

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Out-of-State Tax Law Compliance and Enforcement		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10	
Request Title:		Department of Revenue		FY 2008-09		FY 2009-10		FY 2009-10	
Department:		DL-1		FY 2008-09		FY 2009-10		FY 2009-10	
Priority Number:		1		FY 2008-09		FY 2009-10		FY 2009-10	
Dept. Approval by:		Supplemental Request		Total Revised Request		Base Request		Decision/ Base Reduction	
OSP Approval:		FY 2008-09		FY 2008-09		FY 2009-10		FY 2009-10	
Date: 10-10-2008		November 1 Request FY 2009-10		November 1 Request FY 2009-10		November 1 Request FY 2009-10		November 1 Request FY 2009-10	
Date: 10-21-08		Budget Amendment FY 2009-10		Budget Amendment FY 2009-10		Budget Amendment FY 2009-10		Budget Amendment FY 2009-10	
Fund		Prior-Year Actual FY 2007-08		Appropriation FY 2008-09		Supplemental Request FY 2008-09		Total Revised Request FY 2008-09	
Total		17,519,582		17,234,300		0		17,234,300	
FTE		198.5		217.4		0.0		217.4	
GF		16,551,192		15,864,610		0.0		15,864,610	
CF		128,401		1,233,862		0		1,233,862	
CFE/RF		839,990		135,828		0		135,828	
Total		2,191,507		2,641,446		0		2,641,446	
FTE		0.0		0.0		0.0		0.0	
GF		1,349,369		1,408,853		0		1,408,853	
CF		127,132		1,232,593		0		1,232,593	
CFE/RF		715,006		0		0		0	
Total		14,723,683		13,767,421		0		13,767,421	
FTE		198.5		217.4		0.0		217.4	
GF		14,597,430		13,630,324		0		13,630,324	
CF		1,269		1,269		0		1,269	
CFE/RF		124,984		135,828		0		135,828	
Total		604,392		825,433		0		825,433	
FTE		0.0		0.0		0.0		0.0	
GF		604,392		825,433		0		825,433	
(1) Executive Director's Office, Leased Space									
(4) Tax Business Group, (B) Taxation and Compliance Division, Personal Services									
(4) Tax Business Group, (B) Taxation and Compliance Division, Operating Expenses									
Total of All Line Items									
Total		17,519,582		17,234,300		0		17,234,300	
FTE		198.5		217.4		0.0		217.4	
GF		16,551,192		15,864,610		0.0		15,864,610	
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FTE		198.5		217.4		0.0		217.4	
GF		16,551,19							

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-1
Change Request Title:	Out-of-State Tax Law Compliance and Enforcement

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
- ☐ Base Reduction Item FY 2009-10
- ☐ Supplemental Request FY 2008-09
- ☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
- ☐ An emergency
- ☐ A technical error which has a substantial effect on the operation of the program
- ☐ New data resulting in substantial changes in funding needs
- ☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department requests \$957,418 General Fund to add 10.1 FTE in FY 2009-10 for an enhanced out-of-state audit presence that will expand current out-of-state offices and establish new ones. This request annualizes to \$1,765,637 General Fund and 20.0 FTE in FY 2010-11.

Background and Appropriation History:

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 the Taxation and Compliance Division (TAC), which is responsible for auditing both in- and out-of-state businesses. District offices are maintained throughout Colorado, the New York metropolitan area, Dallas, and San Francisco. Audits are conducted at taxpayer places of business for the purpose of ascertaining the correct tax liability and primarily focus on retail sales, consumer's use, and corporate income taxes.

The expansion of the Colorado economy in recent years has created areas where the Department of Revenue's tax enforcement presence is not as thorough as it should be,

specifically as it relates to companies headquartered out-of-state. With an appropriation of additional resources, particularly for out-of-state audit activities, the Department is in a position where it can generate substantial revenue. The following table provides an overview of the total appropriations and fund splits for this Division since FY 2006-07.

TAXATION AND COMPLIANCE			
Line Item	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation
Personal Services	\$14,284,595	\$14,723,683	\$13,724,406
FTE	207.0	198.5	215.4
Operating Expenses	\$616,470	\$604,392	\$821,028
Total Operating Budget	\$14,901,065	\$15,328,075	\$15,468,506
Fund Splits			
General Fund	\$14,767,702	\$15,201,822	\$14,539,581
Cash Funds	\$1,269	\$1,269	\$1,269
CFE/Reappropriated Funds	\$132,094	\$124,984	\$201,828

FTE levels have not changed in the last three fiscal years. The 3.2 percent increase in the overall operating budget for TAC in FY 2008-09 includes the usual personal services continuation common policy appropriations (salary survey, performance-based pay, etc.) increase, and an \$180,234 operating expenses increase to support the field audit program costs for its implemented out-of-state audit travel requirement for senior auditors. This additional funding was submitted as a decision item for FY 2008-09 and is intended to allow the Department's tax auditors the ability to increase the out-of-state audit presence through a travel program (see change request from FY 2008-09, page 462 for more information). This request will be complementary to the one submitted last year.

General Description of Request:

This request will provide the Department with the ability to conduct more out-of-state audits. Due to the size and scope of the request, the Department proposes implementing

this request over two fiscal years: 10.1 FTE in FY 2009-10, which will annualize to 20.0 FTE in FY 2010-11. All calculations in the following narrative are reflective of needs at the proposal's maturity in FY 2010-11.

Companies doing business in Colorado, but headquartered in other states are often large corporations and thus have the potential to owe more in taxes to the state than audits of smaller entities headquartered in the state. In addition, recent changes to the corporate income tax system have magnified the dollars at risk from out-of-state corporations compared to prior years. Currently, the Department's out-of-state revenue agents are at a minimal level relative to total tax revenue. This is shown on the following table that reflects a sample of other states.¹

Out-of-State Auditors and Dollars at Risk			
State	Auditors	2006 Gross Tax Revenue (in thousands)	Auditors/Revenue (in thousands)
California	170	\$62,335,848	\$366,681
Colorado	3	\$6,673,902	\$2,224,634
Florida	221	\$34,749,986	\$157,240
Indiana	51	\$8,704,232	\$170,671
Iowa	14	\$3,627,019	\$259,073
Louisiana	45	\$9,272,352	\$206,052
Massachusetts	75	\$7,951,359	\$106,018
Missouri	19	\$7,438,336	\$391,491
New York	40	\$40,647,366	\$1,016,184
Washington	45	\$15,413,138	\$342,514
Wisconsin	15	\$7,090,858	\$472,724

¹ The Department of Revenue contacted other state tax agencies to survey their resources devoted to out-of-state auditing.

Excluding Colorado, on average there is one out-of-state auditor for approximately \$348.9 million in gross tax revenues. However, in Colorado there is one out-of-state auditor for \$2.2 billion in gross tax revenue. As a result of this disparity and the significant risk to the fairness of Colorado's tax laws, the Department requests 10.1 FTE (annualizing to 20.0 FTE in FY 2010-11) to enhance its out-of-state audit presence. Once the request matures in FY 2010-11, resources will be sufficient to expand the three current offices and open three new offices. The additional 14.0 FTE identified in the table below are requested at the Revenue Agent III classification.

Location of Out-of-State Offices and Staff at Maturity			
Location	Current FTE	Requested FTE	Total FTE
New York Metro	1.0	5.0	6.0
Dallas	1.0	1.0	2.0
San Francisco	1.0	1.0	2.0
Houston	0.0	2.0	2.0
Chicago	0.0	3.0	3.0
Los Angeles	0.0	2.0	2.0
TOTAL	3.0	14.0	17.0

This request would lower the ratio of gross revenue to each auditor from \$2.2 billion to approximately \$392.6 million. This is in line with the average of the nine other states included in the comparison above.

The Department will also require 4.0 FTE (Revenue Agent IV) to act as supervisors, 1.0 FTE (General Professional VII) as a national out-of-state audit manager, and 1.0 FTE (Administrative Assistant II) located in Denver for administrative support.

Increasing both the number of out-of-state office locations and the FTE levels at all office locations (from the current three, 1.0 FTE staffed, out-of-state locations) requires regional managers (Revenue Agent IV) to supervise the FTE and manage the program in those locations.

The national manager (General Professional VII) position is required to direct and coordinate the duties of the out-of-state offices to ensure uniformity in audit selection and procedures and direct the offices toward Department goals. These audits represent the most complex and difficult of audits, and consistent and centralized leadership is necessary to make certain the efforts of the auditors are as efficient and accurate as possible.

With no administrative support staff at these out-of-state audit office locations, the program will require centralized administrative support FTE (Administrative Assistant II) to coordinate all travel for these office locations. The new auditors will not have administrative support on site, so this FTE will also be responsible for providing such support. This will include soliciting and compiling requests for office supplies and various other needs of the offices, subsequently communicating them to procurement staff. The Administrative Assistant will handle issues related to basic on-site infrastructure needs, such as ensuring vendors are contacted regarding issues with copiers and telephones, for example. Additionally, this position will ensure correspondence is managed correctly and manage all other records related to the new offices. Correspondence will include written documents as well as ensuring telephone and electronic communications are related to the proper office manager or other authority.

The Department evaluates its auditors through audit production. Production measures the total adjustments to a tax liability calculated through an audit. The great majority of audit production represents assessments to taxpayers that owe the state, but a small component of the production number represents audit adjustments that result in refunds to taxpayers. The program's goal is to accurately determine tax liability, and this measure allows it to illustrate work that it completes. The Department does not evaluate its auditors based on the total revenue they generate; the production measure more accurately and fairly represents the output of the program.

Historical data indicates the Department realizes approximately 40.0 percent of production as actual revenue. Enhancing the out-of-state audit presence with the approval of this request, will result in approximately \$46.8 million generated audit

production annually once the program matures in FY 2011-12. This in turn will generate approximately \$18.7 million in additional General Fund revenue realized by the state beginning in that year. Due to the implementation time frame of selecting, hiring, training, and assigning these new FTE to the out-of-state offices, it is anticipated that the Department's FY 2009-10 production related to the request will be about 37.0 percent of what production will be when out-of-state audit performance generated pursuant to this request matures. For the second year, this is expected to increase to 90.0 percent, with the full audit production occurring in FY 2011-12.

Finally, the increase in out-of-state audits will likely result in an increase of tax assessment disputes which will be directed to the Tax Conferee in future years. The Department will monitor the workload of the Tax Conferee and request additional resources if necessary in future fiscal years.

Consequences if Not Funded:

If this request is not approved, the Department will lose an opportunity to enhance General Fund revenue by \$18.7 million from annual production levels generated by this request. The State of Colorado will remain far behind other states' efforts to fairly audit businesses headquartered out-of-state. The Department tries to maintain a balance between audits headquartered in the state and out of the state. The Department feels strongly that each type of business should bear a fair share, and thus feels it's desirable to maintain a balance of audit activity if possible.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$957,418	\$957,418	\$0	\$0	\$0	10.1
Leased Space	\$80,000	\$80,000	\$0	\$0	\$0	0.0
Base Salary	\$654,159	\$654,159	\$0	\$0	\$0	10.1
PERA	\$66,397	\$66,397	\$0	\$0	\$0	0.0
Medicare	\$9,484	\$9,484	\$0	\$0	\$0	0.0
General Operating	\$67,958	\$67,958	\$0	\$0	\$0	0.0
Travel Needs	\$53,511	\$53,511	\$0	\$0	\$0	0.0
Training	\$19,754	\$19,754	\$0	\$0	\$0	0.0
Shipping Costs	\$6,155	\$6,155	\$0	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$1,765,637	\$1,765,637	\$0	\$0	\$0	20.0
Leased Space	\$80,000	\$80,000	\$0	\$0	\$0	0.0
Base Salary	\$1,320,240	\$1,320,240	\$0	\$0	\$0	20.0
PERA	\$134,004	\$134,004	\$0	\$0	\$0	0.0
Medicare	\$19,144	\$19,144	\$0	\$0	\$0	0.0
General Operating	\$66,052	\$66,052	\$0	\$0	\$0	0.0
Travel Needs	\$100,534	\$100,534	\$0	\$0	\$0	0.0

STATE OF COLORADO FY 2009-10 BUDGET REQUEST CYCLE: DEPARTMENT OF REVENUE

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Training	\$39,508	\$39,508	\$0	\$0	\$0	0.0
Shipping Costs	\$6,155	\$6,155	\$0	\$0	\$0	0.0

Cash Funds Projections:

Not applicable.

Assumptions for Calculations:

The Personal Services cost detail is based on the FY 2008-09 Department of Personnel and Administration compensation schedule for range minimum salaries for all positions. Operating expenses are based on Office of State Planning and Budgeting approved amounts for capital outlay and on-going operating expenses per FTE. The additional operating expenses are summarized below.

FTE and Operating Costs											
Fiscal Year(s) of Request		FY2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11
APERSONAL SERVICES	Title:	Revenue Agent III		Revenue Agent IV		General Professional VII		Administrative Assistant II		TOTAL	
Number of PERSONS / class title		7	14	2	4	1	1	1	1		
Number of months working in FY 2009-10 and FY 2010-11		12	12	12	12	12	12	12	12		
Number months paid in FY 2009-10 and FY 2010-11		11	12	11	12	11	12	11	12		
Calculated FTE per classification		6.4	14.0	1.8	4.0	0.9	1.0	0.9	1.0	10.1	20.0
Annual base salary		\$65,556	\$65,556	\$73,860	\$73,860	\$76,140	\$76,140	\$30,876	\$30,876		
Salary		\$420,651	\$917,784	\$135,410	\$295,440	\$69,795	\$76,140	\$28,303	\$30,876	\$654,159	\$1,320,240
PERA	10.15%	\$42,696	\$93,155	\$13,744	\$29,987	\$7,084	\$7,728	\$2,873	\$3,134	\$66,397	\$134,004
Medicare	1.45%	\$6,099	\$13,308	\$1,963	\$4,284	\$1,012	\$1,104	\$410	\$448	\$9,484	\$19,144
Subtotal Personal Services at Division Level		\$469,446	\$1,024,247	\$151,117	\$329,711	\$77,891	\$84,972	\$31,586	\$34,458	\$730,040	\$1,473,388
OPERATING EXPENSES											
Supplies @ \$500	\$500	\$3,500	\$7,000	\$1,000	\$2,000	\$500	\$500	\$500	\$500	\$5,500	\$10,000

STATE OF COLORADO FY 2009-10 BUDGET REQUEST CYCLE: DEPARTMENT OF REVENUE

FTE and Operating Costs											
Fiscal Year(s) of Request		FY2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11
Computer @ \$900/\$0	\$900	\$6,300	\$6,300	\$1,800	\$1,800	\$900	\$0	\$900	\$0	\$9,900	\$8,100
Office Suite Software @ \$330/\$0	\$330	\$2,310	\$2,310	\$660	\$660	\$330	\$0	\$330	\$0	\$3,630	\$2,970
Office Equipment @ \$3,998/\$0 (includes cubicle and chair)	\$3,998	\$27,986	\$27,986	\$7,996	\$7,996	\$3,998	\$0	\$3,998	\$0	\$43,978	\$35,982
Telephone Base @ \$450	\$450	\$3,150	\$6,300	\$900	\$1,800	\$450	\$450	\$450	\$450	\$4,950	\$9,000
Auditor Travel	\$5,631	\$39,417	\$78,834	\$0	\$0	\$0	\$0	\$0	\$0	\$39,417	\$78,834
Manager Travel @ 4 trips per year	\$2,644	\$0	\$0	\$5,288	\$10,576	\$0	\$0	\$0	\$0	\$5,288	\$10,576
Manager Travel in CA and TX	\$2,318	\$0	\$0	\$2,318	\$4,636	\$0	\$0	\$0	\$0	\$2,318	\$4,636
National Manager Travel @ 4 trips per year	\$1,622	\$0	\$0	\$0	\$0	\$6,488	\$6,488	\$0	\$0	\$6,488	\$6,488
MTC Training for Out of State Agents	\$2,822	\$19,754	\$39,508	\$0	\$0	\$0	\$0	\$0	\$0	\$19,754	\$39,508
Shipping costs for case files		\$6,155	\$6,155	\$0	\$0	\$0	\$0	\$0	\$0	\$6,155	\$6,155
Subtotal Operating Expenses		\$108,572	\$174,393	\$39,924	\$19,012	\$12,666	\$7,438	\$6,178	\$950	\$147,378	\$212,249
Leased Space										\$80,000	\$80,000
GRAND TOTAL ALL COSTS		\$578,018	\$1,198,640	\$171,079	\$359,179	\$90,557	\$92,410	\$37,764	\$35,408	\$957,418	\$1,765,637

Travel – For the Out-of-State Revenue Agents it is expected that each will require \$5,631 annually, which will include mileage reimbursements and all other related travel costs. This is based on an expected two regional (2-week) trips per year, and up to 15 weeks per year of local city travel (100 miles per week) per FTE.

Out-of-State Revenue Agent Travel at Maturity			
Regional Trip (Two-weeks per trip)			
Item	Average Rate	Cost	Total Cost
Lodging (13 nights)	\$100.00	\$1,300.00	
Per diem (12.5 days)	\$64.00	\$800.00	
Mileage (600 miles per trip total)	\$0.53	\$318.00	
Per Trip Total		\$2,418.00	
TWO Annual Regional Trips Total per FTE			\$4,836

Out-of-State Revenue Agent Travel at Maturity			
Metro Travel (One week per trip)			
Item	Average Rate	Cost	Total Cost
Mileage (100 miles per trip total)	\$0.53	\$53.00	
FIFTEEN Metro Trips Total per FTE			\$795
Total Travel Cost per FTE			\$5,631
TOTAL Costs for 14.0 FTE			\$78,834

For the Revenue Agent IVs (“regional” managers), it is anticipated that each will make one trip annually to Denver from their out-of-state based office at an estimated cost of \$1,622. Also, these managers will have limited travel to perform or assist with audits requiring an additional \$1,022 in travel.

Historical and Projected Costs for Travel (Out-of-State)	
	Average Cost for 1 Week of Travel
FY 2004-05	\$1,066.54
FY 2005-06	\$1,187.86
FY 2006-07	\$1,251.24
Total Increase in Costs	17.32%
Annualized Increase	5.77%
FY 2007-08 Estimate (Based on actual costs and per diem policy change)	\$1,449.53
FY 2008-09 Estimate	\$1,533.17
FY 2009-10 Estimate	\$1,621.63

Manager (Revenue Agent IV) Regional/Metro Travel Estimates at Maturity

Item	Average Rate	Cost	Total Cost
Lodging (3 nights)	\$100.00	\$300.00	
Per diem (3 days)	\$64.00	\$192.00	
Mileage (1,000 miles total)	\$0.53	\$530.00	
Metro Travel Total Cost per FTE			\$1,022
Denver Trip Cost per FTE			\$1,622
Total Costs for 4.0 FTE			\$10,576

Additionally, the regional managers located in California and Texas will require two trips per year to the second office located in that state, as well as potential travel to perform or assist with audits.

California/Texas Manager Regional Office Per Trip Cost			
Item	Average Rate	Cost	Total Cost
Lodging (5 nights)	\$100.00	\$500.00	
Per diem (4.5 days)	\$64.00	\$288.00	
Mileage (700 miles total)	\$0.53	\$371.00	
Travel Total Cost			\$1,159
TWO Annual Regional Trips Total per FTE			\$2,318
TOTAL Costs for 2.0 FTE			\$4,636

For the GP VII (“national” manager), it is anticipated that this position will require 4 separate trips to out-of-state offices each year, at an estimated cost of \$1,622 per trip for a total of \$6,488.

Multistate Tax Commission (MTC) Training – This request includes operating funds for MTC field auditor training of the 14.0 FTE Out-of-State Revenue Agents. The MTC is an organization established cooperatively by a number of states to assist the states in protecting their tax sovereignty, promoting tax uniformity, and assisting in the audit of

and litigation against multistate taxpayers. The MTC has designed various training programs to assist state tax agencies in training their employees. The cost of the class itself is \$1,200, and the estimated cost of one week out-of-state travel, as indicated above, is \$1,622. The total training cost is \$39,508.

Shipping – Field Audit is required to ship audit files to and from the national offices. At the current staffing level of 3.0 FTE and three national offices, Field Audit spends approximately \$1,318 annually on shipping. With the 467.0 percent increase in FTE (from 3.0 to 17.0) and doubling the number of national offices, the expected increase in shipping cost is \$6,155. The table below supplies the detail.

