



Department of Revenue
Line Item Descriptions

FY 2014-15 Budget Request

November 1, 2013

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(1) EXECUTIVE DIRECTOR'S OFFICE

PERSONAL SERVICES

The Personal Services appropriation funds the salary and benefits of 66.6 FTE, who are responsible for the Department's administration, auditing, accounting, budgeting, personnel management, and research functions. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and merit pay granted in the prior fiscal year; and (2) common policy base reductions. Aside from these common, yearly adjustments, the appropriation has decreased pursuant to H.B. 06-1178 by \$22,972 in FY 2007-08. For FY 2009-10, the appropriation has been decreased by \$77,160 related to statewide budget reductions. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$144,401 General Fund and the elimination of 1.0 FTE. Also, for FY 2010-11, H.B. 10-1387 refinances this line item by \$991,690 HUTF from General Fund, and H.B. 10-1338 increases it by \$336,057. The FY 2011-12 appropriation includes the annualization of S.B. 10-146 for \$87,099 and H.B. 10-1338 for (\$311,057), the refinance of \$991,690 cash funds from HUTF for H.B. 10-1387, a statewide 1.5% base reduction of (\$59,184) and is impacted by S.B. 11-051, S.B. 11-076, and S.B. 11-074 for a total of \$65,393 and .80 FTE. The FY 2012-13 request includes the annualization of H.B. 10-1387, S.B. 11-051, S.B. 11-076, and S.B. 11-074 along with an adjustment for statewide and departmental indirect costs. The Department received an increase of \$1,689,556 and 20.5 FTE in FY 2013-14 in R#4 Executive Director's Office Realignment to reflect the total administrative costs associated with the services provided in the Executive Director's Office. This was an offset throughout the Department with no new resources.

HEALTH, LIFE, AND DENTAL (HLD)

This appropriation covers the cost of the State's share of the employee's health, life and dental insurance as it relates to the number of employees in the Department of Revenue that elect to be covered. Rates and premiums are determined by the Department of Personnel and Administration. Every year, employees elect or opt out of coverage during an open enrollment period. Thus, depending on employees' circumstances, more or less may enroll than in a previous year and result in a change in the appropriation. Since the middle of the decade, the Department of Personnel and Administration has been aggressively increasing the state's contribution rate to medical premiums to reach parity with the market and to blunt any medical inflation. This action also results in a change in the appropriation. Finally, change requests and legislation alter the appropriation. As it relates to the Department of Revenue, S.B. 07-241 appropriated \$256,016 in FY 2007-08 to account for the 53.0 FTE added to the Department that resulted from the legislation. This amount increased in FY 2007-08 by \$70,864. For FY 2009-10, S.B. 09-274 refinances this line item by \$1,531,422 cash funds from General Fund. For FY 2010-11, H.B. 10-1387 refinances this line item by \$1,961,014 cash funds from General Fund, H.B. 10-1284 increases the line by \$781,000 and H.B. 10-1113 decreases the line by \$6,676. The FY 2011-12 appropriation includes the annualization of H.B. 10-1113 and H.B. 10-1284 as well as a total compensation base adjustment. The FY 2012-13 request refinances \$1,855,594 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

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SHORT-TERM DISABILITY (STD)

Short-term disability insurance coverage provides partial payment of an employee's salary if that individual becomes disabled and cannot perform his or her work duties. All employees have coverage of this employer-paid benefit. The Short-term disability rates are negotiated and calculated by the Department of Personnel and Administration on a fiscal-year basis. The current rate for FY 2011-12 is .017%. Any change to the Department of Revenue's appropriation is based solely on the change in base salaries in the Department and the rate. For FY 2009-10, S.B. 09-274 refinances this line item by \$16,077 cash funds from General Fund. General Fund budget reductions are included in FY 2009-10 and FY 2010-11. Additionally, for FY 2010-11, H.B. 10-1387 refinances this line item by \$22,599 cash funds from General Fund and H.B. 10-1113 decreases the line by \$85. The FY 2011-12 appropriation includes the annualization of H.B. 10-1113 as well as a total compensation base adjustment. The FY 2012-13 request refinances \$22,379 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

S.B. 04-257 AMORTIZATION EQUALIZATION DISBURSEMENT (AED)

This appropriation reflects an increase to the effective PERA contribution rates beginning January 1, 2006 to bring the Department into compliance with 24-51-211 C.R.S. (2011). Statutory increases in the contribution rate occur each year on January 1 until the appropriation is equivalent to 5.0 percent of total payroll. Increases in the appropriation are a result of these statutory increases, although H.B. 08-1299 provided a small increase resulting from an expanded internal audit program. The line item is scheduled to reach the cap in January 2017. For FY 2009-10, S.B. 09-274 refinances this line item by \$224,519 cash funds from General Fund. The FY 2009-10 and FY 2010-11 appropriations include General Fund budget reductions. Additionally, for FY 2010-11, H.B. 10-1387 refinances this line item by \$369,050 cash funds from General Fund, H.B. 10-1284 increases the line by \$119,329 and H.B. 10-1113 decreases the line by \$1,209. The FY 2011-12 appropriation includes the annualization of H.B. 10-1113 along with a total compensation base adjustment. The FY 2012-13 request refinances \$354,015 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

S.B. 06-235 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT (SAED)

This appropriation reflects an increase to the effective PERA contribution rates beginning January 1, 2008 to bring the Department into compliance with 24-51-211 C.R.S. (2011). Statutory increases in the contribution rate occur each year on January 1 until the appropriation is equivalent to 5.0 percent of total payroll. Increases in the appropriation are a result of these statutory increases, although H.B. 08-1299 provided a small increase resulting from an expanded internal audit program. The line item is scheduled to reach the cap in January 2017. For FY 2009-10, S.B. 09-274 refinances this line item by \$135,258 cash funds from General Fund. The FY 2009-10 and FY 2010-11 appropriations include General Fund budget reductions. Additionally, for FY 2010-11, H.B. 10-1387 refinances this line item by \$268,146 cash funds from General Fund, H.B. 10-1284 increases the line by \$87,729 and H.B. 10-1113 decreases the line by \$824. The FY 2011-12 appropriation includes the annualization of H.B. 10-1113 along with a total compensation base adjustment. The FY 2012-13 request refinances \$284,477 from cash funds to General Fund due to the

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annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

SALARY SURVEY

This line item funds the base salary increases for State employees as recommended by the Department of Personnel and Administration's Total Compensation Report. All changes in yearly appropriations are based on this report and approved by the Joint Budget Committee. This appropriation was not funded for FY 2009-10, FY 2010-11 or FY 2011-12, and will not be requested in FY 2012-13 due to the economic recession. The FY 2013-14 of \$1,579,832 is annualized in the Department's Personal Services line items for the FY 2014-15 base request, and a common policy adjustment is included in the FY 2014-15 central pot appropriation request.

MERIT PAY

This line item funds the performance pay increases for State employees as recommended by the Department of Personnel and Administration's Total Compensation Report. Beginning in FY 2007-08 performance pay included a 1.0% base-building increase for employees that received an overall rating higher than "needs improvement" and a 2.0% one-time payment for employees that received an overall rating of "exceptional." This policy was continued for FY 2008-09 and eliminated for FY 2009-10, FY 2010-11, FY 2011-12 and FY 2012-13 due to the economic recession. The FY 2013-14 of \$913,775 is annualized in the Department's Personal Services line items for the FY 2014-15 base request, and a common policy adjustment is included in the FY 2014-15 central pot appropriation request.

SHIFT DIFFERENTIAL

Shift differential funding compensates employees for work performed outside a regular work schedule, such as evening and weekend shifts. The appropriation is typically based on 80.0% of prior year shift expenditures including the calculation for PERA, Medicare, AED, SAED and STD. For FY 2009-10, S.B. 09-274 refinances this line item by \$25,323 cash funds from General Fund. For FY 2010-11, H.B. 10-1387 refinances this line item by \$32,936 cash funds from General Fund. The FY 2011-12 appropriation includes the annualization H.B. 10-146 along with a total compensation base adjustment. The FY 2012-13 request refinances \$25,967 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

WORKERS' COMPENSATION

Workers' compensation insurance for the entire state (excluding Department of Higher Education institutions) is carried by the Department of Personnel and Administration. Appropriations to departments covered by the insurance are provided through Joint Budget Committee common policy determined through actuarial calculations and three years of claims history. In addition, this line item supports common resources for the Colorado State Employee Assistance Program (C-SEAP). All changes in the Department's appropriation for workers' compensation are the result of common policy changes. For FY 2009-10, S.B. 09-274 refinances this line

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item by \$120,013 cash funds from General Fund. For FY 2010-11, H.B. 10-1387 refinances this line item by \$150,383 cash funds from General Fund. The FY 2011-12 appropriation was determined by an operating common policy base adjustment. The FY 2012-13 request refinances \$167,380 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

OPERATING EXPENSES

The operating expenses appropriation provides funding for a number of Executive Director's Office expenses, including office supplies and materials, telecommunications, travel, training, printing, information technology updates and equipment maintenance and replacement. The appropriation also funds the variable vehicle expenses including maintenance, fuel and insurance for the Department's assigned fleet, and a large portion of the Department's capital outlay needs. Several pieces of legislation have affected the appropriation over the last few years. In FY 2007-08, H.B. 07-1081 appropriated \$8,010 in capital outlay. For FY 2008-09, H.B. 07-1020 and H.B. 06-1171 provided \$4,808 and \$7,813, respectively, for capital outlay. For FY 2009-10, S.B. 09-274 refinances this line item by \$40,753 cash funds from General Fund and includes \$5,228 for H.B. 09-1173, \$2,614 for H.B. 09-1246, \$2,614 for S.B. 09-003 and \$17,521 for S.B. 09-006. Additionally, supplemental adjustments have occurred recently, mostly the result of increases in the variable rate charged for fuel and insurance by the Department of Personnel and Administration. H.B. 08-1299 appropriated \$38,636 for these costs and an additional \$17,909 for an expanded internal audit program. For FY 2010-11, H.B. 10-1387 refinances this line item by \$20,403 cash funds from General Fund, H.B. 10-1284 increases the line by \$171,440 H.B. 10-1113 decreases the line by \$831, S.B. 10-120 increases the line by \$6,538, and S.B. 10-141 increases the line by \$116,020. The FY 2011-12 appropriation includes the annualization of two FY 2010-11 decision items; (DI #3) for (\$9,340) and (DI#4) for (\$4,840). Additionally, the FY 2011-12 appropriation includes \$5,430 for S.B. 11-184 and the annualization of H.B. 10-1113 for (\$118) and S.B. 10-120 for (\$1,401). The FY 2012-13 request annualizes S.B. 11-184 for (\$4,480) and refinances \$39,611 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. The FY 2013-14 appropriation for this line was increased as part of the funding request R#4 Executive Director's Office Realignment, and by \$15,263 as a result of H.B. 13-1317 for the implementation of Amendment 64.

LEGAL SERVICES

Legal representation for all divisions in the Department of Revenue is provided by the Department of Law. This line item pays for those services. The appropriation is based on the blended hourly rate, as set by the Joint Budget Committee every year, and the number of hours a department requires. The FY 2010-11 appropriation includes \$7,510 for H.B. 09-1173, \$40,000 for H.B. 10-1193, \$271,368 for H.B. 10-1284 and a refinance of \$134,514 from General Fund to cash funds. Additionally, the Department received \$167,366 to support increased costs related to the Direct Marketing case as requested in FY 2010-11 supplemental #1. The FY 2011-12 appropriation includes \$1,349,581 for H.B. 11-1300 along with the annualization of H.B. 10-1193 for (\$20,000) and FY 2010-11 supplemental #1 for (\$167,366). The FY 2012-13 request annualizes H.B. 11-1300 for \$32,176 and H.B. 10-1193 for (\$20,000). Additionally, the FY 2012-13 request refinances \$155,156 from cash funds to General Fund due to the annualization of H.B. 10-1387

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and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. The FY 2013-14 appropriation includes \$70,684 for H.B. 13-1317 and \$7,725 for S.B. 13-251.

