

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☒ Base Reduction Item FY 2011-12 ☐ Supplemental FY 2010-11 ☐ Budget Amendment FY 2011-12 ☐

Request Title: Remittance Processing System Software Upgrade

Department: Department of Revenue

Priority Number: DI-1

Dept. Approval by:

OSPB Approval:

Date: October 22, 2010

Date: *October 22, 2010*

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	8,189,488	2,399,351	0	2,399,351	2,184,071	180,065	2,364,136	0	2,364,136	0
	FTE	70.6	1.0	0.0	1.0	1.0	0.0	1.0	0.0	1.0	0.0
	GF	6,391,658	1,820,244	0	1,820,244	1,820,244	180,065	2,000,309	0	2,000,309	0
	CF	1,052,337	556,680	0	556,680	341,400	0	341,400	0	341,400	0
	HUTF	349,249	9,654	0	9,654	9,654	0	9,654	0	9,654	0
	CFE/RF	396,244	12,773	0	12,773	12,773	0	12,773	0	12,773	0
	FF	0	0	0	0	0	0	0	0	0	0
(2) Central Department Operations Division; Operating Expenses	Total	1,165,396	1,200,821	0	1,200,821	1,202,958	145,000	1,347,958	0	1,347,958	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	1,028,545	1,055,001	0	1,055,001	1,055,001	145,000	1,200,001	0	1,200,001	0
	CF	136,851	145,820	0	145,820	147,957	0	147,957	0	147,957	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(3) Information Technology Division; (A) Systems Support, Personal Services	Total	6,380,058	351,419	0	351,419	207,156	8,800	215,956	0	215,956	0
	FTE	70.6	1.0	0.0	1.0	1.0	0.0	1.0	0.0	1.0	0.0
	GF	4,719,079	105,484	0	105,484	105,484	8,800	114,284	0	114,284	0
	CF	915,486	223,508	0	223,508	79,245	0	79,245	0	79,245	0
	HUTF	349,249	9,654	0	9,654	9,654	0	9,654	0	9,654	0
	CFE/RF	396,244	12,773	0	12,773	12,773	0	12,773	0	12,773	0
	FF	0	0	0	0	0	0	0	0	0	0
(3) Information Technology Division; (A) Systems Support, Operating Expenses	Total	644,034	847,111	0	847,111	773,957	26,265	800,222	0	800,222	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	644,034	659,759	0	659,759	659,759	26,265	686,024	0	686,024	0
	CF	0	187,352	0	187,352	114,198	0	114,198	0	114,198	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None

Letternote Revised Text for FY 2010-11: None

Letternote Text Requested for FY 2011-12: None

Cash or Federal Fund Name and COFRS Fund Number: None

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: ☒ No: ☐ N/A: ☐

Schedule 13s from Affected Departments: N/A

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-1
Change Request Title:	Remittance Processing System Software Upgrade

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
☐ Base Reduction Item FY 2011-12
☐ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

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 \$180,065 General Fund in FY 2011-12 to upgrade the software for the Department's remittance processing system. The software vendor notified the Department in April 2010 that the current software will no longer be supported beginning in July 2011.

General Description of Request:

The Department utilizes a remittance processing system that prepares various tax documents for deposit of the State's daily revenue into the Treasury. The system captures data such as account numbers, liability amounts, check amounts, balancing transactions, applies endorsement information to the back of each check, assigns document control numbers and applies them to the checks and remittance documents, captures images of all checks and all coupon-sized remittance documents (returns, payment license renewal applications, etc.), creates daily deposit slips, creates reports and populates data and image files into the tax system. The Department uses the system to process approximately 2.8 million checks worth nearly \$3.2 billion each year.

The Department installed the current remittance processing system in January 2000. At that time, the system was expected to have a useful life of seven years. In 2006, the Department began successfully implementing several measures to extend the system's useful life by five years.

However, in April 2010, the Department was notified by its maintenance vendor that the system software will not be supported as of July 2011. The Department must upgrade the system's software to ensure continued operations and deposit of State revenues.

Consequences if Not Funded:

Without the upgrade, there will be an increased risk of a system failure or of jeopardizing the timely deposits of revenue into the General Fund and the distribution of sales tax receipts to local jurisdictions. Should the current remittance processing system become inoperable, the Department would transition to an emergency-based manual process for check deposits and document control. The manual process would require that temporary staff apply document control numbers to every check and document and then sort and separate all checks for submission to a lockbox service. The lockbox service would then have to encode check amounts and apply endorsements to each check prior to submitting the deposits to the State's bank. The Department estimates that transitioning to a manual process would result in a delay of approximately one month of document processing and check deposits. Such a delay is estimated to negatively impact the General Fund by at least \$200 million per month. The State would be at risk of incurring penalty and interest payments based on processing delays.

Additionally, the Department would request emergency funding to replace the remittance processing system and would require significant resources to transition to a manual process. The Department will need funding to: (1) purchase and install a new system in an expedited manner; (2) hire temporary workers to handle the manual processes described above to address the backlog in check processing and deposit; (3) lease approximately 15,000 square feet of temporary space in Denver to house the temporary workers; (4) acquire lockbox services; and (5) data enter information that would otherwise have been captured automatically until the new system is installed. The additional funding will be necessary for the Department to continue to fulfill its statutory

requirements. These costs will be dependent upon the timeframe for approval of the emergency supplemental budget request and the procurement and installation of the new remittance processing system. As such the Department has not estimated the cost of the consequences identified above.

Calculations for Request:

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$180,065	\$180,065	\$0	\$0	\$0	0.0
Software Upgrade	\$135,000	\$135,000	\$0	\$0	\$0	0.0
Onsite Installation Services	\$10,000	\$10,000	\$0	\$0	\$0	0.0
Office of Information Technology (OIT) Integration	\$8,800	\$8,800	\$0	\$0	\$0	0.0
Image Server	\$26,265	\$26,265	\$0	\$0	\$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$0	\$0	\$0	\$0	\$0	0.0
Software Upgrade	\$0	\$0	\$0	\$0	\$0	0.0
Onsite Installation Services	\$0	\$0	\$0	\$0	\$0	0.0
OIT Integration	\$0	\$0	\$0	\$0	\$0	0.0
Image Server	\$0	\$0	\$0	\$0	\$0	0.0

Cash Funds Projections:

This section is not applicable.

Assumptions for Calculations:

The Department received a quote from its current vendor to upgrade the current software to a version that is supported. The Office of Information Technology supplied hours and hourly rates for the project.

- Remittance Processing System Software Upgrade – The vendor quote includes the software package at a cost of \$135,000 and onsite installation services, travel expenses, and trouble-shooting services from the vendor at a cost of \$10,000.
- OIT Testing and Infrastructure Services - 120 hours at \$74 per hour results in a total cost of \$8,800.
- OIT equipment - Server and related operating software will cost \$26,265.

Impact on Other Government Agencies:

The Office of Information Technology requests a total of \$35,145 for information technology programming, hardware, software, and server build costs. Included in these costs are 40 hours of programming, testing, validation, and report verification of the software upgrade and 80 hours of infrastructure for server build and assistance to the vendor responsible for installing the upgrade. The Office of Information Technology's hourly rate for these services is \$74. At 120 hours, the cost for OIT integration services will be \$8,880. A new server is required as the current server is well past its useful life. Due to the amount of data handled by the remittance processing system, the server must be located at the Department of Revenue's main office at 1375 Sherman St and must be installed on the local area network. Based on a recent bid and procurement for similar equipment, OIT estimates the cost of the server to be \$23,265 and the necessary operating software is \$3,000 for a total cost of \$26,265.

Cost Benefit Analysis:

Cost	Benefit
\$180,065	Upgrading the current software will allow the Department to continue to make deposits and process coupon-sized documents to fulfill its statutory requirements and will continue to allow the State Treasurer to make timely investments of those deposits.

Implementation Schedule:

Task	Month/Year
Sole Source Justification Developed and Submitted to Department Purchasing Director	March 2011
Receive Sole Source Justification Approval	April 2011
Issue Purchase Order	July 2011
Install Software Upgrade	July 2011

Statutory and Federal Authority:

24-35-106. Deposits by the executive director – working capital.

The executive director of the department of revenue, before the close of each business day, shall deposit with the state treasurer all sums of money collected by the department of revenue. The executive director may retain for the use of the department of revenue a working capital account in such reasonable as may be determined by the executive director and the state treasurer. In the event of disagreement or dispute between them as to the amount of working capital, the question of the reasonable amount of working capital shall be submitted for determination to the governor, whose direction shall be final. The executive director shall account to the state treasurer on or before the first day of each month for the working capital of the department of revenue thus retained, and one copy of such accounting shall be delivered to the governor, on copy to the state treasurer, and one copy to the state auditor. The state treasurer, upon receipt of any moneys from the executive director, shall give his receipt therefore, execute the same in triplicate, and deliver one copy of such receipt to the executive director, one copy to the state auditor, and shall retain the third copy thereof in his files.

