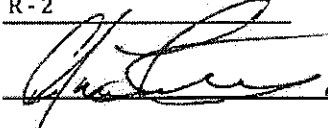
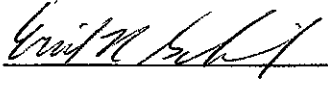


Schedule 13
Funding Request for the 2013-14 Budget Cycle

Department: Department of Personnel & Administration
 Request Title: Tax Document Processing Pipeline Efficiencies
 Priority Number: R - 2

Dept. Approval by:  10/19/12
 Date

OSPB Approval by:  10/25/12
 Date

- Decision Item FY 2013-14
- Base Reduction Item FY 2013-14
- Supplemental FY 2012-13
- Budget Amendment FY 2013-14

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	6
Fund		Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
Total of All Line Items	Total	18,573,845	-	18,573,845	(41,236)	(389,969)
	FTE	113.6	-	113.6	(7.2)	(14.5)
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	1,104,614	-	1,104,614	-	-
	RF	17,469,231	-	17,469,231	(41,236)	(389,969)
	FF	-	-	-	-	-
(4) Central Services, Integrated Document Solutions, Personal Services	Total	6,160,955	-	6,160,955	(262,743)	(525,486)
	FTE	113.6	-	113.6	(7.2)	(14.5)
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	133,509	-	133,509	-	-
	RF	6,027,446	-	6,027,446	(262,743)	(525,486)
	FF	-	-	-	-	-
(4) Central Services, Integrated Document Solutions, Operating Expenses	Total	12,412,890	-	12,412,890	221,507	135,517
	FTE	-	-	-	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	971,105	-	971,105	-	-
	RF	11,441,785	-	11,441,785	221,507	135,517
	FF	-	-	-	-	-

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	6
	Fund	Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
<p>Letternote Text Revision Required? Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/> If yes, describe the Letternote Text Revision:</p> <p>Cash or Federal Fund Name and COFRS Fund Number: Fund 601 - Central Services Revolving Fund</p> <p>Reappropriated Funds Source, by Department and Line Item Name: All State agencies that utilize IDS Scanning & Data Entry</p> <p>Approval by OIT? Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/> Not Required: <input type="checkbox"/></p> <p>Schedule 13s from Affected Departments:</p> <p>Other Information:</p>						

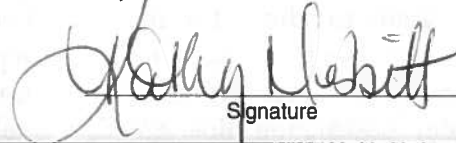


DEPARTMENT OF PERSONNEL & ADMINISTRATION

John W. Hickenlooper
Governor

FY 2013-14 Funding Request
November 1, 2012

Kathy Nesbitt
Executive Director

 10/22/12
Signature Date

Department Priority: R - 2
Tax Document Processing Pipeline Efficiencies

Summary of Incremental Funding Change for FY 2013-14	Total Funds	General Fund	FTE
Tax Document Processing Pipeline Efficiencies	(\$41,236)	\$0	(7.2)

Request Summary:

The Department of Personnel & Administration requests to reduce its Personal Services appropriation by 7.2 FTE and \$41,236 Reappropriated Funds in FY 2013-14 to account for efficiencies garnered through the Department of Revenue Pipeline Lean Project. The Department submitted a corresponding FY 2013-14 Capital Construction request to procure the hardware, software, and personal services contracts necessary to implement the new process, including the purchase and installation of two high-speed scanners at the IDS – Pueblo location. A personal services reduction of \$262,743 Reappropriated Funds is partially offset by an increase in the Operating Expenses line item by \$221,507 Reappropriated Funds to account for maintenance, licenses, and equipment not included in the capital construction request, but also required for implementation. Therefore, the net reduction to the Department's budget for FY 2013-14 is \$41,236 Reappropriated Funds and represents six months of savings as the implementation date for the new process is scheduled for January 1, 2014.

In FY 2014-15, the Department will realize a full year of savings in the Personal Services line of 14.5 FTE and \$525,486 Reappropriated Funds.

Due to the removal of one-time costs associated with initial purchases, the ongoing Operating Expenses cost decreases to a total of \$135,517, for an overall net savings of \$389,969 Reappropriated Funds for DPA alone.