ADMINISTRATIVE LAW JUDGE SERVICES

This line item funds the Department's purchase of administrative law judge and paralegal services from the Division of Administrative Courts in the Department of Personnel and Administration. The appropriation is based on the Department's utilization of these services and is adjusted through common policy adopted by the Joint Budget Committee. The Department did not have an appropriation in FY 2007-08 because it did not utilize administrative law judges in FY 2005-06 (latest fiscal year when actual utilization was available). The FY 2008-09, FY 2009-10, FY 2010-11, FY 2011-12, FY 2012-13 appropriation, along with the FY 2014-15 request include an operating common policy base adjustment.

PURCHASE OF SERVICES FROM COMPUTER CENTER

Prior to FY 2010-11, this appropriation represented the Department's share of the use of the state's mainframe. The Department of Personnel and Administration would bill departments for the use of these services in arrears with an adjustment mid-fiscal year through a supplemental request. Changes in the appropriation were based on department utilization and adjusted through common policy adopted by the Joint Budget Committee. In FY 2010-11, a decision item was approved to consolidate information technology staff statewide and move a portion of the spending authority that was appropriated in the Information Technology Division long bill group to this line item. As such, the FY 2010-11 appropriation now includes a portion of the Department's share of information technology services provided by the Office of Information Technology (OIT), in addition to the Department's share of the use of the state's mainframe. Additionally, for FY 2010-11, H.B. 10-1387 refinances this line item by \$818,410 HUTF from General Fund, and the line item is increased by \$53,645 for H.B. 10-1284. The FY 2011-12 appropriation annualizes the refinance for H.B. 10-1387 from HUTF to cash funds and includes an OIT common policy base adjustment. The FY 2012-13 request refinanced \$900,985 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. The FY 2013-14 appropriation includes the annualization of R#2 DOR IT Infrastructure Performance Enhancements and NP OIT Enterprise Asset Management. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

COLORADO STATE NETWORK (PREVIOUSLY MULTIUSE NETWORK PAYMENTS)

The multiuse network payments appropriation provides funding for the Department's payment to the Department of Personnel and Administration to support the state's telecommunication infrastructure per common policy. The appropriation is adjusted annually through a statewide supplemental change request developed by the Department of Personnel and Administration. For FY 2009-10, S.B. 09-274 refinances this line item by \$40,753 cash funds from General Fund. The FY 2010-11 request includes an operating common policy adjustment provided by the Department of Personnel. In FY 2010-11, a decision item was approved to consolidate information technology staff statewide and move a portion of the spending authority that was appropriated in the Information Technology Division long bill group to this line item. As such, the FY 2010-11 appropriation now includes a portion of the

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Department's share of information technology services provided by the Office of Information Technology (OIT), in addition to the Department's share of the use of the state's telecommunication infrastructure. Additionally, for FY 2010-11, H.B. 10-1387 refinances this line item by \$42,670 HUTF from General Fund. The FY 2011-12 appropriation annualizes the refinance for H.B. 10-1387 from HUTF to cash funds, and includes an OIT common policy base adjustment. The FY 2012-13 request refinanced \$824,725 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, an annualization of H.B. 13-1317 and common policy base adjustment is included in the FY 2014-15 request.

MANAGEMENT AND ADMINISTRATION OF OIT

The Joint Budget Committee approved the creation of this new line item in a FY 2008-09 supplemental. The appropriation reflects the Department's share of the expenses of the Administration Division in the Office of Information and Technology (OIT). The administrative expenses of OIT are allocated to various departments in proportion to the level of services purchased from OIT. The FY 2010-11 budget includes an operating common policy adjustment provided by the Department of Personnel. In FY 2010-11, a decision item was approved to consolidate information technology staff statewide and move a portion of the spending authority that was appropriated in the Information Technology Division long bill group to this line item. As such, the FY 2010-11 appropriation now includes a portion of the Department's share of information technology services provided by the Office of Information Technology (OIT). Additionally, for FY 2010-11, H.B. 10-1387 refinances this line item by \$45,230 HUTF from General Fund. The FY 2011-12 appropriation annualizes the refinance for H.B. 10-1387 from HUTF to cash funds, and includes an OIT common policy base adjustment. The FY 2012-13 request refinances \$79,362 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

The Department's share of liability and property insurance carried by the Department of Personnel and Administration is appropriated through this line item. The state's liability program is used to pay liability claims and expenses brought against the state. The state's property program pays for commercial insurance and associated deductibles for insurance coverage to state properties. For property premiums, state agencies pay a portion of the property insurance expense through a formula that allocates property premiums based upon the value of an agency's property holdings. For liability premiums, departments pay a portion of the projected need for cash flow to cover existing and anticipated liability claims based on an allocation formula developed by an actuarial firm retained by the Department of Personnel and Administration. All projections are approved by the Joint Budget Committee. Thus the Department of Revenue's appropriation and any changes to it are driven by the common policies established by the Joint Budget Committee. For FY 2009-10, S.B. 09-274 refinances this line item by \$34,592 cash funds from General Fund. For FY 2010-11, H.B. 10-1387 refinances this line item by \$13,661 cash funds from General Fund. Additionally, the FY 2010-11 budget includes an operating common policy based adjustment. The FY 2011-12 appropriation annualizes the refinance for H.B. 10-1387 from cash funds to General Fund and includes an operating common policy base adjustment. The FY 2012-13 request refinances \$32,075 from cash funds to General Fund

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due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, a common policy base adjustment is included in the FY 2014-15 request.

VEHICLE LEASE PAYMENTS

This line item provides funding for the fixed lease costs of Department of Revenue vehicles and management fees charged by State Fleet Management (Department of Personnel and Administration). The appropriation is adjusted annually through a statewide vehicle decision item and/or supplemental request. For FY 2009-10, S.B. 09-274 refinances this line item by \$29,390 cash funds from General Fund. For FY 2010-11, H.B. 10-1387 refinances this line item by \$38,507 cash funds from General Fund. Additionally, H.B. 10-1284 (Medical Marijuana) and H.B. 10-1314 (supplemental) increase the line item by \$196,900 and \$7,265 respectively. The FY 2011-12 appropriation includes an annual fleet replacement adjustment. The FY 2012-13 request refinances \$40,559 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. The Department requests continuation funding for FY 2014-15

LEASED SPACE

The leased space appropriation funds the payments for the Department's lease space contracts. The Department has been able to maintain the same appropriation level for several years by adjusting the funding mix to account for the shift in needs. S.B. 07-241 provided approximately \$311,000 to open three new driver's license offices in Loveland, the Denver / Adams County line, and Jefferson County in FY 2007-08. This additional appropriation annualizes in FY 2008-09 by \$63,750. For FY 2009-10, S.B. 09-274 refinances this line item by \$29,390 cash funds from General Fund. The FY 2010-11 appropriation includes the annualization of a FY 2009-10 decision item (DI#2) for \$36,183. Additionally in FY 2010-11, H.B. 10-1387 refinances this line item by \$1,137,410 cash funds from General Fund, and an additional \$680,217 cash funds is appropriated pursuant to H.B. 10-1284 (Medical Marijuana). The FY 2011-12 appropriation assumes continuation from the FY 2010-11 base budget. The FY 2012-13 request refinances \$1,243,573 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. The FY 2013-14 appropriation includes a reduction of \$20,000 for R#3 for pipeline efficiencies and increase of \$175,000 for H.B. 13-1317. Additionally, the FY 2014-15 request includes a base adjustment for the annual lease space rate increases of existing leases.

CAPITOL COMPLEX LEASED SPACE

The Capitol Complex Leased Space appropriation provides funding for the Department of Revenue's payment to the Department of Personnel and Administration for its management of the Annex, Pierce, North Campus and Grand Junction state buildings. The Department of Revenue has not leased additional space in the capitol complex; therefore, all changes in the appropriation are a result of the rate increases charged by the Department of Personnel and Administration. Rates are set by Joint Budget Committee common policy. For FY 2009-10, S.B. 09-274 refinances this line item by \$187,539 cash funds from General Fund. The FY 2010-11 budget includes an operating common policy based adjustment. Additionally, for FY 2010-11, H.B. 10-1387 refinances this line item by \$215,724 cash funds from General Fund. The FY 2011-12 appropriation annualizes the refinance for H.B. 10-1387 from cash funds to

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General Fund and includes an operating common policy base adjustment. The FY 2012-13 request refinances \$331,751 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. Additionally, an annual common policy base adjustment is included in the request and a non-prioritized policy adjustment for FY 2014-15.

COMMUNICATIONS SERVICES PAYMENTS

This line item is used to pay the Department's share of the statewide secure Digital Trunked radio system. The appropriation is determined by the proportion of radios in a department's inventory to the total statewide inventory. The appropriation is adjusted annually through a statewide change request developed by OIT. The request includes the annual OIT common policy base adjustment.

COFRS MODERNIZATION

This is a new line item appropriation established in the FY 2012-13 Long Bill (HB 12-1335) to support the replacement of the statewide COFRS system. This appropriation was adjusted with the transfer of Ports of Entry in HB 12-1019 by \$13,404. The Department assumes continuation funding in FY 2014-15.

INFORMATION TECHNOLOGY SECURITY

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to support the statewide firewall issues. The request includes the annual OIT common policy base adjustment.

UTILITIES

The utilities appropriation provides funding to for the utility expenses of the Department's state-owned and some leased facilities that include driver's license, port-of-entry and gaming offices. The Department received two increases in FY 2007-08: (1) DI-8, Utilities Increase (see page 330 of November 1, 2006 budget request) provided \$98,214 for the line item; and (2) S.B. 07-241 provided \$11,574 associated with three new driver's license offices. This amount will increase, through annualization, in FY 2008-09 by \$2,224. For FY 2009-10, S.B. 09-274 refinances this line item by \$95,078 cash funds from General Fund. In FY 2010-11, H.B. 10-1387 refinances this line item by \$104,440 cash funds from General Fund. The FY 2011-12 request assumes continuation from the FY 2010-11 base budget. The FY 2012-13 request refinances \$114,978 from cash funds to General Fund due to the annualization of H.B. 10-1387 and the statutory requirement to revert Driver and Vehicle Services funding back to General Fund. The Department requests continuation funding.

(2) CENTRAL DEPARTMENT OPERATIONS

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PERSONAL SERVICES

For FY 2011-12, this funding pays for the salary of 97.2 FTE, their associated benefits, and contract services. The staff in the Central Department Operations division perform critical duties for the department and include mail processing, forms development, remittance processing, incoming and out-going mail processing, and records management. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. Funding was provided at a continuation level in FY 2007-08 and FY 2008-09. The General Assembly also appropriated \$30,121 General Fund in FY 2009-10 for the implementation of S.B. 09-275. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$322,738 General Fund and the elimination of 7.9 FTE. Further, for FY 2010-11, this line item is impacted by special bill appropriations totaling \$58,342 and 1.6 FTE related to House Bills 10-1284, 10-1285, 10-1387, and SB 10-120. The FY 2011-12 appropriation includes the annualization of those special bills, an adjustment for statewide and departmental indirect costs, a statewide 1.5% base reduction of (\$81,245) and a decrease of (\$103,776) for S.B. 11-076 (statewide PERA contribution reduction). The FY 2012-13 request refinances \$248,906 from cash funds to General Fund due to the annualization of H.B. 10-1387, annualized S.B. 11-076 for \$103,776 and includes an adjustment for statewide and departmental indirect costs. For FY 2013-14, R#3 requests a reduction of \$574,117 and 10.7 FTE for pipeline efficiencies and R#4 requests a reallocation of centrally provided administrative services for a total reduction of \$490,831 and 6.0 FTE. The FY 2014-15 request includes an annualization of R#3 for a reduction of 13.7 FTE and \$511,428.