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.

Performance Measure	Outcome	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Estimate	FY 2011-12 Estimate
Percent of tax dollars deposited within 48 hours.	Benchmark	85%	85%	85%	85%
	Actual	91.6%	91.8%	TBD	TBD

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☒ Base Reduction Item FY 2011-12 ☐ Supplemental FY 2010-11 ☐ Budget Amendment FY 2011-12 ☐

Request Title: Sales Tax Delinquency Billings

Department: Department of Revenue

Dept. Approval by:

Date: October 14, 2010

Priority Number: DI-2

OSP Approval:

Date: 10-18-10

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	3,798,732	4,162,168	0	4,162,168	4,189,362	121,991	4,311,353	0	4,311,353	121,991
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	3,409,612	3,694,801	0	3,694,801	3,694,801	121,991	3,816,792	0	3,816,792	121,991
	CF	375,211	453,458	0	453,458	480,652	0	480,652	0	480,652	0
	HUTF	13,909	13,909	0	13,909	13,909	0	13,909	0	13,909	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(2) Central Department Operations Division; Operating Expenses	Total	1,165,396	1,200,821	0	1,200,821	1,202,958	17,643	1,220,601	0	1,220,601	17,643
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	1,028,545	1,055,001	0	1,055,001	1,055,001	17,643	1,072,644	0	1,072,644	17,643
	CF	136,851	145,820	0	145,820	147,957	0	147,957	0	147,957	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(2) Central Department Operations Division; Postage	Total	2,633,336	2,961,347	0	2,961,347	2,986,404	104,348	3,090,752	0	3,090,752	104,348
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	2,381,067	2,639,800	0	2,639,800	2,639,800	104,348	2,744,148	0	2,744,148	104,348
	CF	238,360	307,638	0	307,638	332,695	0	332,695	0	332,695	0
	HUTF	13,909	13,909	0	13,909	13,909	0	13,909	0	13,909	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: This request increases General Fund revenues in FY 2011-12 by \$2,240,000 which the Office of State Planning and Budgeting has applied to Budget Balancing for the November 1, 2010 Budget Request. In FY 2012-13, this request is expected to increase General Fund revenues by \$2,688,000.

Letternote Revised Text for FY 2010-11: None

Letternote Text Requested for FY 2011-12: 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 2011-12 BUDGET REQUEST CYCLE

Department:	Department of Revenue
Priority Number:	DI – 2
Change Request Title:	Sales Tax Delinquency Billings

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
☐ Base Reduction Item FY 2011-12
☐ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

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 \$121,991 General Fund in FY 2011-12 and subsequent years to expand the number of billings sent to delinquent sales tax accounts. The request is estimated to result in an additional \$2,240,000 in General Fund revenue in FY 2011-12 and \$2,688,000 in FY 2012-13. Additionally, local jurisdictions will see their revenues increase because the Department collects local sales taxes for the majority of cities, counties, and special districts in the state.

The additional General Fund revenue has been applied to statewide budget balancing for the November 1, 2010 Budget Request for FY 2011-12.

General Description of Request:

Section 24-35-108, C.R.S. (2010), requires the Department of Revenue to collect delinquent taxes. It maintains custody of delinquent accounts for up to one year, after which it refers them to collections agencies pursuant to Section 39-21-114 (8), C.R.S. (2010). The Department focuses most of its efforts on the first 140 days that a sales tax account is delinquent through a series of mailings. For the last seven months that the Department has custody of the account, it works with the population of taxpayers that

have set up agreements to pay on their account balances; however it does not currently send monthly statements of account to the remaining delinquent accounts, contrary to an industry best practice.

The implementation of the Colorado Integrated Tax Architecture (CITA) project has provided the Department opportunities to implement industry best practices. For example, in FY 2010-11 the Department requested and received approval of a request to expand delinquency notices for income tax accounts. The Department will have the technical capability to launch a similar effort for sales tax accounts as soon as the sales tax module in CITA is implemented in October 2010.

For this request, the Department identified 21,004 sales tax accounts that have a delinquency of \$100 or more and that are between 141 and 365 days old. This population has an aggregate outstanding account balance of approximately \$22.4 million per month. The Department's experience with similarly aged accounts indicates it averages \$775,000 per month in collections, or close to 3.5 percent of the total value, without sending monthly statements. The Department estimates that by increasing the contact it has with delinquent account holders, the rate of return will be 1.0 percent. This would result in an estimated General Fund revenue increase of \$2,240,000 in FY 2011-12 and \$2,688,000 thereafter.

This estimate is lower than what was projected for last year's income tax initiative for two main reasons. First, income tax administration has a second party verifier via the Internal Revenue Service (IRS). IRS and Department records can be readily compared and discrepancies are more quickly identified and examined. No such information or comparison is available for sales tax remittance. Second, when a business is no longer able to raise sufficient capital to remain operational or ceases operations altogether, identifying the responsible, liable parties and quantifying the amount of the tax liability can be very difficult. Sales tax licenses are not necessarily directly linked to an individual Social Security Number, and the sales activities of a sole proprietorship cannot be tested against any other source of information. Therefore, identifying, contacting, and collecting outstanding sales tax liabilities are more complex and difficult.

Consequences if Not Funded: The implementation of CITA allows the Department the opportunity to utilize the best practices for the collection of delinquent sales tax accounts. The sales tax delinquency mailing is a cost effective way of enhancing the Department's collection compliance efforts. If the request is not funded, the Department will be unable to expand industry best practices to delinquent sales tax accounts and will not be able to augment General Fund collections by an estimated \$2.7 million per year upon project maturity.

Calculation for Request:

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$121,991	\$121,991	\$0	\$0	\$0	0.0
Postage	\$104,348	\$104,348	\$0	\$0	\$0	0.0
Mailing Supplies	\$17,643	\$17,643	\$0	\$0	\$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$121,991	\$121,991	\$0	\$0	\$0	0.0
Postage	\$104,348	\$104,348	\$0	\$0	\$0	0.0
Mailing Supplies	\$17,643	\$17,643	\$0	\$0	\$0	0.0

Cash Funds Projections:

Not applicable

Assumptions for Calculations:

Mailings associated with the delinquency billings include the following cost per notice:

- (1) 2 sheets of perforated paper at \$0.015 per sheet;
- (2) 2 envelopes at \$0.02 per envelope; and
- (3) 1st class postage at non-automated presort rates.

It is important to note that postage rates may increase in January 2011, based on a recent filing by the United States Postal Services to the Postal Regulatory Commission. The USPS requested an overall price increase of approximately 5.6%. For purposes of this request, the Department used the existing rates to calculate costs.

Sales Tax Delinquency Billings Cost Estimates			
Item	Unit Cost	Volume	Extended Cost
Perforated Paper	\$0.015	504,096	\$7,561
Envelopes	\$0.02	504,096	\$10,082
1 st Class Postage – non automated presort	\$0.414	252,048	\$104,348
TOTAL			\$121,991

- The Department used a 1.0 percent rate of return on delinquent sales tax accounts because of a lack of empirical data to substantiate a higher rate of return. As indicated above, the Department does not actively work the population of accounts aged between 141 and 365 days.
- Delinquent sales tax accounts are more difficult to collect than income tax accounts for reasons previously discussed. As a result, the Department believes that a 1.0 percent rate of return for this request is appropriate, and it is fiscally prudent to assume a lower rate of return on this request.
- Although notices will be mailed immediately, the Department anticipates a delay between when notices are sent and when payments are made. Therefore, 10 months of revenue is expected in FY 2011-12.

Increase in General Fund Revenue Calculation			
Componen	Amoun	Par	Part
Approximate value of accounts (for one	\$ 22,400,000	A	n/
One percent (1.0%) of these accounts respond with a payment every month	\$ 224,000	B	B = A
FY 2011-12 (10 months collected) =>	\$ 2,240,000	C	C = B
FY 2012-13 (12 months collected) =>	\$ 2,688,000	D	D = B

Impact on Other Government Agencies: None.

Cost Benefit Analysis: An increase in postage and operating expenses will allow the Department to collect an estimated \$2,240,000 in General Fund revenue in FY 2011-12 and \$2,688,000 in FY 2012-13 and subsequent fiscal years. Moreover, the request allows the Department to more effectively enforce and administer the tax laws of Colorado.

Cost	Benefit
\$121,911	The Department expects two benefits from this project. First is the utilization of the CITA system allowing the Taxation group to use best practice methods for taxpayer billing. Second, General Fund collections will increase by an estimated \$2,240,000 in FY 2011-12 and \$2,688,000 annually, thereafter. The cost benefit ratio of this request is 22 to 1.

Implementation Schedule:

Task	Month/Year
Mailing Delinquency Billings	Beginning July 1, 2011 and throughout the year – once a delinquency reaches 141 days old until it reaches 365 days old.

