

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**SUPPLEMENTAL REQUESTS FOR FY 2011-12**

**DEPARTMENT OF REVENUE**

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

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FY 2011-12 SUPPLEMENTAL RECOMMENDATIONS  
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**Prioritized Supplementals**

**Supplemental Request, Department Priority #3  
 Driver's License Office Network Upgrades**

	Request	Recommendation
Total	<u>\$387,434</u>	<u>\$387,434</u>
General Fund	0	0
Cash Funds	387,434	387,434

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

**Department Request:** The Department requests an increase of \$387,434 cash funds from the Licensing Services Cash Fund in the appropriation to the Division of Motor Vehicle, Driver and Vehicle Services, Operating Expenses in FY 2011-12 to provide funding for upgrades to the driver's license offices network.

**Staff Recommendation:** Staff recommends that the Committee approve the Department's request.

**Staff Analysis:** The Department, in partnership with the Governor's Office of Information Technology (OIT), contracted with Dynamics Research Corporation to conduct an analysis of the driver's license office network bandwidth and wireless connectivity. The analysis included current bandwidth capacity requirements resulting from the 5 and 10 year license renewals cycles<sup>1</sup>. In addition, the Department is currently implementing four technology upgrade projects:

- Driver's License Refresh - upgrades existing systems to meet enhanced security requirements driven by the REAL ID Act and update existing operational capacity.

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<sup>1</sup> During the 2000 session, the General Assembly passed a bill that extended the renewal period for driver's licenses from five years to ten years. That projected to reduce renewals by close to one-half by 2005. Then, effective in 2005, the General Assembly passed a bill to return to a five year renewal cycle. This change meant that starting in 2010, the licensees with five year renewals and the ten year renewals would coincide and the number of people renewing licenses would almost double.

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- Queuing and Appointment Scheduling (Wait Less) - being installed in 13 driver's license offices, it will allow for queuing, appointment scheduling online, and new automated functionality.
- Pay Port Credit Card Acceptance - enables the use of credit cards in office locations.
- Auto Test - allows the migration to electronic format for commercial driver's license tests, resulting in improved accuracy, enhanced security, and reduced wait-times for customers.

The driver's license office networks are largely comprised of equipment that is functionally obsolete and increasingly unreliable. The networks do not have the bandwidth capacity needed for the requirements of the systems being used. On average, the network is down approximately 14 hours per month, which creates significant inconvenience to the public.

The analysis of the network reveals that the current utilization of the circuits, switches, and routers are all operating at or beyond their maximum capacity and will be unable to handle future applications and operations. The Department's current appropriation provides funding for ongoing circuit and usage costs. However, funding is not sufficient to upgrade the network equipment. The upgrades are required to accommodate increased usage and the ongoing upgrades described above.

The new equipment will be compatible with the transition to new, scalable metro ethernet technology. This technology combines ethernet and optical technologies to provide low-cost, scalable, and secure bandwidth. Existing T1 lines have a capacity of 1.54 megabytes, while the new technology has a capacity of at least 20 megabytes. This requests also supports the migration of the current infrastructure to the Colorado State Network as part of the overall statewide network infrastructure improvement.

The Department request is to purchase switches and routers for 56 offices at a cost of \$327,434 and file servers for 12 locations at a cost of \$60,000, for a total request of \$387,434. All expenditures will be cash funds from the Licensing Services Cash Fund (LSCF). The LSCF has sufficient moneys available to fund this request and the Department's Supplemental Request #4 (below).

