested appropriation for Bingo/Raffle Enforcement. The appropriation of \$11,401 should have reduced cash funds, instead staff inadvertently reduced General Fund instead. Staff's recommended appropriation is shown below:

<u>Fund Source</u>	<u>Original Recommendation</u>	<u>Corrected Recommendation</u>
General Fund	\$101,169	\$112,570
Cash Funds	33,047	21,646
HUTF	9,509	9,509
Reappropriated Funds	<u>12,581</u>	<u>12,581</u>
Total	\$156,306	\$156,306

2. During figure setting, staff did not include a recommendation on a footnote that was added to the Long Bill last year in caucuses. The footnote states:

"It is the intent of the General Assembly that the Department of Revenue shall not spend more than 5.0 percent of Amendment 50 revenues for administrative expenses of the Limited Gaming Division."

While the Governor did not veto this footnote, he instructed the Department not to comply, stating that the footnote "constitutes extensive oversight of the appropriation which is in violation of Article XVIII, Section 9, Paragraph 5 (b) (I), which states, in part, payments of on-going expenses of the Commission 'shall not be conditioned on any appropriation by the

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General Assembly'." The Governor did not veto the footnote since it was framed as the intent of the General Assembly.

Staff recommends that this footnote not be included with the Long Bill for the Department of Revenue as the State Constitution states that the expenses approved by the Limited Gaming Commission are not subject to appropriation by the General Assembly.