Statutory and Federal Authority:

This request is within the Department of Revenue's current statutory authority.

24-35-108. 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;

39-21-114. Methods of enforcing collection.

(8) (a) In order to facilitate and expedite the collection of taxes more than six months overdue from a taxpayer who is not a resident of nor domiciled in the state of Colorado, the executive director may enter into a contract with a debt collection agency or an attorney for the collection of the taxes due from such taxpayer together with any penalties and interest accrued thereon.

(b) For purposes of paragraph (a) of this subsection (8), the executive director may contract with a debt collection agency or an attorney doing business in the state of Colorado or in any other state; except that, prior to entering into such contract with a debt collection agency, the executive director shall require that the debt collection agency file a bond in the amount of one hundred thousand dollars, which bond shall run to the state of Colorado for the purpose of guaranteeing compliance with the terms of the contract. Such bond shall be executed by the debt collection agency as principal and by a corporation, which is licensed to transact the business of fidelity and surety insurance, as surety.

(b.5) In order to facilitate and expedite the collection of taxes more than twelve months overdue from a taxpayer who is a resident of and domiciled in the state of Colorado, the executive director may enter into contracts with two or more debt collection agencies or

attorneys for the collection of the taxes due from such taxpayer, together with any penalties and interest accrued thereon pursuant to the procurement provisions of article 103 of title 24, C.R.S. For the purposes of this paragraph (b.5), the executive director may contract with debt collection agencies or attorneys doing business in the state of Colorado or in any other state; except that, prior to entering into such a contract with a debt collection agency, the executive director shall require that the debt collection agency file a bond in the amount of no less than one hundred thousand dollars and no more than five hundred thousand dollars, which bond shall run to the state of Colorado for the purpose of guaranteeing compliance with the terms of the contract. Such bond shall be executed by a debt collection agency as principal and by a corporation, which is licensed to transact the business of fidelity and surety insurance, as surety.

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 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Estimate	FY 2011-12 Request
	Benchmark	70.0%	70.0%	70.0%	70.0%
Percent of delinquent accounts closed per year.	Actual	79.0%	N/A*	TBD	TBD

* Unable to report on the percent of delinquent accounts closed due to the implementation of GenTax in FY 2009-10. The performance measure was from a report in the Department's legacy system. Once GenTax implementation is complete, the performance measure will be reevaluated to ensure it remains relevant.

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 <input checked="" type="checkbox"/>		Base Reduction Item FY 2011-12 <input type="checkbox"/>		Supplemental FY 2010-11 <input checked="" type="checkbox"/>		Budget Amendment FY 2011-12 <input type="checkbox"/>			
Request Title: Driver's License Document Line Increase Department: Revenue Priority Number: DI-3, S-2								Dept. Approval by: OSPb Approval: <i>Randy Huber</i> Date: October 6, 2010 Date: 10-18-10	

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	2,424,999	2,437,320	613,710	3,051,030	2,437,320	1,373,272	3,810,592	0	3,810,592	1,400,298
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	292,807	0	0	0	0	0	0	0	0	0
	CF	2,132,192	2,437,320	613,710	3,051,030	2,437,320	1,373,272	3,810,592	0	3,810,592	1,400,298
	HUTF	0	0	0	0	0	0	0	0	0	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Drivers License Documents	Total	2,424,999	2,437,320	613,710	3,051,030	2,437,320	1,373,272	3,810,592	0	3,810,592	1,400,298
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	292,807	0	0	0	0	0	0	0	0	0
	CF	2,132,192	2,437,320	613,710	3,051,030	2,437,320	1,373,272	3,810,592	0	3,810,592	1,400,298
	HUTF	0	0	0	0	0	0	0	0	0	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request:	None
Letternote Revised Text for FY 2010-11:	Of this amount, \$2,263,477 shall be from the Licensing Services Cash Fund pursuant to Section 42-2-114.5, C.R.S., and \$787,553 shall be from the Identification Security Fund pursuant to Section 42-1-220 (1), C.R.S.
Letternote Text Requested for FY 2011-12:	Of this amount, \$2,846,051 shall be from the Licensing Services Cash Fund pursuant to Section 42-2-114.5, C.R.S., and \$964,541 shall be from the Identification Security Fund pursuant to Section 42-1-220 (1), C.R.S.
Cash or Federal Fund Name and COFRS Fund Number:	Licensing Services Cash Fund (437) and Identification Security Cash Fund (414).
Reappropriated Funds Source, by Department and Line Item Name:	None
Approval by OIT?	Yes: <input type="checkbox"/> No: <input type="checkbox"/> N/A: <input checked="" type="checkbox"/>
Schedule 13s from Affected Departments:	None

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-3, S-2
Change Request Title:	Driver's License Document Line Increase

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
☐ Base Reduction Item FY 2011-12
☒ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

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 a total of \$613,710 in FY 2010-11, \$1,373,272 in FY 2011-12 and \$1,400,298 in FY 2012-13 cash funds for (5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Drivers License Documents. This request results from projected increases in the total number of photo documents¹ issued related to the renewal of five and ten year driver's license documents.

General Description of Request:

The Department requests a total of \$613,710 in FY 2010-11, \$1,373,272 in FY 2011-12 and \$1,400,298 in FY 2012-13 cash funds to cover additional production costs related to projected increases in the total number of photo documents issued. The significant shift in the number of documents issued stems from legislative changes enacted in the 2000 and 2005 legislative sessions that changed the expiration dates on driver's licenses. In FY 1999-00, SB 00-011 increased driver's license valid durations from five years to ten

¹ Photo documents issued by the Department include commercial driver's licenses, driver's licenses, instruction permits, extensions and identification cards.

years, decreasing the number of documents that would need to be renewed annually. This decision was reversed in FY 2004-05 with SB 05-047 changing the document renewal requirements back to five years. The law went into effect upon signature of the Governor, May 27, 2005. Anyone receiving a driver's license prior to May 27, 2005 received a ten year document and anyone receiving a license on or after that date received a five year document. Beginning on May 27, 2010, the number of driver's license documents issued by the Department increased to include renewals for driver's licenses with the reinstated five year duration.

The shift in expiration dates will cause significant increases in the number of documents that the Department issues beginning in FY 2010-11 as renewals will occur for both the ten year documents issued in FY 2000-01 and the five year documents issued in FY 2005-06. This trend has resulted in the need for an increased appropriation to accommodate the increased issuances.

Consequences if Not Funded:

A shortage of funds in the Driver's License Document line item will require the DMV to cease issuing photo documents during the second half of FY 2010-11 and curtail other program activities related to the issuance of documents. Such curtailment will result in hardships for Colorado citizens whose employment, travel, government benefits, and business activities depend upon their possessing and presenting valid State-issued driver's licenses and identification documents. Given the 900,044 documents that can be generated under the current appropriation, the Department assumes that it would be unable to process 226,629 documents in FY 2010-11 and 507,117 documents in FY 2011-12.

Calculations for Request:

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	HUTF OTT	Reappropriated Funds	Federal Funds	FTE
Total Request	\$613,710	\$0	\$613,710	\$0	\$0	\$0	0.0
(5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Drivers License Documents	\$613,710	\$0	\$613,710	\$0	\$0	\$0	0.0

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	HUTF OTT	Reappropriated Funds	Federal Funds	FTE
Total Request	\$1,373,272	\$0	\$1,373,272	\$0	\$0	\$0	0.0
(5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Drivers License Documents	\$1,373,272	\$0	\$1,373,272	\$0	\$0	\$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	HUTF OTT	Reappropriated Funds	Federal Funds	FTE
Total Request	\$1,400,298	\$0	\$1,400,298	\$0	\$0	\$0	0.0
(5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Drivers License Documents	\$1,400,298	\$0	\$1,400,298	\$0	\$0	\$0	0.0

Table 1 - Total Estimated Document Cost			
Row	Item	Cost	Description
1	Card Production Cost	\$2.077	Per document cost indentified in the L-1 contract. CF: LSCF.
2	Facial Recognition Security	\$0.530	Amount increased in the 2003 L-1 contract to provide facial recognition security. CF: Identification Security Cash Fund.
3	Social Security Online Verification	\$0.067	Fee for document verification through the American Association of Motor Vehicle Administrators (AAMVA). CF: Identification Security Cash Fund.
4	Systematic Alien Verification for Entitlements (SAVE)	\$0.034	Fee for document verification through the United States Citizenship and Immigration Service (USCIS). CF: Identification Security Cash Fund.
5	Total Security Cost Per Card	\$0.631	Row 2 + Row 3 + Row 4
6	Total Cost Per Card	\$2.708	Row 1 + Row 5