Postage and Freight Costs - Transfers of Files			
	FY 2006-07 Actual	FY 2007-08 Actual	Two-Year Average
TAC Division	\$5,151	\$4,586	\$4,869
Field Audit (Out-of-State Offices)	\$1,503	\$1,132	\$1,318
Projected Increase for Request (467% increase in auditor FTE - 3 to 17)	(4.67 x \$1,318)		\$6,155

Leased Space – EDO – The estimated annual cost of additional leased space for the new office locations and additional 20.0 FTE included in the request, is \$20 per square foot. At 200 square feet per FTE for office space the total leased space cost is \$80,000.

Audit Production – Audit production has been examined over the last five years to determine the value of each audit type. Due to the implementation time frame of selecting, hiring, training, and assigning these new FTE to the out-of-state offices, it is anticipated that the Department's production related to the request will be about 37.0 percent of what production will be when out-of-state audit performance matures. For the second year, this is expected to increase to 90.0 percent, with the full audit production occurring in FY 2011-12. For purposes of this request, the Department has identified the out-of-state audits by type and made adjustments to more accurately reflect the

production level expected for the FTE in this request. Out-of-state audits include those audits conducted by employees residing in other states, through adjustments by supervisors once an agent returns from trips, and Multistate Tax Commission audits. These activities have been discounted in the analysis. Finally, the Department accounts for atypical audits – single audits that may return up to \$10,000,000 – that the Department does not include in its projections for production.

The following table shows the adjustments and calculation for estimating the average production value per audit hour. After accounting for these adjustments, the average return for one hour of out-of-state auditing is \$2,227.

Calculation of Average Hourly Production for Out-of-State Audits				
	Total Out-of-State Audit Production	Total Hours	Average Hourly Production	Average Yearly Production
5 Year Total	\$320,885,759	94,416.1	\$3,399	\$64,177,152
Multistate Tax Commission Audits	(\$67,031,421)	(3,013.0)	\$22,247	(\$13,406,284)
Revenue Agent Report Audits	(\$9,264,369)	(4,024.0)	\$2,302	(\$1,852,874)
Adjusted Audit Production	\$244,589,969	87,379.1	\$2,799	\$48,917,994
Less Atypical Audits	(\$50,000,000)	0.0	n/a	(\$10,000,000)
Net Audit Production	\$194,589,969	87,379.1	\$2,227	\$38,917,994

Audit Production and Revenue Projections – One full-time equivalent out-of-state based auditor in the Department averages 1,500 audit production hours per fiscal year.

Projected Audit Production and Revenues						
Fiscal Year	Total FTE	Annual Production Hours (per FTE)	Audit Assessment Production Rate (per hour)	Estimated Production Level	Estimated Audit Production Value	Estimated Revenue Generated (40% of Production)
2009-10	7.0	1,500	\$2,227	37%	\$8,651,895	\$3,460,758

Projected Audit Production and Revenues						
Fiscal Year	Total FTE	Annual Production Hours (per FTE)	Audit Assessment Production Rate (per hour)	Estimated Production Level	Estimated Audit Production Value	Estimated Revenue Generated (40% of Production)
2010-11	14.0	1,500	\$2,227	64%	\$29,930,880	\$11,972,352
2011-12	14.0	1,500	\$2,227	95%	\$44,428,650	\$17,771,460

Impact on Other Government Agencies: None.

Cost Benefit Analysis: An increase in Out-of-State Revenue Agents will expand the presence of the Colorado Department of Revenue outside the state boundaries and allow the Department to more effectively enforce and administer the tax laws of Colorado with increased audits of national and multinational corporations headquartered outside of Colorado. This will result in an increase of General Fund revenues for Colorado at a level much greater than the cost of the investment in this request.

Benefits	Cost	Ratio
With the additional 20.0 FTE, audit production would increase by \$46.8 million, and General Fund revenues will be enhanced by approximately \$18.7 million dollars when the initiative matures in FY 2012-13.	\$1,765,637	Benefit/Cost ratio is: \$18,706,800 / \$1,765,637 = 10.6 to 1.

Implementation Schedule:

Task	Month/Year
Start of Leases at New Office Locations Selected	July 2009
FTE Hired	July 2009 through June 2011

Statutory and Federal Authority:

24-35-108 C.R.S. (2008). *Functions of department of revenue - collection of state taxes.*

(1) In addition to any function specified in this article, the functions of the department of revenue and the duties of the executive director of the department of revenue as the head of said department or of the head of a group, division, or subordinate department appointed by the executive director in accordance with this article are:

(a) To collect delinquent taxes, assessments, and licenses under the jurisdiction of the department of revenue;

(b) To assist the attorney general in the prosecution of any legal actions commenced for the collection of any delinquent tax, assessment, or license within the jurisdiction of the department of revenue;

(c) To audit reports and returns of taxpayers in connection with all taxes, assessments, and licenses within the jurisdiction of the department of revenue, and, in the performance of this function and duty, the work of the department of revenue shall be so planned and organized that when a field auditor of the department of revenue investigates the tax liability of a taxpayer, to the extent practical, he or she shall examine the tax liability of such taxpayer with respect to all state taxes as to which the return or report of the taxpayer is in question to the end that separate audits by different auditors shall be reduced to a minimum;.

Performance Measures:

The Department of Revenue seeks to enhance its revenue collections through the fair administration of Colorado's tax laws. Productivity gains and seeking initiatives with ideal returns on investment are priorities. To this end, the Department looks for ways to increase audit revenues and the number of delinquent collections.

Performance Measure	Outcome	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request
Total dollars assessed by income and business tax audits.	Benchmark	\$258,687,545	\$258,687,545	\$258,687,545	\$281,769,447
	Actual	\$258,687,545	\$283,490,653	TBD	TBD

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10	Leased Space Funding Mix Adjustment	Base Reduction Item FY 2009-10	Supplemental FY 2008-09	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 5) FY 2010-11		
1	2	3	4	5	6	7	8	9	10
Request Title:									
Department:	Revenue								
Priority Number:	DI-2								
		Dept. Approval by: <i>Randy Kuder</i>		Date: 10-10-2008					
		OSPb Approval:		Date: 10-19-08					
Total of All Line Items	Total FTE GF CF	0 0.0 0 0	2,641,446 0.0 1,408,853 1,232,593	0 0.0 1,408,853 1,232,593	2,641,446 0.0 1,408,853 1,232,593	0 0.0 141,579 (141,579)	2,641,446 0.0 1,550,432 1,091,014	0 0.0 1,550,432 1,091,014	36,183 0.0 161,008 (124,825)
(1) Executive Director's Office, Leased Space	Total FTE GF CF	0 0.0 0 0	2,641,446 0.0 1,408,853 1,232,593	0 0.0 1,408,853 1,232,593	2,641,446 0.0 1,408,853 1,232,593	0 0.0 141,579 (141,579)	2,641,446 0.0 1,550,432 1,091,014	0 0.0 1,550,432 1,091,014	36,183 0.0 161,008 (124,825)

Non-Line Item Request: None

Letternote Revised Text: Letternote c will be updated upon completion of all statewide decision items that affect central pot appropriations.

Cash or Federal Fund Name and COFRS Fund Number: Auto Dealers License Fund 192, Liquor Enforcement Division and State Licensing Authority Cash Fund 236, Licensing Services Cash Fund 437, Driver's License Administrative Revocation Account 405, State Lottery Fund 503

Reappropriated Funds Source, by Department and Line Item Name: None

Approval by OIT? Yes: ☐ No: ☒ N/A: ☐

Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-2
Change Request Title:	Leased Space Funding Mix Adjustment

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Revenue requests a funding mix adjustment in its Leased Space line item in the Executive Director's Office, to account for leased space escalators in existing contracts and projected lease space renewals with estimated inflators. The Department is not requesting an increase in the Leased Space line item. The budgetary effect is an increase of \$141,579 General Fund and a corresponding decrease of \$141,579 cash funds.

Background and Appropriation History:

The Department is responsible for the administration and management of 42 leases with varied lease terms and conditions. The majority of these offices provide driver and vehicle services to the public. As such, the Department considers location, space and accessibility, along with cost in determining what lease agreements best suit the needs of the Department and the customers it serves. Due to the considerations and timing of lease negotiations, the Department must begin the renewal or relocation process 12 to 18 months prior to expiration, in order to ensure that its operations continue without disruption. Lease renewals and/or relocations drive fluctuations in funding sources that can not be fully anticipated and incorporated in the final Leased Space appropriation for any given fiscal year. Therefore, it is imperative to adjust the leased space appropriation

funding mix to reflect the most current lease information available, to ensure that actual leases correspond to the appropriate funding sources that support them.

General Description of Request:

The Department of Revenue requests a funding mix adjustment (an increase of \$141,579 General Fund and decrease of \$141,579 cash funds) in its Leased Space line item to account for leased space escalators in existing contracts and projected lease space renewals with estimated inflators. This adjustment is necessary for the Department to continue its operations without a disruption in customer services.

Consequences if Not Funded:

The Department will not have sufficient General Fund to meet its leased space expenses, which could create an over expenditure in the Leased Space line or place the Department in jeopardy of breach of contract for existing leases. In addition, the Department will not be able to be proactive in its lease negotiations for renewals, or be able to react to the lease market. Alternatively, the Department will be in a position of inappropriately charging cash funds for lease expenses that support General Fund programs, which could lead to unnecessary fee increases.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$0	\$141,579	(\$141,579)	\$0	\$0	0.0
(1) Executive Director's Office, Leased Space	\$0	\$141,579	(\$141,579)	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$36,183	\$161,008	(\$124,825)	\$0	\$0	0.0
(1) Executive Director's Office, Leased Space (subject to change based on future leased space needs)	\$36,183	\$161,008	(\$124,825)	\$0	\$0	0.0

DEPARTMENT OF REVENUE EXISTING LEASED SPACE CONTRACTS WITH ESCALATORS¹										
Lease Occupants	Funding Source	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
DVS/Hearings ²	GF & CF	\$145,798	\$150,037	\$154,400	\$158,129	\$162,496	\$167,294	\$171,812	\$101,094	\$101,094
DVS	GF	\$596,880	\$609,337	\$457,274	\$385,523	\$398,213	\$408,096	\$209,144	\$215,330	\$141,277
DVS	CF	\$323,115	\$332,305	\$341,726	\$351,470	\$248,059	\$255,505	\$263,183	\$269,860	\$230,159
RSC ³	GF & CF	\$289,200	\$292,880	\$130,640						
Lottery	CF	\$218,013	\$224,630	\$231,247	\$238,206	\$245,238	\$252,793			
Total		\$1,573,006	\$1,609,189							

¹ Leased space contract expiration dates vary by lease.

² DVS is Driver and Vehicle Services in the Division of Motor Vehicles.

³ RSC identifies the Department's Regional Service Centers that include a number of service programs.

DEPARTMENT OF REVENUE LEASED SPACE RENEWALS WITH INFLATORS		
Lease Occupants	Funding Source	FY 2009-10 Estimate with Inflator
Driver and Vehicle Services/Hearings Division	GF & CF	\$60,908
Driver and Vehicle Services	GF	\$107,955
Regional Service Center	GF & CF	\$93,457
State Lottery Division	CF	\$443,053
Taxation Business Group-Field Audit	GF	\$331,567
Central Department Operations Division-Annual Off-site Tax Processing	GF	\$31,500
Total		\$1,068,440

DEPARTMENT OF REVENUE FY 2009-10 LEASED SPACE REQUEST DETAIL			
	General Fund	Cash Funds	Total
FY 2009-10 Need	\$1,550,432	\$1,091,014	\$2,641,446
FY 2008-09 Appropriation	\$1,408,853	\$1,232,593	\$2,641,446
FY 2009-10 Request	\$141,579	(\$141,579)	\$0

DEPARTMENT OF REVENUE FY 2010-11 LEASED SPACE REQUEST DETAIL			
	General Fund	Cash Funds	Total
FY 2010-11 Need with Existing Escalators	\$1,569,861	\$1,107,768	\$2,677,629
FY 2008-09 Appropriation	\$1,408,853	\$1,232,593	\$2,641,446
FY 2010-11 Annualization	\$161,008	(\$124,825)	\$36,183

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Cash Balance	FY 2008-09 End of Year Cash Balance Estimate	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate
Auto Dealers License Fund	192	\$2,572,003	\$409,329	\$92,384	\$70,059	\$109,516
Liquor Enforcement Division and State Licensing Cash Fund	236	\$2,086,195	\$555,585	\$616,997	\$431,377	\$129,532
Drivers License Administrative Revocation Account	405	\$2,889,814	\$0	\$0	\$0	\$0
Licensing Services Cash Fund	437					
State Lottery Fund	503	\$510,914,532	\$32,320,374	\$32,320,374	\$32,320,374	\$32,320,374

Assumptions for Calculations:

Leases that are under contract have built in escalators that are identified in the out-year costs in the Department of Revenue Existing Leased Space Contracts with Escalators table detailed above. Leases that have expired or will expire prior to June 30, 2009 (listed in the Department of Revenue Leased Space Renewals with Inflators table above), must be considered for renewal or relocation, and include an estimated 5% inflator per fiscal year, based on the Department's experience with existing lease escalators.

Impact on Other Government Agencies: Not applicable.

Cost Benefit Analysis: Approval of this request will align the Department's leased space appropriation with its leased space needs, and prevent an over expenditure or an inappropriate charge to cash funds. In addition, this request will provide the Department with the ability to meet its leased space needs regarding renewals in a timely fashion, and minimize the risk of disrupting customer service and/or displacing employees.

Fiscal Year	Benefit/Risk Avoidance	Cost	Benefit/Cost Ratio
2009-10	\$1,068,440	\$141,579 General Fund	8:1

Implementation Schedule: Not Applicable.

Statutory and Federal Authority: *24-35-105, C.R.S (2008) The department of revenue shall be provided with suitable quarters, equipment, services, supplies, materials, and other facilities and services as may be necessary to carry out its functions and is authorized to incur necessary expenditures for such facilities and services, subject to the limitation of appropriations and dedicated revenues provided therefor.*

Performance Measures: Customer Service (core departmental performance measure)
The Department of Revenue interacts with every Colorado citizen. In its role of collecting tax revenues, the Department strives for quick, accurate refunds and resolution of disputes. It is the Department's goal to reduce wait times and increase accessibility in driver's license offices. The Department believes that quick resolutions for its external and internal customers are paramount for exceptional customer service.

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11			
Request Title:		Data Entry Rate Increase and Data Capture Expansion									
Department:		Department of Revenue									
Priority Number:		DI-3									
		Dept. Approval by: <i>Scott Wilson</i>		Date: November 1, 2008							
		OSP Approval:		Date: 10-19-08							
Fund		1	2	3	4	5	6	7	8	9	10
Prior-Year Actual FY 2007-08											
Appropriation FY 2008-09											
Supplemental Request FY 2008-09											
Total Revised Request FY 2008-09											
Base Request FY 2009-10											
Decision/Reduction FY 2009-10											
November 1 Request FY 2009-10											
Budget Amendment FY 2009-10											
Total Revised Request FY 2009-10											
Total of All Line Items	Total	1,770,469	1,793,504	0	1,793,504	1,795,954	154,423	1,950,377	0	1,950,377	154,423
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	1,768,878	1,789,495	0	1,789,495	1,791,945	154,423	1,946,368	0	1,946,368	154,423
	CF	0	4,009	0	4,009	4,009	0	4,009	0	4,009	0
	CFE/RF	1,591	0	0	0	0	0	0	0	0	0
(2) Central Department Operations Division	Total	1,770,469	1,793,504	0	1,793,504	1,795,954	154,423	1,950,377	0	1,950,377	154,423
Pueblo Data Entry	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Center Payments	GF	1,768,878	1,789,495	0	1,789,495	1,791,945	154,423	1,946,368	0	1,946,368	154,423
	CF	0	4,009	0	4,009	4,009	0	4,009	0	4,009	0
	CFE/RF	1,591	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None
 Letternote Revised Text: None
 Cash or Federal Fund Name and COFRS Fund Number: None
 Reappropriated Funds Source, by Department and Line Item Name: None
 Approval by OIT? Yes: ☐ No: ☒ N/A: ☒
 Schedule 13s from Affected Departments: Department of Personnel and Administration

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Supplemental FY 2009-10		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Request Title:		NP-14 PDEC increases corresponding to Department of Revenue DI-3		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Department:		Personnel and Administration		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Priority Number:		N/A		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Dept. Approval by:		OSPAP Approval:		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Date:		Date:		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
November 1, 2008		10-19-08		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Fund		Prior-Year Actual FY 2007-08		Appropriation FY 2008-09		Supplemental Request FY 2008-09		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10	
Total		3,101,494		2,755,757		0		2,755,757		2,755,757	
FTE		54.2		55.7		0.0		55.7		55.7	
GF		0		0		0.0		0.0		0.0	
GFE		0		0		0		0		0	
CF		17,131		0		0		0		0	
CFE/RF		3,084,363		2,755,757		0		2,755,757		2,755,757	
FF		0		0		0		0		0	
Total of All Line Items											
Total		3,101,494		2,755,757		0		2,755,757		2,755,757	
FTE		54.2		55.7		0.0		55.7		55.7	
GF		0		0		0.0		0.0		0.0	
GFE		0		0		0		0		0	
CF		17,131		0		0		0		0	
CFE/RF		3,084,363		2,755,757		0		2,755,757		2,755,757	
FF		0		0		0		0		0	
(4) Central Services, (B) Integrated Document Factory, (2) Document Solutions Group, Personal Services											
Total		3,101,494		2,755,757		0		2,755,757		2,755,757	
FTE		54.2		55.7		0.0		55.7		55.7	
GF		0		0		0.0		0.0		0.0	
GFE		0		0		0		0		0	
CF		17,131		0		0		0		0	
CFE/RF		3,084,363		2,755,757		0		2,755,757		2,755,757	
FF		0		0		0		0		0	
Total of All Line Items											
Total		3,101,494		2,755,757		0		2,755,757		2,755,757	
FTE		54.2		55.7		0.0		55.7		55.7	
GF		0		0		0.0		0.0		0.0	
GFE		0		0		0		0		0	
CF		17,131		0		0		0		0	
CFE/RF		3,084,363		2,755,757		0		2,755,757		2,755,757	
FF		0		0		0		0		0	

Non-Line Item Request: None.
 Letternote Revised Text: None.
 Cash or Federal Fund Name and COFRS Fund Number: Central Services Fund (COFRS 601)
 Reappropriated Funds Source, by Department and Line Item Name: Fees from the Department of Revenue, (2) Central Department Operations Division, PDEC Payments
 Approval by OIT? Yes: ☐ No: ☒ N/A: ☐
 Schedule 13s from Affected Departments: Not applicable.

CHANGE REQUEST for FY 09-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-3
Change Request Title:	Data Entry Rate Increase and Data Capture Expansion

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

This request is for \$154,423 General Fund in FY 2009-10 for data entry services in the Central Department Operations Division. Funding for this request is comprised of \$94,409 General Fund based on a 3.0 percent expected rate increase from the Department of Personnel and Administration and \$60,014 General Fund to capture additional data fields from the severance tax oil and gas withholding form.

Background and Appropriation History:

The Department of Revenue is required to use the Department of Personnel and Administration for certain centralized services (see Section 24-30-1104, C.R.S., (2008)). Among these centralized services is data entry, which is needed to capture information from paper forms submitted by taxpayers. In the last few years, the Department of Revenue has experienced increased costs for data entry, which are mostly the result of increases in the rates charged.

Appropriations and Keystroke Rates for the Pueblo Data Entry Center			
Fiscal Year	Appropriation	Keystroke Rate	Transportation Charge
FY 2006-07	\$1,704,942	\$3.71	\$16,500
FY 2007-08	\$1,789,770	\$3.89	\$18,000
FY 2008-09	\$1,793,504	\$3.89	\$21,600

To account for the increase in rates from FY 2005-06 through the current fiscal year, the Department has taken two separate actions. First, it thoroughly examined the data entry need and substantial savings could not be achieved through a reduction in keystrokes. In fact, in FY 2005-06 the Department experienced an increase in total keystrokes attributable to a TABOR refund that year. Second, the Department has had to seek additional appropriations through a supplemental in FY 2006-07 (S.B. 07-177) for an additional \$59,431 General Fund, a decision item in FY 2007-08 (S.B. 07-239) for \$112,040 General Fund, and a supplemental in FY 2007-08 (H.B. 08-1299) for \$34,487 General Fund.