SEASONAL TAX PROCESSING

The Department of Revenue processes tax documents throughout the year; however, this volume increases dramatically around the individual income tax filing season. In FY 2000-01, the General Assembly created this line item to allow the Department to augment its permanent staff when workloads increase. It is sufficient to hire 13 temporary employees. Aside from common policy adjustments, such as salary annualizations and base reductions, no changes have occurred in funding levels since its creation. R#3 requests a reduction of \$101,154 for pipeline efficiencies. The request is a continuation of the FY 2013-14 appropriation.

OPERATING EXPENSES

Until FY 2007-08, the largest single expense from this line item was departmental postage – 63.9 percent of expenditures in FY 2005-06 and 65.2 percent in FY 2006-07). This expenditure was separated and provided a specific appropriation (see the description below) in FY 2007-08. Now, the appropriation provides the division funding for forms creation and processing and general office supplies for the program. The General Assembly appropriated \$3,368 through H.B. 08-1299 for costs associated with the settlement of Thompson v. Colorado and \$1,556 through S.B. 09-275 for costs associated with eliminating the sales tax vendor fee. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$7,505 General Fund. For FY 2010-11, this line received appropriations from H.B. 10-1284 and S.B. 10-120. These special bill appropriations annualize in FY 2011-12. Additionally, the FY 2011-12 appropriation includes an increase of \$162,643 for Decision Items #1 and #2 and \$312 for S.B. 11-184. The FY 2012-13 request annualizes FY 2011-12 DI#1 and S.B. 11-184 for a total of (\$145,133). R#3 requests a reduction of \$57,445 for pipeline efficiencies and R#4 requests a reallocation of centrally provided

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administrative services for a total reduction of \$11,860. The FY 2014-15 request includes an annualization of R#3 for a reduction of \$28,833.

POSTAGE

Unlike all other departments in the metro area (defined in section 24-30-1104 (1), C.R.S.) the Department of Revenue operates its own mail center due to the volume of mail it handles. In FY 2007-08, the Department requested and the General Assembly provided a separate line item for the Department's postage expenses (see DI-1, page 274, November 1, 2006, Budget Request). Previously, these costs were considered a part of the Department's indirect cost recovery model; however, in response to Joint Budget Committee staff concerns raised in during figure setting for FY 2006-07, the Department determined that these costs should be considered a direct cost to the programs that require mail services. The Department projects its total need based on its programs' need. Need is compared to the cost to mail. The Department received supplemental funding in FY 2007-08 through H.B. 08-1299 to mail documents required that resulted from a the settlement of Thompson v. Colorado. Additionally, the appropriation increased in FY 2008-09 as a result of H.B. 07-1106 (Gallegos / Bacon), which changes eligibility standards in the property tax credit and rent and heat rebate program. The General Assembly appropriated \$46,027 through H.B. 08-1299 for costs associated with the settlement of Thompson v. Colorado. The Department also received additional funding associated with the implementation of S.B. 09-275 and H.B. 09-1266 in FY 2009-10, and H.B. 10-1019, H.B. 10-1058, H.B. 10-1284, and S.B. 10-120 for FY 2010-11. These special bill appropriations along with H.B. 10-1045 annualize for the FY 2011-12 request. Additionally, the FY 2011-12 appropriation includes an increase of \$104,348 for Decision Items #2 and \$4,882 for H.B. 11-1300 and S.B. 11-184. The FY 2012-13 request annualized H.B. 11-1234, H.B. 11-1300 and S.B. 11-184 for a total of (\$2,795). Postage was impacted by HB 12-1019, SB 12-044 and SB 12S-001 in FY 2012-13. The FY 2013-14 appropriation includes an increase of \$14,610 for H.B. 13-1110 that annualized with a decrease of the same amount in the FY 2014-15 request. The Department requests continuation funding of \$2,995,393 in FY 2014-15.

DOCUMENT MANAGEMENT

This line item was created in FY 2012-13 to consolidated the Pueblo Data Entry Center Payments and the Document Imaging and Storage appropriations. This appropriations covers data entry and documentation of tax information. The FY 2014-15 request includes a decrease of \$134,454 for the annualization of R#3 Tax Document Processing Pipeline Efficiencies.

(3) INFORMATION TECHNOLOGY SERVICES

(A) SYSTEMS SUPPORT

(A) SYSTEMS SUPPORT, PERSONAL SERVICES

Until FY 2010-11, this funding paid for the Department's information technology staff, their benefits, and contract services that are generally responsible for the maintenance of Department systems for three business groups and the Executive Director's Office.

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Typical personal services adjustments that occurred each year included: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. Since FY 2007-08, the appropriation has been decreased by \$7,283 pursuant to H.B. 05-1019. The Joint Budget Committee approved a FY 2008-09 supplemental request to transfer \$248,149 General Fund from this line item to a new line item called "Management and Administration of OIT", located within the Executive Director's Office Long Bill Division. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$398,362 General Fund and the elimination of 5.2 FTE. In FY 2010-11, a decision item was approved to consolidate information technology staff statewide and move the majority of the spending authority that was appropriated in this line item to three Office of Information Technology line items located in the Executive Director's Office long bill group, including the Purchase of Services from Computer Center, Multiuse Network Payments, and Management and Administration of OIT lines. As a result, for FY 2010-11 and future fiscal years, the base appropriation in this line item supports contract services. This line item was impacted by several special bills, passed during the 2010 Legislative Session, including H.B. 10-1284, H.B. 10-1285, and S.B. 10-141. The FY 2011-12 appropriation includes a one-time increase of \$8,800 for DI#1 and a statewide 1.5% base reduction. Further, the General Assembly approved the elimination of the Programming Costs for Session Legislation line item in FY 2011-12. As a result, the costs associated with programming for session legislation for the Department of Revenue included in the appropriations for each bill and reflected in this line item going forward. For FY 2011-12, the special bill appropriations total \$264,360 for H.B. 11-1004, H.B. 11-1043, H.B. 11-1071, H.B. 11-1097, H.B. 11-1157, H.B. 11-1163, H.B. 11-1166, H.B. 11-1216, H.B. 11-1234, H.B. 11-1295, H.B. 11-1298, H.B. 11-1316, S.B. 11-037, S.B. 11-102, S.B. 11-109, S.B. 11-184 and S.B. 11-197. These special bill appropriations are annualized in the FY 2012-13 request along with S.B. 11-047 and FY 2011-12 DI#1 for a total of (\$236,160) Additionally, the FY 2012-13 request included an adjustment for statewide and departmental indirect costs. In FY 2013-14 the Department is requesting \$150,000 in the R#2 DOR IT Infrastructure Performance Enhancements. For FY 2013-14, the special bill appropriations total \$215,656 for H.B. 13-1071, H.B. 13-1119, H.B. 13-1135, H.B. 13-1240, H.B. 13-1317, S.B. 13-004, S.B. 13-060, S.B. 13-120, H.B. 13-224, S.B. 13-251, and S.B. 13-280. These special bill appropriations are annualized in the FY 2014-15 request along with H.B. 12-1042 for a total of (\$97,506) Additionally, the FY 2014-15 request includes an adjustment for statewide and departmental indirect costs.

(A) SYSTEMS SUPPORT, OPERATING EXPENSES

Operating Expenses fund numerous information technology related contracts for the Department. Other costs paid for by this line item include telecommunications, general office supplies, and printing costs. Legislation does impact funding for the Information Technology Division's operating expenses, most notably income tax check off bills. Income tax check off bills contain one-time operating expenses based on the number of hours required for programming changes. Typical assumptions for this type of legislation include programming hours of:

- Reprogram for new line and key – mainframe 1,028 hours
- Netfile 228 hours
- FSEF 114 hours

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- 2D 80 hours
- Total 1,450 hours

Thus, based on common fiscal note assumptions for \$500 in operating expenses per FTE, each bill receives \$350 ($350 = 500 * (1450 / 2080)$). Appropriations related to these bills for operating expenses are provided as cash funds. Language in legislation for income tax check offs holds that the Department of Revenue is reimbursed for expenses related to the administration of all tax check offs (see Title 24, Article 22, parts 22-32, Colorado Revised Statutes). It should be noted that once the existing space for tax check offs is exceeded, costs will increase dramatically. Currently, all check offs appear on one page; however, if a new check off appears in any tax year without having an existing one eliminated, then the costs for the new check off will increase dramatically over previous check offs. In FY 2007-08, one-time funding for two bills (H.B. 06-1019 and H.B. 06-1297) was eliminated. The General Assembly approved funding for costs associated with the implementation of S.B. 09-006, County Jail Identification Unit in FY 2009-10. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$64,554 General Fund. This line item was impacted by H.B. 10-1284, a special bill passed during the 2010 Legislative Session. The FY 2011-12 appropriation annualizes this special bill for a reduction of the same amount and includes an increase of \$26,265 for Decision Item #1. The FY 2012-13 request annualizes FY 2011-12 DI#1 for a reduction of the same amount. The FY 2013-14 appropriation includes \$558,807 for R#2 DOR IT Infrastructure Performance Enhancements and \$35,748 for H.B. 13-1295.

(B) COLORADO STATE TITLING AND REGISTRATION SYSTEM

(B) CSTARS, PERSONAL SERVICES

This funding pays for the Colorado State Titling and Registration System's information technology staff, their benefits, and contract services. Staff perform development for the system, network support, testing, and training. Typical personal services adjustments occur each year: (1) annualization of salary increases and performance awards granted in the prior fiscal year; (2) common policy base reductions. A number of one-time appropriations were eliminated during FY 2007-08. These include: (1) funding related to the implementation of H.B. 05-1019 (Hoppe / Veiga), which required the Department to include driver's license numbers on a vehicle title or registration document; and (2) the addition of two more special plates (Breast Cancer Awareness and United State Navy. The Joint Budget Committee approved one-time funding in FY 2009-10 associated with an upgrade to the VIPER system. The FY 2010-11 request is based on a continuation level of funding distinct from the one-time increase. . In FY 2010-11, a decision item was approved to consolidate information technology staff statewide and move the majority of the spending authority that was appropriated in this line item to three Office of Information Technology line items located in the Executive Director's Office long bill group, including the Purchase of Services from Computer Center, Multiuse Network Payments, and Management and Administration of OIT lines. As a result, for FY 2010-11 and future fiscal years, the remaining appropriation in this line item supports only contract services and is based on a continuation level of funding. The FY 2013-14 base request was adjusted due to the annualization of SB 12S-001 Special Mobile Machinery. The FY 2013-14 appropriation and FY 2014-15 base request was adjusted due to the appropriation and annualization of HB 13-1110 Alternative Fuels.

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(B) CSTARs, OPERATING EXPENSES

Operating Expenses fund numerous information technology related contracts for the Department as they relate *specifically* to the Colorado State Titling and Registration System. Other costs paid for by this line item include telecommunications, general office supplies, and printing costs. For many of the past nine years, the Department has submitted change requests to upgrade and / or expand county titling and registration offices (see below under County Office Improvements). Beginning with FY 2008-09 and subsequent years, the Department proposed a separate line item for this funding. A majority of the changes to this line's funding related to this function, but also includes the creation of a county office asset maintenance line item (see below under County Office Asset Maintenance). The Joint Budget Committee approved one-time funding in FY 2009-10 associated with an upgrade to the VIPER system. The Department requests continuation funding for FY 2014-15.