Table 1.1 - Document Cost by Fiscal Year			
Row	Item	Cost	Description
FY 2010-11 Supplemental Request			
1	Estimated Documents	1,126,673	Row 10 (Table 3).
2	Funded Documents	900,044	Row 10 (Table 2) / Row 6 (Table 1).
3	Estimated Additional Documents	226,629	Row 1 - Row 2.
4	Total Estimated Production Costs - LSCF	\$470,707	Row 3 * Row 1 (Table 1), Rounded to 0 Decimals.
5	Total Estimated Security Costs - Identification Security Cash Fund	\$143,003	Row 3 * Row 5 (Table 1), Rounded to 0 Decimals.
6	Total Cost for Additional Documents in FY 2010-11	\$613,710	Row 4 + Row 5.
FY 2011-12 Decision Item			
7	Estimated Documents	1,407,161	Row 11 (Table 3).
8	Funded Documents	900,044	Row 10 (Table 2) / Row 6 (Table 1).
9	Estimated Additional Documents	507,117	Row 7 - Row 8.
10	Total Estimated Production Costs - LSCF	\$1,053,281	Row 9 * Row 1 (Table 1), Rounded to 0 Decimals.
11	Total Estimated Security Costs - Identification Security Cash Fund	\$319,991	Row 9 * Row 5 (Table 1), Rounded to 0 Decimals.
12	Total Cost for Additional Documents in FY 2011-12	\$1,373,272	Row 10 + Row 11.
FY 2012-13 Continuation Funding			
13	Estimated Documents	1,417,141	Row 12 (Table 3).
14	Funded Documents	900,044	Row 10 (Table 2) / Row 6 (Table 1).
15	Estimated Additional Documents	517,097	Row 13 - Row 14.
16	Total Estimated Production Costs - LSCF	\$1,074,010	Row 9 * Row 1 (Table 1), Rounded to 0 Decimals.
17	Total Estimated Security Costs - Identification Security Cash Fund	\$326,288	Row 9 * Row 5 (Table 1), Rounded to 0 Decimals.
18	Total Cost for Additional Documents in FY 2012-13	\$1,400,298	Row 16 + Row 17.

Table 2 – Document Issuance Expenditures (Production and Postage)				
Row	Fiscal Year	Appropriation	Expenditures	Difference
1	2001-02 Actuals	\$2,910,345	\$2,910,345	\$0
2	2002-03 Actuals	\$3,603,575	\$3,469,471	\$134,104
3	2003-04 Actuals	\$3,478,361	\$2,773,306	\$705,055
4	2004-05 Actuals	\$3,448,300	\$3,019,952	\$428,348
5	2005-06 Actuals	\$3,110,000	\$2,754,669	\$355,331
6	2006-07 Actuals	\$2,739,747	\$2,369,475	\$370,272
7	2007-08 Actuals	\$2,426,334	\$2,372,080	\$54,254
8	2008-09 Actuals	\$2,410,075	\$2,309,381	\$100,694
9	2009-10 Actuals	\$2,959,152	\$2,556,478	\$402,674
10	2010-11 Estimates	\$2,437,320	\$3,051,030	(\$613,710)
11	2011-12 Estimates	\$2,437,320	\$3,810,592	(\$1,373,272)
12	2012-13 Estimates	\$2,437,320	\$3,837,618	(\$1,400,298)

Table 3 - Document Issuance			
Row	Fiscal Year	Total Documents	% Difference
1	FY 2001-02 Actuals	1,421,633	
2	FY 2002-03 Actuals	1,344,645	-5.42%
3	FY 2003-04 Actuals	1,078,943	-19.76%
4	FY 2004-05 Actuals	1,173,424	8.76%
5	FY 2005-06 Actuals	1,056,710	-9.95%
6	FY 2006-07 Actuals	898,784	-14.95%
7	FY 2007-08 Actuals	908,393	1.07%
8	FY 2008-09 Actuals	866,332	-4.63%
9	FY 2009-10 Actuals	905,836	4.56%
10	FY 2010-11 Projections	1,126,673	24.38%
11	FY 2011-12 Projections	1,407,161	24.90%
12	FY 2012-13 Projections	1,417,141	0.71%

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2009-10 Expenditures	FY 2009-10 End of Year Cash Balance	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate	FY 2012-13 End of Year Cash Balance Estimate
Licensing Services Cash Fund	437	\$17,706,190	\$2,064,747	(\$535,464)*	\$327,249	\$3,785,164
Identification Security Cash Fund	414	\$499,128	\$345,026	\$249,082	\$361,884	\$160,682

*The Licensing Services Cash Fund balance shows an ending negative fund balance for FY 2010-11 without Decision Items. Additional budget actions are shown below in the fund balancing plan to mitigate the fund balance concerns and ensure fund solvency.

Licensing Services Cash Fund Balance Detail	Actual	Actual	Estimated	Requested	Projected
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Cash in Beginning Fund Balance	\$905,573	\$1,389,079	\$2,064,747	\$0	\$1,021,300
Actual / Anticipated Revenue	\$6,596,608	\$18,381,859	\$21,075,493	\$25,848,871	\$10,741,038
Actual / Appropriated Expenditures	(\$6,113,102)	(\$17,706,190)	(\$23,818,707)	(\$25,521,622)	(\$6,955,874)
Available Liquid Fund Balance Prior to New Requests	\$1,389,079	\$2,064,747	(\$535,464)	\$327,249	\$4,806,464
Decision Item #3 - Driver's License Document Line Increase	N/A	N/A	\$613,710	\$1,373,272	\$1,400,298
Decision Item #4 - Funding Driver and Vehicle Services	N/A	N/A	(\$1,149,174)	(\$11,149,622)	\$0
NP - Statewide PERA Adjustment	N/A	N/A	\$0	(\$391,462)	\$0
NP - Pro-Rated Benefits	N/A	N/A	\$0	(\$2,079)	(\$2,079)
NP - Annual Fleet Vehicle Replacement	N/A	N/A	\$0	(\$4,169)	(\$4,169)
NP - OSPB Budget Balancing: Cash Fund Transfer to General Fund	N/A	N/A	\$0	\$9,800,000	\$0
Change Requests Using Liquid Assets	N/A	N/A	(\$535,464)	\$694,051	\$1,394,050
Actual / Anticipated Liquid Fund Balance (Change Requests Less Available Liquid Fund Balance)	\$1,389,079	\$2,064,747	\$0	\$701,309	\$2,391,114

Assumptions for Calculations:

The third-party vendor responsible for document production and delivery for the State of Colorado currently charges \$2.708 to produce and mail a single photo identification document to an applicant. The Department also pays costs associated with participating in the SSOLV and SAVE; both used to process and verify documentation. With the current appropriation, the Department will be able to process 900,044 photo documents. Projections show that the Department will process 1,407,161 documents at a total cost of \$3,810,592 in FY 2011-12, including charges for postage costs and SAVE and SSOLV system use. The total need exceeds the current appropriation for the Drivers License Documents line item by \$1,373,272.

The Department pays \$2.077 to produce each photo identification card and \$0.631 for security costs associated with the card including facial recognition, SSOLV and SAVE. The production cost of the cards is allocated to the Licensing Services Cash Fund and the remaining security costs are allocated to the Identification Security Cash Fund. Of the \$1,373,272 requested in FY 2011-12, the Department requests \$319,991 from the Identification Security Cash Fund and \$1,053,281 from the Licensing Services Cash Fund. In FY 2012-13 the Department requests \$326,288 from the Identification Security Cash Fund and \$1,074,010 from the Licensing Services Cash Fund.

In addition to this request, the Department is requesting Decision Item #4 Funding of Driver and Vehicle Services to ensure the fund solvency for FY 2010-11. As part of the FY 2011-12 budget balancing plan, \$9,800,000 is to be transferred from the Licensing Services Cash Fund to the General Fund.

Impact on Other Government Agencies: Not Applicable.

Cost Benefit Analysis:

Cost	Benefit
Net supplemental request of \$613,710 in FY 2010-11 and a decision item for \$1,373,272 to sustain the issuance of photo documents through completion of FY 2011-12.	Provide citizens with a secure and verifiable means of identity documentation and of substantiating their valid driving privileges as required by statute.

Implementation Schedule:

Driver's license documents are issued on an ongoing basis. Additional spending authority will be utilized when required.

Statutory and Federal Authority:

Section 42-1-114.5, C.R.S., (2010) *Licensing Services Cash Fund established*

Section 42-1-220, C.R.S., (2010) *Identification Security Fund established*

Section 42-2-101, C.R.S. (2010) Licenses for drivers required.

(1) “. . . No person shall drive any motor vehicle upon a highway in this state unless such person has been issued a currently valid driver's or minor driver's license or an instruction permit by the department under this article.”

Section 42-2-302, C.R.S. (2010) Department may issue.

(1)(a)(I) A person who is a resident of Colorado may be issued an identification card by the department, attested by the applicant and the department as to true name, date of birth, current address, and other identifying data the department may require.

Performance Measures:

Customer Service: DOR interacts with every Colorado citizen. It is the Department's goal to reduce wait times in driver's license offices, thereby increasing the citizen's access. The Department believes quick resolutions for its external and internal customers are paramount to providing exceptional customer service.