General Description of Request:

Pending a formal rate release from the Department of Personnel and Administration, the Department of Revenue has been notified that data entry rates should be basically the same from FY 2007-08 into FY 2008-09. However, the Department of Revenue is anticipating a significant rate increase from the Department of Personnel and Administration in FY 2009-10 for data entry services. The Department requests \$94,409 General Fund in the data entry line to account for this anticipated rate increase. It is critical that the Department of Revenue maintain the current data entry level. Data captured from paper documents allows the tax programs to operate effectively which includes, but is not limited to: providing statistical data; maintaining controls; effective account management; fraud detection; collections; and tax compliance efforts.

Also, the Department requests \$60,014 General Fund to capture additional severance tax data from filers that is currently not electronically available. In order to gather information on the oil and gas withholding form, the Department must assign administrative staff in the Taxation Business Group to manually process the forms. This

requires submitting a request to the Department's Tax Files section, and often takes several days until a microfilmed copy of the withholding form is made available. These files are pulled from the archives, boxed and shipped to the Tax programs for analysis. These withholding forms (known as 21W forms) are filed by operators and contain information about the income of the interest holders. The Department manually reviews these paper records to identify interest holders with levels of income that require them to file a severance tax return (income levels greater than \$10,000 are required to file). The Department then researches the filing status of these interest holders, and contacts those interest holders who have not filed. For the three tax years addressed by the Department, 585 interest holders were contacted for whom no return was on file. To date, this has resulted in approximately \$2.6 million paid and \$500,000 in refunds issued to subsequent filers.

Consequences if Not Funded:

If this request is not funded, the current level of data captured from paper documents can not be maintained which will reduce the effectiveness of the Department, especially as it relates to the administration of taxation. Direct consequences would depend upon the data that would be eliminated. Indirect consequences include: (1) the inability to detect some types of fraud or to provide some statistical data; (2) a lack of controls or account history; and (3) the elimination of some tax audit data.

To meet the current appropriation the additional severance tax data could not be captured and one of the following would have to be eliminated from the data entry program in FY 2009-10 and future years:

- 23,543,790 keystrokes; or
- 263,698 documents from the on-line programs; or
- A combination of keystroke and document reductions that will equate to \$94,409 in savings.

Data entry reductions would likely have a negative effect on tax compliance programs. The Taxation and Compliance Division utilizes tax return data to identify areas of non-compliance. Much of the auditing done for tax compliance requires computer matching

of records. Records from different sources are compared to determine if a misstatement of fact occurred. These computerized comparisons are made possible through the availability of tax return data stored within the computer systems. Any reduction in data entry could have a negative impact on the enforcement programs by reducing the data available for matching records. Increasing the data available for computer matching through additional data capture has a positive impact on the enforcement programs.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request	\$154,423	\$154,423	\$0	\$0	\$0	0.0
Current Data Entry Needs	\$94,409	\$94,409	\$0	\$0	\$0	0.0
Oil and Gas Withholding Form	\$60,014	\$60,014	\$0	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request	\$154,423	\$154,423	\$0	\$0	\$0	0.0
Current Data Entry Needs	\$94,409	\$94,409	\$0	\$0	\$0	0.0
Oil and Gas Withholding Form	\$60,014	\$60,014	\$0	\$0	\$0	0.0

Assumptions for Calculations:

For FY 2009-10, the Department estimated its required data entry need (keystrokes/on-line) and multiplied it by the current respective rates plus a 3.0 percent rate increase. The increase in keystrokes for FY 2009-10 are due to population growth factors and normal fluctuations. Transportation costs were then included using the same 3 percent increase. The totals were compared to the current appropriation as outlined below. Additionally, only the General Fund appropriation was evaluated as the Taxation Business Group's requirements are the factor driving data entry, which is primarily funded by the General Fund.

FY 2009-10 Pueblo Data Entry Center Costs					
	Rate	Keystrokes/Docs	Subtotal	Transportation	TOTAL
Data Entry per 1000 Keystrokes	\$0.00401	439,396,807	\$1,761,981	\$22,249	\$1,784,230
Data Entry per S.B. 08-016	\$0.00401	85,536	\$343	\$0	\$343
Data Entry per H.B. 07-1106	\$0.00401	525,436	\$2,107	\$0	\$2,107
On-line RBM per Document	\$0.422	49,200	\$20,762	\$0	\$20,762
SR22 per Document	\$0.340	96,000	\$32,640	\$0	\$32,640
SR26 per Document	\$0.340	109,200	\$37,128	\$0	\$37,128
AID per Document	\$0.381	24,000	\$9,144	\$0	\$9,144
New Data Entry Item (Form 21W)	\$0.00401	14,966,000	\$60,014	\$0	\$60,014
Total Estimated Cost					\$1,946,368
FY 2009-10 Base General Fund Appropriation					\$1,791,945
Surplus / (Deficit)					(\$154,423)

Impact on Other Government Agencies: The Department of Personnel and Administration will be affected by this request as it is the entity that offers data entry services.

Cost Benefit Analysis: It is impossible for the Department to determine the exact nature and consequences of data entry reductions that would be required if this request is not approved. However, the elimination of data decreases the Department's ability to perform various types of analysis and to effectively audit tax accounts.

Studies by Jeffrey Dubin (California Institute of Technology), Michael J. Graetz (Yale Law School), and Louis L. Wilde (California Institute of Technology) describe a direct correlation between audit "presence" and voluntary compliance. The researchers refer to this correlation as the "ripple effect," that is dollars voluntarily paid with tax returns in the time following an audit which serve to close the "tax gap" or the difference between actual taxable income and declared taxable income. The researchers estimate the "ripple effect" or decrease in the "tax gap" to be at least \$7 in voluntary compliance for every \$1

in audit production or as high as \$10 in voluntary compliance for each \$1 in audit production.

Implementation Schedule:

The Department of Revenue will utilize the resources provided in this request starting on July 1, 2009. Data entry needs are fluid and are not tied to a specific implementation schedule.

Statutory and Federal Authority:

24-30-1104, C.R.S. (2008), Central services functions of the department - definitions - repeal. (1) Within the counties of Adams, Arapahoe, and Jefferson and the city and county of Denver only, the department of personnel shall perform the following functions for the executive branch of the state of Colorado, its departments, institutions, and agencies, under the direction of the executive director:

(k) Establish, in consultation with other state departments, institutions, and agencies, techniques and standards for microfilm, digital imaging, and digital conversion and evidentiary certification of photographs, microphotographs, or reproductions;

24-35-108, C.R.S. (2008), Functions of department of revenue - collection of state taxes.

(1) In addition to any function specified in this article, the functions of the department of revenue and the duties of the executive director of the department of revenue as the head of said department or of the head of a group, division, or subordinate department appointed by the executive director in accordance with this article are:

(a) To collect delinquent taxes, assessments, and licenses under the jurisdiction of the department of revenue;

(b) To assist the attorney general in the prosecution of any legal actions commenced for the collection of any delinquent tax, assessment, or license within the jurisdiction of the department of revenue;

(c) To audit reports and returns of taxpayers in connection with all taxes, assessments, and licenses within the jurisdiction of the department of revenue, and, in the performance

of this function and duty, the work of the department of revenue shall be so planned and organized that when a field auditor of the department of revenue investigates the tax liability of a taxpayer, to the extent practical, he or she shall examine the tax liability of such taxpayer with respect to all state taxes as to which the return or report of the taxpayer is in question to the end that separate audits by different auditors shall be reduced to a minimum;

Performance Measures:

The Department of Revenue seeks to enhance its revenue collections through the fair administration of Colorado's tax laws. Productivity gains and seeking initiatives with ideal returns on investment are priorities. To this end, the Department looks for ways to increase audit revenues and the number of delinquent collections.

Performance Measure	Outcome	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request
Total dollars assessed by income and business tax audits.	Benchmark	\$258,687,545	\$258,687,545	\$281,769,447	\$281,769,447
	Actual	\$283,490,653	\$290,513,396	TBD	TBD

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Schedule 13 **Change Request for FY 2009-10 Budget Request Cycle**

Decision Item FY 2009-10 <input checked="" type="checkbox"/>		Base Reduction Item FY 2009-10 <input type="checkbox"/>		Supplemental FY 2008-09 <input type="checkbox"/>		Budget Amendment FY 2009-10 <input type="checkbox"/>					
Request Title: NP-13 Microfilm increases corresponding to Department of Revenue DI-4											
Department: Personnel and Administration											
Priority Number: N/A											
Date: November 1, 2008											
Date: 10-19-08											
Dept. Approval by: <i>Reggie</i>											
OSP Approval: <i>DMZ</i>											
	1	2	3	4	5	6	7	8	9	10	
	Prior-Year Actual FY 2007-08	Appropriation FY 2008-09	Supplemental Request FY 2008-09	Total Revised Request FY 2008-09	Base Request FY 2009-10	Decision/ Base Reduction FY 2009-10	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 5) FY 2010-11	
Total of All Line Items	404,846 0.0 0 0 35,917 368,929 0	407,519 0.0 0 0 0 407,519 0	0 0.0 0 0 0 0 0	407,519 0.0 0 0 0 407,519 0	407,519 0.0 0 0 0 407,519 0	61,739 0.0 0 0 0 61,739 0	469,258 0.0 0 0 0 469,258 0	469,258 0.0 0 0 0 469,258 0	0 0.0 0 0 0 0 0	469,258 0.0 0 0 0 469,258 0	61,739 0.0 0 0 0 61,739 0
(4) Central Services, (B) Integrated Document Factory, (2) Document Solutions Group, Operating Expenses	404,846 0.0 0 0 35,917 368,929 0	407,519 0.0 0 0 0 407,519 0	0 0.0 0 0 0 0 0	407,519 0.0 0 0 0 407,519 0	407,519 0.0 0 0 0 407,519 0	61,739 0.0 0 0 0 61,739 0	469,258 0.0 0 0 0 469,258 0	469,258 0.0 0 0 0 469,258 0	0 0.0 0 0 0 0 0	469,258 0.0 0 0 0 469,258 0	61,739 0.0 0 0 0 61,739 0

Non-Line Item Request: None.
 Letternote Revised Text: None.
 Cash or Federal Fund Name and COFRS Fund Number: Central Services Fund (COFRS 601)
 Reappropriated Funds Source, by Department and Line Item Name: Fees from the Department of Revenue, (2) Central Department Operations Division, Microfilm
 Approval by OIT? Yes: ☐ No: ☒ N/A: ☐
 Schedule 13s from Affected Departments: Not applicable.

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-4
Change Request Title:	Microfilm Rate Increase

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department requests \$61,739 General Fund in FY 2009-10 for microfilm services resulting from a rate increase and a change in the volume of documents that need to be microfilmed.

Background and Appropriation History:

Pursuant to Section 39-21-113 (3), C.R.S. (2008), the Department of Revenue must preserve all income tax reports and returns for at least four years; all other taxes must be retained for at least three years. Microfilming is the preferred method for the official storage of forms submitted by taxpayers. As part of the Department's retention policy pursuant to Section 24-80-102.7, C.R.S. (2008), the Department has further delineated its record retention needs. In general, all microfilmed documents are retained for ten years. For those documents that are too large to justify microfilming, the retention period varies from two total years to 18 total years.

The Department of Revenue is required to use the Department of Personnel and Administration (DPA) for certain centralized services (see Section 24-30-1104, C.R.S., (2008)). Among those centralized services is microfilming. There are three

classifications of documents that are microfilmed for the Department of Revenue: (1) income tax documents; (2) business tax documents; and (3) special projects. The special projects class includes documents that are microfilmed on an irregular basis.

Microfilming Rates from FY 2004-05 to FY 2008-09				
Fiscal Year	Income Tax		Business Tax	
	DPA Rate	Percent Increase	DPA Rate	Percent Increase
FY 2006-07	\$0.0420	n/a	\$0.0383	n/a
FY 2007-08	\$0.0495	17.9%	\$0.0489	27.7%
FY 2008-09	\$0.0540	9.1%	\$0.0530	8.4%

The Department received a supplemental and budget amendment as a result of a rate increase imposed during FY 2007-08.

General Description of Request:

Pending a formal rate release from the Department of Personnel and Administration, the Department of Revenue has been notified that the rates it charges to agencies for microfilming services will increase for FY 2008-09. The rate charged for income tax documents will increase by 9.1 percent and the rate for business tax documents will increase by 8.4 percent. The rate increase which is effective July 1, 2008, will drive the Department to exceed its current appropriation of \$383,187. The Department requests a \$61,739 increase in its FY 2009-10 microfilm line item to account for this rate increase. The Department is statutorily required to preserve all tax reports and returns. Documents required for retention include income tax, sales tax, estate tax reports and returns, etc.

Microfilming costs are driven by its volume of documents to be imaged. With the rate increase, the current appropriation will not allow documents to be microfilmed at historical levels. Maintaining the current level of microfilming will allow the tax programs to operate efficiently and effectively. This includes, but is not limited to effective account management and account error resolution.

Consequences if Not Funded:

If this request is not funded, the current level of microfilming services can not be maintained, which will reduce the effectiveness of the Department. Both the Taxpayer

STATE OF COLORADO FY 2009-10 BUDGET REQUEST CYCLE: REVENUE

Services Division and Taxation and Compliance Division will experience increased processing time when tax returns and associated documents are required. That will result in delays in working taxpayer account errors for the Taxpayer Services Division and will result in reduced revenues from audits in progress for Taxation and Compliance.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$61,739	\$61,739	\$0	\$0	\$0	0.0
Microfilming Need for Income Tax Documents	\$57,239	\$57,239	\$0	\$0	\$0	0.0
Microfilming Need for Business Tax Documents	\$3,329	\$3,329	\$0	\$0	\$0	0.0
Microfilming Need for Special Projects	\$1,171	\$1,171	\$0	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$61,739	\$61,739	\$0	\$0	\$0	0.0
Microfilming Need for Income Tax Documents	\$57,239	\$57,239	\$0	\$0	\$0	0.0
Microfilming Need for Business Tax Documents	\$3,329	\$3,329	\$0	\$0	\$0	0.0
Microfilming Need for Special Projects	\$1,171	\$1,171	\$0	\$0	\$0	0.0

Cash Funds Projections:

This section is not applicable.

Assumptions for Calculations:

Microfilming projections for FY 2009-10 are based on the document volume used to build the appropriation in FY 2008-09. Known changes for the upcoming year plus population growth factors are accounted for when projections are calculated.

Summary of Microfilmed Documents and Rates Charged by the Department of Personnel and Administration				
Tax Type	Estimated FY 2008-09 Documents*	Estimated FY 2009-10 Documents	Actual FY 2008-09 Rate	Estimated FY 2009-10 Rate
Income Tax	5,882,493	6,452,250	\$0.0495	\$0.0540
Business Tax	1,549,040	1,492,013	\$0.0489	\$0.0530

* Estimated documents for FY 2008-09 are based on figures used to calculate the FY 2008-09 appropriation during figure setting. These figures were estimates and do not reflect current estimates. The Department has revised its current year estimates and will request a revision to its current year funding when appropriate.

For FY 2009-10, the Department estimated its required microfilming need – income tax, business tax, and special projects – and multiplied it by the current respective rates (aside from the Department of Revenue’s special projects). The totals were compared to the current appropriation. The Department of Revenue projects its microfilming need will be \$444,926 which exceeds the current appropriation by \$61,739.

Comparison of Microfilming Needs Between FY 2008-09 and FY 2009-10			
Tax Type	FY 2008-09 Appropriation	FY 2009-10 Estimated Cost*	Difference
Income Tax	\$291,183	\$348,422	\$57,239
Business Tax	\$75,748	\$79,077	\$3,329
Special Projects	\$16,256	\$17,427	\$1,171
TOTAL	\$383,187	\$444,926	\$61,739

*Note: This figure does not include \$169 associated with H.B. 07-1106.

Impact on Other Government Agencies: This section is not applicable.

Cost Benefit Analysis: The state collects approximately \$9.0 billion annually through its efforts to administer state taxes. The cost-benefit analysis for this request is based on the amount of tax compliance effected by the availability of these microfilmed documents. As noted in the request, these documents are used to expedite customer service efforts as well as improve compliance activity on delinquent accounts. For purposes of this analysis, the

Department was extremely conservative and assumed just one-hundredth of one percent (0.0001) of total compliance is attributable to the availability of microfilmed documents.

Benefits	Cost	Ratio
Incremental tax compliance realized through the use of microfilmed documents	The total amount that is requested is \$61,739.	Benefit / Cost ratio is: \$900,000 / \$61,739 = 14.6

Implementation Schedule:

Microfilming needs are fluid and are not tied to a specific implementation schedule. The Department will utilize the resources provided in this request as soon as possible.

Statutory and Federal Authority:

24-30-1104, C.R.S. (2008), Central services functions of the department - definitions - repeal. (1) Within the counties of Adams, Arapahoe, and Jefferson and the city and county of Denver only, the department of personnel shall perform the following functions for the executive branch of the state of Colorado, its departments, institutions, and agencies, under the direction of the executive director:

(k) Establish, in consultation with other state departments, institutions, and agencies, techniques and standards for microfilm, digital imaging, and digital conversion and evidentiary certification of photographs, microphotographs, or reproductions;

39-21-113, C.R.S. (2008), Reports and returns. (3) All reports and returns of taxes received by the department, other than income tax returns, covered by this article shall be preserved for three years and thereafter until the executive director of the department of revenue orders them to be destroyed. Income tax returns received by the department of revenue shall be preserved for four years and thereafter until the executive director orders them to be destroyed.

24-80-102.7, C.R.S. (2008), *Records management programs - records liaison officers - repeal*, (1) As used in this section, unless the context otherwise requires, "state agency" means any department, division, board, bureau, commission, institution, or agency of the state.

(2) No later than January 1, 2004, each state agency shall:

(a) Establish and maintain a records management program for the state agency and document the policies and procedures of such program. The state agency shall ensure that such program satisfies the administrative and technical procedures for records maintenance and management established by the executive director of the department of personnel pursuant to this part 1.

Performance Measures:

The Department of Revenue interacts with every Colorado citizen. In its role of collecting tax revenues, the Department strives for quick, accurate refunds and resolution of disputes. It is the Department's goal to reduce wait times and increase accessibility in driver's license offices. The Department believes that quick resolutions for its external and internal customers are paramount for exceptional customer service.