Problem or Opportunity:

The DOR Pipeline Lean Project Capital Construction request that was submitted through the capital construction process will create efficiencies in the State's overall document imaging and processing programs. The high speed scanners, software, and personal services contracts that are the subject of that request will be capable of processing a much higher volume of tax and non-tax documentation with increased accuracy. The combination of increased speed and accuracy will allow the Department to migrate a large portion of manual data-entry to an automated process that will decrease the labor costs considerably. This request seeks a net reduction of 7.2 FTE in the Personal Services lines in order to recognize the offsetting impact of the reduced need for full time employees and the much smaller increased need for temporary services during peak times. In FY 2013-14, this reduction includes the elimination of 7.5 data entry FTE as well as an increase of 0.3 FTE for a Production II position to oversee the document

destruction process. In FY 2014-15 and beyond, the net reduction of FTE totals 14.5 FTE.

This request also seeks an increase in the Operating Expenses line item of the Integrated Document Solutions program to allow for the purchase of high-speed mail openers, software licenses, annual software maintenance, and costs associated with document destruction that are required to fully implement that capital construction request but are not allowable in that type of submission.

Brief Background:

The Department of Personnel & Administration's Integrated Document Solutions program performs a number of services for State entities and political subdivisions. One of these areas of service deals specifically with document scanning and data entry for the Department of Revenue's tax remittance process. This process requires the program to receive, scan, track, and error-correct documents that are received by the State for tax purposes. The Department has submitted a concurrent capital construction request to streamline this process, and this request is a corresponding action that is required to recognize the full potential of the changes identified in the Lean project for tax remittance processing.

The Department of Revenue is statutorily responsible for the overall management of taxation and the collection of tax revenue for the State of Colorado. The management includes, but is not limited to the receipt, extraction, scan and capture, processing, editing, and archiving of a number of different types of documents. The taxes submitted along with these documents constitute the principle revenue stream for the State of Colorado. In the past, the Department of Revenue has partnered with the Department of Personnel & Administration so that it (DOR) can leverage DPA's expertise and technology to perform many of the mechanical steps of this process.

Outdated Systems

The tax remittance system, which was set up in early 2000, was projected to have an operating lifetime of approximately seven years. In 2006, the operational life of the equipment was near its end and the amount of down-time required to repair and maintain the system began to delay the tax remittance process, causing unnecessary delays in processing and check-cashing turn-around. As a temporary fix, the Department of Revenue replaced some of the hardware and upgraded the software in 2006, but these upgrades only maintained an already-outdated system and extended its operational life by four years.

The current system is what's known as a "two-pass" system where checks are first endorsed and encoded, and then sent along to the bank for deposit. This type of system is no longer state-of-the-art and significantly extends the amount of time it takes to process documents relative to current technology standards. In addition, the current tax remittance hardware is only capable of scanning coupon-sized correspondence and checks, which is a severe limitation relative to current technology. An updated system would allow the Department of Revenue to substantially increase productivity and reduce the amount of time it takes to process checks and various other tax documents through the system.

Inefficient Processes

Using Lean tools and techniques to evaluate the tax remittance processes, the Department of Revenue and the Department of Personnel & Administration have identified areas where improvements in operational practices could yield substantial returns. The first of these areas concerns the treatment of the documents as they are extracted, scanned, encoded, endorsed, and archived. Currently, tax documents are sent to the Department of Revenue by way of the Capitol Annex facility, where the majority of them are extracted and prepped for the next stages of the process. Coupon-sized correspondence and checks are scanned through the remittance processing system, but the majority of the tax

documents are then sent to the IDS – Pueblo facility for manual data entry. Once the data has been entered, the documents are then sent back to the Department of Revenue facility in Denver for quality control and review. After this process is complete, the documents are then sent back to the IDS – Pueblo facility for scanning before uploading into the Gentax System. Once the documents have been scanned and uploaded, the original documents are then sent back to the Department of Revenue facility for destruction. In total, this requires the tax documents to travel from Denver to Pueblo and back no less than twice before the process is complete. Clearly, there is an opportunity for streamlining this process to reduce the time involved with document transportation within the process. In addition, a recent audit of the Department of Revenue’s process showed that the physical transport of the documents presented an unnecessary liability if the transport were compromised in any way (vehicle accident, fire, etc.).

Proposed Solution:

The proposed solution includes transporting the documents one time directly to the DPA Pueblo facility where they are scanned and read upon arrival, and allows the remittance processing to be done by DOR from the images rather than the paper copies. Documents then stay in Pueblo and are destroyed in Pueblo.