**Supplemental Request, Department Priority #4  
 Driver's License Documents Fund Reallocation**

	<b>Request</b>	<b>Recommendation</b>
Total - Cash Funds	<u>\$0</u>	<u>\$0</u>
Identification Security Fund	(148,312)	(148,312)
Licensing Services Cash Fund	148,312	148,312

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<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
<p>JBC staff believes that this request is the result of a <i>technical error in calculating the original appropriation</i>, while the Department states that this request is the result of <i>data that was not available when the original appropriation was made</i>. The Department states that the cause was concern over the funds available from the Licensing Services Cash Fund. JBC staff has identified a technical error in the Department's decision item submission. In either case, JBC staff believes that the request meets JBC supplemental criteria.</p>	

**Department Request:** The Department requests to refinance the appropriation to the Division of Motor Vehicles, Driver and Vehicle Services, Driver's License Documents. This FY 2011-12 request is to increase the appropriation from the Licensing Services Cash Fund (LSCF) by \$148,312 and to decrease the appropriation from the Identification Security Fund (IDSF) by \$148,312. The total appropriation of \$3,810,592 remains unchanged.

**Staff Recommendation:** Staff recommends that the Committee approve the Department's request.

**Staff Analysis:** The Driver's License Documents line item in the Driver and Vehicle Services section of the Division of Motor Vehicles provides funding for security and identification verification and the production of driver's licenses and other identification documents (hereinafter included with driver's licenses) that are produced by a third party contractor, L-1 Secure Credentialing (L-1). The FY 2011-12 Long Bill appropriation for the line is \$3,810,592, of which \$2,846,051 is from the LSCF and \$946,541 is from the IDSF.

The IDSF is funded by a \$0.60 fee on each identification document issued by the Department. Its purpose is to provide for security enhancements that have been added to driver's licenses. These enhancements are for facial recognition security provided by L-1, Social Security Online Verification, and Systematic Alien Verification for Entitlements. Together, these three items cost \$0.631 for each card produced. This means that the Department is losing \$0.031 for every card produced. When spread across approximately 1.4 million licenses produced in a year, that is a loss of \$43,622 for the production of the cards that must be covered by another fund source.

During figure setting for the FY 2011-12 Long Bill, the Department projected that the beginning fund balance for the IDSF would be almost \$250,000, instead the figure was \$113,236. JBC staff advised the Committee that the Department's request for the appropriation of \$946,541 for this line was unsustainable in the long-term, but recommended the requested appropriation of \$964,541 based on a starting fund balance of \$250,000 would have left a fund balance of \$26,291 at the end of FY 2011-12. Staff advised the Committee at that time that appropriations from the IDSF would have to be reduced in FY 2012-13.

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Since the actual fund balance was \$113,236, the appropriation will deplete the IDSF before the end of FY 2011-12 and the appropriation from the LSCF is not sufficient to make up the difference. The Department projects that the IDSF will be \$113,236 short at the end of the fiscal year. The result would mean that the Department would be unable to produce and deliver approximately 50,000 drivers licenses in FY 2011-12. As JBC staff believes this shortfall is the result of an inadvertent technical error that neither the Department nor JBC staff discovered in time for figure setting for the FY 2011-12 Long Bill, that the Committee should approve the Department's request.

**Supplemental Request, Department Priority #5  
 Motor Vehicle Emissions Program FTE Reduction**

	<b>Request</b>	<b>Recommendation</b>
Total	( <u>\$116,403</u> )	( <u>\$116,403</u> )
FTE	(2.0)	(2.0)
Cash Funds	(116,403)	(116,403)

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

**Department Request:** The Department requests to reduce its appropriation to the Vehicle Emissions Program by \$116,403 cash funds and 2.0 FTE. The cash funds source is the Department of Revenue Sub-account of the Automobile Inspection and Readjustment Account of the Highway Users Tax Fund. The Department is holding these 2.0 positions vacant and has restricted its spending authority.

**Staff Recommendation:** Staff recommends that the Committee approve the Department's request.

**Staff Analysis:** Pursuant to a recommendation made in a performance audit conducted by the Office of the State Auditor (OSA), released in September 2010, the Department conducted a detailed analysis of the operations of the Vehicle Emissions Section (Section) of the Division of Motor Vehicles. The Section is charged with quality assurance; auditing; licensing of facilities, mechanics, and inspectors; providing all necessary forms; issuing, denying, cancelling, and revoking licenses; issuing waivers; enforcing emissions requirements; and performing complaint mitigation.