Performance Measure	Outcome	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request
Percent of income and business tax account issues with an age of 60 days or less handled by the Taxpayer Services Account Services program.	Benchmark	75.0%	75.0%	75.0%	75.0%
	Actual	75.0%	75.0%	TBD	TBD

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11			
Request Title:		Digital Imaging Storage for Titles and Driver and Vehicle Services									
Department:		Revenue									
Priority Number:		DI-5									
		Dept. Approval by: <i>Randy H. H. H.</i>		Date: November 1, 2008							
		OSPAP Approval:		Date: 10-19-08							
Fund		1	2	3	4	5	6	7	8	9	10
Prior-Year Actual FY 2007-08											
Total	2,341,987	2,291,090	0	2,291,090	3,246,070	152,469	3,398,539	0	3,398,539	149,669	
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
GF	1,071,604	1,214,937	0	1,214,937	1,214,937	0	1,214,937	0	1,214,937	0	
CF	1,121,112	1,076,153	0	1,076,153	2,031,133	152,469	2,183,602	0	2,183,602	149,669	
(5)(B) Division of Motor Vehicles - Driver and Vehicle Services, Operating Expenses		Total	2,116,379	0	2,116,379	3,062,471	146,214	3,208,685	0	3,208,685	122,694
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	
GF	1,071,604	1,214,937	0	1,214,937	1,214,937	0	1,214,937	0	1,214,937	0	
CF	1,121,112	901,442	0	901,442	1,847,534	146,214	1,993,748	0	1,993,748	122,694	
CPE/RF	2,489	0	0	0	0	0	0	0	0	0	
(5)(D) Division of Motor Vehicles - Titles, Operating Expenses		Total	174,711	0	174,711	183,599	6,255	189,854	0	189,854	26,975
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
GF	0	0	0	0	0	0	0	0	0	0	
CF	0	174,711	0	174,711	183,599	6,255	189,854	0	189,854	26,975	
CPE/RF	146,782	0	0	0	0	0	0	0	0	0	

Non-Line Item Request: None
 Letternote Revised Text: None
 Cash or Federal Fund Name and COFRS Fund Number: Licensing Services Cash Fund (#437) and Colorado State Titling and Registration subaccount (#404)
 Reappropriated Funds Source, by Department and Line Item Name: None
 Approval by OIT? Yes: ☐ No: ☒ N/A: ☒
 Schedule 13s from Affected Departments: Department of Personnel and Administration

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10				
Request Title: NP-15 Digital Imaging Storage corresponding to Department of Revenue DJ-5										
Department: Personnel and Administration						Date: November 1, 2008				
Priority Number: N/A						Date: 10-19-08				
		Dept. Approval by: <i>R. Smith</i>		OSPAP Approval:						
Fund	1	2	3	4	5	6	8	9	10	
	Prior-Year Actual FY 2007-08	Appropriation FY 2008-09	Supplemental Request FY 2008-09	Total Revised Request FY 2008-09	Base Request FY 2009-10	Decision/ Base Reduction FY 2009-10	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 5) FY 2010-11
Total of All Line Items	Total	404,846	0	407,519	407,519	60,014	467,533	0	467,533	60,014
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0
	CF	35,917	0	0	0	0	0	0	0	0
CFE/RF	368,929	407,519	0	407,519	407,519	60,014	467,533	0	467,533	60,014
FF	0	0	0	0	0	0	0	0	0	0
(4) Central Services, (B) Integrated Document Factory, (2) Document Solutions Group, Operating Expenses	Total	404,846	0	407,519	407,519	60,014	467,533	0	467,533	60,014
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0
	CF	35,917	0	0	0	0	0	0	0	0
CFE/RF	368,929	407,519	0	407,519	407,519	60,014	467,533	0	467,533	60,014
FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None.

Letternote Revised Text: None.

Cash or Federal Fund Name and COFRS Fund Number: Central Services Fund (COFRS 601)

Reappropriated Funds Source, by Department and Line Item Name: Fees from the Dept. of Revenue, (5) Division of Motor Vehicles, (B) Driver and Vehicle Services and (D) Titles

Approval by OIT? Yes: ☐ No: ☒ N/A: ☐

Schedule 13s from Affected Departments: Not applicable.

CHANGE REQUEST for FY 09-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-5
Change Request Title:	Digital Imaging Storage for Titles and Driver and Vehicle Services

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Revenue requests a total increase in FY 2009-10 of \$152,469 cash funds for two programs in the Division of Motor Vehicles pertaining to digital imaging storage costs. One part of the request is an increase of \$6,255 cash funds to the Operating Expenses line item from the Colorado State Titling and Registration Account for the Titles program. The second part of the request is an increase of \$146,214 cash funds to the Operating Expenses line item from the Licensing Services Cash Fund for Driver and Vehicle Services.

Background and Appropriation History:

Currently, the operating budgets of these two programs are projected to have insufficient funding in FY 2009-10 to accommodate the increasing costs of digital imaging storage. The Titles program is the repository for records relating to evidentiary support of vehicle ownership for lien holders, estate disposition, the resolution of disputes involving recorded ownership of certain personal property, and source documentation by the public for the titling of vehicles upon transfer of ownership and as the official record for salvage title declaration and odometer statements. Prior to the storage of records in digital format, documents were microfilmed and stored in a central location.

Titles began migrating from microfilm to digital imaging in FY 2004-05 in order to improve record preservation and retrieval times. The ability to expedite retrieval times has improved customer service to citizens and the courts, and also improves the maintenance of digital images of documents. The Department of Personnel and Administration (DPA) granted a waiver allowing the Department of Revenue to image documents internally, but maintained the responsibility of storing those images, pursuant to the authority granted in Section 24-30-1104 (1)(j), C.R.S. (2008). DPA determines the rate charged per kilobyte of storage per month on an annual basis.

The Driver Control Section, which is located within Driver and Vehicle Services, is the repository of the official records of all drivers in the State of Colorado, and supplies evidentiary copies to internal and external customers. This section identifies, assesses, and records administrative sanctions against drivers including all restraints for alcohol-related driver offenses. This section also takes administrative action against driving privileges according to law when information is received from courts, law enforcement, or other appropriate agencies. Accident reports are already imaged into digital storage, and beginning in FY 2008-09 will start imaging citations, driver's license records, express consent records, and in FY 2009-10, will begin imaging hearing request records, request records, and other miscellaneous imaged files.

To meet this substantial increase in the number of imaged documents, the Driver Control section will require an increased capacity for document scanning via acquisition of an additional high-speed digital scanner. Since the transition to digital document scanning from the microfilming system, growth of document volume has increased substantially, due to more stringent requirements for retention of backup documents for driver's license and identification cards applications.

General Description of Request:

The Department requests an increase of \$6,255 cash funds from the Colorado State Titling and Registration Account (CSTARS) for the Titles Operating Expenses line item and an increase of \$146,214 cash funds from the Licensing Services Cash Fund for the Driver and Vehicle Services Operating Expenses line item to meet the increased digital imaging storage costs. This amount represents the projected increase in storage costs over FY 2007-08 actual amounts, based on digital imaging volumes. As more records are

added each year, storage costs continue to increase. The Titles and Driver Control programs are not able to absorb these increases, as the cost for storage is based upon the number of kilobytes (KB) stored in the Electronic Data Warehouse (EDW) per month.

Through FY 2007-08, the Titles program produced 5.3 million digital images that required storage. The practice of this program is for such records to be purged after eleven years; however, the volume of new records being added is outpacing the deletion of old records, and therefore storage costs are increasing, as illustrated in the table below.

Table 1.1 - Actual and Projected Storage Costs for Titles Section

	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11
Number of Images	2,106,709	3,709,782	5,263,914	6,818,046	8,372,178	9,926,310
Storage Costs	\$14,253	\$57,361	\$67,336	\$84,209	\$104,929	\$125,650

The significant increase in costs between FY 2005-06 and FY 2006-07 is attributed to the imaging of backlogged titling documents. Currently, the Division maintains a steady and consistent process of imaging and uploading records to DPA for storage. Costs in FY 2007-08 and future years reflect a reduction in the rate per kilobyte as well as a change in image resolution for scanned documents. Based on continuous increases in total volume, DPA has lowered the rate per kilobyte for all stored images. Additionally, the Titles program has lowered the image resolution from the industry standard of 200 dots per inch (dpi) to 150 dpi, the lowest possible setting. This change in image resolution requires less storage space per image.

As total volume increases, storage costs rise proportionately and are cumulative. Through FY 2007-08, Titles was able to absorb the cost of image storage within the existing Operating Expenses line item, at the expense of training for State and county personnel, as well as the elimination of costs associated with microfilm supplies and equipment. For FY 2008-09, a decision item was approved for \$27,870 to meet projected storage cost increases. This amount is sufficient to meet increased needs in FY 2008-09; however, beginning in FY 2009-10, storage costs will again begin to outpace the appropriation.

Currently, the Operating Expenses line item appropriation for Titles is \$174,711 cash funds (CSTARS Account). Of that total, over 45 percent was expended for storage costs in FY 2007-08. This percentage is projected to increase to more than 48 percent of the appropriated budget in FY 2008-09, to 60 percent in FY 2009-10, and to nearly 72 percent in FY 2010-11. The Titles program has carefully reviewed remaining operating expenditures and has determined that an increase of \$6,255 is necessary to cover the increased costs associated with digital imaging storage.

Driver Control has not utilized imaging technology to the same level as the Titles section. However, beginning in FY 2008-09, this will begin to change. This section will continue imaging accident reports, and will begin imaging citations, driver's license records, and express consent records. In FY 2009-10, it will begin imaging hearing request records, request records, and other miscellaneous files. Through FY 2007-08, Driver Control imaged an estimated 880,000 pages in the Accident Report Unit. The file retention period for most DMV and Titles records varies from 11 years to indefinitely. Hearings request records are retained for 10 years, and miscellaneous records are retained for five. This will result in an even greater acceleration of total storage volume. Storage costs will increase as illustrated in the table below.

Table 1.2 - Actual and Projected Storage Costs for Driver Control Section

	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11
Cumulative Documents	1,431,758	1,894,524	2,334,524	5,066,383	9,901,383	14,736,383
Storage Costs	\$618	\$804	\$1,582	\$38,808	\$79,214	\$122,694

Driver Control will also require an additional scanner to support the projected imaging volume increase. The anticipated cost of a scanner is \$67,000.

Consequences if Not Funded:

If this request is not funded, the Department of Revenue will be unable to pay for storage costs and DPA will likely discontinue providing storage services to the Department. The Department does not have the necessary technology infrastructure or dedicated personnel for such a large volume of records. Microfilming processes, upon which the Titles

Section has relied for safe document image storage and retrieval, has technologically infeasible for this purpose. Inability to electronically store imaged records could mean the Department might have to attempt storage of paper documents at a high cost for physical storage resources. Over time, such a situation may result in the Department being out of compliance with statutory requirements regarding records retention (see Sections 38-29-140, 42-6-123, 42-6-124, 42-6-141, and 42-6-147, C.R.S., (2008)). Citizens requesting information through county and court offices will be unable to access data relating to vehicle ownership for lien holders, estate disposition, the resolution of disputes involving recorded ownership of certain personal property, and source documentation for titling of vehicles upon transfer of ownership. Such records could be permanently lost without a location for storage.

The Titles program would likely be forced to forego important operational functions such as training and travel. For FY 2008-09, the Department projects that, in addition to the large percentage of the operating budget dedicated to storage costs, approximately 20 percent will be committed to building and equipment maintenance and telephone and communication charges. Very little funding is available to cover other costs such as hardware, software, printing, and supplies. Driver Control will continue utilizing scarce and outdated microfilm technology. Additionally, the Department would violate statutory requirements regarding record retention as listed primarily in Title 42, Articles 5 through 15 and 19, C.R.S. (2008).

Calculations for Request:

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Titles – Operating Expenses	\$6,255	\$0	\$6,255	\$0	\$0	0.0
Driver & Vehicle Svcs., Operating Expenses	\$146,214	\$0	\$146,214	\$0	\$0	0.0
Total Request	\$152,469	\$0	\$152,469	\$0	\$0	0.0

Summary of Request FY 10-11	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Titles – Operating Expenses	\$26,975	\$0	\$26,975	\$0	\$0	0.0

STATE OF COLORADO FY 09-10 BUDGET REQUEST CYCLE: DEPARTMENT OF REVENUE

Summary of Request FY 10-11	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Driver & Vehicle Svcs., Operating Expenses	\$122,694	\$0	\$122,694	\$0	\$0	0.0
Total Request	\$149,669	\$0	\$149,669	\$0	\$0	0.0

Cash Fund Balance Projections:

Fund Name	Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Balance	FY 2008-09 End of Year Estimate	FY 2009-10 End of Year Estimate	FY 2010-11 End of Year Estimate
Licensing Services Cash Fund	437	\$4,982,626	\$1,617,941	\$626,059	\$22,294	\$443,529
Colorado State Titling and Registration Account	404	\$10,445,999	\$6,179,219	\$2,234,307	\$464,809	(\$3,807,419)

Assumptions for Calculations:

Titles: Digital image storage specifications

- Image resolution – 150 dots per inch (effective October 2007)
- Average image size – 27.2 kilobytes (effective October 2007)
- Rate per KB of storage - \$0.0000066
- 982,541 documents added per month based on an average of 129,511 title applications per month at approximately 6 pages per application (based on FY 2007-08 averages)
- Approximately 21.8 million KB per month will be added
- Storage size and costs are cumulative. Titles estimates that by the end of FY 2009-10, nearly 1,445 million KB will be stored at a total cost of \$104,929
- Note that outyear projections are based on current DPA-determined rates

ANNUAL STORAGE COSTS for TITLES

Fiscal Year	Cumulative Cost
2005-06	\$14,253
2006-07	\$57,361
2007-08	\$70,759
2008-09	\$84,209
2009-10	\$104,929
2010-11	\$125,650
2011-12	\$146,370
2012-13	\$167,091
2013-14	\$187,811
2014-15	\$208,531
2015-16	\$229,252
2016-17	\$249,972
2017-18	\$270,693

Driver Control Section: Digital image storage specifications

- Image resolution – 200 dots per inch
- Average image size – 6 kilobytes per page (number of pages varying by record type)
- Rate per KB of storage - \$0.0000066
- 570,000 documents added per month. Documents per application varies by record type
- Approximately 25.7 million KB per month will be added to existing data set
- Storage size and costs are cumulative. The Section estimates that by the end of FY 2009-10, nearly 1,370,000 documents will be stored at a total cost of \$79,214
- Note that outyear projections are based on current DPA-determined rates

DRIVER CONTROL - SUMMARY PROJECTION ANALYSIS FY 2005-06 THROUGH FY 2017-18, ANNUAL STORAGE COSTS

	Accident Records	Citations	Driver's License Records	Express Consent Records	Hearing Request Records	Records Requests	Miscellaneous Imaged Files	Annual System Total
Fiscal Year	Cumulative Annual Cost							Imaging Total Annual Cost
2005-06	\$618	\$0	\$0	\$0	\$0	\$0	\$0	\$618
2006-07	\$1,766	\$0	\$0	\$0	\$0	\$0	\$0	\$1,766
2007-08	\$1,766	\$0	\$0	\$0	\$0	\$0	\$0	\$1,766
2008-09	\$1,874	\$150	\$36,761	\$24	\$0	\$0	\$0	\$38,808
2009-10	\$2,117	\$1,219	\$75,233	\$451	\$8	\$46	\$139	\$79,214
2010-11	\$2,346	\$3,315	\$115,415	\$1,022	\$23	\$178	\$396	\$122,694
2011-12	\$2,574	\$6,437	\$157,308	\$1,592	\$39	\$396	\$652	\$168,997
2012-13	\$2,802	\$10,585	\$200,912	\$2,162	\$54	\$699	\$909	\$218,123
2013-14	\$3,030	\$15,760	\$246,227	\$2,732	\$69	\$1,087	\$909	\$269,815
2014-15	\$3,258	\$21,961	\$293,252	\$3,303	\$85	\$1,561	\$909	\$324,329
2015-16	\$3,486	\$29,189	\$341,988	\$3,873	\$100	\$1,561	\$909	\$381,107
2016-17	\$3,714	\$37,443	\$392,435	\$4,443	\$116	\$1,561	\$909	\$440,622
2017-18	\$6,338	\$200,038	\$449,820	\$13,835	\$374	\$10,716	\$5,002	\$686,123

Impact on Other Government Agencies:

This request impacts the ability of the Department of Revenue to pay DPA for the storage and maintenance of Titles and Driver Control records. Records stored by DPA on behalf of Titles Section constitute a substantial portion of DPA's total volume; as additional volume is added, the overall cost for DPA decreases, thereby resulting in a potential reduction in rate. This in turn, affects all other state customers of DPA.

Cost Benefit Analysis:

Cost	Benefit
\$146,214 cash funds spending authority	Will allow the Department to cover costs associated with digital image storage, based on projected volume increases. The Department will continue to utilize digital imaging for record storage, as a preferred alternative to microfilm.

The transition from film-based file creation to digital imaging was justified based on the archival needs of the State in terms of retaining accessible files on traffic records, motor vehicle transactions, and licensing. A comparison to microfilm longevity indicates film's instability relative to digital media. Retrieval times for digital images and files are in nanoseconds compared to 15 minutes for some microfilmed information. Additionally, this allows imaged documents to be provided electronically rather than by mail or by fax.

Moreover, for the functions of the Titles section, microfilm technology is growing infeasible, rendering service, supplies and replacement equipment more expensive and often impossible to procure. In FY 2004-05, the Department spent \$78,491 on microfilming infrastructure maintenance and repair with projected increases of 10 percent per year thereafter. For FY 2008-09, the Department would be paying nearly \$115,000 to maintain an outdated and potentially unreliable record retention system. Additionally, if the Department continued with microfilming documents, replacing capital microfilming and film retrieval equipment would have been imminently necessary, at an estimated cost of nearly \$300,000 (based on 2005 estimates). Driver Control anticipates that with the reduction in microfilming, efficiencies will continue to increase going forward. This section has already surplusd four cameras, and experienced a reduction in photographic supplies.

Implementation Schedule:

Titles Section: Implementation will begin at the beginning of the fiscal year.

Driver Control Section:

Task	Month/Year
Migration of majority of microfilm employees to imaging process	Completed FY 2007-08
OCR (Optical Character Recognition) Read of index fields will be replaced by barcodes	FY 2008-09
Backlogged Accident Reports uploaded (backlogged since mid-2006) upon Electronic Accident Reporting System (EARS) going into production	October 1, 2008
Citations: Begin imaging and uploading	January 1, 2009
Driver's License supporting documentation	Will continue to scan and upload
Express Consent: Begin imaging and uploading	April 1, 2009
Hearing requests, records requests, miscellaneous documents: Begin imaging and uploading	July 1, 2009

Statutory and Federal Authority:

24-80-102.7 (2) (a), C.R.S. (2008) No later than January 1, 2004, each state agency shall: establish and maintain a records management program for the state agency and document the policies and procedures of such program. The state agency shall ensure that such program satisfies the administrative and technical procedures for records maintenance and management established by the executive director of the department of personnel pursuant to this part 1.

Performance Measures:

Regulation, Enforcement, and Education (core departmental performance measure)

The Department of Revenue protects Colorado's citizens through the fair enforcement of laws and regulations related to industries that include limited stakes gaming, auto dealers, liquor and tobacco retailers, and motor carriers. The Department seeks to deliver this oversight effectively by completing duties within statutory timeframes and adherence to departmental or federal requirements. It actively identifies methods to achieve its goals by enhancing productivity and educating both providers and consumers in affected industries.