Performance Measure	Percent of customers processed in 35 minutes at driver's license offices.			
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Benchmark	75%	75%	75%	75%
Actual	80%	74%	TBD	TBD

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☒ Base Reduction Item FY 2011-12 ☐ Supplemental FY 2010-11 ☒ Budget Amendment FY 2011-12 ☐

Request Title: Funding Driver and Vehicle Services

Department: Department of Revenue

Priority Number: DI-4, S-3

Dept. Approval by:

OSPB Approval:

Randy Hader
for

Date: October 18, 2010

Date: 10-20-10

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	18,616,596	16,714,739	0	16,714,739	16,919,779	0	16,919,779	0	16,919,779	0
	FTE	346.7	379.5	0.0	379.5	378.4	0.0	378.4	0.0	378.4	0.0
	GF	2,503,750	0	0	0	0	0	0	0	0	0
	CF	12,202,625	16,714,739	(1,149,174)	15,565,565	16,919,779	(11,149,622)	5,770,157	0	5,770,157	0
	HUTF	3,910,221	0	1,149,174	1,149,174	0	11,149,622	11,149,622	0	11,149,622	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Personal Services	Total	18,616,596	16,714,739	0	16,714,739	16,919,779	0	16,919,779	0	16,919,779	0
	FTE	346.7	379.5	0.0	379.5	378.4	0.0	378.4	0.0	378.4	0.0
	GF	2,503,750	0	0	0	0	0	0	0	0	0
	CF	12,202,625	16,714,739	(1,149,174)	15,565,565	16,919,779	(11,149,622)	5,770,157	0	5,770,157	0
	HUTF	3,910,221	0	1,149,174	1,149,174	0	11,149,622	11,149,622	0	11,149,622	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: A transfer of \$9.8 million from the Licensing Services Cash Fund to the General Fund is requested for FY 2011-12, which the Office of State Planning and Budgeting has applied to Budget Balancing for the November 1, 2010 Budget Request.

Letternote Revised Text for FY 2010-11:

These amounts reflect direct program costs from the following sources: \$1,149,174 shall be from Highway Users Tax Fund "off-the-top", \$12,544,412 shall be from Licensing Services Cash Fund created in Section 42-2-114.5(1), C.R.S., \$2,098,048 shall be from the Driver's License Administrative Revocation Account, a subaccount of the Highway Users Tax Fund created in Section 42-2-132(4)(b)(i)(A), C.R.S., \$306,064 shall be from the Colorado State Titling and Registration Account created in Section 42-1-211(2), C.R.S., \$226,081 shall be from the Defensive Driving School Fund created in Section 42-1-223(1), C.R.S., \$197,550 shall be from the Outstanding Judgements and Warrants Account as administered under Section 42-2-118(3)(c), C.R.S., \$68,977 shall be from the Penalty Assessment Account as administered under the provisions of Section 42-1-217(2), C.R.S., \$55,740 shall be from the County Jail Identification Processing Unit Fund created in section 42-2-312, C.R.S. and \$3,599 shall be from the Auto Dealers License Fund created in Section 12-6-123(1), C.R.S.

Letternote Text Requested for FY 2011-12:

These amounts reflect direct program costs from the following sources: \$11,149,622 shall be from Highway Users Tax Fund "off-the-top", \$2,656,376 shall be from Licensing Services Cash Fund created in Section 42-2-114.5(1), C.R.S., \$2,246,318 shall be from the Driver's License Administrative Revocation Account, a subaccount of the Highway Users Tax Fund created in Section 42-2-132(4)(b)(i)(A), C.R.S., \$327,600 shall be from the Colorado State Titling and Registration Account created in Section 42-1-211(2), C.R.S., \$226,556 shall be from the Defensive Driving School Fund created in Section 42-1-223(1), C.R.S., \$210,933 shall be from the Outstanding Judgements and Warrants Account as administered under Section 42-2-118(3)(c), C.R.S., \$73,650 shall be from the Penalty Assessment Account as administered under the provisions of Section 42-1-217(2), C.R.S., \$58,681 shall be from the County Jail Identification Processing Unit Fund created in section 42-2-312, C.R.S. and \$3,842 shall be from the Auto Dealers License Fund created in Section 12-6-123(1), C.R.S.

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 2011-12 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-4, S-3
Change Request Title:	Funding Driver and Vehicle Services

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
☐ Base Reduction Item FY 2011-12
☒ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

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 \$1,149,174 from the Highway Users Tax Fund (HUTF) “off-the-top” in FY 2010-11 and \$11,149,622 from HUTF in FY 2011-12 to mitigate Licensing Services Cash Fund (LSCF) shortfalls for services provided by Driver and Vehicle Services (DVS).

As part of budget balancing for FY 2011-12, OSPB includes a transfer of \$9,800,000 from the Licensing Services Cash Fund to the General Fund.

General Description of Request:

The Department requests \$1,149,174 from the Highway Users Tax Fund (HUTF) “off-the-top” in FY 2010-11 and \$11,149,622 from HUTF in FY 2011-12 to mitigate Licensing Services Cash Fund (LSCF) shortfalls for services provided by Driver and Vehicle Services (DVS).

Prior to the enactment of SB 09-274, Driver and Vehicle Services operations within the Division of Motor Vehicles were funded primarily through General Fund. Costs for three new motor vehicle offices were allocated to LSCF per the provisions of SB 07-241. SB

09-274 restructured the fee allocation for driver's licenses, moving 100 percent of the fees collected into the LSCF for FY 2009-10. Consequently, all General Fund appropriations within the DVS operations were refinanced using the increase in revenues in the LSCF. HB 10-1387 was passed in the following legislative session to extend this financing structure through FY 2010-11 and FY 2011-12. In addition to the extension, a provision was added that any moneys remaining in the LSCF at the end of the fiscal year, less 16.5% of the annual appropriation from the fund, would be credited to the HUTF. HB 10-1387 also permitted the use of funds in FY 2010-11 from the HUTF "off-the-top" appropriation to be used for the expenses incurred by the division.

In FY 2009-10, driver's license and identification document issuance activity was significantly lower than expected. As a result, the Department found that revenues generated by document fees were not sufficient to meet the appropriated budget for DVS services supported by the LSCF. Further adding pressure to the LSCF was a requirement in SB 09-279 that authorized the transfer of \$2,589,894 from the LSCF to the General Fund in FY 2009-10. To avoid overspending the cash fund and to ensure that sufficient balance was available to transfer to the General Fund, the Department initiated a series of short-term cost saving measures, including holding vacancies, restricting office hours in certain locations, restricting operational expenditures, laying off temporary employees, and postponing the implementation of system upgrades. The Department assumes these measures are not sustainable in future fiscal years.

The funding shortfall within LSCF will be mitigated beginning in FY 2010-11 by a sharp increase in the number of documents issued by the Department. This spike in document issuance is related to the change in driver's license document expirations. In FY 1999-00, SB 00-011 increased driver's license valid durations from five years to ten years, decreasing the number of documents that would need to be renewed annually. This decision was reversed in FY 2004-05 with SB 05-04, which changed the document renewal requirements back to five years. The law went into effect upon signature of the Governor, May 27, 2005. Anyone receiving a driver's license prior to May 27, 2005 received a ten year document and anyone receiving a license on or after that date received a five year document. Beginning on May 27, 2010, the number of driver's

license documents issued by the Department increased to include renewals for driver's licenses with the reinstated five year duration.

Even with this significant shift in document issuance, current projections indicate a revenue shortfall from the appropriated budget of \$1,330,632 in FY 2010-11 and \$1,046,023 in FY 2011-12. As a result, the Department will be unable to lift all of the operational restrictions initiated in FY 2009-10 including holding staff vacancies. This will cause significant increases in wait times for customers and a decline in the level of customer service provided by the Department. This problem will be exacerbated in the next few years as document issuance is projected to increase significantly.

In addition, the Department will not be able to generate sufficient revenue to maintain a 16.5% reserve of \$4,397,250 (based on the FY 2009-10 appropriation) in the LSCF for FY 2010-11 and FY 2011-12, causing significant concern regarding the fiscal health of the fund as well as the Department's ability to make long-term technological investments and to meet short-term operational needs.

Beginning in FY 2012-13, the fees collected for issuance of photo identification cards will be allocated between HUTF and LSCF per HB 10-1387 (see Table 1.1). When this occurs, the Department will not generate enough revenue to continue providing driver's license services using LSCF and the majority of the Department's appropriation will revert to General Fund.

The Department's request would utilize available HUTF "off-the-top" funds to mitigate the revenue shortfall in LSCF in FY 2010-11 and FY 2011-12. This is a one-time financing mechanism and beginning in FY 2012-13, the Department assumes that a long-term financing solution would be addressed through separate budget and legislative action. It would also allow \$9,800,000 to be transferred to the General Fund for budget balancing in FY 2011-12.