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The FY 2011-12 appropriation to the Section is \$1,265,618 cash funds and 17.0 FTE. The source of cash funds is the Department of Revenue Subaccount of the Automobile Inspection and Readjustment (AIR) Account. The request is to reduce the appropriation by \$116,403 and 2.0 FTE in FY 2011-12, which annualizes to \$119,027 in FY 2012-13 (as a result of the expiration of S.B. 11-076 which changed PERA contributions).

In November 2007, the United State Environmental Protection Agency designated the Denver Metro Area and Northern Front Range as being out of compliance with the then current eight-hour ozone standard. In December 2008, the Air Quality Control Commission designated parts of Larimer and Weld counties into the enhanced emissions program area. Then S.B. 09-003 further expanded the boundaries of the enhanced program area in the Northern Front Range. Together, these two changes added 376,000 vehicles in the enhanced emission program area. To meet the need to regulate the new inspection facilities for these areas, the Department received an additional 2.0 FTE for these duties.

The majority of the findings of the OSA recommendation related to the Motor Vehicle Emissions Program (Program) field staff. In response to the OSA recommendation, the Department analyzed detailed accounts of weekly and monthly activities reported on employee time-keeping reports. The analysis found that approximately 17,787 hours per year are required of the field staff, which equates to approximately 9.0 FTE. The program is currently appropriated 11.0 FTE.

As a result, the Department requests a reduction of 2.0 FTE and the concurrent spending authority, \$116,403 cash funds. Because of the increase in State PERA contributions as a result of the expiration of the provisions of S.B. 11-076, the request will annualize to \$119,027.

The Department is holding these positions vacant at this time and has restricted its spending authority by the amount requested. Approval of this request would incorporate these changes into the Department's spending authority as approved by the General Assembly.

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**Non-Prioritized Supplementals**

**Previously Approved Interim Supplemental #1  
State Sales Tax Refunds Pursuant to H.B. 10-1285**

	<b>Previously Approved</b>
Total	<u>\$81,434</u>
Cash Funds	81,434

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**Description of Supplemental:** This interim supplemental was approved by the Committee on June 20, 2011. It allows the Department of Revenue to start issuing sales tax refunds for entities that paid sales taxes on qualified purchases or leases of commercial vehicles used for interstate commerce. House Bill 10-1286 created the sales tax refund, and stipulated that the General Assembly would annually appropriate the moneys required for the refund in the Long Bill.

Through an oversight, the requirement to put this refund in the Long Bill was not noticed until after the Long Bill had been passed, so the Department requested the interim supplemental to begin compliance with the provisions of H.B. 10-1285. The supplemental contains an appropriation of \$81,434 cash funds from the Commercial Vehicle Enterprise Tax Fund.

*The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves. Staff will include this supplemental in the Department's supplemental bill.*

**Previously Approved Interim Supplemental  
 Loma Port Staffing**

	Previously Approved
Total	\$193,171
FTE	4.0
Cash Fund (Highway Users Tax Fund)	193,171

**Description of Supplemental:** Pursuant to a joint operating agreement between the states of Colorado and Utah, the State of Utah operated the westbound port of entry at Loma, Colorado (just west of Grand Junction) on Interstate 70 to enforce the laws of both states, and similarly, the State of Colorado operated the eastbound port. On April 11, 2011, due to concerns about the passage of H.B. 10-1113 (which transferred the Motor Carrier Safety Assistance Program in the Department of Revenue to the Department of Public Safety), Utah notified Colorado that it would be terminating the joint operating agreement effective May 12, 2011.