(B) CSTARs, COUNTY OFFICE ASSET MAINTENANCE

In FY 2006-07 the General Assembly created this line item as a way to track the replacement of counties' infrastructure as it relates to the Colorado State Titling and Registration System. In FY 2005-06, \$568,230 was appropriated as an original amount in this program's operating expenses, which was then subsequently transferred to this separate line item by a Joint Budget Committee staff recommendation in March, 2006 and has remained unchanged. Prior to this appropriation, counties were using equipment purchased in 1999 and 2000. At the time the request was approved, the Office of Innovation and Technology (now the Office of Information Technology) had a three year replacement standard. This funding was meant to completely renew county equipment used in titling and registration every four years. Funding was included to purchase:

250 Desktop Computers at \$1,287 each	=	\$ 321,750
30 Servers at \$4,596 each	=	\$ 137,880
30 UPS and Switch at \$4,200	=	\$ 108,600

The Department requests continuation funding for FY 2014-15.

(B) CSTARs, COUNTY OFFICE IMPROVEMENTS

This line item was created in FY 2008-09 to fund the expansion of existing county titling and registration offices that previously were funded through yearly requests the Department submitted for the majority of the last nine budget cycles. As part of DI-7 for FY 2008-09 (see page 537, November 1, 2007, Budget Request), the Department requested on-going funding for these purchases. The result of this decision will allow the Department of Revenue to more quickly respond to county business needs. FY 2008-09 funding is \$103,578, FY 2009-10 funding is \$87,377, and the continuation level of funding is \$40,000 for FY 2010-11. The FY 2011-12 appropriation includes funding associated with one new branch office in San Miguel County (DI#6), increasing the base request by \$38,062. The FY 2012-13 request annualized this decision item reducing the funding back to the continuation level of \$40,000. The Department requests continuation funding for FY 2014-15.

(4) TAXATION BUSINESS GROUP

(A) ADMINISTRATION

(A) ADMINISTRATION, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. This program has been funded at a continuation level since FY 2006-07. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$59,045 General Fund and the elimination of 1.0 FTE. For FY 2011-12, this line item includes the annualization of S.B. 10-146, a statewide 1.5% base reduction of (\$8487), a reduction of (\$15,301) for S.B. 10-076 and an adjustment for departmental indirect costs. The FY 2012-13 request annualized S.B. 10-076 and includes an adjustment for departmental indirect costs. The Department requests a realignment of personal services associated with centrally provided administrative services as part of R#4 Executive Director's Office Realignment in FY 2013-14. The FY 2014-15 requests includes an annualization of Salary Survey and Merit Pay along with an indirect cost adjustment.

(A) ADMINISTRATION, OPERATING EXPENSES

The program's operating expenses are sufficient to pay for the Taxation Business Group's portion of a printer utilized by several divisions located in the Annex Building (about \$8,500 per year). This is a high volume printer that is capable of producing forms and mass billings that the Taxation Business Group requires. It also provides for general office expenses needed in this administrative section. The line item has been appropriated at a continuation level since FY 2007-08. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$950 General Fund. The FY 2011-12 appropriation and FY 2012-13 request is based on continuation funding. The Department requests a realignment of operating expenses associated with centrally provided administrative services as part of R#4 Executive Director's Office Realignment for FY 2013-14. The Department requests continuation funding for FY 2014-15.

(A) ADMINISTRATION, CITA ANNUAL MAINTENANCE AND SUPPORT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to support the annual maintenance of the GenTax system. The Department requests continuation funding for FY 2014-15.

(B) TAXATION AND COMPLIANCE DIVISION

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(B) TAXATION AND COMPLIANCE DIVISION, PERSONAL SERVICES

This funding pays for the staff salaries, their benefits, and contract services that work on audits of individual and corporate tax returns. Additional duties include contacting delinquent taxpayers, issuing distraint warrants, seizing and selling property when necessary, garnishing wages and filing liens, transcripts of judgments and bankruptcy claims. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. This line item has not had any changes affecting it aside from the common policy adjustments explained above. For FY 2009-10, the Joint Budget Committee approved an expansion of the Division's out-of-state audit program, appropriating \$730,040 and 10.1 FTE. These amounts annualize to \$1,473,388 and 20.0 FTE in FY 2010-11. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$83,908 General Fund and the elimination of 1.5 FTE. For FY 2011-12, this line item is impacted by special bills, including H.B. 10-1193, S.B. 10-146, S.B. 11-076, as well as the annualization of the FY 2010-11 budget amendment #5 "Tax Code Compliance" initiative. This line item is also impacted by adjustments to the departmental indirect costs and a statewide 1.5% base reduction. In sum, these adjustments result in a decrease of \$185,573 total funds. The FY 2012-13 request annualizes H.B. 10-1193 and S.B. 11-076 for a total of \$284,627 and includes a federal grant adjustment of \$52,296. The Department requests a realignment of personal services associated with centrally provided administrative services as part of R#4 Executive Director's Office Realignment in FY 2013-14. The FY 2014-15 requests includes funding for S.B. 13-001 and annualizations for salary survey and merit pay for a total increase of \$469,525.

(B) TAXATION AND COMPLIANCE DIVISION, OPERATING EXPENSES

The Taxation and Compliance program utilizes a significant portion of its operating expenses for out-of-state travel needs for senior auditors. Otherwise, general office expenses are paid for from this appropriation for the five programs supported by it (Office Collections; Office Audit (the "Fair Share" program); Protest Resolution; Field Compliance; and Field Audit). Two changes to the appropriation have occurred since FY 2007-08. The Department received additional funding in FY 2007-08 to purchase audit software for a pilot project looking at increasing audit productivity. Out year costs for maintenance are built into the FY 2008-09 base.

For FY 2008-09 the Department received an additional \$180,234 that provides its senior field audit staff the opportunity to work on more productive audits. For FY 2009-10, the Joint Budget Committee approved an expansion of the Division's out-of-state audit program, appropriating \$147,378 General Fund. This amount annualizes to \$212,249 in FY 2010-11. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$1,425 General Fund. For FY 2011-12, this line item is impacted by the annualization of the FY 2010-11 budget amendment #5 "Tax Code Compliance" initiative, resulting in a decrease of \$28,020 General Fund. The Department requests a realignment of operating expenses associated with centrally provided administrative services as part of R#4 Executive Director's Office Realignment for FY 2013-14. The FY 2014-15 request includes an increase of \$6,195 for the annualization of SB 13-001 Income Tax Credit for Working Families.

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(B) TAXATION AND COMPLIANCE DIVISION, JOINT AUDIT PROGRAM

The Joint Audit Program provides funding for the state's membership in the Multi-State Tax Commission (MTC). The MTC conducts audits on out-of-state businesses, which complements the Department's efforts in the Field Audit Program. The Department of Revenue has had a partnership with the MTC for over 20 years and has produced, on average, \$8.5 million in gross tax adjustments per year over the last five years. No FTE are associated with the program and the appropriation simply covers membership. The Department requests continuation funding for FY 2014-15.

(B) TAXATION AND COMPLIANCE DIVISION, MINERAL AUDIT PROGRAM

Pursuant to Section 24-35-115, C.R.S., the Department of Revenue audits royalties associated with oil, gas, and mineral mining activity on federal, state, and private land. Audits are conducted by a unique work group in the Department which statutorily can have no other duties (Section 24-35-115 (2), C.R.S.). Federal funds are from the Federal Minerals Management Service (MMS) as the Department conducts audits on their behalf (lands under the control of the Department of the Interior pursuant to Public Law 102-154, and the Federal Oil and Gas Royalty Management Act of 1982 as amended by the Royalty Simplification and Fairness Act of 1996). Other fund sources include transfer appropriations from the State Land Board and Oil and Gas Conservation Commission (both programs in the Department of Natural Resources) for audits conducted pursuant to Section 24-35-115 (3), C.R.S.

The majority of the appropriation originates with the federal government and can change every year. Recently, the federal government initiated a review to determine whether allocated dollars to the states were representative of the size and number of at risk mineral properties for all participating states. At the time the federal government made this decision, federal mineral royalties paid from properties located in Colorado were the third highest in the nation; Colorado's royalties were 24.0 percent of New Mexico's and 12.0 percent of Wyoming's. As a result, the federal government allocated additional moneys to the two states that had more properties and dollars at risk. Colorado's budget was reduced in order to find the funds to increase the budgets of the two states. Then MMS released its federal fiscal year (FFY) 2006 information regarding royalties paid. Colorado dropped to fourth, exchanging positions with Utah. For FY 2006, Colorado's royalties paid were 13.0 percent of Wyoming's, 26.0 percent of New Mexico's, and 85.0 percent of Utah's. In FY 2006-07, the Department received supplemental appropriations to audit additional entities for the Department of Natural Resources (see S.B. 07-177). For FY 2011-12 and FY 2012-13, this line item includes an adjustment to the federal funding level. The Department requests continuation funding.

(C) TAXPAYER SERVICES DIVISION

(C) TAXPAYER SERVICES DIVISION, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services. The Taxpayer Service Division is designed to facilitate the process of filing tax returns and understanding the state's tax system by outreach activities (seminars for both individuals and businesses) and by staffing a telephone system which answers both general and specific questions. Efforts are also focused on

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distributing information through the media and by maintaining a website. The Division handles tax collection for local sales tax for cities, counties, and special districts. Refunds are issued through this division when applicable.

Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. Since FY 2007-08, one change has occurred. Funding related to the implementation of H.B. 06-1312 (Vigil / Sandoval), which requires the Department to provide tax information to businesses through private letter rulings, was provided in FY 2007-08. This was sufficient for 1.0 FTE. In FY 2008-09, through a budget neutral change request, the Department received an additional 2.0 FTE to work at the tax call center. These permanent resources will replace temporary assets, and will, because they will be more productive, help the tax call center improve its goal of lowered the average time a call is placed on hold. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$74,352 General Fund and the elimination of 1.0 FTE. For FY 2011-12, this line item is impacted by the annualization of S.B. 10-146, the annualization of the FY 2010-11 budget amendment #4 "Conservation Easement Backlog", and a statewide 1.5% base reduction, resulting in a net increase of \$46,210 total funds. For FY 2011-12, this line item is also impacted by special bills, including H.B. 11-1157, H.B. 11-1265, H.B. 11-1300, S.B. 11-076 and S.B. 11-184 for a net increase of \$335,627 total funds. The FY 2012-13 request annualized these special bills along with S.B. 11-047 for a total decrease of \$305,880. The base request for FY 2012-13 is adjusted for the annualization of HB 12-1246 and SB 11-047. In addition, HB 12-1042 increased the base appropriation for FY 2013-14. The FY 2014-15 request includes annualizations for HB 12-1042 Income Tax Credit for Estate Taxes on Agricultural Land, SB 13-001 Income Tax Credit for Working Families, Salary Survey and Merit Pay for a total increase of \$216,879 and 1.5 FTE.

(C) TAXPAYER SERVICES DIVISION, OPERATING EXPENSES

Operating expenses for the Taxpayer Services group mainly provides for transaction fees for the automated call system which is capped at \$13,000 a month. These transaction fees are assessed per interactive voice response system (IVR) call and web hit. Other major expenses include telephone charges. The Taxpayer Services Division utilizes the phone system extensively in furtherance of its duties. In general, the Department requests a continuation of this program's operating expenses. A one-time appropriation associated with H.B. 07-1349 affected the line item in FY 2007-08. However, in FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$950 General Fund and . The FY 2011-12 appropriation includes funding for H.B. 11-1265 and S.B. 11-184 for a net increase of \$18,436 total funds. In FY 2012-13 S.B. 11-184 annualized for a decrease of \$17,961. The FY 2014-15 request includes an annualization of \$8,480 for SB 13-001 "Income Tax Credit for Working Families.