Consequences if Not Funded:

The Department would maintain restricted operations to meet projected LSCF fund balances rather than the budget appropriated for DVS. With expanded workload across driver's license offices, this would increase customer wait times over FY 2009-10 levels and decrease the level of customer service provided.

Calculations for Request:

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	HUTF Off-the-top	FTE
Total Request	\$0	\$0	(\$1,149,174)	\$1,149,174	0.0
(5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Personal Services	\$0	\$0	(\$1,149,174)	\$1,149,174	0.0

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	HUTF Off-the-top	FTE
Total Request	\$0	\$0	(\$11,149,622)	\$11,149,622	0.0
(5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Personal Services	\$0	\$0	(\$11,149,622)	\$11,149,622	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	HUTF Off-the-top	FTE
Total Request	\$0	\$0	\$0	\$0	0.0
(5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Personal Services	\$0	\$0	\$0	\$0	0.0

DVS Funding				
Row	Item	FY 2010-11	FY 2011-12	Description
1	LSCF Base Appropriation	\$23,857,162	\$25,521,622	FY 2011-12 base budget.
2	Document Increases (DI#3)	\$613,710	\$1,373,272	See DI#3.
3	Requested Appropriation	\$24,470,872	\$26,894,894	Row 1 + Row 2.
4	Beginning Fund Balance	\$2,064,747	\$0	COFRS year-end fund balance.
5	Revenue Projections	\$21,075,493	\$25,848,871	Revenue projections based on photo identification documents issued though 8/30/2010.
6	Revenue Shortfall	(\$1,330,632)	(\$1,046,023)	Row 4 + Row 5 - Row 3.
7	HUTF "off-the-top" Transfer	\$1,149,174	\$11,149,622	
8	Total	(\$181,458)	\$10,103,599	Row 7 - Row 6.

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2009-10 Expenditures	FY 2009-10 End of Year Cash Balance	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate	FY 2012-13 End of Year Cash Balance Estimate
<u>Licensing Services Cash Fund</u>	<u>437</u>	<u>\$17,706,190</u>	<u>\$2,064,747</u>	<u>(\$535,464)*</u>	<u>\$327,249</u>	<u>\$3,785,164</u>

*The Licensing Services Cash Fund balance shows an ending negative fund balance for FY 2010-11 without Decision Items. Additional budget actions are shown below in the fund balancing plan to mitigate the fund balance concerns and ensure fund solvency.

Licensing Services Cash Fund Balance Detail	Actual	Actual	Estimated	Requested	Projected
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Cash in Beginning Fund Balance	\$905,573	\$1,389,079	\$2,064,747	\$0	\$1,021,300
Actual / Anticipated Revenue	\$6,596,608	\$18,381,859	\$21,075,493	\$25,848,871	\$10,741,038
Actual / Appropriated Expenditures	(\$6,113,102)	(\$17,706,190)	(\$23,818,707)	(\$25,521,622)	(\$6,955,874)
Available Liquid Fund Balance Prior to New Requests	\$1,389,079	\$2,064,747	(\$535,464)	\$327,249	\$4,806,464
Decision Item #3 - Driver's License Document Line Increase	N/A	N/A	\$613,710	\$1,373,272	\$1,400,298
Decision Item #4 - Funding Driver and Vehicle Services	N/A	N/A	(\$1,149,174)	(\$11,149,622)	\$0
NP - Statewide PERA Adjustment	N/A	N/A	\$0	(\$391,462)	\$0
NP - Pro-Rated Benefits	N/A	N/A	\$0	(\$2,079)	(\$2,079)
NP - Annual Fleet Vehicle Replacement	N/A	N/A	\$0	(\$4,169)	(\$4,169)
NP - OSPB Budget Balancing: Cash Fund Transfer to General Fund	N/A	N/A	\$0	\$9,800,000	\$0
Change Requests Using Liquid Assets	N/A	N/A	(\$535,464)	\$694,051	\$1,394,050
Actual / Anticipated Liquid Fund Balance (Change Requests Less Available Liquid Fund Balance)	\$1,389,079	\$2,064,747	\$0	\$701,309	\$2,391,114

Assumptions for Calculations:

The Department calculates a \$1,330,632 shortfall in FY 2010-11 and a \$1,046,023 shortfall in the LSCF in FY 2011-12. For FY 2010-11 this calculation includes a base appropriation of \$23,857,162 plus \$470,708 to reflect an increase in document issuance. For FY 2011-12 this calculation includes the base appropriation of \$25,521,622 plus an increase of \$1,053,281 to the (5) Division of Motor Vehicles; (B) Driver and Vehicle Services, Drivers License Documents line. The calculation for FY 2011-12 assumes that the beginning fund balance for the LSCF would be \$0 and that the Department would not carry over a negative fund balance from FY 2010-11.

The Department's revenue projections utilize historical document issuance from FY 2000-01 though FY 2009-10 (as of August 2010). Calculations for future renewals are

based on the percentage of actual driver's license document renewals versus the number of documents that are eligible for renewal. New document issuance is based on current issuance rates multiplied by a growth factor as identified by the State Demographer's Office population projections, limited to individuals aged 15 years and above.

The available HUTF "off-the-top" funding is based on Office of State Planning and Budgeting calculations.

In addition to this request, the Department is requesting Decision Item #4 Funding of Driver and Vehicle Services to ensure the fund solvency for FY 2010-11. As part of the FY 2011-12 budget balancing plan, \$9,800,000 is to be transferred from the Licensing Services Cash Fund to the General Fund.

Impact on Other Government Agencies: Not Applicable.

Cost Benefit Analysis:

Cost	Benefit
Net request of \$0 to sustain the issuance of photo documents through completion of FY 2011-12.	Provide citizens with a secure and verifiable means of identity documentation and of substantiating their valid driving privileges as required by statute.

Implementation Schedule: This funding will be implemented in FY 2010-11 upon signature and FY 2011-12 on July 1, 2011.

Statutory and Federal Authority: The following section would need to be amended to authorize the use of HUTF "off-the-top" for Driver and Vehicle Services' operations:

43-4-201. Funds created. (3) (a) (III) (C) The general assembly shall not make any annual appropriation or statutory distribution from the highway users tax fund for the fiscal year 1997-98 or for any succeeding fiscal year authorized by subparagraph (II) of this paragraph (a), excluding the annual appropriation or statutory distribution to the Colorado state patrol and the ports of entry section and excluding any appropriation to

the department of revenue for the fiscal years 2008-09, and 2009-10, and 2010-11, AND 2011-12 for expenses incurred in connection with the administration of article 2 of title 42, C.R.S., by the division of motor vehicles within the department.

Performance Measures:

Customer Service: DOR interacts with every Colorado citizen. It is the Department's goal to reduce wait times in driver's license offices, thereby increasing the citizen's access. The Department believes quick resolutions for its external and internal customers are paramount to providing exceptional customer service.

Performance Measure	Percent of customers processed in 35 minutes at driver's license offices.			
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Benchmark	75 %	75 %	75%	75%
Actual	80%	74%	TBD	TBD

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☒ Base Reduction Item FY 2011-12 ☐ Supplemental FY 2010-11 ☐ Budget Amendment FY 2011-12 ☐

Request Title: National Motor Vehicle Title Information System Operating Expenses

Department: Department of Revenue

Dept. Approval by:

Date: October 18, 2010

Priority Number: DI-5

OSPB Approval:

Date: 10/21/2010

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	181,608	281,824	0	281,824	210,574	95,000	305,574	0	305,574	0
	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	181,608	281,824	0	281,824	210,574	95,000	305,574	0	305,574	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Division of Motor Vehicles; (D) Titles, Operating Expenses	Total	181,608	281,824	0	281,824	210,574	95,000	305,574	0	305,574	0
	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	181,608	281,824	0	281,824	210,574	95,000	305,574	0	305,574	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None

Letternote Revised Text for FY 2010-11: None

Letternote Text Requested for FY 2011-12: None

Cash or Federal Fund Name and COFRS Fund Number: Colorado State Titling and Registration System Account (Section 42-1-211 (2), C.R.S.), Fund 404

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: ☐ No: ☐ N/A: ☒

Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-5
Change Request Title:	National Motor Vehicle Title Information System Operating Expenses

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
☐ Base Reduction Item FY 2011-12
☐ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

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 is requesting \$95,000 cash funds from the Colorado State Titling and Registration Account to support the use of the National Motor Vehicle Title Information System (NMVTIS) for FY 2011-12. The Titles Section in the Division of Motor Vehicles was notified that beginning October 1, 2010, and continuing beyond that date, it will be charged for maintenance and use of the system by the American Association of Motor Vehicle Administrators (AAMVA), the system operator.