The Department sought and received approval from the Committee for an increase in funding of \$193,171 cash funds and 4.0 FTE from Highway Users Tax Fund Off-the-top moneys to reopen the westbound port at Loma. If this had not been approved, commercial vehicles would have had to exit the highway and use the eastbound port, causing significant delays in clearing both east and west-bound commercial traffic.

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*The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves. Staff will include this supplemental in the Department's supplemental bill.*

**Statewide Common Policy Supplemental Requests**

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

Department's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Operating Common Policy True-up (combines Administrative Law Judges and Capital Complex Leased Space)	\$55,739	\$35,614	\$20,125	\$0	\$0	0.0
Annual Fleet True-up	70,102	(1,384)	71,486	0	0	0.0
Department's Total Statewide Supplemental Requests	125,841	34,230	91,611	0	0	0.0

**Staff Recommendation:** The staff recommendation for these requests is pending Committee approval of common policy supplementals. **Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves common policy supplementals.** If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

	FY 2010-11	FY 2011-12	Fiscal Year 2011-12 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>DEPARTMENT OF REVENUE</b>					
<b>Executive Director - Barbara Brohl</b>					
<b>Supplemental #3 - Driver's License Office Network Upgrades</b>					
<i>(5) Division of Motor Vehicles, (B) Driver and Vehicle Services</i>					
Operating Expenses	<u>1,424,777</u>	<u>1,684,157</u>	<u>387,434</u>	<u>387,434</u>	<u>2,071,591</u>
General Fund	0	0	0	0	0
Cash Funds	1,424,777	1,684,157	387,434	387,434	2,071,591
<b>Supplemental #4 - Drivers License Documents Fund Reallocation</b>					
<i>(5) Division of Motor Vehicles, (B) Driver and Vehicle Services</i>					
Drivers License Documents	<u>3,101,123</u>	<u>3,810,592</u>	<u>0</u>	<u>0</u>	<u>3,810,592</u>
General Fund	0	0	0	0	0
Cash Funds	3,101,123	3,810,592	0	0	3,810,592
Licensing Service Cash Fund	2,258,414	2,846,051	148,312	148,312	2,994,363
Identification Security Fund	842,709	964,541	(148,312)	(148,312)	816,229
<b>Supplemental #5 - Motor Vehicle Emissions Program FTE Reduction</b>					
<i>(5) Division of Motor Vehicles, (C) Vehicle Emissions</i>					
Personal Services - Cash Funds	945,389	1,176,893	(114,503)	(114,503)	1,062,390
FTE	14.4	17.7	(2.0)	(2.0)	15.7
Operating Expenses - Cash Funds	84,477	88,725	(1,900)	(1,900)	86,825

	FY 2010-11	FY 2011-12	Fiscal Year 2011-12 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>Total for Supplemental #3</b>					
Cash Funds	1,029,866	1,265,618	(116,403)	(116,403)	1,149,215
FTE	14.4	17.7	(2.0)	(2.0)	15.7
<hr/>					
<b>Previously Approved Interim Supplemental #1 - State Sales Tax Refunds Pursuant to H.B. 10-1285</b>					
<i>(4) Taxation Business Group, (E) Special Purpose</i>					
Commercial Vehicle Enterprise Sales Tax Refund (New Line Item)	0	0	81,434	81,434	N.A.
<hr/>					
<b>Previously Approved Interim Supplemental #2 - Loma Port Staffing</b>					
<i>(1) Executive Director's Office</i>					
Utilities	<u>192,837</u>	<u>247,119</u>	<u>5,700</u>	<u>5,700</u>	<u>252,819</u>
General Fund	0	0	0	0	0
Cash Funds	192,837	247,119	5,700	5,700	252,819
<i>Highway Users Tax Fund</i>	95,589	103,416	5,700	5,700	109,116
<i>(2) Central Department Operations</i>					
Postage	<u>3,004,698</u>	<u>3,095,634</u>	<u>528</u>	<u>528</u>	<u>3,096,162</u>
General Fund	2,710,891	2,745,256	0	0	2,745,256
Cash Funds	293,807	350,378	528	528	350,906
<i>Highway Users Tax Fund</i>	13,909	13,909	528	528	14,437