(C) TAXPAYER SERVICES DIVISION, FUEL TRACKING SYSTEM

Pursuant to Section 39-27-109.7, C.R.S., the Department of Revenue tracks the movement of gasoline and special fuel with the goal of expediting the collection of excise taxes. Most funding provides for an electronic tracking system maintained by a third party. Funding for this program is exempt from the 6.0 percent limit on the Highway Users Tax Fund. Aside from payments to the third party for use of the tracking system, this line item also funds 1.5 FTE. As with other personal services funding, typical adjustments

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occur each year such as salary annualizations and base reductions. For FY 2011-12, this line item includes an annualization of S.B. 10-046 and a reduction of (\$2,035) for S.B. 11-076. The FY 2012-13 request annualized S.B. 11-076 for an increase of the same amount. The FY 2013-14 appropriation includes an increase of \$160,675 for HB 13-1110 Alternative Fuels that is annualized in FY 2014-15 for a decrease of the same amount. The FY 2014-15 request also includes annualizations for Salary Survey and Merit Pay for a total increase of \$2,567.

(C) TAXPAYER SERVICES DIVISION, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the Highway Users Tax Fund for the Department of Revenue. The request for this line item is based on the Departmental Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against the Highway Users Tax Fund.

(D) TAX CONFEREE

(D) TAX CONFEREE, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services. There are eight conferees and one administrative assistant in the program. Formal administrative hearings to dispute tax assessments or refund denials are established in sections 29-2-106.1 (3), 39-21-103 and 104, C.R.S. Under the provisions of Section 24-35-103 (1), C.R.S., the executive director of the Department of Revenue may establish functional groups or entities to assist that individual in carrying out the duties of the office. The Tax Conferee is an intermediary in the hearing process and acts as an official designee to the executive director for tax hearings. If cases are not resolved, then a formal hearing, with the executive director presiding, is granted. Finally, if resolution is not attained, the party may elevate the dispute to the judicial system.

Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base. This program received \$33,250 in FY 2007-08 (see H.B. 08-1299) to hire appraisers on contract that will assist the Tax Conferee in processing questionable claims on conservation easements. This supplemental request (S-4a) will annualize to \$99,750 in FY 2008-09. Additionally, for FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$182,681 General Fund and the elimination of 1.0 FTE. . For FY 2011-12, this line item is impacted by the annualization of S.B. 10-146, the annualization of the FY 2010-11 budget amendment #4 "Conservation Easement Backlog" and a statewide 1.5% base reduction, resulting in a net increase of \$22,868 General Fund and 0.3 FTE. The FY 2011-12 appropriation is also impacted by special bills, including H.B. 11-1300 and S.B. 11-076 for a net increase of \$1,086,064. These special bills annualize in the FY 2012-13 request for a net increase of \$28,025. The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$35,597.

Line Item Descriptions FY 2014-15 BUDGET REQUEST

(D) TAX CONFEREE, OPERATING EXPENSES

The program's operating expenses are sufficient to pay for subscriptions to legal research materials and for phone charges. These costs leave little for general office supplies. In FY 2007-08, the program received additional resources that will allow it to enhance the number of subscriptions available to the Conferee staff as they research tax issues before the group. This funding is carried forward into FY 2008-09 and beyond. However, in FY 2009-10 and FY 2010-11, this line item is impacted by General Fund budget reductions, including a decrease of \$950 General Fund. For FY 2011-12, this line item is impacted by the annualization of the FY 2010-11 budget amendment #4 "Conservation Easement Backlog" for (\$18,680) and an increase of \$44,885 for H.B. 11-1300. This special bill annualizes in the FY 2012-13 request for a decrease of \$8,315. The Department requests continuation funding for FY 2014-15.

(E) SPECIAL PURPOSE

(E) SPECIAL PURPOSE, CIGARETTE TAX REBATE

The Cigarette Tax Rebate is distributed to local and county governments based on the percentage of state sales tax revenue collected by the Department in the local and county government compared with total state sales tax revenue. At least annually, the Department of Revenue certifies the percentage of the allocations to the State Treasurer. Pursuant to Section 39-22-623 (1) (a) (II) (B), C.R.S., the appropriation for the cigarette tax rebate is included in the Long Bill for informational purposes. In order to qualify for the rebate, a local or county government cannot impose any fees, licenses, or taxes on cigarettes. The appropriation is identified as exempt from the six percent spending limitation pursuant to Section 24-75-201.1 (1) (a) (III) (C), C.R.S. The Department of Revenue estimate for this appropriation is based on economic forecasts authored by the Office of State Planning and Budgeting. No other assumptions or calculations are utilized.

(E) SPECIAL PURPOSE, AMENDMENT 35 DISTRIBUTION TO LOCAL GOVERNMENTS

In November 2004, voters passed Amendment 35 to the Colorado Constitution, which increased the tax on cigarettes. This line item was created in FY 2006-07 to implement the allocation of 3.0 percent of moneys deposited into the Tobacco Tax Fund to local and county governments which compensates these entities for a loss of tax revenue as a result of the tax increase.

(E) SPECIAL PURPOSE, OLD AGE HEAT AND FUEL AND PROPERTY TAX ASSISTANCE GRANT

The Department of Revenue distributes heat, fuel, and property tax assistance to low income individuals who meet certain qualifications. Applicants must reside in the state for the entire taxable year in which assistance is sought and must be 65 years old, although certain exceptions may apply. This line item is included in the Long Bill for informational purposes only. Additionally, the appropriation is exempt from the 6.0 percent limit on General Fund appropriations. The amount identified is adjusted based on statewide revenue estimates.

(E) COMMERCIAL VEHICLE ENTERPRISE SALES TAX REFUND

Line Item Descriptions FY 2014-15 BUDGET REQUEST

House Bill 10-1285 established the current parameters under which refunds for state sales taxes and credits for state income taxes associated with purchasing or leasing; licensing; and registering certain types of commercial vehicles in Colorado are administered. The Department received an appropriation in the Long Bill with HB 12-1197 for FY 2011-12. In addition, SB 12-041 established continuous appropriation authority for the Department. The Department requests continuation funding.

(5) DIVISION OF MOTOR VEHICLES

(A) ADMINISTRATION

(A) ADMINISTRATION, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services for administrative functions of the Division of Motor Vehicles. Senior management and the budgetary and support functions of the entire division are contained within the Administration Section. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. For FY 2010-11, the budget includes the extension of the financing mechanism envisioned by Senate Bill 09-274 for two fiscal years via Decision Item #1b: Extension of DMV Refinance from HUTF License Fee Collections and H.B. 10-1387. The FY 2010-11 request includes a refinance of \$533,619 General Fund to the Highway Users Tax Fund. For FY 2011-12, this line item is impacted by the provisions of H.B. 10-1387 and S.B. 10-146, resulting in a net increase of \$19,718 total funds. The FY 2011-12 appropriation is also impacted by S.B. 11-076 for a decrease of \$19,949. The FY 2012-13 request includes the annualization of this bill along with an adjustment for departmental indirect costs. The Department requests a realignment of personal services associated with centrally provided administrative services as part of R#4 Executive Director's Office Realignment. The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$32,402, along with an adjustment for indirect costs.

(A) ADMINISTRATION, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. No funding changes have occurred since FY 2006-07. The FY 2010-11 budget request of \$54,250 is based on continuation funding of this line item, with a change in financing. For FY 2010-11, budget includes the extension of the financing mechanism envisioned by Senate Bill 09-274 for two fiscal years via Decision Item #1b: Extension of DMV Refinance from HUTF License Fee Collections and H.B. 10-1387. The FY 2010-11 budget includes a refinance of \$33,404 General Fund to the Highway Users Tax Fund. The FY 2011-12 appropriation includes an annualization of H.B. 10-1387, resulting in a decrease in HUTF and corresponding increase in cash funds of \$33,404. The FY 2012-13 request was impacted by the annualization of H.B. 10-1387 that shifts \$33,404 from cash funds to General Fund. The Department requests a realignment of operating expenses associated with centrally provided administrative services as part of R#4 Executive Director's Office Realignment. The FY 2014-15 request includes an adjustment for indirect costs.

(B) DRIVER AND VEHICLE SERVICES

(B) DRIVER AND VEHICLE SERVICES, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services for the Driver and Vehicle Services section, which administers driver's licensing and records management, vehicle registration, and regulation of commercial driving schools. This section operates 38 driver's license offices and oversees 17 county-operated offices. All driver records and administrative sanctions against drivers are managed by this section. Additionally, Driver and Vehicle Services administers the ordering and distribution of license plates for all county and state offices.

Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. For FY 2007-08, the General Assembly approved additional resources to expand and enhance the State's driver's license office system in Senate Bill 07-241. The Department received \$1,417,918 in additional funding, as well as 25.0 FTE to increase staff in existing offices and 28.0 FTE to open three additional offices in Denver, Golden, and Loveland. This funding represented 75% of the full cost for these positions, as opening new offices and hiring additional FTE required start-up and preparation time in FY 2007-08. Additionally, this legislation increased fees for special license plates and driver's licenses, as well as instructional permits, identification cards, and commercial driver's licenses. The revenue generated by these fee increases serves to offset the cost of the three new offices and to refinance \$2,256,975 General Fund in the Driver and Vehicle Services personal services line item with funds deposited in the Licensing Services Cash Fund, which is created in Section 42-2-114.5, C.R.S. (2009). Total funds of \$5,758,929 appropriated to Driver and Vehicle Services in FY 2007-08 is annualized to \$6,504,760 in FY 2008-09.

House Bill 08-1194 instituted a new reinstatement fee and created a new fund entitled the First-Time Drunk Driving Offender Account to provide interlock ignition devices for applicants who qualify. Senate Bill 09-274 made several financing adjustments to Driver and Vehicle Services in both FY 2008-09 and FY 2009-10. To help balance the State's budget, this legislation temporarily shifted certain expenses from the Licensing Services Cash Fund in FY 2008-09 so this fund is able to transfer \$2.6 million to the General Fund at the end of FY 2009-10. In addition, Senate Bill 09-274 instituted a one-year diversion of a \$15 fee charged on all driver's licenses that is usually remitted to the Highway Users Tax Fund, but in FY 2009-10 will be deposited in the Licensing Services Cash Fund to offset all General Fund expenses in Driver and Vehicle Services. To fund pay date shift expenses, this legislation provides a General Fund appropriation of \$808,719.

This line item is also impacted by three special bills: House Bill 09-1246 (Peniston / Morse) regulates court-ordered defensive driving schools; House Bill 09-1266 (McCann / M. Carroll) reduces the number of offenses for which a driver's license can be revoked; and Senate Bill 09-006 (Boyd / Solano) creates a mobile county jail processing unit to issue licenses and ID cards in eight counties.

Line Item Descriptions FY 2014-15 BUDGET REQUEST

For FY 2010-11, the Department requested and received approval to extend the financing mechanism envisioned by Senate Bill 09-274 for two fiscal years via Decision Item #1b: Extension of DMV Refinance from HUTF License Fee Collections and H.B. 10-1387. The FY 2010-11 budget included a refinance of \$9,548,950 General Fund to Licensing Services Cash Fund. FY 2010-11 Decision Item #5: Creation of Program Section for Ignition Interlock Subsidy served to separate program funding associated with House Bill 08-1194 from the Driver and Vehicle Services line items and create new line items. The FY 2010-11 budget included a reduction of \$215,158 and 5.4 FTE from this line item and transfer of equal proportion to a new section (F) Ignition Interlock Program line items.

For FY 2011-12, this line item is impacted by several special bills and financing mechanisms, including H.B. 10-1019, H.B. 10-1045, H.B. 10-1209, H.B. 10-1387, and S.B. 10-146, resulting in a Long Bill appropriation of \$16,665,210 total funds and 351.6 FTE. S.B. 11-076 (PERA Contribution Rates) reduced the FY 2011-12 appropriation for this line item by \$346,705 cash funds, resulting in a net appropriation of \$16,318,505 total funds and 351.6 FTE for FY 2011-12.