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Supplemental FY 2009-10		Budget Amendment FY 2009-10		
Request Title:		Imaging Costs for Motor Vehicle Dealer Licensing Board								
Department:		Revenue								
Priority Number:		DJ-6								
		Dept. Approval by: <i>Roy H. Hulse</i>		Date: November 1, 2008						
		OSP Approval: <i>mu2</i>		Date: 10-19-08						
	1	2	3	4	5	6	7	8	9	10
	Prior-Year Actual FY 2007-08	Appropriation FY 2008-09	Supplemental Request FY 2008-09	Total Revised Request FY 2008-09	Base Request FY 2009-10	Decision/ Base Reduction FY 2009-10	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 5) FY 2010-11
Total of All Line Items	Total FTE GF CF 69,636 0.0 0 69,636	72,003 0.0 0 72,003	0 0.0 0 0	72,003 0.0 0 72,003	72,003 0.0 0 72,003	86,290 0.0 0 86,290	158,293 0.0 0 158,293	0 0.0 0 0	158,293 0.0 0 158,293	24,520 0.0 0 24,520
(7)(G) Enforcement Business Group - Motor Vehicle Dealer Licensing Board, Operating Expenses	Total FTE GF CF 69,636 0.0 0 69,636	72,003 0.0 0 72,003	0 0.0 0 0	72,003 0.0 0 72,003	72,003 0.0 0 72,003	86,290 0.0 0 86,290	158,293 0.0 0 158,293	0 0.0 0 0	158,293 0.0 0 158,293	24,520 0.0 0 24,520

Non-Line Item Request: None

Letternote Revised Text: None

Cash or Federal Fund Name and COFRS Fund Number: Auto Dealers License Fund (#192) created in Section 12-6-123 (1), C.R.S. (2008)

Reappropriated Funds Source, by Department and Line Item Name: None

Approval by OIT? Yes: ☐ No: ☒ N/A: ☐

Schedule 13s from Affected Departments: Department of Personnel and Administration

Schedule 13 **Change Request for FY 2009-10 Budget Request Cycle**

Decision Item FY 2009-10 <input checked="" type="checkbox"/>		Base Reduction Item FY 2009-10 <input type="checkbox"/>		Supplemental FY 2008-09 <input type="checkbox"/>		Budget Amendment FY 2009-10 <input type="checkbox"/>	
Request Title: NP-17 Digital Imaging Storage corresponding to Department of Revenue DI-6							
Department: Personnel and Administration							
Priority Number: N/A							
		Dept. Approval by: <i>R. Reed</i>		Date: November 1, 2008			
		OSPAP Approval:		Date:			

	1	2	3	4	5	6	7	8	9	10
	Prior-Year Actual FY 2007-08	Appropriation FY 2008-09	Supplemental Request FY 2008-09	Total Revised Request FY 2008-09	Base Request FY 2008-10	Decision/ Base Reduction FY 2009-10	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 5) FY 2010-11
Total of All Line Items	Total 404,846 FTE 0.0 GF 0 GFE 0 CF 35,917 CFE/RF 368,929 FF 0	407,519 0.0 0 0 0 0 0 0 0 0 0	0 0.0 0 0 0 0 0 0 0 0 0	407,519 0.0 0 0 0 0 0 0 0 0 0	407,519 0.0 0 0 0 0 0 0 0 0 0	86,290 0.0 0 0 0 0 0 0 0 0 0	493,809 0.0 0 0 0 0 0 0 0 0 0	0 0.0 0 0 0 0 0 0 0 0 0	493,809 0.0 0 0 0 0 0 0 0 0 0	24,520 0.0 0 0 0 0 0 0 0 0 0
(4) Central Services, (B) Integrated Document Factory, (2) Document Solutions Group, Operating Expenses	Total 404,846 FTE 0.0 GF 0 GFE 0 CF 35,917 CFE/RF 368,929 FF 0	407,519 0.0 0 0 0 0 0 0 0 0 0	0 0.0 0 0 0 0 0 0 0 0 0	407,519 0.0 0 0 0 0 0 0 0 0 0	407,519 0.0 0 0 0 0 0 0 0 0 0	86,290 0.0 0 0 0 0 0 0 0 0 0	493,809 0.0 0 0 0 0 0 0 0 0 0	0 0.0 0 0 0 0 0 0 0 0 0	493,809 0.0 0 0 0 0 0 0 0 0 0	24,520 0.0 0 0 0 0 0 0 0 0 0
Non-Line Item Request:	None.									
Letternote Revised Text:	None.									
Cash or Federal Fund Name and COFRS Fund Number:	Central Services Fund (COFRS 601)									
Reappropriated Funds Source, by Department and Line Item Name:	Fees from the Dept. of Revenue, (7) Enforcement Business Group, (G) Motor Vehicle Dealer Licensing Board, Operating Expenses									
Approval by OIT?	Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/>									
Schedule 13s from Affected Departments:	N/A: <input type="checkbox"/> Not applicable.									

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Department of Revenue – Motor Vehicle Dealer Licensing Board
Priority Number:	DI-6
Change Request Title:	Imaging Costs for Motor Vehicle Dealer Licensing Board

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Revenue is requesting \$86,290 cash funds in FY 2009-10. The objective of this change request is to pay Integrated Document Solutions within the Department of Personnel and Administration to image the Motor Vehicle Dealer Licensing Board's five-year document backlog and all subsequent documents. The Board currently stores documents on microfilm. This change request would be funded out of the Auto Dealers License Fund. Of the total request, \$61,770 is to eliminate the nearly 5-year backlog of pending documents. Once this backlog is eliminated, out-year costs will drop to \$24,520. For purposes of this request, the Board will be referred to as the Auto Industry Division since these employees perform the daily functions of this program.

Background and Appropriation History:

Currently, the Driver Services Section in the Driver and Vehicle Services Program provides the Auto Industry Division (AID) with microfilming services and, to date, is six months behind. Document storage space and the ability to respond to customer requests for documents in a timely fashion are becoming logistical concerns. The copy quality of stored documents is poor and often unacceptable for certification in court cases. The Driver Services Section plans to discontinue the use of microfilm by the end of FY 2007-08 and to begin imaging its significant volume of documents in FY 2008-09. Driver

Services will assist the AID with current year needs through the end of FY 2008-09; however, starting in FY 2009-10, the AID will have no method to process its document workload. The nearly 200,000 documents that the Division strives to prep and index every fiscal year is pushing its retrieval equipment to the limit. This equipment makes it impossible to meet this objective. Currently, the Division has a backlog of approximately 500,000 documents that need to be imaged. These documents are investigation cases and Motor Vehicle Dealer Board files for the past 5 years.

General Description of Request:

The Motor Vehicle Dealer Licensing Board requests additional spending authority of \$86,290 in FY 2009-10 and \$24,520 for FY 2010-11 and beyond from the Auto Dealers Licensing Fund. These moneys would be added to the Board's Operating Expenses line item to pay Integrated Document Solutions (IDS) to image both AID's document backlog and projected annual workload. Integrated Document Solutions is part of the Central Services Division within the Department of Personnel and Administration. Services provided by the IDS include micrographic, digital imaging, microfilm conversation, data entry, system development and programming, application setup and design services, high-speed scanning, project management, and other consulting services. The IDS already performs 90 percent of the Division's data entry input needs.

Immediate benefits for the AID include decreased wait time to film documents, quicker document retrieval via website access, improved document print quality, and the elimination of document storage issues. Customer service for AID clients will also improve. As a whole, AID staff will save hundreds of hours trying to locate documents within the Division's current manual configuration. These employees will be able to fulfill more critical job responsibilities. Documents will be available for retrieval on a daily basis and will be accessible to field offices. The creation of a document database will allow system users to e-mail, print, and send the imaged information electronically.

Consequences if Not Funded:

Once the Driver Services Section stops microfilming the AID's documents, the Division would have to resort to manually storing and retrieving documents. Retrieval of backlog information requires a manual search through thousands of documents and takes considerably more staff time. The AID would also have to secure off-site storage locations for the additional volume of paper files.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$86,290	\$0	\$86,290	\$0	\$0	0.0
Cost for Imaging Document Backlog	\$61,770	\$0	\$61,770	\$0	\$0	0.0
Cost to Image Current Year Documents	\$24,520	\$0	\$24,520	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$24,520	\$0	\$24,520	\$0	\$0	0.0
Cost for Imaging Document Backlog	\$0	\$0	\$0	\$0	\$0	0.0
Cost to Image Current Year Documents	\$24,520	\$0	\$24,520	\$0	\$0	0.0

The IDS will index these documents for \$0.01 per page, prep them for \$0.04 per page, and scan the entire backlog into a database at \$0.07 per page. Based on these assumptions, it will cost \$60,000 to process the Division's entire backlog of 500,000 documents at a total cost of \$0.12 per page. Additional charges for 'content hosting' include: 2 units of WebX setup at \$95 per unit; licensing for \$800; and 6 units of DVD storage at \$35 per unit. There would also be a charge for 6 hours of application setup at \$95 an hour. The all-inclusive cost to image the 500,000 document backlog is \$61,770.

The AID is also requesting permanent funding of \$24,000 to image 200,000 documents annually in the out-years. The IDS will charge \$0.12 per page to prep, scan, and index these documents. The IDS will also add a monthly fee for Electronic Data Warehouse storage equaling \$520 per year.

FY 2009-10 Estimate				
Document Backlog			500,000 pages	
Imaging	Rate	Units	Investment	
Scan & QC (per page)	\$ 0.07	500,000	\$ 35,000	
Prep (per page)	\$ 0.04	500,000	\$ 20,000	
Index using barcodes (per page)	\$ 0.01	500,000	\$ 5,000	
Imaging SubTotal			\$ 60,000	
Application Setup (per hour)	\$95	6	\$ 570	
Content Hosting	Rate	Units	Investment	
WebX setup	\$ 95	2	\$190	
Licensing (per license)	\$ 800	1	\$800	
DVD Storage	\$ 35	6	\$210	
Content Hosting SubTotal			\$ 1,200	
		TOTAL – DOCUMENT BACKLOG		\$61,770
FY 2010-11 Estimate				
Annual Workload			200,000 pages	
Imaging	Rate	Units	Investment	
Scan & QC (per page)	\$ 0.07	200,000	\$ 14,000	
Prep (per page)	\$ 0.04	200,000	\$ 8,000	
Index using barcodes (per page)	\$ 0.01	200,000	\$ 2,000	
Imaging SubTotal			\$ 24,000	
Storage Costs (per month)	Rate	Units	Investment	
EDW storage (per kilobyte)	\$.000007	6,200,000	\$43	
ANNUAL STORAGE COSTS				\$ 520

Cash Fund Balance Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Balance	FY 2008-09 End of Year Estimate	FY 2009-10 End of Year Estimate	FY 2010-11 End of Year Estimate
Auto Dealers License Fund	192	\$2,561,702	\$538,100	\$245,282	\$375,540	\$395,000

Assumptions for Calculations:

All cost calculations associated with this request have been supplied by the DSG.

Currently, the AID has a five-year backlog of approximately 500,000 documents. The DSG will index these documents for \$0.01 per page, prep them for \$0.04 per page, and scan the entire backlog into a database at \$0.07 per page. Based on these assumptions, it will cost \$60,000 to process the Division's entire backlog of 500,000 documents at a total cost of \$0.12 per page. Additional charges for 'content hosting' include: 2 units of WebX setup at \$95 per unit; licensing for \$800; and 6 units of DVD storage at \$35 per unit. There would also be a charge for 6 hours of application setup at \$95 an hour. The all-inclusive cost to image the 500,000 document backlog is \$61,770.

Additionally, the AID is requesting permanent funding of \$24,520 to image 200,000 documents annually in the out-years. As noted above, the IDS will charge \$0.12 per page to prep, scan, and index these documents. The IDS will also add a monthly fee for Electronic Data Warehouse storage equaling \$520 per year.

For FY 2009-10, the overall request of \$86,290 equates to \$61,770 for the five-year backlog and \$24,520 for annual processing costs in the out-years.

Impact on Other Government Agencies:

The Integrated Document Solutions is part of the Central Services Division within the Department of Personnel and Administration. Documents will be imaged on the basis of a written agreement prior to expending any funds.

Cost Benefit Analysis:

Benefits	Cost/Ratio
Web-based or DVD storage of all AID documents for timely retrieval from desktop PCs. Document retrieval from this type of storage is expeditious. AID staff will be able to e-mail scanned information electronically.	The total amount requested in FY 2009-10 is \$86,290.
The eventual elimination of the need for staff to sort through files boxes looking for documents. Field offices will not to rely on Denver office staff to retrieve documents. The current process of manually searching for documents often takes several hours and reduces the efficiency of AID's operations. Image technology will enhance efficiency measures.	Auto Industry Division FTE hourly rates range from \$17 per hour up to \$45 per hour.
Customer wait time for document requests will be reduced from several hours or days to a few minutes. Between June 2007 and June 2008, the AID received 26 official document requests. Some of these requests may be from the news media, law enforcement agencies, and so on. These requests must be answered within 3 working days per the Open Records Act in Section 24-72-203, C.R.S. (2008). Depending on the request, a response could involve searching and pulling over 500 hundred documents from microfilm.	The Colorado Department of Labor and Employment's 2007 average hourly wage estimates for industry employees in Colorado is \$21.83 per hour. Customer's charge is \$.25 per page and \$28 per hour.(24-72-205 C.R.S)

Implementation Schedule:

Task	Month/Year
Internal Research/Planning Period	Current and ongoing
Written Agreement w/ Other State Agencies	June 2009
Contract or MOU Written	June 2009
Contract or MOU Awarded/Signed	July 2009
Start-Up Date	August 2009

Statutory and Federal Authority:

12-6-104. Board - oath - meetings - powers and duties. C.R.S. (2008)

(3) The board is authorized and empowered:

(a) To promulgate, amend, and repeal rules reasonably necessary to implement this part 1, including the administration, enforcement, issuance, and denial of licenses to motor

vehicle dealers, motor vehicle salespersons, used motor vehicle dealers, wholesale motor vehicle auction dealers, and wholesalers, and the laws of the state of Colorado.

12-6-106. Records as evidence. C.R.S. (2008)

Copies of all records and papers in the office of the board or executive director, duly authenticated under the hand and seal of the board or executive director, shall be received in evidence in all cases equally and with like effect as the original thereof.

12-6-504. Board - oath - meetings - powers and duties - rules C.R.S. (2008)

(1) In addition to the duties and powers of the board under section 12-6-104, the board may:(a) Promulgate, amend, and repeal rules reasonably necessary to implement this part 5, including, without limitation, the administration, enforcement, issuance, and denial of licenses to powersports vehicle dealers, powersports vehicle salespersons, and used powersports vehicle dealers.

12-6-506. Records as evidence. C.R.S. (2008)

Copies of all records and papers in the office of the board or the executive director, duly authenticated under the hand and seal of the board or executive director, shall be received in evidence in all cases equally and with like effect as the original.

Performance Measures:

Alternative Service Delivery (core departmental performance measure)

Identifying methods to deliver services in an alternative manner helps the Department to speed its delivery of services in all aspects of the Department's line of business. Citizens of Colorado will benefit from the use of technology in paying a variety of taxes and registration fees, utilizing the Department's website to find answers to frequently asked questions, and arriving at licensing centers with the proper documentation. Increasing the use of alternative services offered by the Department will enhance productivity in all lines of business.

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Department Postage Increase		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Request Title:		Department Postage Increase		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Department:		Revenue		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Priority Number:		DI-7		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Dept. Approval by:		OSP Approval:		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Date:		Date:		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Total of All Line Items		2,415,697		2,398,337		0		2,600,333		182,143	
FTE		0.0		0.0		0.0		0.0		0.0	
GF		2156462		2,131,911		0		2,326,314		182,921	
HUTF		8371		8,371		0		13,909		5,538	
CF		31569		258,055		0		251,739		(6,316)	
(2) Central Department Operations Division, Postage		2,415,697		2,398,337		0		2,600,333		182,143	
FTE		0.0		0.0		0.0		0.0		0.0	
GF		2,156,462		2,131,911		0		2,326,314		182,921	
HUTF		8,371		8,371		0		13,909		5,538	
CF		31,569		258,055		0		251,739		(6,316)	
CFE/RF		219,295		0		0		0		0	

Non-Line Item Request: None

Letternote Revised Text: ^d Of this amount, \$13,909 shall be from the Highway Users Tax Fund pursuant to Section 43-4-201 (3) (a) (III) (C), C.R.S. and \$251,739 shall be from various sources of cash funds.

Cash or Federal Fund Name and COFRS Fund Number: HUTF (AIR Account and Revocation Account), Auto Dealers, CSTARS, Gaming, Liquor, Lottery, and Racing

Reappropriated Funds Source, by Department and Line Item Name: None

Approval by OIT? Yes: ☐ No: ☒ N/A: ☐

Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-7
Change Request Title:	Department Postage Increase

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department requests an additional \$182,143 (various sources) for its postage appropriation to account for United States Postal Service (USPS) rate increases effective May 12, 2008, and projected for May 2009.

Background and Appropriation History:

The Department of Revenue processes approximately 5.9 million pieces of out-going mail each year. A wide range of items are mailed to taxpayers and licensees, including tax forms, motor vehicle titles, driver license renewal applications, reminders to file taxes, bills, refund warrants, inquiry letters, various licenses, motor vehicle hearing notices, driver licenses, and tax booklets.

Beginning in FY 2007-08, the Department of Revenue received a separate appropriation of \$2,437,645 for its postage costs. Funding for the line item was part of the Central Department Operations' operating expenses appropriation. In FY 2008-09 the appropriation is \$2,398,337; lower than the FY 2007-08 appropriation because of one-time funding adjustments.

The federal Public Law 109-435, enacted on December 20, 2006, authorizes USPS increases for each class of mailing service that may not exceed increases in the Consumer Price Index for All Urban Consumers (CPI-U) of the prior twelve months. That index level, as reported by the Postal Regulatory Commission (PRC), was 2.9 percent from December 2006 to December 2007. The table below shows the latest release of the CPI-U from the PRC, dated July 16, 2008:

12-Month Average Change in CPI-U <i>Prepared by Postal Regulatory Commission</i>												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	3.5%	3.5%	3.5%	3.5%	3.7%	3.8%	3.9%	3.9%	3.7%	3.4%	3.3%	3.2%
2007	3.1%	3.0%	2.9%	2.8%	2.7%	2.6%	2.4%	2.3%	2.3%	2.5%	2.7%	2.9%*
2008	3.0%	3.2%	3.3%	3.4%	3.5%	3.7%	n/a	n/a	n/a	n/a	n/a	n/a

* December value will be the cap value for annual mid-May rate adjustments per USPS schedule.

General Description of Request:

The Department mails many required documents to taxpayers and others that interact with its programs. These include tax refunds, motor vehicle titles, motor vehicle hearing notices, and billing notices. The demand for mail is driven by the number of taxpayers (both businesses and individuals) who are required to pay taxes, pay fees, receive motor vehicle hearing notices, receive motor vehicle titles, and receive billing notices. Many who receive mail from the Department depend on these to fulfill their obligations to comply with Colorado statutes.

Based on federal law, the United States Postal Service (USPS) increased its rates on May 12, 2008. The average rate increase was 2.9 percent. In May 2009, the USPS will again raise rates based on the latest CPI-U level in December 2008. As of June 2008, that index is 3.7 percent. The Department must request funding now for the May 2009 rate increase due to the timing of Colorado's budget process. The Department is therefore, requesting an increase of \$160,864 to its postage appropriation for FY 2009-10 to account for the two postage rate increases that have occurred since the Department

submitted its FY 2008-09 budget on November 1, 2007. By July 1, 2009, the Department estimates that the average cost for postage will go from \$0.405 to \$0.432 per mailing.

Over the last several years, the Department has worked diligently to manage postage costs through reducing volumes and introducing other efficiencies. In fact, the Department mailed 5,924,187 documents in FY 2007-08, which is less than it did in FY 2005-06 (6,406,116 documents). This equates to a decrease of 7.5 percent. The Department does not expect substantial additional efficiencies, as the major areas of impact for potential reductions have already been addressed.

Consequences if Not Funded:

If this request is not funded, the Department will have to reduce mailings. There are very few discretionary mailings that can be eliminated, without substantial revenue loss. The Department will attempt to continue to meet its statutory requirements and continue to operate within its appropriation, although it will be very difficult to accomplish and may significantly reduce revenue and customer service.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	HUTF	Cash Funds	Reappropriated Funds	Federal Funds
Total Request	\$182,143	\$182,921	\$5,538	(\$6,316)	\$0	\$0
Postage	\$182,143	\$182,921	\$5,538	(\$6,316)	\$0	\$0

Summary of Request FY 2010-11	Total Funds	General Fund	HUTF	Cash Funds	Reappropriated Funds	Federal Funds
Total Request	\$182,143	\$182,921	\$5,538	(\$6,316)	\$0	\$0
Postage	\$182,143	\$182,921	\$5,538	(\$6,316)	\$0	\$0

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Cash Balance	FY 2008-09 End of Year Cash Balance Estimate	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate
HUTF	100	\$9,318,716	n/a	n/a	n/a	n/a
AIR Account		\$1,303,447	\$0	\$0	\$0	\$0
Auto Dealers	192	\$2,572,003	\$409,329	\$92,384	\$156,349	\$133,766
CSTARS*	404	\$10,582,843	\$5,628,912	\$3,276,717	\$689,354	(\$2,501,617)
Gaming	401	\$110,910,146	\$1,683,522	\$1,871,916	\$2,066,245	\$2,266,501
Liquor	236	\$2,086,195	\$555,585	\$616,997	\$431,377	\$129,532
Lottery	503	\$510,914,532	\$32,320,374	\$32,320,374	\$32,320,374	\$32,320,374
Racing	16V	\$1,896,348	\$297,131	\$249,439	\$252,468	375,805
Revocation Account	405	\$5,316,205	\$0	\$0	\$0	\$0

*Note: The Department of Revenue is seeking legislation to address fund solvency issues in the CSTARS Account during the 2009 session.

Assumptions for Calculations:

The Department bases its request on the actual postage increase, effective May 12, 2008, and the increase that will occur in May 2009. As indicated previously, the Department projects that the increase scheduled for 2009 will be 3.7 percent. As the table below illustrates, the average cost per piece of mail in FY 2007-08 was \$0.408. Based on actual volume, the Department reverted approximately \$19,000. To forecast need for FY 2009-10, the Department increased the average cost experienced in FY 2007-08 by 2.9 percent (pursuant to the rate increase of May 2008) and then again by 3.7 percent (expected increase in May 2009). Thus the estimated average cost per piece of mail will be \$0.436 in FY 2009-10, which based on the current appropriation and holding volumes constant will result in a deficit of \$182,000.