Along with machinery, software, and the personal services contract in the capital construction request, the Department requires additional operating appropriations to fully implement the DOR Pipeline Lean project. These are:

1. 2 High-speed mail openers
2. 2 Maintenance contracts for the mail openers
3. 25 Data-Perfection Licenses
4. Software maintenance contracts
5. Data-Perfection maintenance
6. Expanded Document Destruction Capacity

The costs for each of these items, which total \$221,507 for FY 2013-14 and are presented in the table appended to this document, will be built into

the rate and recovered through the rates charged to individual State agencies. For that reason, the spending authority necessary for this request is Reappropriated Funds.

This request also seeks a reduction in the Personal Services appropriation for the Integrated Document Solutions program of \$262,743 in Reappropriated Funds and 7.2 FTE in FY 2013-14. For FY 2013-14, the Department has assumed that the scanning software and hardware will only be operational for six months of the year, therefore this request annualizes to a Personal Services decrease of \$525,486 and 14.5 FTE in FY 2014-15.

Alternatives:

As this request is dependent upon the approval of the capital construction request for the DOR Pipeline Lean project, there is no applicable alternative. If the DOR Pipeline Lean request is not approved, this request should be denied as well. Conversely, if the DOR Pipeline Lean Project request is approved, this request should also be approved. It should be noted that the RFP process may yield a better alternative, but that cannot be known at this time.

Anticipated Outcomes:

If this request is approved and the capital construction request for the DOR Pipeline Lean Project is also approved, the Department will be able to implement that capital project and recognize a full year’s net savings of \$389,969. Please see Table 1 for the full potential savings to the State for FY 2014-15 and ongoing as a result of implementing tax document processing pipeline efficiencies.

Assumptions for Calculations:

For this request, the Department has used estimates of prices for maintenance contracts, high-speed openers, and licenses as identified through its discussions with the Department of Revenue, the Lean contractor North Highland, and various other vendors.

With respect to the Personal Services savings, the Department used the average loaded cost for its Data Entry Operator I job class (\$36,234 as of August, 2012) to estimate the savings associated with this request. The Department believes that all efficiencies associated with this request will be experienced within this job class. For the additional Production II position, the Department has also used the average weighted cost of its current Production II staff as a proxy for the additional need (\$36,048 as of August 2012).

Services, including document scanning & imaging, data entry, and mail services (24-30-1101 through 1117, C.R.S. (2012)).

Please see the appendix attached to this document for further detail regarding the calculations.

Consequences if not Funded:

If the capital construction request is funded and this request is not, the Department will not be able to fully implement the DOR Pipeline Lean Project. This may cost the State a considerable amount of money.

Impact to Other State Government Agency:

The funding associated with this request will be built into the Integrated Documents Solutions rates for FY 2013-14. To the extent that an agency uses those services, they will incur the corresponding savings or costs. However, as their participation is optional, the Department cannot estimate an impact to any specific agency, or the corresponding fund splits, at this time.

In addition, the Capital Construction request that drives this request is likely to have an impact on the Governor's Office of Information Technology. The OIT is in the process of identifying their needs and will submit a separate request for funding if necessary. Depending upon the size and scope of their request, the Department of Personnel and Administration may need additional corresponding appropriations to pay for the associated information technology costs.

Current Statutory Authority or Needed Statutory Change:

DPA is statutorily permitted to provide a number of services through its Division of Central

Appendix: Detailed Calculations of the Request

Table 1: Aggregation of Tax Document Pipeline Efficiencies - Costs by Fiscal Year				
Request, Department & Line Item	Total FY 2013-14		Total FY 2014-15	
	FTE	Dollars	FTE	Dollars
Capital Construction Request				
Department of Personnel & Administration	0.0	\$1,468,566	0.0	\$0
DPA - DOR Pipeline Lean Project Corresponding Operating Request				
(4) DCS, IDS, Personal Services - Reduction in FTE	(7.5)	(\$271,755)	(15.0)	(\$543,510)
(4) DCS, IDS, Personal Services - FTE for Document Destruction	0.3	\$9,012	0.5	\$18,024
(4) DCS, IDS, Operating Expenses	0.0	\$221,507	0.0	\$135,517
<i>Subtotal DPA</i>	<i>(7.2)</i>	<i>(\$41,236)</i>	<i>(14.5)</i>	<i>(\$389,969)</i>
DOR -Tax Document Processing Pipeline Efficiencies				
(1) EDO, Leased Space	0.0	(\$20,000)	0.0	(\$20,000)
(2) Central Department Operations, Personal Services	(10.7)	(\$574,117)	(24.3)	(\$1,085,544)
(2) Central Department Operations, Season Tax Operations	0.0	(\$101,154)	0.0	(\$101,154)
(2) Central Department Operations, Operating	0.0	(\$57,445)	0.0	(\$86,279)
(2) Central Department Operations, Document Management	0.0	(\$257,706)	0.0	(\$392,160)
<i>Subtotal DOR</i>	<i>(10.7)</i>	<i>(\$1,010,422)</i>	<i>(24.3)</i>	<i>(\$1,685,137)</i>
Total of All Requests	(17.9)	\$416,908	(38.8)	(\$2,075,106)