For FY 2012-13, this line item is impacted by the annualization of H.B. 10-1387, which shifts funding currently sourced as Licensing Services Cash Fund to the General Fund. Additionally, the Department is incorporating the annualization of the FY 2011-12 Decision Item #4 "Funding Driver and Vehicle Services" into its request, which further alters the funding sources between Licensing Services Cash Fund and HUTF. Finally, the Department anticipates the annualization of special bills H.B. 10-1045 and S.B. 11-076 to result in a net request of \$16,613,172 total funds and 350.1 FTE for FY 2012-13. The Department requests a realignment of personal services associated with centrally provided administrative services as part of R#4 Executive Director's Office Realignment.

The FY 2013-14 appropriation includes funding for HB 13-1011 Repeal of Military ID Fee, HB 13-1119 Placing the Word Veteran on ID Documents, HB 13-1135 Preregister to Vote for 16 Year Olds, HB 13-1153 Electronic Payment of SOT on SMM, and SB 13-251 Driver's License and Identification Document for a total increase of \$535,436 and .4 FTE. The FY 2014-15 request includes annualizations for these bills along with Salary Survey and Merit Pay and an adjustment for indirect costs for a total increase of \$598,095.

(B) DRIVER AND VEHICLE SERVICES, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. For FY 2008-09, this line item was decreased by \$624,257 in cash funds through a one-time supplemental to provide a portion of the funding for a capital construction supplemental to upgrade the Division's document management and facial recognition systems. As a result of Senate Bill 09-274, only \$50,000 of this funding is restored in FY 2009-10 to ensure an adequate fund balance for the purposes of the transfer mentioned in the Personal Services section.

The FY 2008-09 budget included an annualized decrease for the Driver's License Office Expansion request of \$355,965 to eliminate funding associated with one-time start-up costs. This line item was also impacted by three special bills: House Bill 09-1160 (Miklosi / Bacon) secures voter information; House Bill 09-1246 (Peniston / Morse) regulates court-ordered defensive driving schools; and Senate

Line Item Descriptions FY 2014-15 BUDGET REQUEST

Bill 09-006 (Boyd / Solano) creates a mobile county jail processing unit to issue licenses and ID cards. As previously mentioned, this line item was impacted by Senate Bill 09-274.

For FY 2010-11, the budget included the extension of the financing mechanism envisioned by Senate Bill 09-274 for two fiscal years via Decision Item #1b: Extension of DMV Refinance from HUTF License Fee Collections and H.B. 10-1387. The FY 2010-11 budget included a refinance of \$1,214,937 General Fund to Licensing Services Cash Fund. FY 2010-11 Decision Item #5: Creation of Program Section for Ignition Interlock Subsidy served to separate program funding associated with House Bill 08-1194 from the Driver and Vehicle Services line items and create new line items. The FY 2010-11 budget included a reduction of \$934,842 from this line item and transfer of equal proportion to the proposed new section (F) Ignition Interlock Program line items.

For FY 2011-12, this line item was impacted by several special bills and financing mechanisms, including H.B. 10-1019, H.B. 10-1011, and H.B. 10-1387, resulting in a net appropriation of \$1,684,157 total funds.

For FY 2012-13, this line item is impacted by the annualization of H.B. 10-1387, which shifts funding currently sourced as Licensing Services Cash Fund to the General Fund. Additionally, the Department anticipates the annualization of H.B. 10-1045 to result in a net request of \$1,682,732 total funds for FY 2012-13. The Department requests a realignment of operating expenses associated with centrally provided administrative services as part of R#4 Executive Director's Office Realignment.

The FY 2013-14 appropriation includes funding for HB 13-1153 Electronic Payment of SOT on SMM for an increase of \$768.

The FY 2014-15 request includes an annualization for SB 13-251 Driver's License and Identification Document Required for an increase of \$14,092.

(B) DRIVER AND VEHICLE SERVICES, DRIVER'S LICENSE DOCUMENTS

The Drivers License Documents line item funds all material costs associated with the production of driver's licenses, instructional permits, and identification cards including related security features such as facial recognition, through the Digimarc contract. Additionally, the line item funds fees paid to the American Association of Motor Vehicle Administrators (AAMVA) for verification of Social Security information submitted by document applicants (SSOLV program), and to the Immigrations and Customs Enforcement (ICE) Division of the Department of Homeland Security for the verification of document applicants' legal immigration/visa status, through Systematic Alienation Verification for Entitlements (SAVE). The ID Security Fund receives a fee of \$0.60 per document issued, and was created to fund the security enhancements for driver's license and identification card issuance.

In 2000, the Colorado State Legislature passed S.B. 00-011 (Lamborn / Gotlieb), which increased the 5-year renewal cycle for driver's license documents to a 10-year cycle, effective July 1, 2001. Because documents issued in FY 2001-02 will not be required to be renewed before FY 2011-12 (due to the 10-year license cycle), a drop in renewal volume began in FY 2006-07. In 2005, S.B. 05-047

Line Item Descriptions FY 2014-15 BUDGET REQUEST

(May R. / Ragsdale) restored the 5-year cycle, the effects of which will be minimally experienced toward the end of FY 2009-10 and then fully impacting this line item beginning in FY 2010-11. This is expected to require significant additional resources to manage the increased workload at that time. The Department anticipates the need for supplemental funding in FY 2009-10 and FY 2010-11.

For FY 2007-08, the Department submitted a base reduction associated with the decline in issuance noted above. This request, totaling \$719,245 was approved by the General Assembly. The FY 2010-11 request reflects the impact of both H.B. 09-025, which extended the ID Security Fee of \$0.60, and S.B. 09-274. The latter refinanced all General Fund dollars associated with this line item for one year in FY 2009-10. Additionally, for FY 2010-11, budget includes the extension of the financing mechanism envisioned by Senate Bill 09-274 for two fiscal years via Decision Item #1b: Extension of DMV Refinance from HUTF License Fee Collections and H.B. 10-1387. The FY 2010-11 budget included a refinance of \$1,792,770 General Fund to Licensing Services Cash Fund. The FY 2011-12 total appropriation is \$3,810,592. For FY 2012-13, this line item is impacted by the annualization of H.B. 10-1387, which shifts funding currently sourced as Licensing Services Cash Fund to the General Fund. The FY 2014-15 request includes an annualization for SB 13-251 Driver's License and Identification Document Required for an increase of \$182,369.

(B) DRIVER AND VEHICLE SERVICES, LICENSE PLATE ORDERING

The License Plate Ordering line item funds payments to the Department of Corrections, Correctional Industries for producing and distributing license plates, permits, placards, tabs, and other related items. These products are distributed to Colorado's 64 counties and the State office so that citizens may obtain them in a timely fashion. Colorado law requires that the Department of Corrections, Correctional Industries manufacture and distribute all license plates and products (section 17-24-109, C.R.S.), and requires that the Department of Revenue provide license plates for every motor vehicle registered in Colorado (section 42-3-201, C.R.S.). This line item is funded via fees charged for license plates and associated products, generated in the License Plate Cash Fund (section 42-3-301 (1) (b), C.R.S.). This program typically receives additional funding through special bills that create new license plates.

(B) DRIVER AND VEHICLE SERVICES, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the cash funds that support Driver and Vehicle Services for the Department of Revenue. The request for this line item is based on the Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against these funds.

(C) VEHICLE EMISSIONS

(C) VEHICLE EMISSIONS, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services for conducting audits of inspection and readjustment stations and facilities to ensure compliance with vehicle emissions testing standards under the Automobile Inspection and Readjustment Program. The Emissions Section also resolves disputes involving citizens, testing facilities, and licensed dealers and issues licenses to stations, emissions inspectors, mechanics, and diesel inspectors. Typical personal services adjustments that occur

Line Item Descriptions FY 2014-15 BUDGET REQUEST

each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. The FY 2009-10 budget is based on common policy adjustments and additional funding provided in Senate Bill 09-003 (Bacon / Fischer), which expands the State's enhanced emissions program by 0.8 FTE. This line item is also impacted by FY 2010-11 Decision Item #3: Vehicle Emissions Enhanced Service Area Expansion, which further enhances the State's emissions program and includes an increase of \$117,120 and 2.0 FTE. The FY 2011-12 budget includes annualization of S.B. 10-146 and an appropriation decrease in S.B. 11-076, resulting in a total appropriation of \$1,176,893 and 17.0 FTE. For FY 2012-13, this line item is impacted by the annualization of S.B. 11-076 for a total request of \$1,198,995 and 17.0 FTE. The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$32,621.

(C) VEHICLE EMISSIONS, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. In FY 2009-10, this line item includes funding for Senate Bill 09-003 (Bacon / Fischer), as well as for FY 2010-11 Decision Item #3: Vehicle Emissions Enhanced Service Area Expansion. The Department's request assumes continuation funding.

(C) VEHICLE EMISSIONS, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the AIR Account for the Department of Revenue. The request for this line item is based on the Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against this fund.

(D) TITLES

(D) TITLES, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services related to the issuance of legal, negotiable certificates of title to prove vehicle ownership and protect the public when purchasing motor vehicles, through the examination of title documents. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. The FY 2010-11 budget is based on common policy adjustments. The FY 2011-12 budget includes annualization of S.B. 10-146 and an appropriation decrease in S.B. 11-076, resulting in a total appropriation of \$1,614,153 and 32.1 FTE. For FY 2012-13, this line item is impacted by the annualization of S.B. 11-076 for a total request of \$1,647,755 and 32.1 FTE. Annualization of SB 12S-001 Special Mobile Machinery removes \$22,475 and 0.7 FTE for FY 2013-14. The FY 2014-15 request includes annualizations for SB 13-280 Titling Off Highway Vehicles – Powersports, Salary Survey and Merit Pay for a total increase of \$100,630 and 1.4 FTE.

Line Item Descriptions FY 2014-15 BUDGET REQUEST

(D) TITLES, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. The Department submitted DI-4 – Titles Digital Imaging Storage in FY 2008-09 for \$27,870. The change request increased the operating funds available to cover the costs associated with increased volumes of images digitally stored with the Department of Personnel and Administration. These costs are expected to increase as the volume of storage increases in FY 2009-10 and beyond. The FY 2010-11 budget included annualized costs associated with the prior year decision item for digital image storage. The FY 2012-13 request includes annualized costs associated with the prior year budget amendment for participation in the National Motor Vehicle Title Information System, as mandated by federal rule. The Department received \$19,412 of additional funding to support the requirements established in SB 12S-001 Special Mobile Machinery. The FY 2014-15 request includes an annualization for SB 13-280 Titling Off Highway Vehicles – Powersports of \$11,346.

(D) TITLES, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the Colorado State Titling and Registration Account, a subaccount in the Highway Users Tax Fund for the Department of Revenue. The request for this line item is based on the Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against this fund.

(E) MOTORIST INSURANCE IDENTIFICATION DATABASE (MIIDB) PROGRAM

This funding pays for the program's staff, their benefits, contract services and operating associated with the oversight of the database. Operating Expenses were combined with Personal Services in the FY 2012-13 Long Bill (HB 12-1335). The FY 2013-14 appropriation includes an increase of \$5,000 for HB 13-1022 Proof of MV Insurance that is annualized for a decrease of the same amount in FY 2014-15. The FY 2014-15 request also includes annualizations for Salary Survey and Merit Pay for a total increase of \$1,101.

(F) IGNITION INTERLOCK PROGRAM

(F) IIP, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services associated with the oversight of the ignition interlock program. During the 2008 legislative session, the General Assembly adopted House Bill 08-1194 (Judd / Veiga), which instituted a new reinstatement fee and created a new fund entitled the First-Time Drunk Driving Offender Account to provide interlock ignition devices for applicants who qualify. The funding was appropriated to and included in the Driver and Vehicle Services section of the Long Bill; the Department is requesting to move the expenses and FTE to their own specific section via FY 2010-11 Decision Item #5: Creation of a Program Section for Ignition Interlock Subsidy Program. The FY 2010-11 budget is based on the original appropriation of \$215,158 and 5.4 FTE. The FY 2011-12 budget includes annualization of S.B. 10-146 and an appropriation decrease in S.B. 11-076, resulting in a total appropriation of \$208,057 and 5.0 FTE. For FY 2012-13, this line item is impacted by the annualization of S.B. 11-076 for a total request of \$211,931 and 5.0 FTE. The FY 2013-14 appropriation includes an increase of \$91,587 for HB 13-

Line Item Descriptions FY 2014-15 BUDGET REQUEST

1240 Penalties for Persistent Drunk Drivers that is annualized for a decrease of \$13,441 in FY 2014-15. The FY 2014-15 request also includes annualizations for Salary Survey and Merit Pay for a total increase of \$5,157.