Estimated Postage Volume and Costs for FY 2009-10					
	Mailings	Average Cost	Cost	Base Appropriation	Surplus / (Deficit)
FY 2007-08	5,924,187	\$0.408	\$2,418,279	\$2,437,645	\$19,366
FY 2008-09	5,924,187	\$0.420	\$2,488,409	\$2,398,337	(\$90,072)
FY 2009-10	5,924,187	\$0.436	\$2,580,480	\$2,398,337	(\$182,143)

The Department also requests a minor refinance in the FY 2009-10 appropriation between HUTF and cash funds. Based on actual expenditures in FY 2007-08, the Department identified a surplus in the cash and cash exempt appropriation (all cash for FY 2009-10) and its HUTF appropriation. The Department requests the appropriation for FY 2009-10 to be proportional to actual expenditures in FY 2007-08. As a result, the Department requests \$182,921 General Fund, \$5,538 HUTF, and (\$6,316) cash funds.

Impact on Other Government Agencies:

Postage needs are fluid and are not tied to a specific implementation schedule. The Department will utilize the resources provided in this request as soon as possible.

Cost Benefit Analysis:

Cost	Benefit
\$182,143	The Department will continue to meet its statutory requirements/mandates. The Department is statutorily required to fulfill the forms needs of taxpayers by printing and mailing required documents. Required documents include tax refunds, motor vehicle titles, motor vehicle hearing notices, billing notices, etc.

Implementation Schedule:

Not applicable.

Statutory and Federal Authority:

24-35-105 C.R.S. (2008) Supplies. The department of revenue shall be provided with suitable quarters, equipment, services, supplies, materials, and other facilities and services as may be necessary to carry out its functions and is authorized to incur necessary expenditures for such facilities and services, subject to the limitation of appropriations and dedicated revenues provided therefor.

Performance Measures:

The Department of Revenue interacts with every Colorado citizen. In its role of collecting tax revenues, the Department strives for quick, accurate refunds and resolution of disputes. It is the Department's goal to reduce wait times and increase accessibility in driver's license offices. The Department believes that quick resolutions for its external and internal customers are paramount for exceptional customer service.

Performance Measure	Outcome	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request
Percent of certified mail, motor vehicle titles, AARAP notices, and business tax documents mailed within 24 hours of receipt in the out-going mailroom or on the scheduled date.	Benchmark	100%	100%	100%	100%
	Actual	93.6%	97.5%	TBD	TBD

Schedule 13 Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		VIPER Update for CSTARS		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Request Title:		Department of Revenue		Appropriation FY 2008-09		Supplemental Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Department:		DI-8		Total Revised Request FY 2008-09		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Priority Number:		1		Total Revised Request FY 2008-09		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Dept. Approval by:		Prior-Year Actual FY 2007-08		Total Revised Request FY 2008-09		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
OSP Approval:		Total		Total Revised Request FY 2008-09		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Total Revised Request FY 2009-10	
Date: 10-10-2008		4,959,732		4,926,644		4,926,644		5,323,142		5,323,142	
Date: 10-21-08		28.5		31.5		31.5		31.5		31.5	
		CF		0		0		0		0	
		CFE/RF		0		0		0		0	
Total of All Line Items											
(3) Information											
Technology Division, (B)											
Colorado State Titling											
and Registration											
System, Personal											
Services											
(3) Information											
Technology Division, (B)											
Colorado State Titling											
and Registration											
System, Operating											
Expenses											

Non-Line Item Request: None
 Letternote Revised Text: None
 Cash or Federal Fund Name and COFRS Fund Number: Colorado State Titling and Registration Account, Fund 404
 Reappropriated Funds Source, by Department and Line Item Name: None
 Approval by OIT? Yes: ☒ No: ☐ N/A: ☐
 Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Department of Revenue
Priority Number:	DI-8
Change Request Title:	VIPER Update for CSTARS

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department requests \$290,820 cash funds (Colorado State Titling and Registration System Account) for the migration of and updates to the VIPER program of the CSTARS system. This program runs the titles programs for the state and requires critical updates to remain current.

Background and Appropriation History:

The VIPER program operates the titles section of the Colorado State Titling and Registration System (CSTARS) and has retained many of its original attributes when it was created in 1983. Although it has undergone considerable enhancements to support legislative mandates and evolving state, county, and municipal business requirements for the county clerks and recorders who utilize CSTARS as agents of the state, the underlying infrastructure is aged and is in need of replacement.

Additionally, numerous modifications have been implemented to forestall technological obsolescence and to take selective advantage of advances in information processing, data management, and security techniques. Additionally countless requests for customization at the individual jurisdiction level have been accommodated. The resulting diversity of

operations and a lack of standardization in many core business practices introduced yet another dimension of complexity to an already challenging environment.

Aside from yearly requests for county office improvements, the CSTARS base budget has been funded at a continuation level of funding since FY 2006-07.

General Description of Request:

The titling data warehouse application is housed on an eight year old server that is no longer supported. The titling data warehouse programs are written in application languages that are behind current industry standards. The age of the server and languages combine to create a critical risk due to a lack of support from vendors and a lack of staff proficient in maintenance.

The current system is unreliable; it has experienced multiple failures and has been down for as long as two months. Maintaining the system is also time consuming. The processes have become increasingly cumbersome and unreliable as new data is added to the database system each year. The existing system can no longer efficiently meet programmatic and technical requirements for conducting motor vehicle titling. The system is well past the productive life cycle.

Replacing the existing server and upgrading the database is necessary due to these issues. The Department estimates two new servers with corresponding software would cost approximately \$30,000 per unit. Programming costs to migrate and upgrade the old application to a new operating system are estimated at \$230,000. Out year maintenance costs are estimated to be \$6,000 per unit.

The major objectives of the new system include:

1. improving system functionality by incorporating enhancements that have been implemented in the newer versions of the programming language;
2. creating improvements in system productivity, software quality, and maintenance through the use of supportable, standardized hardware and software, innovative

system design, flexible database architecture, and integration of modern information methodologies; and

3. aligning the design of the system to support growing trends in the information industry to promote increased productivity and eliminate unscheduled system interruptions.

The software requested for the servers will improve the timeliness and accuracy of the information stored and processed and will potentially reduce costs as the system would be supported. The upgrade and migration will provide the following benefits:

- a simplified, centralized, and automated data protection;
- a single solution for the antiquated system; and
- a scaleable system that will meet the Department's requirements and growing needs.

These system upgrades will provide increased efficiency and maximize performance. The proposed solution is robust, scalable, and has a client-server architecture. Data would be managed collectively with a single set of management policies and procedures, simplifying administration and provides the Department with a high degree of control.

Consequences if Not Funded:

The titling data warehouse supplies motor vehicle data to the counties for inter-county registration and title transfers, local governments, state law enforcement and the business community. Accounting information is supplied to state and county auditors. Vehicle identification and ownership information is supplied to law enforcement agencies. If this system were to fail, the impacts would be statewide and cause gaps in information available to the state, counties, and law enforcement agencies.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$290,820	\$0	\$290,820	\$0	\$0	0.0
Programming Costs	\$230,020	\$0	\$230,020	\$0	\$0	0.0
Hardware and Software	\$60,800	\$0	\$60,800	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$12,000	\$0	\$12,000	\$0	\$0	0.0
Support and Maintenance	\$12,000	\$0	\$12,000	\$0	\$0	0.0

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Cash Balance	FY 2008-09 End of Year Cash Balance Estimate	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate
CSTARS*	404	\$10,582,843	\$5,628,912	\$3,276,717	\$689,354	(\$2,501,617)

*Note: The Department of Revenue is seeking legislation to address fund solvency issues in the CSTARS Account during the 2009 session.

Assumptions for Calculations:

The funds to support this change request are based precisely on current quotes and the necessary maintenance for each type of software and license. Out-year maintenance costs are anticipated to be \$12,000.

Description	Price
Two Servers at \$29,450 per unit	\$58,900
Two Software Packages at \$950 per package	\$1,900
Programming for application upgrade and migration to new operating system – \$70 per hour for 3,286 hours	\$230,020
Total	\$290,820

Impact on Other Government Agencies: Not Applicable.

Cost Benefit Analysis:

Benefits	Cost	Ratio
The Department's titling system would be supportable with new updates, hardware, and application migration to a new operating providing a faster and more efficient, enterprise solution.	\$290,820	n/a

Implementation Schedule:

Task	Month/Year
Planning Period	July 2009
Procurement	September 2009
Installation	November 2009 – May 2010

Statutory and Federal Authority: 42-1-211, C.R.S., (2008) Colorado state titling and registration system.

(1) The department is hereby authorized to coordinate the management of a statewide distributive data processing system, which shall be known as the Colorado state titling and registration system. This system is to provide the necessary data processing equipment, software, and support and training to:

(a) Aid the authorized agents of the department in processing motor vehicle registration and title documents;

Performance Measures:

The Department of Revenue will use its support functions to achieve all its goals and objectives. Official department communication, the reliability of its technology infrastructure, its internal controls followed, and the time it takes to hire new employees all affect how the Department operates and how well it achieves its goals.

Performance Measure	Outcome	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request
Percent of time core department information technology systems are operational.	Benchmark	98.0%	98.0%	98.0%	98.0%
	Actual	99.9%	99.9%	TBD	TBD

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11			
Request Title:		Document Transport Lease									
Department:		Revenue									
Priority Number:		DI-9									
Dept. Approval by:		Date:		Date:		Date:		Date:			
OSP B Approval:		Date:		Date:		Date:		Date:			
Fund		1	2	3	4	5	6	7	8	9	10
Prior-Year Actual FY 2007-08											
Total		1,128,968	1,132,101	0	1,132,101	1,133,617	38,000	1,171,617	0	1,171,617	38,000
FTE		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GF		992,501	995,214	0	995,214	996,730	38,000	1,034,730	0	1,034,730	38,000
CF		0	136,887	0	136,887	136,887	0	136,887	0	136,887	0
(2) Central Department Operations, Operating Expenses		1,128,968	1,132,101	0	1,132,101	1,133,617	38,000	1,171,617	0	1,171,617	38,000
Total		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FTE		992,501	995,214	0	995,214	996,730	38,000	1,034,730	0	1,034,730	38,000
GF		0	136,887	0	136,887	136,887	0	136,887	0	136,887	0
CFE/RF		136,467	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None
 Letternote Revised Text: None
 Cash or Federal Fund Name and COFRS Fund Number: None
 Reappropriated Funds Source, by Department and Line Item Name: None
 Approval by OIT? Yes: ☒ No: ☐ N/A: ☐
 Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-9
Change Request Title:	Document Transport Lease

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Revenue requests \$38,000 General Fund for FY 2009-10 to lease a Unisys Quantum 300 document transport for the Central Department Operations Remittance Processing system. This will be the first year of a three-year lease contract for the equipment which will require subsequent \$38,000 General Fund appropriations in FY 2010-11 and FY 2011-12.

Background and Appropriation History:

In FY 1999-00, the Department purchased a new remittance processing system which included software, computers, printers and two Unisys DP250 document transports. The entire system's initial purchase price was \$697,365 and the Department has paid \$60,000 to almost \$90,000 annually for software and hardware maintenance. The system was expected to have a useful life of seven years.

The document transports capture images of checks and payment coupons, endorse the checks and encode dollar amounts on the checks and a document control number on the coupons. Beginning in FY 2005-06, the Department began to experience equipment problems resulting in considerable downtime. In FY 2006-07, the Department self-

funded a “technology refresh” and upgraded aging computers, operating systems, cabling and some software components of this system. The Department also leased a new Quantum 300 document transport to replace one of the old machines. In FY 2008-09, the second DP250 will be 10 years old. The Department purchased a new computer from Unisys with updated software to operate this machine in FY 2006-07. However, the back-end image handling computer is original equipment, cannot be upgraded and runs on an operating system no longer supported by Microsoft. The Department needs to upgrade both the image handling computer and the DP250 transport equipment.

Central Department Operations			
	FY 2006-07	FY 2007-08	FY 2008-09
Line Item	Appropriation	Appropriation	Appropriation
Operating Expenses	\$3,525,995	\$1,134,446	\$1,132,101
General Fund	\$3,389,108	\$997,559	\$995,214
Cash Funds	\$0	\$0	\$136,887
CFE/Reappropriated Funds	\$136,887	\$136,887	\$0

Several changes have occurred in the appropriation since FY 2006-07. The largest change occurred in FY 2007-08 when approximately \$2.4 million was transferred from this line item to create a dedicated postage appropriation. The other decrease resulted from a one-time appropriation in H.B. 08-1299.

General Description of Request:

While the Department now receives approximately 60 percent of tax and fee payment dollars electronically, paper checks still comprise over 75 percent of the total payment transactions. In fact, through May of FY 2007-08, the Department processed over 186,000 more checks than the prior year (an increase of over 6.8 percent). In FY 2007-08, approximately \$4.1 billion from paper checks was deposited. The document transport equipment does more than just endorse and encode checks for deposit; it also images and assigns document control numbers to coupon documents accompanying the check payments, or in the case of sales taxes, processes the coupon tax return even when the payment is made electronically.

The Unisys Quantum 300 includes a high speed encoder module which increases the processing of coupons and checks. This equipment has been so effective that in January and April 2008 (the two busiest months of the year for check processing) the remittance processing area eliminated the need for weekend staffing. In prior years, this area has worked four or five Saturdays and the occasional Sunday during these two months. In April, the Department achieved four of the top five check deposit total days *ever* due to the speed of the new equipment. With funding to lease a second machine, the Department will have two fast, efficient machines which will continue to decrease the amount of overtime and temporary help needed during peak tax processing periods.

To be compatible with the existing remittance processing system, the document transport must be a Unisys model. The Quantum 300 model is an appropriate size for the Department's volume.

Consequences if Not Funded:

While the Department is pursuing funding to replace the current remittance processing system with a FY 2009-10 capital budget request, such a replacement system will not be functional until FY 2010-11 (and would be phased in over three years). The existing Quantum 300 lease expires in FY 2009-10. Leasing another machine will allow the Department to continue processing checks and payment coupons with existing software through FY 2011-12, when the new system should be fully operational.

It is imperative that the Department have functional equipment to deposit money in the bank and begin the tax return tracking and posting process. The technology refresh was done in response to the high amount of downtime experienced due to aging equipment. Transport downtime leads to processing backlogs and deposit delays. Not only does this impact the State, but it also can delay distributions to cities, counties and special districts.

Calculations for Request:

Summary of Request FY 2009-10 Build to Numbers in Schedule 13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$38,000	\$38,000	\$0	\$0	\$0	0.0
Operating Expenses (Unisys Quantum 300 Document Transport Lease)	\$38,000	\$38,000	\$0	\$0	\$0	0.0

Summary of Request FY 2010-11 Build to Numbers in Schedule 13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$38,000	\$38,000	\$0	\$0	\$0	0.0
Operating Expenses (Unisys Quantum 300 Document Transport Lease)	\$38,000	\$38,000	\$0	\$0	\$0	0.0

Cash Funds Projections:

This section is not applicable.

Assumptions for Calculations:

The Department obtained a projected purchase price quote from Unisys Corporation of \$126,500.00. The state is required to follow Generally Accepted Accounting Principles (GAAP) and GAAP states that total lease values and terms may not exceed ninety percent of the total purchase price and three years, respectively. Therefore, ninety percent of \$126,500 equals \$113,850. Since the price is a projection, the lease total was rounded up to the nearest \$1,000, or \$114,000; which divided by three years equals an annual projected lease cost of \$38,000.

Impact on Other Government Agencies:

This section is not applicable.

Cost Benefit Analysis:

This request is to replace existing equipment. The benefit is avoidance of downtime and the potential for total failure of the transport equipment or computers. The Department

expects that newer, faster equipment will result in faster check deposits and reductions in overtime or temporary employee services.

Implementation Schedule:

Task	Month/Year
Obtain Vendor Proposal	March 2009
Determine Lease Vendor	March 2009
Sole Source Waiver Written if Needed	March 2009
Sole Source Waiver Approved	March 2009
Lease Contract Negotiated	June 2009
Lease Contract Executed	July 2009
Quantum 300 Ordered	July 2009
Quantum 300 Delivered and Installed	August 2009
Start-Up Date	August 2009

Statutory and Federal Authority:

24-35-101, C.R.S., (2008). Functions of the department of revenue. (1) There is hereby created the department of revenue, the functions of which are the collection of the following:

(a) Taxes levied and the license fees imposed by the provisions of articles 22 and 26 to 29 of title 39, C.R.S., and section 21 of article X of the state constitution, and the administration and enforcement of said provisions;

(b) Taxes levied by the provisions of articles 23.5 and 25 of title 39, C.R.S.;

(c) Taxes levied and license fees imposed by the provisions of part 1 of article 6 and article 15 of title 12, title 42, and part 2 of article 43, C.R.S., and the administration and enforcement of said provisions;

(d) Taxes levied and license fees imposed by the provisions of article 36 and part 5 of article 47 of title 12, C.R.S., and the administration and enforcement of said provisions;

(e) Repealed.

(f) Taxes, fees, and other revenues, the payment of which is required by law, which the department may be directed by law, rule, or agreement to administer, collect, or enforce.

24-35-108, C.R.S. (2008). Functions of department of revenue - collection of state taxes. (1) In addition to any function specified in this article, the functions of the department of revenue and the duties of the executive director of the department of revenue as the head of said department or of the head of a group, division, or subordinate department appointed by the executive director in accordance with this article are:

(a) To collect delinquent taxes, assessments, and licenses under the jurisdiction of the department of revenue;

(b) To assist local tax collectors insofar as the collection of state taxes is concerned;

(c) To promulgate and establish, with the approval of the governor, rules governing not only the internal administration of the department of revenue but also the collection of taxes, assessments, and licenses and delinquencies in any thereof;

24-35-110, C.R.S. (2008) Collection for political subdivisions – contract. The executive director of the department of revenue is hereby authorized to negotiate and contract with any city, town, or city and county for the purpose of arranging for the collection by the department of revenue of any tax levied by the city, town, or city and county which is also levied and collected by the department of revenue for the state of Colorado.

Performance Measures:

The Department of Revenue seeks to enhance its revenue collections through the fair administration of Colorado's tax laws. Productivity gains and seeking initiatives with ideal returns on investment are priorities. To this end, the Department looks for ways to increase audit revenues and the number of delinquent collections.