The request is for FY 2011-12 only as the Department is experiencing fund balance concerns with the Colorado State Titling and Registration Account. The Department is working together with the Governor's Office and the General Assembly to explore legislative solutions to address long-term solvency for the CSTARS Account. While projections for FY 2012-13 reveal fund balance concerns, the Department is confident that a legislative solution will address these issues.

General Description of Request:

The system was created under the Anti Car Theft Act of 1992 to deter trafficking in stolen vehicles by strengthening law enforcement against auto theft, combating

automobile title fraud, preventing “chop shop”-related thefts, and inspecting exports for stolen vehicles. In 1996, the Anti Car Theft Act was revised, and the responsibility for this system was transferred to the U.S. Department of Justice (DOJ).

Federal law allows the DOJ to contract the operation of the system to a third party vendor. The American Association of Motor Vehicle Administrators (AAMVA), a nonprofit, tax exempt, educational association representing U.S. and Canadian officials who are responsible for the administration and enforcement of motor vehicle laws, has been the system operator since 1992. The system operator is responsible for collecting all relevant information and providing necessary access to states, law enforcement officials, prospective purchasers, and prospective and current insurers. The system operator also develops and implements the fee structure for recovering the costs of administering the system.

The system was designed to allow the titling agency to verify the information on the paper title with the electronic data from the state that issued the title. In addition, the system provides law enforcement with a tool to assist in reducing auto theft and vehicle title-related crimes. States’ access to and use of the system is mandated under 49 USC 30502 and by federal rule promulgated thereby, effective January 1, 2010.

As of June 2010, 37 states are in compliance and 12 states are in development stages for compliance with the mandate to participate in the system, including Colorado. Illinois and the District of Columbia are the only jurisdictions currently not in compliance. The American Association of Motor Vehicle Administrators estimates that 85% of the U.S. motor vehicle data is represented in the system. Per rules and regulations, state compliance includes providing data to the National Motor Vehicle Title Information System, making title inquiries, and paying user fees.

Under the Colorado Certificate of Title Act, §42-6-101 C.R.S., et seq, the Department is charged with assuring that all vehicles registered within the state are correctly titled as to ownership, vehicle description, vehicle identification number (VIN), year of manufacture, and other identifying elements, complying with specific statutory

requirements and rules. The system permits the Department to verify the validity of title documents for vehicles being transferred from other state jurisdictions to Colorado.

In FY 2009-10, the system operator notified the Department of its need to set fees and begin charging each state or jurisdiction for the use of the system on October 1, 2010. Previously, costs to each state or jurisdiction are funded by the US Department of Justice. The system operator has estimated that Colorado's obligation will be \$95,000 per federal fiscal year.

Accordingly, the Department requested an increase of \$71,250 cash funds spending authority to the Operating Expenses line item in the Titles Section for FY 2010-11, representing the costs expected to be incurred from October 2010 to June 2011. Beginning in FY 2011-12, the costs will annualize to \$95,000. The Department committed to requesting ongoing funding for participation in the National Motor Vehicle Title Information System only after solvency concerns for the CSTARS Account were addressed. House Bill 10-1341, passed during the 2010 Legislative Session, authorizes the transfer of unexpended funds from the Motorist Insurance Identification Account to the CSTARS Account through FY 2011-12, temporarily mitigating fund insolvency.

Consequences if Not Funded:

The need for access to and use of the system is mandated by 49 USC 30502. If the request is not granted, the Titles Section will not have adequate funding to participate in this federally mandated program. Failure to participate may jeopardize federal highway funds designated for Colorado.

This request represents 45% of the Titles Section base operating budget for FY 2011-12. The current budget is operated with significant efficiency, with over 50% of the appropriated funds supporting document digital image storage costs through the Department of Personnel and Administration. Building and equipment maintenance, printing, and communications expenses account for another 21% of the appropriated funds. The remaining budget supports ongoing operational expenses and is typically fully utilized. The existing appropriation is inadequate to cover costs associated with the system.

Calculations for Request:

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$95,000	\$0	\$95,000	\$0	\$0	0.0
Operating Expense	\$95,000	\$0	\$95,000	\$0	\$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$0	\$0	\$0	\$0	\$0	0.0
Operating Expense	\$0	\$0	\$0	\$0	\$0	0.0

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2009-10 Expenditures	FY 2009-10 End of Year Cash Balance	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate	FY 2012-13 End of Year Cash Balance Estimate
Colorado State Titling and Registration Account	404	\$9,200,222	\$3,112,881	\$2,401,370	\$1,458,030	(\$1,845,883)

Current projections for the CSTARS Special Purpose Account are based on actual expenditures year-to-date through June 2010 and do not assume any further statutory changes will occur. The Department is working together with the Governor's Office and the General Assembly to explore legislative solutions to address long-term solvency for the CSTARS Account upon the sunset of the provisions of House Bill 10-1341 which calls for the transfer of unexpended funds from the Motorist Insurance Identification Account to the CSTARS Account through FY 2011-12. While projections for FY 2012-13 reveal fund

balance concerns, the Department is confident that a legislative solution will address these issues.

Assumptions for Calculations:

An October 7, 2009 memo and pricing schedule from the system operator announced the change and indicated the projected costs for the Department to use the system after September 30, 2010. To date, the Department has not received an updated cost structure, and assumes the originally projected annual cost of \$95,000 will continue for FY 11-12. In that same letter, the system operator indicated that access and use fees may be adjusted: "It is possible that future NMVTIS fees could be lower or higher, depending on the fee structure review and future operating costs. Since fees have not been reviewed in about 10 years, it is possible that they could rise significantly in the future." (*Memo to Chief Motor Vehicle Administrators from Neil D. Schuster, AAMVA President & CEO*).

Impact on Other Government Agencies:

The Titles Section provides a service to law enforcement, insurance companies, and consumers in the issuance of documents affirming legal ownership of motor vehicles. The system will further assist law enforcement in identifying fraudulent or other faulty titling documents presented in the state for issuance of a Colorado title and by providing reciprocal assistance to other states seeking to verify the validity of Colorado titles.

Cost Benefit Analysis:

Cost	Benefit
\$95,000 cash funds spending authority	Will allow the Department to cover costs associated with accessing the National Motor Vehicle Title Information System, as mandated by 49 USC 30502. Where implemented, the system has already produced results, including reductions in consumer wait time, decreases in motor vehicle thefts, improved recovery rate of stolen vehicles, increased ability to identify cloned vehicles prior to title issuance, and improved investigative abilities.

Implementation Schedule:

Covering costs associated with the system requires an amendment to the contract currently in place with the system operator, effective July 1, 2010. The Department will begin incurring ongoing costs October 1, 2010.

Statutory and Federal Authority:

§42-6-101, *et seq.*, C.R.S. (2009)

Performance Measures:

The Department's requirement is to comply with statutory and regulatory requirements concerning the verification of the validity of out-of-state titles being presented for replacement by Colorado titles.

Schedule 13
Change Request for FY 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☒ Base Reduction Item FY 2011-12 ☐ Supplemental FY 2010-11 ☐ Budget Amendment FY 2011-12 ☐

Request Title: County Office Improvements

Department: Department of Revenue

Priority Number: DI-6

Dept. Approval by:

OSP Approval:

Date: October 18, 2010

Date: 10/21/2010

Randy Huber
Chris Garcia

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	1,482,395	2,657,535	0	2,657,535	2,657,535	38,062	2,695,597	0	2,695,597	0
	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	1,482,395	2,657,535	0	2,657,535	2,657,535	38,062	2,695,597	0	2,695,597	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(3) Information Technology Division; (B) Colorado State Titling and Registration System, Operating Expenses	Total	1,457,163	2,617,535	0	2,617,535	2,617,535	0	2,617,535	0	2,617,535	0
	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	1,457,163	2,617,535	0	2,617,535	2,617,535	0	2,617,535	0	2,617,535	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(3) Information Technology Division; (B) Colorado State Titling and Registration System, County Office Improvements	Total	25,232	40,000	0	40,000	40,000	38,062	78,062	0	78,062	0
	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	25,232	40,000	0	40,000	40,000	38,062	78,062	0	78,062	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None

Letternote Revised Text for FY 2010-11: None

Letternote Text Requested for FY 2011-12: None

Cash or Federal Fund Name and COFRS Fund Number: Colorado State Titling 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: ☒ No: ☐ N/A: ☐

Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	DI-6
Change Request Title:	County Office Improvements

SELECT ONE (click on box):

- ☒ Decision Item FY 2011-12
☐ Base Reduction Item FY 2011-12
☐ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

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 \$38,062 cash funds from the Colorado State Titling and Registration Account in FY 2011-12 related to a San Miguel County office expansion of the Colorado State Titling and Registration System (CSTARS) network.

General Description of Request:

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. (2009). This includes relocating or expanding existing branch offices, as well as establishing new branch offices. The CSTARS Advisory Committee has approved a request for a new office and system expansion in San Miguel County.