(F) IIP, OPERATING EXPENSES

This line item funds the majority of the program expenses associated with the Ignition Interlock Subsidy Program. As with the Personal Services line item, funding for Operating Expenses was appropriated to and included in the Driver and Vehicle Services section of the Long Bill; the Department is requesting to move the expenses to its own specific section via FY 2010-11 Decision Item #5: Creation of a Program Section for Ignition Interlock Subsidy Program. The current appropriation of \$934,842 has remained constant since FY 2010-11. The FY 2013-14 appropriation includes an increase of \$8,553 for HB 13-1240 Penalties for Persistent Drunk Drivers that is annualized for an increase of \$2,773 in FY 2014-15.

(F) IIP, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the First Time Drunk Driving Offender Account in the Highway Users Tax Fund for the Department of Revenue. The request for this line item is based on the Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against this fund.

(6) ENFORCEMENT BUSINESS GROUP

(A) ADMINISTRATION

(A) ADMINISTRATION, PERSONAL SERVICES

This funding pays for the salary and benefits of senior management, budget personnel, and administrative staff of the Enforcement Business Group's Administration section, as well as any related contract services. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. The General Fund expenses of this line are also offset through cash fund recoveries applied to the various programs managed within the Enforcement Business Group. Beginning in FY 2010-11, this line item is augmented by the appropriation in H.B. 10-1284 (Medical Marijuana), resulting in an increase of \$81,400 cash funds and 2.0 FTE. The FY 2011-12 budget includes annualization of S.B. 10-146 and H.B. 10-1284, an appropriation decrease in S.B. 11-076 and a statewide 1.5% base reduction, resulting in a total appropriation of \$617,579 and 8.0 FTE. For FY 2012-13, this line item is impacted by the annualization of S.B. 11-076 and an adjustment for indirect costs for a total request of \$629,903 and 8.0 FTE. R#4 Executive Director's Office Realignment requests adjustment of funds to appropriately identify administrative personnel duties within the Department. The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$38,487, along with an adjustment for indirect costs.

Line Item Descriptions FY 2014-15 BUDGET REQUEST

(A) ADMINISTRATION, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. The General Fund expenses of this line are also offset through cash fund recoveries applied to the various programs managed within the Enforcement Business Group. Beginning in FY 2010-11, this line item is augmented by the appropriation in H.B. 10-1284 (Medical Marijuana), resulting in an increase of \$1,900 cash funds. This line item has been funded at \$12,780 since FY 2010-11. R#4 Executive Director's Office Realignment requests adjustment of funds to appropriately identify administrative personnel duties within the Department. The FY 2014-15 request includes an adjustment for indirect costs.

(B) LIMITED GAMING DIVISION

(B) LIMITED GAMING DIVISION, PERSONAL SERVICES

This funding pays for the Gaming Division's staff, their benefits, and contract services. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base. In FY 2007-08, the Limited Gaming Control Commission approved an additional 4.0 FTE and \$295,147 cash funds in order to address workload and resource availability in background investigations and field operations. Pursuant to the passage of Amendment 50 in November 2008, which expanded gaming hours and operations all over the State, the Commission also approved 16 full-time positions and \$1,225,927 to accommodate the additional workload in FY 2009-10. For FY 2010-11 and FY 2011-12, this line item is impacted by the provisions of S.B. 10-146 (PERA Contribution Rate Change). The FY 2011-12 budget includes annualization of S.B. 10-146, an appropriation decrease in S.B. 11-076, a statewide 1.5% base reduction and a JBC action to reduce FTE by 6.6 FTE, resulting in a total appropriation of \$6,709,930 and 85.4 FTE. For FY 2012-13, this line item is impacted by the annualization of S.B. 11-076 for a total request of \$6,849,334 and 85.4 FTE. The Colorado Limited Gaming Control Commission has constitutional authority to allocate funds for the Division, and such funds are not subject to appropriation by the General Assembly (see Article XVIII, Section 9, Colorado Constitution and Section 12-47.1-701, C.R.S.). R#4 Executive Director's Office Realignment requests a reduction of funds to this line and an increase to personal services in the Enforcement Division Administration Personal Services to align funding for Division administrative functions. The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$189,820.

(B) LIMITED GAMING DIVISION, OPERATING EXPENSES

This line item funds numerous costs including telecommunications, general office supplies, printing costs, licensure activities and investigations. In FY 2007-08, the Department received approval to transfer \$10,417 to the utilities appropriation in the Executive Director's Office. This action consolidated the Department's utilities appropriation in one line of the budget rather than incurring some of the expenses in various divisional operating budgets. Additionally, the Limited Gaming Control Commission approved additional operating resources of \$20,000 cash funds in order to address workload and resource availability in background investigations and field operations. As a result of Amendment 50, the Commission approved an increase of \$241,541 to the Operating Expenses line item for FY 2009-10, including an annualization of (\$204,191) for FY 2010-11. For FY 2011-12, the Commission approved an increase

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of \$274,144 cash funds. This appropriation was combined with licensure activities and investigations in the FY 2012-13 Long Bill (HB 12-1335). The FY 2014-15 request is for continuation funding of \$1,331,739.

(B) LIMITED GAMING DIVISION, PAYMENTS TO OTHER STATE AGENCIES

This line item funds costs associated with other state agencies performing work for the Limited Gaming Division. Section 12-47.1-(302)(1)(o), C.R.S., authorizes the Limited Gaming Control Commission to enter into contracts with any governmental entity to carry out duties of the Limited Gaming Division according to established criteria for cooperation and conditions for payment. The Commission has historically interpreted the agencies eligible for appropriations from the Limited Gaming Fund to be those specifically given statutory authority in the Limited Gaming Act to regulate or administer components of the program. The specific statutory citations for such agencies are: the Colorado State Patrol, 12-47.1-831(5), C.R.S.; the Colorado Bureau of Investigations, 12-47.1-831(2) and (5), C.R.S.; the Division of Fire Safety, 12-47.1-516, C.R.S.; and the Department of Local Affairs, 12-47.1-1601 and 1602, C.R.S. The Commission approves requests from State agencies for payments from the Limited Gaming Fund. The amount requested in the Long Bill has been based on a continuation amount since FY 2007-08. For FY 2011-12, the request is based on the appropriation that was approved by the Commission. The FY 2014-15 request is for continuation funding of \$3,853,589.

(B) LIMITED GAMING DIVISION, DISTRIBUTION TO GAMING CITIES AND COUNTIES

The Distribution to Gaming Cities and Counties line item is essentially a placeholder that reflects an estimate of distributions from the Limited Gaming Fund to eligible cities and counties including Gilpin and Teller counties, Black Hawk, Central City, and Cripple Creek. The Colorado Constitution, Article XVIII, Section 9, authorizes limited gaming in Central City, Black Hawk, and Cripple Creek and is also more exhaustively implemented in Sections 12-47.1-701 to 1202, C.R.S. It also provides clear direction as to the distribution of gaming revenues: funding for historic preservation in the three gaming cities as well as statewide, funding for the host cities and counties for the impacts of gaming, and the General Fund for state impacts. From the net amount in the Limited Gaming Fund at year-end, the Constitution mandates the following distributions: 28% to the State Historical Fund, 12% to Gilpin and Teller counties (in proportion to the gaming revenues generated in each county), 10% to Black Hawk, Central City and Cripple Creek (in proportion to the gaming revenues generated in respective city, and 50% to the General Fund, “or such other fund as the general assembly shall provide.” The amount requested in the Long Bill is based on a revenue estimate for the Limited Gaming Fund. The current budget request is for continuation funding of \$23,788,902.

(B) LIMITED GAMING DIVISION, INDIRECT COST ASSESSMENT

The Indirect Costs line item reflects the total indirect cost assessment against the Limited Gaming Fund for the Department of Revenue. The request for this line item is based on the Departmental and Statewide Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against the Limited Gaming Fund.

(C) LIQUOR AND TOBACCO ENFORCEMENT DIVISION

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(C) LIQUOR AND TOBACCO ENFORCEMENT DIVISION, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services. Duties include licensing or permitting manufacturers, importers, wholesalers, retailers, and public transportation systems, as well as enforcement of the State's liquor and tobacco laws and regulations. This is a new line created from the consolidation of Liquor and Tobacco in the FY 2012-13 Long Bill (HB 12-1335). The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$53,008.

(C) LIQUOR AND TOBACCO ENFORCEMENT DIVISION, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. This is a new line created from the consolidation of Liquor and Tobacco in the FY 2012-13 Long Bill (HB 12-1335). The FY 2014-15 request is for continuation funding of \$97,919.

(C) LIQUOR AND TOBACCO ENFORCEMENT DIVISION, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the Liquor Enforcement Division and State Licensing Authority Cash Fund for the Department of Revenue. The request for this line item is based on the Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against this fund.

(E) DIVISION OF RACING EVENTS

(E) DIVISION OF RACING EVENTS, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services. Responsibilities include allocating race dates to racing associations, and adopting rules related to the conduct and supervision of racing events, racing officials, and licenses. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. For FY 2010-11, this line item has been reduced to address the elimination of dog racing in Colorado. The FY 2011-12 budget includes annualization of S.B. 10-146, an appropriation decrease in S.B. 11-076, a statewide 1.5% base reduction and a JBC action to reduce FTE by 3.0 FTE, resulting in a total appropriation of \$1,107,222 and 8.7 FTE. For FY 2012-13, this line item is impacted by the annualization of S.B. 11-076 for a total request of \$1,124,123 and 8.7 FTE. R#4 Executive Director's Office Realignment requests a reduction of funds to this line and an increase to personal services in the Executive Director's Office to align funding for centrally provided administrative functions. The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$14,443.

(E) DIVISION OF RACING EVENTS, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. This appropriation was combined with laboratory services, commission meeting costs and racetrack applications in the FY 2012-13 Long Bill (HB 12-1335). The FY 2014-15 request is for continuation funding of \$221,627.

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(E) DIVISION OF RACING EVENTS, PURSES AND BREEDERS AWARDS

The Purses and Breeders Awards line item represents a pass-through appropriation. The Division does not spend any appropriation associated with this line item. The Horse Breeders' and Owners' Awards and Supplemental Purse Fund, as created in section 12-60-704, C.R.S., is a trust fund that contains moneys deposited by licensees and operators of in-state simulcast facilities for horse racing. The Colorado Racing Commission promulgates rules that allow for distributions from this fund to owners and breeders of Colorado-bred horses. This line item has been funded at a continuation amount since FY 2007-08.

(E) DIVISION OF RACING EVENTS, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the Racing Cash Fund for the Department of Revenue. The request for this line item is based on the Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against this fund.