Performance Measure	Outcome	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request
Percent of tax dollars deposited within 48 hours.	Benchmark	85%	85%	85%	85%
	Actual	83.4%	TBD	TBD	TBD

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Supplemental FY 2009-10		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Request Title:		Increase Liquor Enforcement Division Staff									
Department:		Revenue									
Priority Number:		DI-10									
Date:		November 1, 2008									
Date:		10-23-08									
Dept. Approval by:		Randy [Signature]									
OSP Approval:											
		1	2	3	4	5	6	7	8	9	10
	Prior-Year Actual FY 2007-08										
	Fund										
	Total	2,980,695	3,007,671	0	3,007,671	3,043,633	118,352	3,161,985	0	3,161,985	106,472
	FTE	17.4	19.0	0.0	19.0	19.0	2.0	21.0	0.0	21.0	2.0
	GF	602,586	617,139	0	617,139	599,411	0	599,411	0	599,411	0
	HUTF	142,752	160,091	0	160,091	160,091	0	160,091	0	160,091	0
	CF	1,886,024	2,230,441	0	2,230,441	2,284,131	118,352	2,402,483	0	2,402,483	106,472
	CFF/RF	349,333	0	0	0	0	0	0	0	0	0
(1) Executive Director's Office, Operating Expenses											
	Total	955,754	1,009,448	0	1,009,448	989,917	9,861	999,778	0	999,778	2,951
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	512,582	519,565	0	519,565	501,837	0	501,837	0	501,837	0
	HUTF	99,923	119,633	0	119,633	119,633	0	119,633	0	119,633	0
	CF	134,865	370,250	0	370,250	368,447	9,861	378,308	0	378,308	2,951
	CFF/RF	208,384	0	0	0	0	0	0	0	0	0
(1) Executive Director's Office, Vehicle Lease Payments											
	Total	373,184	410,371	0	410,371	410,371	2,683	413,054	0	413,054	2,683
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	90,004	97,574	0	97,574	97,574	0	97,574	0	97,574	0
	HUTF	42,829	40,458	0	40,458	40,458	0	40,458	0	40,458	0
	CF	99,402	272,339	0	272,339	272,339	2,683	275,022	0	275,022	2,683
	CFF/RF	140,949	0	0	0	0	0	0	0	0	0
(7)(C) Enforcement Business Group - Liquor Enforcement Division, Personal Services											
	Total	1,600,917	1,536,236	0	1,536,236	1,591,729	96,128	1,687,857	0	1,687,857	96,128
	FTE	17.4	19.0	0.0	19.0	19.0	2.0	21.0	0.0	21.0	2.0
	GF	0	0	0	0	0	0	0	0	0	0
	CF	1,600,917	1,536,236	0	1,536,236	1,591,729	96,128	1,687,857	0	1,687,857	96,128
(7)(C) Enforcement Business Group - Liquor Enforcement Division, Operating Expenses											
	Total	50,840	51,616	0	51,616	51,616	9,680	61,296	0	61,296	4,710
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	CF	50,840	51,616	0	51,616	51,616	9,680	61,296	0	61,296	4,710

Liquor Enforcement Division and State Licensing Authority Cash Fund (#236) created in Section 24-35-401, C.R.S. (2008)

None

None

None

Cash or Federal Fund Name and COFRS Fund Number: None

Reappropriated Funds Source, by Department and Line Item Name: None

Approval by OIT? Yes: ☐ No: ☐ N/A: ☒

Schedule 13s from Affected Departments: None

Non-Line Item Request: None

Letternote Revised Text: None

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-10
Change Request Title:	Increase Liquor Enforcement Division Staff

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Revenue, Liquor Enforcement Division is requesting \$118,352 cash funds and 2.0 FTE in FY 2009-10. This amount annualizes to \$106,472 cash funds and 2.0 FTE in FY 2010-11. Both positions will be funded out of the Liquor Enforcement Division and State Licensing Authority Cash Fund. The Department proposes the addition of a 1.0 Criminal Investigator I FTE to the enforcement staff in the Grand Junction field office at a total cost of \$79,489 cash funds in FY 2009-10. The Department also proposes the addition of a 1.0 Administrative Assistant II FTE to the licensing staff in the Division's main office in Lakewood at a total cost of \$38,863 cash funds in FY 2009-10.

Background and Appropriation History:

Since 1969, the Liquor Enforcement Division ("Division") has been one of the primary functions of the Department of Revenue. The Division administers and enforces the Colorado Liquor, Beer, and Special Events Codes (Title 12, Articles 46, 47, and 48, C.R.S. (2008)). Division staff issues liquor licenses and monitors compliance of persons or entities engaged in the manufacture, distribution, or sale of alcoholic beverages in Colorado. These functions are administered primarily from the Division's headquarters in

Lakewood, while enforcement is managed by four different field offices located in Colorado Springs, Grand Junction, Greeley, and Lakewood to conduct enforcement activities in all of Colorado's 64 counties.

The Division became fully cash funded when SB 02-207 was signed into law, which created the Liquor Enforcement Division and State Licensing Authority Cash Fund in Section 24-35-401, C.R.S. (2008). Pursuant to Section 12-47-502 (b), C.R.S. (2008), revenue to the Fund is comprised of \$50.00 from each issued license and the full amount of all application fees. Of all other revenue earned by the functions of this division, 85 percent is deposited in the Old Age Pension Fund and the remainder to the General Fund. As shown on page 5 of this document, the Division's cash fund has adequate revenue to support this change request and the ability to adjust fees as provided in Section 12-47-501 (1.5) and (2), C.R.S. (2008).

Liquor Licensing Section

Despite significant changes in the Division's licensing responsibilities over the last several years, the administrative staffing level in the liquor licensing section has remained at 3.0 FTE. The Colorado General Assembly continues to create new types of liquor licenses available to Colorado businesses (e.g., brewpubs, vintner's restaurants, limited wineries, microbreweries, resort facilities). Each type generates unique requirements that necessitate additional training for the licensing staff. Between FY 2001-02 and FY 2006-07, the total number of licenses issued increased by 17 percent. This equates to an average annual rate of 3 percent. Additionally, retail businesses continue to express frustration at the length of time it takes for the Division to process new and renewal license applications. Many existing businesses have expired licenses because the Division is not able to process renewal applications in a timely fashion. The number of liquor license renewal applications increased by 27 percent between FY 2006-07 and FY 2007-08 alone.

The Division also notes that the error rate by local licensing authorities to approve new retail licenses when there is a significant deficiency in the application remains quite high. In spite of training sessions provided by Division personnel, the average error rate among

local licensing jurisdictions was 67 and 65 percent in FY 2006-07 and FY 2007-08, respectively.

The Division's current staff of three administrative employees performs all licensing functions, which includes processing all license applications, answering telephone inquiries related to liquor licensing, interfacing with applicants and local licensing clerks, ensuring the proper accounting of license fees, and filing a large number of paper documents.

Liquor Enforcement Section

There are two criminal investigators located in Grand Junction to enforce the State's Liquor Codes in 17 counties covering 35,000 square miles. The number of licensees has increased to the point that the current staff is unable to manage the increased workload while maintaining the Division's strategic objectives and public confidence. Each of the Division's other field offices have three criminal investigators and a similar workload. The Greeley office covers 13 counties and 26,601 square miles; the Colorado Springs office covers 20 counties and 32,658 square miles; and the Lakewood office is responsible for 14 counties in the Denver-metro area and along the central and eastern I-70 corridor. This comprises approximately 5,250 of the 10,215 businesses licensed in the State.

On the Western Slope, the average investigation takes almost 50 percent longer than the other field offices; 62 days versus 35 days. In many cases, the investigations cannot be conducted appropriately because of the loss of response time to complaints. It becomes difficult to locate witnesses and to process evidence, thereby decreasing the probability of positive resolution and successful prosecution.

General Description of Request:

Liquor Licensing Section

Utilizing existing revenue from the Liquor Cash Fund, the Department requests the addition of a 1.0 Administrative Assistant II FTE at the main office in Lakewood. The Division strives to approve non-problem applications and issue a license within 10 working days of receipt. Since FY 2006-07, the average number of working days to process a non-problem application for a new license has been 15-20 days. A 'non-

problem' application means that all statutory requirements have been satisfied and there are no deficiencies that prevent issuance of a license. At current staffing levels, the Division is unable to consistently balance the goals of processing applications in a timely manner and assuring productive quality control procedures. The average number of working days to process a renewal application is currently 20-30 days.

Liquor Enforcement Section

The Department requests a Criminal Investigator I FTE to be funded with the existing Liquor Cash Fund. The addition will improve the response time to complaints regarding public safety; increase public contacts; increase availability of training classes to local licensing authorities; and increase field assistance to local law enforcement, liquor licensees, and local liquor licensing authorities.

The Division strives to investigate and resolve any liquor-related complaints, most notably public-safety related complaints, within 60 days of receipt. Between January 1, 2006 and January 1, 2008, the investigators in the Grand Junction office were only resolving 57 percent of such complaints within 60 days. The Division has attempted to address this problem by assigning some of Grand Junction's 17 counties to the other enforcement offices. However, this has only served to increase variable vehicle costs for the division and to increase the average number of days for complaint resolution in those offices. Failure to investigate these violations in a timely manner presents safety concerns for local citizens. Given the increasing demands placed on local law enforcement, communities on the Western Slope will expect the Division to provide an enforcement response on liquor-related issues.

Consequences if Not Funded:

Liquor Licensing Section

As both the number of total license applications and the complexity of administering this program continue to increase each year, the average number of working days for the Liquor Licensing Section to deliver liquor licenses and related services also increases. Failure to add additional administrative staff will affect industry satisfaction and have an adverse economic impact on businesses seeking liquor licenses.

Liquor Enforcement Section

With the current level of enforcement staff, the Division is not able to enforce liquor-related statutes out of the Grand Junction field office to the same degree as other parts of the State. This results in an inequitable enforcement program among liquor licensees and subjects citizens in that part of the state to legitimate safety concerns as relates to the sale and consumption of alcoholic beverages.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$118,352	\$0	\$118,352	\$0	\$0	2.0
Personal Services	\$96,128	\$0	\$96,128	\$0	\$0	2.0
Operating	\$9,680	\$0	\$9,680	\$0	\$0	0.0
Vehicle Lease	\$2,683	\$0	\$2,683	\$0	\$0	0.0
Variable Vehicle	\$2,951	\$0	\$2,951	\$0	\$0	0.0
Capital Outlay	\$6,910	\$0	\$6,910	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$106,472	\$0	\$106,472	\$0	\$0	2.0
Personal Services	\$96,128	\$0	\$96,128	\$0	\$0	2.0
Operating	\$4,710	\$0	\$4,710	\$0	\$0	0.0
Vehicle Lease	\$2,683	\$0	\$2,683	\$0	\$0	0.0
Variable Vehicle	\$2,951	\$0	\$2,951	\$0	\$0	0.0

OSP Common Policy for FTE Requests						
FTE and Operating Costs					GRAND TOTAL	
Fiscal Year(s) of Request	FY 09-10	FY 10-11	FY 09-10	FY 10-11	FY 09-10	FY 10-11
PERSONAL SERVICES	Admin. Asst. II		Criminal Investigator I			
Number of PERSONS / class title	1	1	1	1		
Number of months working in FY 09-10 and FY 10-11	12	12	12	12		
Number months paid in FY 09-10 and FY 10-11	12	12	12	12		
Calculated FTE per classification	1.0	1.0	1.0	1.0	2.0	2.0
Salary	\$30,876	\$30,876	\$55,260	\$55,260	\$86,136	\$86,136
PERA (10.15%)	\$3,134	\$3,134	\$5,609	\$5,609	\$8,743	\$8,743
Medicare (1.45%)	\$448	\$448	\$801	\$801	\$1,249	\$1,249
Subtotal Personal Services at Division Level	\$34,458	\$34,458	\$61,670	\$61,670	\$96,128	\$96,128
OPERATING EXPENSES						
Supplies @ \$500/\$500	\$500	\$500	\$500	\$500	\$1,000	\$1,000
Computer @ \$900/\$0	\$900	\$0	\$900	\$0	\$1,800	\$0
Office Suite Software @ \$330/\$0	\$330	\$0	\$330	\$0	\$660	\$0
Office Equipment @ \$3,998/\$0 (includes cubicle and chair)	\$2,225	\$0	\$2,225	\$0	\$4,450	\$0
Telephone Base @ \$450/\$450	\$450	\$450	\$450	\$450	\$900	\$900
Other – Blackberry, Radios, Travel and Undercover Expenses	\$0	\$0	\$5,911	\$2,567	\$5,911	\$2,567
Other – Weapon, Ammunition, Vest, and Related	\$0	\$0	\$1,869	\$243	\$1,869	\$243
Other – Fixed and Variable Vehicle Costs	\$0	\$0	\$5,634	\$5,634	\$5,634	\$5,634
Subtotal Operating Expenses	\$4,405	\$950	\$17,819	\$9,394	\$22,224	\$10,344
GRAND TOTAL ALL COSTS	\$38,863	\$35,408	\$79,489	\$71,064	\$118,352	\$106,472

Cash Funds Balance Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Balance	FY 2008-09 End of Year Estimate	FY 2009-10 End of Year Estimate	FY 2010-11 End of Year Estimate
Liquor Enforcement Division and State Licensing Authority	236	\$2,093,461	\$770,726	\$225,808	\$242,407	\$306,000

Assumptions for Calculations:

Liquor Licensing Section

Sources for these calculations are based on statistics generated by the Department of Revenue's Tax Analysis Section and the Liquor Enforcement Division's Licensing Section. The Colorado Hotel and Restaurant Association, confirms that a delay in the issuance of a liquor license postpones the opening of an eating and drinking establishment. In FY 2006-07, there were 10,475 retail businesses classified as 'Food and Drinking Services' that filed sales tax returns with the Colorado Department of Revenue. Those locations reported approximately \$7.7 billion in retail sales. Using those numbers, average sales for each business in FY 2006-07 was \$735,084.

In that same year, there were 1,232 applications filed with the Division for new liquor licenses or to transfer existing licenses. Of that, 413 were non-problem applications for new licenses that should have been issued within 10 working days. As noted above, the average number of working days for a non-problem application is currently 15-20 working days, which is 5-10 days longer than the Division's internal processing objective. If 5 percent – or 21 applications – of non-problem applications filed in FY 2006-07 were delayed an average of 7.5 days, the lost business revenue would have been \$317,194.

Liquor Enforcement Section

Data for these calculations are provided by the Mesa County Sheriff's Office and the Grand Junction Police Department. For purposes of this cost/benefit calculation, it is assumed that the skills of a senior law enforcement officer are commensurate with a Criminal Investigator I. It is further assumed that wages earned in these agencies are the highest on the Western Slope and the most appropriate measure by which to demonstrate the maximum benefit of the Division's request.

The Criminal Investigator position includes variable vehicle costs of \$2,951 (12,297 miles @ \$0.24/mile) and vehicle lease costs of \$2,683 (\$223.58/per month).

Impact on Other Government Agencies: Not Applicable

Cost Benefit Analysis:

Benefits	Costs
The delayed opening of a restaurant or other drinking establishment by an average of 7.5 days will result in measurable economic losses to Colorado businesses. Such delays are the result of a non-problem liquor license not being issued within ten business days. The avoidance of this economic loss is a benefit to both the business and the State. If 5 percent of non-problem applications are delayed by 7.5 days, the average loss in retail sales to a business is \$317,194. The calculation for this amount is \$7.7 billion/365 days/10,475 businesses = \$2,013.93 average retail sales per day x 7.5 days = \$15,104.48 in lost retail sales for processing delay. If \$15,104.48 is multiplied by 21 applications, then the total loss to the restaurant/tavern industry is \$317,194.	Total requested for 1.0 Administrative Assistant II FTE is \$38,863 in FY 2009-10 and \$35,408 in out-years. Benefit/Cost Ratio in FY 2009-10 is: $\$317,194/\$38,863 = 8.16$ Benefit/Cost Ratio in out-years is: $\$317,194/\$35,408 = 8.96$
Benefits reflect value to a local community when the need for law enforcement resources (city and county) for local liquor violations becomes unnecessary with the adoption of this alternative. The average salary for a Grand Junction police officer and a Mesa County sheriff's deputy possessing skills commensurate with Division investigators is \$65,055 and \$72,960, respectively. Since both agencies are obligated to respond to complaints, costs for both must be considered in the total savings (\$65,055+\$72,960=\$138,015).	Total requested for 1.0 Criminal Investigator I FTE is \$79,489 in FY 2009-10 and \$71,064 in out-years Benefit/Cost Ratio in FY 2009-10 is: $\$138,015/79,489=1.74$ Benefit/Cost Ratio in out-years is: $\$138,015/71,064=1.94$

Implementation Schedule:

Task	Month/Year
FTE Hired	09/2009

Statutory and Federal Authority:

12-47-201 (1), C.R.S. (2008) For the purpose of regulating and controlling the licensing of the manufacture, distribution, and sale of alcohol beverages in this state, there is hereby created the state licensing authority, which shall be the executive director of the department of revenue or the deputy director of the department of revenue if the executive director so designates.

12-47-201 (2), C.R.S. (2008) The executive director of the department of revenue shall be the chief administrative officer of the state licensing authority and may employ, pursuant to section 13 of article XII of the state constitution, such clerks and inspectors as may be determined to be necessary.

Performance Measures:

Regulation, Enforcement, and Education

The Department of Revenue protects Colorado's citizens through the fair enforcement of laws and regulations related to industries that include limited stakes gaming, auto dealers, liquor and tobacco retailers, and motor carriers. The Department seeks to deliver this oversight effectively by completing duties within statutory timeframes and adherence to departmental or federal requirements. It actively identifies methods to achieve its goals by enhancing productivity and educating both providers and consumers in affected industries.

Liquor Enforcement: A critical performance measure of the Liquor Enforcement Division is resolving 75 percent of liquor-related complaints within 60 days of receipt. Between January 1, 2006 and January 1, 2008, the Grand Junction field office's resolution rate was 57 percent.

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		<input checked="" type="checkbox"/> County Office Improvements		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Request Title:		Revenue		Base Reduction Item FY 2008-09		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Department:		DI-11		Base Reduction Item FY 2008-09		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Priority Number:		DI-11		Base Reduction Item FY 2008-09		Supplemental FY 2008-09		Budget Amendment FY 2009-10		Change from Base (Column 5) FY 2010-11	
Dept. Approval by: <i>Ruby Hudson</i>		Date: <i>10-10-2008</i>		Total Revised Request FY 2008-09		Base Request FY 2009-10		November 1 Request FY 2009-10		Total Revised Request FY 2008-10	
OSPAP Approval: <i>Ruby Hudson</i>		Date: <i>10-21-08</i>		Total Revised Request FY 2008-09		Base Request FY 2009-10		November 1 Request FY 2009-10		Total Revised Request FY 2008-10	
Fund		Prior-Year Actual FY 2007-08		Appropriation FY 2008-09		Supplemental Request FY 2008-09		Total Revised Request FY 2008-09		Base Request FY 2009-10	
Total of All Line Items		Total FTE		103,578		0		103,578		40,000	
		CF		0.0		0.0		0.0		0.0	
		0		103,578		0		103,578		40,000	
(3) Information											
Technology Division, (B)											
Colorado State Tilling and Registration, County Office Improvements											
Total		0		103,578		0		103,578		40,000	
FTE		0.0		0.0		0.0		0.0		0.0	
CF		0		103,578		0		103,578		40,000	
Non-Line Item Request:		None									
Letternote Revised Text:		None									
Cash or Federal Fund Name and COFRS Fund Number:		Colorado State Tilling and Registration System Account (Section 42-1-211 (2), C.R.S.), Fund 404									
Reappropriated Funds Source, by Department and Line Item Name:		None									
Approval by OIT?		Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>		N/A: <input type="checkbox"/>							
Schedule 13s from Affected Departments:		None									

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-11
Change Request Title:	County Office Improvements

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Revenue requests \$47,377 cash funds (Colorado State Titling and Registration Account) in FY 2009-10 related to a county office expansion of the Colorado State Titling and Registration System (CSTARS) network. This one-time funding is to establish a new office in Pueblo County; however, the request requires on-going maintenance which necessitates an additional base appropriation of \$11,174 beginning in FY 2010-11.

Background and Appropriation History:

The Department has historically requested county office improvement funding on behalf of the CSTARS Advisory Committee as provided in Section 42-1-211 (1) and Section 42-1-211 (4), C.R.S. (2008). This includes relocating or expanding existing branch offices, as well as establishing new branch offices.

For FY 2008-09, the Department requested and received approval for a new line item county office improvements, expansions, and on-going maintenance. A fixed amount of \$40,000 cash funds for FY 2009-10 was approved during FY 2008-09 figure setting that allows the CSTARS Advisory Committee more flexibility in identifying and responding

to county needs. However, the new line item is not intended to provide funding for new county branch offices. Significant resources, such as additional staff, and acquiring building leases are required to start a new branch office and county clerks need approval from their respective board of county commissioners before submitting requests to the CSTARS Advisory Committee. As a result, requests for new offices need to be submitted as change requests.

General Description of Request:

The Department requests one-time funding to establish a new office in Pueblo County. The CSTARS Advisory Committee has approved the request for a new office and system expansion to address workload issues. Funding is sufficient to the purchase one server, eight workstations and four laser printers. The Department also requests a base increase of \$11,174 for maintenance beginning in FY 2010-11.

Consequences if Not Funded:

If additional spending authority is not made available, then the Department runs the risk of being unable to meet programmatic responsibilities as defined in Section 42-1-211 (1) and Section 42-1-211 (4), C.R.S. (2008). The consequence of not increasing the recommended maintenance does not enable the Department to pay for equipment purchased without reducing funding in other areas of the Colorado State Titling and Registration System program.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$47,377	\$0	\$47,377	\$0	\$0	0.0
New Branch Office – Pueblo County	\$47,377	\$0	\$47,377	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$11,174	\$0	\$11,174	\$0	\$0	0.0
Maintenance	\$11,174	\$0	\$11,174	\$0	\$0	0.0

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Cash Balance	FY 2008-09 End of Year Cash Balance Estimate	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate
CSTARS*	404	\$10,582,843	\$5,628,912	\$3,276,717	\$689,354	(\$2,501,617)

*Note: The Department of Revenue is seeking legislation to address fund solvency issues in the CSTARS Account during the 2009 session.