FY 2013-14 Personal Services Reduction		
Description	Amount	Notes
Data Entry Operator I Weighted Salary	\$36,234	From August 2012 Payroll Projections
# of Reduced FTE Requested	(15.0)	From DCS estimates
Full-year Estimated Reduction	(\$543,510)	Product of Above
# Months of Reduction	6	Assumes implementation on January 1, 2014
Annualized Reduction	(\$271,755)	Full-year reduction * # Months Reduction / 12
Annualized FTE Reduction	(7.5)	# of Reduced FTE * # Months Reduction / 12

FY 2013-14 Personal Services for Document Destruction		
Description	Amount	Notes
Production I Weighted Salary	\$36,048	From August 2012 Payroll Projections
# of FTE Requested	0.5	From DCS estimates
Full-year Estimated Increase	\$18,024	Product of Above
# Months of Work	6	Assumes implementation on January 1, 2014
Annualized Increase	\$9,012	Full-year * # Months / 12
Annualized FTE Increase	0.3	# of FTE * # Months / 12

FY 2013-14 Operating Expenses			
Description	Unit Cost	Quantity	Extended Cost
High-Speed Mail Opener	\$11,745	2	\$23,490
Data-Perfection Seats	\$2,500	25	\$62,500
High-Speed Scanner Annual Maintenance	\$30,000	2	\$60,000
Software Annual Maintenance	\$43,500	1	\$43,500
Data-Perfection Annual Maintenance	\$11,250	1	\$11,250
Document Destruction (See Below)	N/A	N/A	\$20,767
Total			\$221,507

Estimate of Document Destruction Costs		
Description	Amount	Notes
Document Destruction		
Volume of Images	19,570,293	DOR Volume Assumption
Images/Sheets per Pound	100	Actual Measure
Total LBS	195,703	Images/LBS
Cost Per Pound for Destruction	\$0.1	Current Rate
Subtotal - Cost to Destroy Documents	\$19,570	LBS * Rate
Projected Equipment Cost		
Pallet Rack Upright	7	Department Assumption
Cost per Pallet	\$56.35	Current Rate
Subtotal - Pallet Cost	\$394	Quantity * Rate
Crossbeams	8	Department Assumption
Cost per Crossbeams	\$42.32	Current Rate
Subtotal - Crossbeam Cost	\$339	Quantity * Rate
Wire Decking	36	Department Assumption
Cost per Wire Decking	\$12.9	Current Rate
Subtotal - Wire Decking	\$464	Quantity * Rate
Total Cost for Document Destruction	\$20,767	Sum of Subtotals Above

FY 2014-15 Personal Services Reduction		
Description	Amount	Notes
Data Entry Operator I Weighted Salary	\$36,234	From August 2012 Payroll Projections
# of Reduced FTE Requested	(15.0)	From DCS estimates
Full-year Estimated Reduction	(\$543,510)	Product of Above
# Months of Reduction	12	Assumes implementation on January 1, 2014

FY 2014-15 Personal Services Reduction		
Description	Amount	Notes
Annualized Reduction	(\$543,510)	Full-year reduction * # Months Reduction / 12

FY 2014-15 Personal Services for Document Destruction		
Description	Amount	Notes
Production I Weighted Salary	\$36,048	From August 2012 Payroll Projections
# of Reduced FTE Requested	0.5	From DCS estimates
Full-year Estimated Increase	\$18,024	Product of Above
# Months of Work	12	Assumes implementation on January 1, 2014
Annualized Increase	\$18,024	Full-year * # Months / 12
Annualized FTE Increase	0.5	# of FTE * # Months / 12

FY 2014-15 Operating Expenses			
Description	Unit Cost	Quantity	Extended Cost
High-Speed Scanner Annual Maintenance	\$30,000	2	\$60,000
Software Annual Maintenance	\$43,500	1	\$43,500
Data-Perfection Annual Maintenance	\$11,250	1	\$11,250
Document Destruction (See Above)	N/A	N/A	\$20,767
Total			\$135,517

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