(F) HEARINGS DIVISION

(F) HEARINGS DIVISION, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services. The Division holds license hearings for drivers; commercial vehicle drivers, third party drive testers, and emissions test facilities and inspectors (Title 42 C.R.S.), state liquor licensees, racing licensees, and certain motor vehicle dealers (Title 12 C.R.S.). It also holds hearings for fine sanctions against tobacco vendors (Title 24 C.R.S.) and supports the Executive Director in the disposition of state and municipal tax cases (Titles 29 and 39 C.R.S.). Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. The FY 2008-09 budget includes funding associated with House Bill 06-1171 (Riesberg / Groff), which included a positive impact to this line of \$32,502 cash funds exempt and 0.6 FTE. The FY 2009-10 appropriation includes a reduction of \$9,539 and .20 FTE and an annualization of (\$3,138) in FY 2010-11 for HB 09-1266 Loss of Driving Privilege FY 09-10 appropriation. The FY 2011-12 budget includes annualization of S.B. 10-146, annualization of FY 2010-11 decision item #4 "Interactive Voice Response System", an appropriation decrease in S.B. 11-076, a statewide 1.5% base reduction, a JBC action to reduce FTE by 2.0 FTE and an appropriation increase in H.B. 11-1300, resulting in a total appropriation of \$2,151,172 and 29.5 FTE. For FY 2012-13, this line item is impacted by the annualization of S.B. 11-076 and H.B. 11-1300 for a total request of \$2,202,290 and 29.4 FTE. The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$70,759.

(F) HEARINGS DIVISION, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. The FY 2008-09 budget is based on a continuation amount plus an amount associated with H.B. 06-1171, as discussed above. The FY 2010-11 budget includes \$25,188 for FY 2010-11 DI #4: Interactive Voice Response (IVR) Phone System. The FY 2011-12 budget includes an increase in H.B. 11-1300 for a total appropriation of \$115,513. For FY 2012-13, this line item is impacted by the annualization of H.B. 11-1300 for a total request of \$101,408. The FY 2014-15 budget assumes continuation funding.

(G) MOTOR VEHICLE DEALER LICENSING BOARD

(G) MVDB, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services. Staff have the authority to issue licenses on behalf of the Motor Vehicle Dealer Licensing Board. If applicants fall outside minimum licensing requirements set by the Board, the applications are presented to the Board for review and action. The enforcement section of this program investigates violations of state and federal laws and regulations by licensees, investigates complaints against unlicensed persons, resolves complaints filed against licensees, conducts compliance audits to enhance voluntary compliance with the law through education, and conducts criminal background investigations. Peace Officers employed by the program issue criminal summons and complaints, testify in court and at hearings, and provide the Board with data on investigations conducted for probable cause reviews. Compliance Investigators and staff work with dealers to maximize self regulation and regulatory compliance enforcement. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. In FY 2007-08, the appropriation includes funding associated with House Bill 07-1081 (Marostica / Tochtrop), representing an increase of \$84,557 cash funds and 2.0 FTE. The FY 2008-09 budget is based on a continuation level. The FY 2011-12 budget includes annualization of S.B. 10-146, an appropriation decrease in S.B. 11-076, a statewide 1.5% base reduction, and a JBC action to reduce FTE by 2.0 FTE, resulting in a total appropriation of \$1,762,994 and 26.2 FTE. For FY 2012-13, this line item is impacted by the annualization of S.B. 11-076 for a total request of \$1,800,265 and 26.2 FTE. The FY 2014-15 request includes annualizations for SB 13-280 Titling Off Highway Vehicles – Powersports, Salary Survey and Merit Pay for a total increase of \$132,163 and 1.0 FTE.

(G) MVDB, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs. In FY 2007-08, the appropriation includes funding associated with House Bill 07-1081 (Marostica / Tochtrop), representing an increase of \$2,315 cash funds. The FY 2008-09 budget is based on a continuation amount. In FY 2009-10, the appropriation includes and increase of \$86,290 for FY 2009-10 DI#6: "Imaging Costs for Motor Vehicle Dealer Licensing Board," and \$22,500 for FY 2009-10 BA#1: "Background Checks for AID." The FY 2010-11 budget includes the annualization of FY 2009-10 DI#6: "Imaging Costs for Motor Vehicle Dealer Licensing Board," in the amount of \$24,520. The FY 2014-15 request includes an annualization for SB 13-280 Titling Off Highway Vehicles – Powersports of \$2,221.

(G) MVDB, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the Auto Dealers License Fund for the Department of Revenue. The request for this line item is based on the Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against this fund.

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(H) MEDICAL MARIJUANA ENFORCEMENT DIVISION

This funding pays for the program's staff, their benefits, and contract services and all operating expenses, including telecommunications, general office supplies, and printing costs. During the 2010 Legislative Session, the Department of Revenue received authorization via HB 10-1284 to regulate and control the licensing of the cultivation, manufacture, distribution and sale of medical marijuana or marijuana-infused products in the state of Colorado. The bill creates the state and local medical marijuana licensing authority within the Enforcement Business Group of the Department as well as local licensing authorities throughout the state. All medical marijuana centers in operation prior to July 1, 2010 were required to apply for a state license by August 1, 2010, and all proposed centers must follow the application process prior to becoming operational. The legislation clarified that localities will maintain the ability to institute ordinances concerning medical marijuana centers but in the absence of local ordinances the state law will apply. As the state licensing authority, the Department is authorized to adopt rules, forms, and applications to enforce the provisions of HB 10-1284, including:

- Enforcement of the medical marijuana code;
- Instructions for local licensing authorities and law enforcement officers;
- inspections and investigations of medical marijuana facilities;
- Penalties associated with violations;
- Development of identification cards for employees; and
- Security requirements for medical marijuana centers.

Revenues generated from the license application fees will be deposited into the newly created Medical Marijuana License Cash Fund to cover expenses associated with providing the licensing and oversight functions for medical marijuana facilities.

The FY 2011-12 budget includes annualization of H.B. 10-1284 and H.B. 11-1043, an appropriation decrease in S.B. 11-076, and a JBC action to reduce FTE by 51.6 FTE, resulting in a total appropriation of \$5,616,609 and 55.2 FTE. For FY 2012-13, this line item is impacted by the annualization of H.B. 11-1043 and S.B. 11-076 for a total request of \$5,653,838 and 55.2 FTE.

The FY 2013-14 appropriation includes an increase of \$714,832 for HB 13-1317 Implementation of Amendment 64 - Majority that is annualized for a decrease of \$222,500 in FY 2014-15. The FY 2014-15 request also includes annualizations for Salary Survey and Merit Pay for a total increase of \$113,594.

(H) MEDICAL MARIJUANA ENFORCEMENT DIVISION, INDIRECT COST ASSESSMENT

This is a new line item appropriation established in the FY 2013-14 Long Bill (SB 13-230) to reflect the total indirect cost assessment against the Medical Marijuana License Fund for the Department of Revenue. The request for this line item is based on the Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against this fund.

(7) STATE LOTTERY DIVISION

PERSONAL SERVICES

This funding pays for the Department's Lottery staff of 126 FTE, their benefits, temporary services, and contract services. Typical personal services adjustments that occur each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions. For FY 2009-10, the appropriation has been decreased by \$172,688 related to statewide budget reductions, and is restored in FY 2010-11. The FY 2011-12 budget includes annualization of S.B. 10-146, an appropriation decrease in S.B. 11-076, and a JBC action to reduce FTE by 8.9 FTE, resulting in a total appropriation of \$8,793,014 and 117.1 FTE. For FY 2012-13, this line item is impacted by the annualization S.B. 11-076 for a total request of \$8,961,156 and 117.1 FTE. R#4 Executive Director's Office Realignment requests a reduction of funds to this line and an increase to personal services in the Executive Director's Office to align funding for centrally provided administrative functions. The FY 2014-15 request includes annualizations for Salary Survey and Merit Pay for a total increase of \$255,762.

OPERATING EXPENSES

Operating Expenses fund numerous items including hardware/software maintenance, training, freight, disaster recovery insurance, telecommunications, equipment rentals, general office supplies, capital outlay, utilities, and printing costs. This line item is funded at continuation levels.

PAYMENTS TO OTHER STATE AGENCIES

This line funds numerous items including the cost of various audits, fingerprint and name checks through the Colorado Bureau of Investigation, and data storage fees provided by the Department of Personnel and Administration. Since FY 2006-07, audit fees of \$101,078 were permanently transferred from the "Payments to Other Agencies" line to the Personal Services line in S.B. 07-177. This was done to enable the Lottery to directly procure private auditing firms to audit the Lottery, instead of paying the State Auditor's Office to hire the auditing firms. Appropriations since then have been at continuation levels since FY 2007-08.

TRAVEL

The Travel line is used for travel in-state as well as out-of-state travel expenses including hotel, air, per-diems, and reimbursements for personal vehicle use. Funding has been provided at a continuation level since FY 2007-08.

MARKETING AND COMMUNICATIONS

This line is used to reimburse vendors for goods and services including activities related to the marketing, sale, advertising, public relations, consumer awareness, retailer awareness, drawings, customer support, and retailer support of Lottery games and products. These include sponsorships, newspaper advertising, television, advertising, promotional coupons, free tickets, Lottery Bucks, and billboards. The appropriation was increased by \$3,028,290 in FY 2008-09 and FY 2009-10 as a result of FY 2008-09 DI#3: "Lottery

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Advertising Increase," to allow the Lottery to increase advertising to FY 1988-89 levels, including inflation. This line item is funded at continuation levels.

MULTI-STATE LOTTERY FEES

This line is used to pay vendors for goods and services related to administering multi-state games of which Colorado is, or may become, a participating Lottery. These payments include the costs of maintaining compliance with multi-state game rules and policies, Colorado's share of administrative costs, costs of remote drawings, costs of citizen drawing witnesses, and auditor costs. These costs will vary from year to year based on many variables such as the per-capita sales of each state participating in a multi-state lottery, the number of states participating, the level of service provided by the multi-state game vendors, changes in multi-state rules and policies, and inflation.

VENDOR FEES

This line is used to pay vendors for two categories of services: variable vendor fees, and fixed vendor fees. Variable vendor fees consist of payments to the Lottery's online vendor for goods and services related to the maintenance of the vendor's central computer system and state-wide telecommunications network. These costs are charged to the lottery as a percentage of weekly total Lottery sales. Fixed vendor fees are payments to the Lottery's online vendor that will be incurred regardless of sales volumes. Examples include maintenance fees for hardware and software, terminal attachments, communication equipment charges, set up of communications at retailer and remote locations, and programming in excess of base hours. In addition, this cost category includes fees in the online vendor contract that may be exercised, but are not currently in effect, such as the implementation of a document scanner on retailer terminals, upgrading the capacity of Scratch ticket vending machines to allow more Scratch games, or the purchase of additional retailer terminal devices. These options allow the Lottery to pay a lower per-transaction cost until the option is actually exercised. This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

RETAILER COMPENSATION

This line is used to compensate retailers for the sale of Lottery products through commissions, cashing bonuses, and compliance bonuses. Retailers are currently paid a 7.0% commission on all Scratch sales and a 6.0% commission on all jackpot game sales. Retailers are currently paid a 1.0% cashing bonus on the amount of all prizes claimed at their store, and up to 0.5% of their store sales for compliance with specific Lottery objectives. This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

TICKET COSTS

Scratch ticket vendors are paid from this line item for goods and services in connection with printing Scratch tickets. Most of the amount charged to the Lottery is based on a cost per thousand tickets, which is primarily determined by the ticket size, game size, number of colors, and types of inks used. However, some costs, like fees paid for licensed product games and additional game features, are directly passed through to the Lottery in addition to the cost per thousand. The cost per thousand includes the cost of

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design, testing and development, auditing, on-site security and testing, and consulting services including expert advice, research, and assistance regarding new games and systems as well as the maintenance of current games and systems. The cost of the tickets is charged to this appropriation ratably as the tickets are sold to players. This is a variable appropriation and is adjusted each year during the supplemental budget process to allow enough spending authority based on the most recent sales projections.

RESEARCH

This line is used to pay vendors for research including the cost of studies, surveys, data gathering, and consulting. It has been funded at a continuation level since FY 2007-08.

INDIRECT COST ASSESSMENT

The Indirect Costs line item reflects the total indirect cost assessment against the Lottery Fund for the Department of Revenue. The request for this line item is based on the Departmental and Statewide Indirect Cost Allocation Plan and is updated each year to reflect accurate assessments against the Lottery Fund.