Assumptions for Calculations:

The funds to support this change request are based precisely on ‘per unit’ costs and the necessary cabling to support the hardware purchased for each county office. Connectivity includes necessary data circuits, router, and switches for new county offices.

Equipment and Cabling for Pueblo County Office						
County	Servers	Workstations	Printers	Cabling	Connectivity	
	\$9,707 per Unit	\$1,488 per Unit	\$1,740 per Unit	\$200 per drop	Various	TOTAL
Pueblo	1	8	4	14	\$16,006	
TOTAL	\$9,707	\$11,904	\$6,960	\$2,800	\$16,006	\$47,377

Out-year Maintenance for Pueblo County Office						
Maintenance	Server Maintenance	Workstation Maintenance	Printer Maintenance	Router Maintenance	Hubs /Switches Maintenance	Total Maintenance
	\$1,911 per Unit	\$196 per Unit	\$369 per Unit	\$364 per Unit	\$274 per Unit	
TOTAL	\$1,911	\$1,568	\$1,476	\$5,096	\$1,096	\$11,174

The Department is requesting a one-time amount of \$47,377 cash funds and an on-going amount of \$11,174 for maintenance needs related to the FY 2009-10 request in the program’s operating expenses line item. This amount is based on the CSTARS Advisory Committee’s motion and will provide the Committee and the Department with enough

resources to address the new office located in Pueblo County. Maintenance costs are based on per unit costs.

Impact on Other Government Agencies:

This request impacts the Department of Revenue and the state's 64 county governments.

Cost Benefit Analysis:

These requests are accomplished as inexpensively as possible using applicable price agreements for all related hardware, software, and installation. If the State chose not to fund these requests, the likely result would be legal action on behalf of the counties or refusal to serve as agents for the Department.

Implementation Schedule:

Task	Month/Year
Planning Period	July 2009
IT Request	August 2009
Procurement	September 2009
Cabling and Setup	October 2009
Installation	November 2009 – May 2010
Start-Up Date	May – 2010

Statutory and Federal Authority:

42-1-210 (2), C.R.S. (2008). County clerk and recorders and manager of revenue or other appointed official as agents - legislative declaration - fee. The general assembly hereby finds that, since it is the government that requires citizens to register, license, and undertake other actions concerning their motor vehicles, it is thus the duty of government to provide convenient and easily accessible motor vehicle services to the public

42-1-211 C.R.S. (2008). Colorado state titling and registration system.

(1) The department is hereby authorized to coordinate the management of a statewide distributive data processing system, which shall be known as the Colorado state titling

and registration system. This system is to provide the necessary data processing equipment, software, and support and training to:

(a) Aid the authorized agents of the department in processing motor vehicle registration and title documents.

(4) (a) There is hereby created the Colorado state titling and registration system advisory committee comprised of seven authorized agents who must be county clerk and recorders, the clerk and recorder in the city and county of Broomfield, or the manager of revenue for the city and county of Denver or such other official of the city and county of Denver as may be appointed by the mayor to perform functions related to the registration of motor vehicles, and shall be appointed by the executive director of the department. The committee shall:

(I) Assist in the development of annual operational plans and budget proposals regarding the Colorado state titling and registration system and the special purpose account;

Performance Measures:

The Department of Revenue will use its support functions to achieve of all its goals and objectives. Official department communication, the reliability of its technology infrastructure, its internal controls followed, and the time it takes to hire new employees all affect how the Department operates and how well it achieves its goals.

Performance Measure	Outcome	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request
Percent of time core department information technology systems are operational.	Benchmark	98.0%	98.0%	98.0%	98.0%
	Actual	99.9%	99.9%	TBD	TBD

Schedule 13

[illegible]

Non-Line Item Request: None

Letternote Revised Text:

Cash or Federal Fund Name and COFRS Fund Number:

Reappropriated Funds Source, by Department and Line

Approval by OIT? Yes: ☐ No: ☒ N/A: ☒

Schedule 13s from Affected Departments.

Schedule 13s from Affected Departments:

Letternote c will be updated upon completion of all statewide decision items that affect central pot appropriations.

Limited Gaming Fund 401 and State Lottery Fund 503

None

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-12
Change Request Title:	Variable Vehicle Base Increase

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department requests an increase of \$127,623 (cash funds) in the Executive Director's Office Operating Expenses line item to fund its variable vehicle base shortage, due to an unfunded rate increase from January, 2006 and July, 2006.

Background and Appropriation History:

The Department of Personnel and Administration implemented a variable vehicle rate increase in January 2006, and directed the Department of Revenue to submit a statewide FY 2005-06 supplemental and FY 2006-07 budget amendment in the amount of \$46,489. This was approved by the Joint Budget Committee at a reduced amount of \$40,758. However, it was not enough to support the Department's increased costs for FY 2005-06. In addition, the Department of Personnel and Administration implemented another variable vehicle rate increase in July 2006. The Department of Revenue requested an increase in its Operating Expenses line item to offset the FY 2005-06 and FY 2006-07 additional variable vehicle costs through a FY 2006-07 supplemental and FY 2007-08 budget amendment. However, the request was denied by the Office of State Planning and Budgeting. Due to limited resources, the Department did not submit a decision item request in FY 2007-08, and it did not qualify for a FY 2007-08 supplemental.

General Description of Request:

The Department requests an increase of \$127,623 (cash funds) in the Executive Director's Office Operating Expenses line item to fund its variable vehicle base shortage in the State Lottery Division (\$68,514) and Limited Gaming Division (\$59,109).

The State Lottery Division relies on the use of its fleet vehicles to provide ongoing Scratch ticket inventory, and customer service and support to approximately 2,800 retailers located throughout the State. The Limited Gaming Division uses its assigned vehicles to enforce the State's licensed gaming facilities, including legal regulation, financial and equipment audits, facility and individual licensing, and management of three offices.

Consequences if Not Funded:

The State Lottery Division will be negatively impacted because the funding is necessary to maintain Scratch ticket sales by providing ongoing Scratch ticket inventory, and customer service and support to approximately 2,800 retailers located throughout the State.

The Limited Gaming Division's operating expenses appropriation is set by the Limited Gaming Control Commission. However, the division's variable vehicle allocation is included in the Executive Director's Office Operating Expenses line item to provide comprehensive variable vehicle information for the Department in one appropriation in the Long Bill. Therefore, it is important to align authorized spending authority with the Limited Gaming Division's variable vehicle appropriation.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$127,623	\$0	\$127,623	\$0	\$0	0.0
(1) Executive Director's Office, Operating Expenses	\$127,623	\$0	\$127,623	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$127,623	\$0	\$127,623	\$0	\$0	0.0
(1) Executive Director's Office, Operating Expenses	\$127,623	\$0	\$127,623	\$0	\$0	0.0

The following table illustrates the rise in the Department's variable vehicle costs due to rate increases, along with minimal changes in mileage utilization during the same period of time. The projection for FY 2008-09 and FY 2009-10 assumes continuation of FY 2007-08 expenditures and mileage utilization. It does not account for the anticipated July, 2008 variable vehicle rate increase.

DEPARTMENT OF REVENUE VARIABLE VEHICLE HISTORY SUMMARY					
	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09/ FY 2009-10 Projection
Appropriations and Expenditures					
Executive Director's Office Appropriation	\$228,706	\$418,174 ¹	\$469,432 ²	\$497,932	\$536,568
Limited Gaming Division Appropriation	\$55,464				
State Lottery Division Appropriation	\$125,014				
Statewide Supplemental-January 2006 Rate Increase		\$40,758			
Department Supplemental-July 2008 Rate Increase				\$38,636	
Internal Transfer from Capital Outlay-July Rate 2007 Increase			\$30,571		
Total Variable Vehicle Appropriation	\$409,184	\$458,932	\$500,003	\$536,568	\$536,568
Total Expenditures	(\$412,965)	(\$601,680)	(\$650,106)	(\$664,191)	(\$664,191)
Total Deficit	(\$3,781)	(\$142,748)	(\$150,103)	(\$127,623)	(\$127,623)
% Increase in Expenditures over Prior Year	4.05%	45.70%	8.05%	1.69%	
Mileage					
Total Mileage	2,954,366	2,961,639	2,920,936³	2,965,329	2,965,329
% Increase over Prior Year	.58%	.25%	(1.37%)	1.52%	

¹ The Limited Gaming Division and State Lottery Division variable vehicle appropriation was transferred to the Executive Director's Office in FY 2005-06 as part of a central pot consolidation.

² The FY 2006-07 appropriation includes \$10,500 for the Motor Vehicle Dealers Licensing Board that was added to the Long Bill during caucus.

³ The Department's total mileage decreased in FY 2006-07 due to an increase in severe weather conditions that prevented some regular planned travel.

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Cash Balance	FY 2008-09 End of Year Cash Balance Estimate	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate
State Lottery Fund	503	\$507,519,093	\$2,424,689	\$2,424,689	\$2,424,689	\$2,424,689
Limited Gaming Fund	401	\$118,830,773	\$1,519,774	\$1,539,307	\$1,559,426	\$1,575,020

Assumptions for Calculations:

This request is based on the assumption that the Department's variable vehicle expenditures and mileage utilization will not increase in FY 2008-09 and FY 2009-10. As such, it reflects the difference between the Department's FY 2007-08 appropriation and expenditures (\$536,568-\$664,191=\$127,623). The source of the appropriation and expenditures from the Department of Revenue Variable Vehicle History Summary table above, is the Colorado Financial Reporting System. The mileage figures are a compilation of the Department of Personnel and Administration's monthly vehicle billing reports (SFM01R) for each fiscal year.

Impact on Other Government Agencies:

Not applicable.

Cost Benefit Analysis:

The State Lottery Division would lose 4,180 production days (see table below) to maintain Scratch ticket sales by providing ongoing Scratch ticket inventory, and customer service and support to approximately 2,800 retailers located throughout the State. This figure assumes 20 production days (weekdays) per vehicle (57 total), and is based on the percentage of variable vehicle need to the total cost for FY 2007-08.

State Lottery Division (57 Vehicles)	FY 2007-08 Actual
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STATE OF COLORADO FY 2009-10 BUDGET REQUEST CYCLE: Department of Revenue

Total Mileage	891,641
Total Variable Vehicle Cost (rates vary by vehicle)	\$224,248
Additional Variable Vehicle Need	\$68,514
Additional Variable Vehicle Need as a % of Total	31%
Total Vehicle Production Days	13,680
Vehicle Production Days Lost Without Funding	4,180
Scratch Ticket Sales Associated with Retailer Service	\$336,000,000

Implementation Schedule: Not applicable.

Statutory and Federal Authority: 24-30-1104 (2) (k), C.R.S. (2008) *Central services functions of the department Allocate and charge against each state agency to which transportation is furnished, on the basis of mileage or on the basis of the period of time for which each vehicle is assigned to the agency, its proportionate part of the cost of maintenance and operation of the motor vehicle fleet;*

Performance Measures: If this request is not approved, the State Lottery Division may not be able to maintain or increase Scratch ticket sales as projected in its performance measure.

Performance Measure	Outcome	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request
Total Lottery sales excluding Powerball (in millions)	Benchmark	\$344.9	\$390.2	\$407.3	\$466.0
	Actual	\$354.4	\$396.2		

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10			
Request Title:		Refinance Driver Control							
Department:		Revenue							
Priority Number:		DI-13							
		Dept. Approval by: <i>Randy Humber</i>		Date: <i>10-10-2008</i>					
		OSPBA Approval:		Date: <i>10-21-08</i>					
	Fund	1 Prior-Year Actual FY 2007-08	2 Appropriation FY 2008-09	3 Supplemental Request FY 2008-09	4 Total Revised Request FY 2008-09	5 Base Request FY 2009-10	6 Decision/ Base Reduction FY 2009-10	8 Budget Amendment FY 2009-10	10 Change from Base (Column 5) FY 2010-11
Total of All Line Items	Total	17,129,786	16,297,007	0	16,297,007	16,889,573	155,662	0	0
	FTE	346.3	382.3	0.0	382.3	383.2	0.0	0.0	0.0
	GF	11,859,480	10,969,972	0	10,969,972	11,570,540	(1,865,928)	0	(2,021,590)
	GFE	0	0	0	0	0	0	0	0
	CF	4,336,871	5,327,035	0	5,327,035	5,319,033	2,021,590	0	2,021,590
	CFE/RF	933,435	0	0	0	0	0	0	0
(5) Division of Motor Vehicles, (B) Driver and Vehicle Services, Personal Services	Total	17,129,786	16,297,007	0	16,297,007	16,889,573	155,662	0	0
	FTE	346.3	382.3	0.0	382.3	383.2	0.0	0.0	0.0
	GF	11,859,480	10,969,972	0	10,969,972	11,570,540	(1,865,928)	0	(2,021,590)
	HUTF	0	0	0	0	0	0	0	0
	CF	4,336,871	5,327,035	0	5,327,035	5,319,033	2,021,590	0	2,021,590
	CFE/RF	933,435	0	0	0	0	0	0	0

Non-Line Item Request: None

Letternote Revised Text: None

Cash or Federal Fund Name and COFRS Fund Number: Drivers License Administrative Revocation Account 405

Reappropriated Funds Source, by Department and Line Item Name: None

Approval by OIT? Yes: No: ☒

Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI - 13
Change Request Title:	Refinance Driver Control

SELECT ONE (click on box):

- ☒ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☐ Supplemental Request FY 2008-09
☐ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Revenue is requesting to utilize the fund balance in the Driver's License Administrative Revocation Account to partially cash fund the Driver Control Section (DCS) within the Division of Motor Vehicles. The DCS is located within the Driver and Vehicle Services section of the Long Bill. The Revocation account is a subaccount of the Highway Users Tax Fund (HUTF). Pursuant to statute, the fund balance at the end of the fiscal year is transferred to the HUTF. For FY 2008-09 this amount is projected to be \$2,461,948. The Department is requesting to refinance the base appropriation in Driver and Vehicle Services with \$2,021,590 cash funds starting in FY 2009-10. This will generate \$1,865,928 in General Fund savings that can be used on other budget priorities in the State.

Background and Appropriation History:

The DCS is the repository of official records for all drivers in the State of Colorado, and supplies evidentiary copies to internal and external customers. The DCS identifies, assesses, and records administrative sanctions against drivers including all restraints for alcohol-related driving offenses. Based on data received from courts, law enforcement, or other authorized agencies, the DCS also revokes driving privileges administratively as permitted by statute. The Motor Vehicle Investigations Unit is located in this section and

is responsible for the investigation of fraud involving driver's licenses or identification documents.

The DCS is currently funded with a mix of General Fund and cash funds. Its total allocation from the Driver and Vehicle Services section of the Long Bill is \$6,134,360 and 131.0 FTE. Of this total, \$5,757,114 is personal services and \$377,246 is operating expenses. This includes a \$314,828 appropriation from the Driver's License Administrative Revocation Account. In addition, the Department also receives an appropriation from the Account in the Hearings Division within the Enforcement Business Group.

Section 42-2-132 (4) (a) (I), C.R.S. (2008), states, in part, that, "*Any person whose license or other privilege to operate a motor vehicle . . . has been suspended, cancelled, or revoked . . . shall pay a restoration [reinstatement] fee of sixty dollars . . . prior to issuance to such person of a new license or the restoration of such license or privilege.*" Pursuant to adoption of H.B. 08-1194, the \$60 reinstatement fee was increased to \$95 on July 1, 2008. Collections are transmitted to the State Treasurer who credits the payments to the Driver's License Administrative Revocation Account in the Highway Users Tax Fund (HUTF).

In total for FY 2008-09 the Account collected approximately \$5.2 million in FY 2007-08 and spent \$2.8 million.

General Description of Request:

The Department is requesting to refinance the base appropriation in Driver and Vehicle Services with approximately \$2.0 million in cash funds starting in FY 2009-10. This will generate \$1,866,000 in General Fund savings that can be used on other budget priorities in the State. The difference between the two amounts is the result of the pay-date shift. Since this request would shift FTE that have been funded through the General Fund to cash funds, there will be a one-time expenditure of \$155,622. In the out years, the General Fund savings increases to \$2.0 million.

Consequences if Not Funded:

Choosing to forego a cash funded structure will mean a considerable amount of General Fund revenue is not available for other statewide priorities.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$155,662	(\$1,865,928)	\$2,021,590	\$0	\$0	0.0
S.B. 03-197 Paydate Shift	\$155,662	\$155,662	\$0	\$0	\$0	0.0
Personal Services Refinance	\$0	(\$2,021,590)	\$2,021,590	\$0	\$0	0.0

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$0	(\$2,021,590)	\$2,021,590	\$0	\$0	0.0
Personal Services Refinance	\$0	(\$2,021,590)	\$2,021,590	\$0	\$0	0.0

Cash Fund Balance Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Balance	FY 2008-09 End of Year Estimate	FY 2009-10 End of Year Estimate	FY 2010-11 End of Year Estimate
Driver's License Administration Revocation Account	405	\$2,752,494	\$2,461,948	\$2,461,948	\$2,461,948	\$2,461,948

Assumptions for Calculations:

As previously stated, the personal services budget for the Driver Control Program in FY 2008-09 is \$5,757,137. This is sufficient to fund 131.0 FTE – an average salary of \$43,948. The Department does not believe it is prudent to refinance with all unexpended

or unencumbered moneys in the account at the end of a fiscal year. The Department's refinancing plan will leave a sufficient reserve in the fund at the close of the fiscal year to fund any contingencies that may arise. The Department has calculated it can refinance 46.0 FTE in Driver Control for \$2,021,590 cash funds. Such action would cash fund 37.2 percent of Driver Control FTE funded by the General Fund.

Assumptions and Calculations for Refinance	
Driver Control Budget	5,757,137
Call Center and Investigations FTE	131.0
Average Salary	43,948
Refinance Amount	2,000,000
Positions Able to Refinance	45.5
Amount Refinance to nearest whole FTE	2,021,590

Pay date shift expenditures impact payroll processing at the end of every fiscal year when General Fund salary expenses for June are shifted into July of the succeeding fiscal year. For this request, this is estimated to be 7.7% or \$156,000.

Impact on Other Government Agencies:

The amount of General Fund available for other purposes in the State's operating budget as the Governor's Office and General Assembly deem appropriate.

Cost Benefit Analysis:

Cost	Benefit
\$2.0 million that would otherwise transfer to the Highway Users Tax Fund	Fund balance is used to offset General Fund in the base budget. A total of \$1,846,000 General Fund would be offset in FY 2009-10 and \$2.0 million in FY 2010-11. These funds can be used for budget priorities in the state.

Implementation Schedule, Cash Fund Component:

Task	Month/Year
Implement Refinancing of General Fund	July, 2008

Statutory and Federal Authority:

Section 42-2-132 (4) (b) (I) (A) C.R.S. (2008). All restoration fees collected pursuant to this subsection (4) shall be transmitted to the state treasurer, who shall credit: Sixty dollars to the driver's license revocation account in the highway users tax fund, which account is hereby created and referred to in the subparagraph (I) as the "account".

Section 42-2-132 (4) (b) (I) (B) C.R.S. (2008). The moneys in the account shall be subject to annual appropriation by the general assembly for the direct and indirect costs incurred by the department in the administration of driver's license restraints pursuant to either this article or article 4 or article 7 of this title, including, but not limited to, the direct and indirect costs of providing administrative hearings under this title, without the use of moneys from the general fund. At the end of each fiscal year, any unexpended and unencumbered moneys remaining in the account shall be transferred out of the account, credited to the highway users tax fund, and allocated and expended as specified in section 43-4-205 (5.5) (c), C.R.S.

Performance Measures:

Customer Service

The Department of Revenue interacts with every Colorado citizen. In its role of collecting tax revenues, the Department strives for quick, accurate refunds and resolution of disputes. It is the Department's goal to reduce wait times and increase accessibility in driver's license offices. The Department believes that quick resolutions for its external and internal customers are paramount for exceptional customer service.