The San Miguel County Board of Commissioners supports the opening of a motor vehicle services branch office in the town of Norwood to better and more conveniently serve the citizens of San Miguel County. Currently, citizens needing to register their vehicles or procure any other services from the County Motor Vehicle Department must often travel mountainous roads in extreme weather conditions to get to the San Miguel

County Courthouse, located in Telluride. The request includes funding for the purchase of one server, two workstations, and two laser printers.

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. (2009). 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 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$38,062	\$0	\$38,062	\$0	\$0	0.0
New Branch Office – San Miguel County	\$38,062	\$0	\$38,062	\$0	\$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$0	\$0	\$0	\$0	\$0	0.0
Maintenance	\$0	\$0	\$0	\$0	\$0	0.0

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2009-10 Expenditures	FY 2009-10 End of Year Cash Balance	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate	FY 2012-13 End of Year Cash Balance Estimate
Colorado State Titling and Registration Account	404	\$9,200,222	\$3,112,881	\$2,401,370	\$1,458,030	(\$1,845,883)

*FY 2012-13 includes the sunset of the provisions of House Bill 10-1341, transferring fund balance from the Motorist Insurance Identification Account to the CSTARS Account. The Department continues to seek a legislative solution to address the long-term solvency of the CSTARS Account.

Current projections for the CSTARS Special Purpose Account are based on actual expenditures year-to-date through June 2010 and do not assume any further statutory changes will occur. The Department is working together with the Governor's Office and the General Assembly to explore legislative solutions to address long-term solvency for the CSTARS Account upon the sunset of the provisions of House Bill 10-1341 which calls for the transfer of unexpended funds from the Motorist Insurance Identification Account to the CSTARS Account through FY 2011-12. While projections for FY 2012-13 reveal fund balance concerns, the Department is confident that a legislative solution will address these issues.

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, routers, and switches for new county offices.

Equipment and Cabling for San Miguel County Office						
County	Servers	Workstations	Printers	Cabling	Connectivity	Total
	\$14,402 per Unit	\$1,238 per Unit	\$1,658 per Unit	\$300 per drop	Various	
San Miguel	1	2	2	9	\$15,168	
TOTAL	\$14,402	\$2,476	\$3,316	\$2,700	\$15,168	\$38,062

The Department is requesting an amount of \$38,062 cash funds for the initial equipment and cabling expenses related to the FY 2011-12 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 San Miguel County.

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 2011
IT Request	August 2011
Procurement	September 2011
Cabling and Setup	October 2011
Installation	November 2011 – May 2012
Start-Up Date	May 2012

Statutory and Federal Authority:

42-1-210 (2), C.R.S. (2009). 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. (2009). 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 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 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 2011-12 Budget Request Cycle

Decision Item FY 2011-12 ☐ Base Reduction Item FY 2011-12 ☒ Supplemental FY 2010-11 ☐ Budget Amendment FY 2011-12 ☐

Request Title: Cigarette Tax Rebate Reduction

Department: Revenue

Dept. Approval by:

Date: October 28, 2010

Priority Number: BRI-1

OSP Approval:

Date: 10-28-10

		1	2	3	4	5	6		8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	11,639,906	11,300,000	0	11,300,000	11,700,000	(11,700,000)	0	0	0	(11,700,000)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	11,639,906	11,300,000	0	11,300,000	11,700,000	(11,700,000)	0	0	0	(11,700,000)
	CF	0	0	0	0	0	0	0	0	0	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(4) Taxation Business Group; (E) Special Purpose, Cigarette Tax Rebate	Total	11,639,906	11,300,000	0	11,300,000	11,700,000	(11,700,000)	0	0	0	(11,700,000)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	11,639,906	11,300,000	0	11,300,000	11,700,000	(11,700,000)	0	0	0	(11,700,000)
	CF	0	0	0	0	0	0	0	0	0	0
	HUTF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None

Letternote Revised Text for FY 2010-11: None

Letternote Text Requested for FY 2011-12: 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 2011-12 BUDGET REQUEST CYCLE

Department:	Revenue
Priority Number:	BRI-1
Change Request Title:	Cigarette Tax Rebate Reduction

SELECT ONE (click on box):

- ☐ Decision Item FY 2011-12
☒ Base Reduction Item FY 2011-12
☐ Supplemental Request FY 2010-11
☐ Budget Request Amendment FY 2011-12

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:

As part of its budget balancing plan, the Office of State Planning and Budgeting (OSPB) recommends legislation to eliminate the cigarette tax rebate that the Department of Revenue distributes to local jurisdictions for FY 2011-12 and FY 2012-13. According to the September 20, 2010, Revenue Forecast, the rebate is estimated to be \$11.7 million General Fund for both FY 2011-12 and FY 2012-13.

General Description of Request:

Pursuant to Section 39-22-622 (1) (a) (II) (A), C.R.S. (2010), the Department of Revenue distributes a General Fund rebate to local jurisdictions in an amount equal to 27.0 percent of the gross state cigarette tax per year. In order to qualify for the distribution, local jurisdictions are prohibited from imposing a tax, fee, or license on cigarettes. This distribution amounted to approximately \$11.6 million in FY 2009-10 and is estimated to be \$11.6 million in FY 2010-11 and \$11.7 million in both FY 2011-12 and FY 2012-13.

Due to continued weakness in the state's revenue forecast, OSPB will incorporate, as part of its legislative agenda for balancing the FY 2011-12 budget, a request to eliminate the distribution required by statute for FY 2011-12 and FY 2012-13.

Consequences if Not Funded:

General Fund appropriations for FY 2011-12 and FY 2012-13 would have to be reduced by an equivalent amount if legislation is not enacted.

Calculations for Request:

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	(\$11,700,000)	(\$11,700,000)	\$0	\$0	\$0	0.0
Cigarette Tax Rebate – September 20, 2010, OSPB Forecast	(\$11,700,000)	(\$11,700,000)	\$0	\$0	\$0	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	(\$11,700,000)	(\$11,700,000)	\$0	\$0	\$0	0.0
Cigarette Tax Rebate – September 20, 2010, OSPB Forecast	(\$11,700,000)	(\$11,700,000)	\$0	\$0	\$0	0.0

Cash Funds Projections:

This section is not applicable.

Assumptions for Calculations:

The September 20, 2010, OSPB Revenue Forecast estimates the cigarette tax rebate for FY 2011-12 and FY 2012-13 to be \$11.7 million.

Impact on Other Government Agencies: Local jurisdictions receive the rebate proportionate to their share of state sales tax collections compared with total state sales tax collections. In total, local jurisdictions received \$11.6 million in FY 2009-10. It is estimated that they will receive \$11.6 in FY 2010-11 and \$11.7 million in both FY 2011-12 and FY 2012-13.

Actual and Estimated Distributions of Cigarette Tax Rebate to Local Jurisdictions				
Jurisdiction	FY 2009-10 Actual	FY 2010-11 Estimate	FY 2011-12 Estimate	FY 2012-13 Estimate
Cities	\$10,012,171	\$10,025,871	\$10,112,301	\$10,112,301
Counties	\$1,627,736	\$1,574,129	\$1,587,699	\$1,587,699
Total	\$11,639,907	\$11,600,000	\$11,700,000	\$11,700,000

The Department distributes the funds identified above to 282 cities and 64 counties. Local jurisdictions will be required to reduce their budgets by an amount equal to their distributions or will need to increase revenues to make up the difference.

Cost Benefit Analysis: This section is not applicable.

Implementation Schedule: Distributions will cease upon the effective date of the legislation.

Statutory and Federal Authority: 39-22-623. Disposition of Collections. (1) The proceeds of all moneys collected under this article, less the reserve retained for refunds, shall be credited as follows:

(a) (II) (A) *Effective July 1, 1987, an amount equal to twenty-seven percent of the gross state cigarette tax shall be apportioned to incorporated cities and incorporated towns which levy taxes and adopt formal budgets and to counties. For the purposes of this section, a city and county shall be considered as a city. The city or town share shall be apportioned according to the percentage of state sales tax revenues collected by the department of revenue in an incorporated city or town as compared to the total state sales tax collections that may be allocated to all political subdivisions in the state; the*

county share shall be the same as that which the percentage of state sales tax revenues collected in the unincorporated area of the county bears to total state sales tax revenues which may be allocated to all political subdivisions in the state. The department of revenue shall certify to the state treasurer, at least annually, the percentage for allocation to each city, town, and county, and such percentage for allocation so certified shall be applied by said department in all distributions to cities, towns, and counties until changed by certification to the state treasurer. In order to qualify for distributions of state income tax moneys, units of local government are prohibited from imposing fees, licenses, or taxes on any person as a condition for engaging in the business of selling cigarettes or from attempting in any manner to impose a tax on cigarettes. For purposes of this paragraph (a), the "gross state cigarette tax" means the total tax before the discount provided for in section [39-28-104](#) (1).

Performance Measures:

This section is not applicable.