	FY 2010-11	FY 2011-12	Fiscal Year 2011-12 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Personal Services	<u>6,758,292</u>	<u>6,786,695</u>	<u>164,331</u>	<u>164,331</u>	<u>6,951,026</u>
FTE	123.3	120.1	4.0	4.0	124.1
General Fund	635,891	547,309	0	0	547,309
Cash Funds	6,113,587	6,239,386	164,331	164,331	6,403,717
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>6,113,254</i>	<i>6,239,386</i>	<i>164,331</i>	<i>164,331</i>	<i>6,403,717</i>
Reappropriated Funds - Motor Carrier Safety Assistance Program	8,814	0	0	0	0
Operating Expenses	<u>500,798</u>	<u>515,305</u>	<u>22,612</u>	<u>22,612</u>	<u>537,917</u>
General Fund	36,974	38,045	0	0	38,045
Cash Funds - Highway Users Tax Fund "Off-the-Top"	463,824	477,260	22,612	22,612	499,872
<b>Total for Previously Approved Supplemental #2</b>	10,456,625	10,644,753	193,171	193,171	10,837,924
FTE	<u>123.3</u>	<u>120.1</u>	<u>4.0</u>	<u>4.0</u>	<u>124.1</u>
General Fund	3,383,756	3,330,610	0	0	3,330,610
Cash Funds	7,064,055	7,314,143	193,171	193,171	7,507,314
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>6,686,576</i>	<i>6,833,971</i>	<i>193,171</i>	<i>193,171</i>	<i>7,027,142</i>
Reappropriated Funds	8,814	0	0	0	0

	FY 2010-11	FY 2011-12	Fiscal Year 2011-12 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>Totals Excluding Pending Items</b>					
DEPARTMENT OF REVENUE					
Totals for ALL Departmental line items	660,864,067	294,730,727	545,636	545,636	295,276,363
FTE	<u>1,288.3</u>	<u>1,370.3</u>	<u>2.0</u>	<u>2.0</u>	<u>1,372.3</u>
General Fund	66,521,669	72,746,170	0	0	72,746,170
Cash Funds	592,134,321	219,932,569	545,636	545,636	220,478,205
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>14,631,593</i>	<i>11,940,308</i>	<i>193,171</i>	<i>193,171</i>	<i>12,133,479</i>
Reappropriated Funds	1,400,745	1,328,287	0	0	1,328,287
Federal Funds	807,332	723,701	0	0	723,701
<b>Statewide Common Policy Supplementals</b>					
<b>(see narrative for more detail)</b>	<u>N.A.</u>	<u>N.A.</u>	<u>125,841</u>	<u>Pending</u>	<u>N.A.</u>
General Fund			34,230		
Cash Funds			91,611		
<i>Highway Users Tax Fund "Off-the-Top"</i>			<i>(9,254)</i>		
<b>Totals Including Pending Items</b>					
DEPARTMENT OF REVENUE					
Totals for ALL Departmental line items	660,864,067	294,730,727	671,477	545,636	295,276,363
FTE	<u>1,288.3</u>	<u>1,370.3</u>	<u>2.0</u>	<u>2.0</u>	<u>1,372.3</u>
General Fund	66,521,669	72,746,170	34,230	0	72,746,170
Cash Funds	592,134,321	219,932,569	637,247	545,636	220,478,205
<i>Highway Users Tax Fund "Off-the-Top"</i>	<i>14,631,593</i>	<i>11,940,308</i>	<i>183,917</i>	<i>193,171</i>	<i>12,133,479</i>
Reappropriated Funds	1,400,745	1,328,287	0	0	1,328,287
Federal Funds	807,332	723,701	0	0	723,701

Key: N.A. = Not Applicable or Not Available