



Department of Revenue
Line Item Descriptions

FY 2015-16 Budget Request

November 1, 2014

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(1) EXECUTIVE DIRECTOR'S OFFICE

PERSONAL SERVICES

The Personal Services appropriation funds the salary and benefits of 112.6 FTE, who are responsible for the Department's administration, auditing, accounting, budgeting, personnel management, research functions, 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 merit pay granted in the prior fiscal year; and (2) common policy base reductions.

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.

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. Any change to the Department of Revenue's appropriation is based solely on the change in base salaries in the Department and the rate.

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.

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,

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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.

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, FY 2011-12, and FY 2012-13 due to the economic recession.

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.

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.

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.

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, forms creation and processing, 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.

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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.

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.

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.

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.

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.

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LEASED SPACE

The leased space appropriation funds the payments for the Department's lease space contracts. The Department requests an annual leased space inflator base adjustment to account for the rate increases for its 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.

PAYMENTS TO OIT

This is a new line item established in the FY 2013-14 Long Bill (HB 14-1336) to pay for the services provided by the Governor's Office of Information Technology that were previously appropriated and billed to State agencies through five common policy line items: Management and Administration of OIT, Purchase of Services from Computer Center, Colorado State Network (formerly Multiuse Network), Communication Services Payments, and Information Technology Security.

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.

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.

(2) 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. The Joint Budget Committee approved a FY 2008-09 supplemental request to transfer \$248,149 General Fund from this line time 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

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\$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.

(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.

(B) COLORADO STATE TITLING AND REGISTRATION SYSTEM

(B) CSTARTS, PERSONAL SERVICES

Until FY 2010-11, this funding paid for the Colorado State Titling and Registration System's information technology staff, their benefits, and contract services. 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.

(B) CSTARTS, 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.

(B) CSTARTS, 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, including approximately 250 desktop computers, 30 servers and 30 UPS and Switches.

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(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. 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 allows the Department of Revenue to more quickly respond to county business needs.

(3) 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.

(A) ADMINISTRATION, OPERATING EXPENSES

This funding provides for general office expenses needed in this administrative section.

(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.

(B) TAXATION AND COMPLIANCE DIVISION

(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.

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(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).

(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.

(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.

(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.

(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.

(C) TAXPAYER SERVICES DIVISION, 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

(C) TAXPAYER SERVICES DIVISION, DOCUMENT MANAGEMENT

This line item was created in FY 2012-13 to consolidate the Pueblo Data Entry Center Payments and the Document Imaging and Storage appropriations. This appropriation covers data entry and documentation of tax information.

(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 occur each year such as salary annualizations and base reductions.

(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 CONFEE

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(D) TAX CONFEEEE, 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 adjustments.

(D) TAX CONFEEEE, 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.

(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

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appropriation is exempt from the 6.0 percent limit on General Fund appropriations. The amount identified is adjusted based on statewide revenue estimates.

(E) SPECIAL PURPOSE, COMMERCIAL VEHICLE ENTERPRISE SALES TAX REFUND

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.

(E) SPECIAL PURPOSE, RETAIL MARIJUANA SALES TAX DISTRIBUTION TO LOCAL GOVERNMENTS

House Bill 14-1246 established this line item which the Department requested to provide a mechanism for distribution of retail marijuana sales tax collections to local governments for informational purposes pursuant to Section 39-28.8-203 (1) (a) (V), C.R.S.

(4) 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.

(A) ADMINISTRATION, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs.

(B) DRIVER SERVICES

(B) DRIVER SERVICES, PERSONAL SERVICES

This funding pays for the program's staff, their benefits, and contract services for the Driver Services section, which administers driver's licensing and records management, 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 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.

(B) DRIVER SERVICES, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs.

(B) DRIVER SERVICES, DRIVERS 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.

(B) DRIVER SERVICES, IGNITION INTERLOCK PROGRAM

This funding pays for the program's staff, their benefits, and contract services associated with the oversight of the ignition interlock program and expenses associated with the Ignition Interlock Subsidy 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 requested 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.

(B) DRIVER 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 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 SERVICES

(C) VEHICLE SERVICES, 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 and the administration of vehicle registration.

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(C) VEHICLE SERVICES, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs.

(C) 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.

(C) VEHICLE SERVICES, 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).

(C) VEHICLE SERVICES, EMISSIONS PROGRAM

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 Program 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 each year include: (1) annualization of salary increases and performance awards granted in the prior fiscal year; and (2) common policy base reductions.

(C) 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 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 this fund.

(6) ENFORCEMENT BUSINESS GROUP

(A) ADMINISTRATION

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(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.

(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. 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. 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.).

(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

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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. This appropriation was combined with licensure activities and investigations in the FY 2012-13 Long Bill (HB 12-1335).

(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.

(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.

(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).

(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).

(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.

(D) DIVISION OF RACING EVENTS

(D) 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.

(D) 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).

(D) 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.

(D) 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.

(E) HEARINGS DIVISION

(E) 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.

(E) HEARINGS DIVISION, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs

(F) MOTOR VEHICLE DEALER LICENSING BOARD

(F) MOTOR VEHICLE DEALER BOARD, 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.

(F) MOTOR VEHICLE DEALER BOARD, OPERATING EXPENSES

Operating Expenses fund numerous costs including telecommunications, general office supplies, and printing costs.

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(F) MOTOR VEHICLE DEALER BOARD, 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.

(G) MARIJUANA ENFORCEMENT

The Medical Marijuana Enforcement Division (MMED) was created by H.B. 10-1284, which created the State Licensing Authority. House Bill 13-1317 implemented major provisions of Amendment 64 by creating the Colorado Retail Marijuana Code. The bill also renamed the MMED to Marijuana Enforcement and gave the division the authority to regulate both medical and retail marijuana. The division regulated and controlled the licensing of cultivation and manufacture, distribution, and sale of marijuana and marijuana-infused products in the State. The Authority is authorized to adopt rules, forms, and applications to enforce the provisions of the Constitution and statutes. The Medical Marijuana License Cash Fund was also renamed to the Marijuana Cash Fund and is the funding source for the division.

(G) MARIJUANA ENFORCEMENT, 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 117.1 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.

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.

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

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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.

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.

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 Advertising Increase," to allow the Lottery to increase advertising to FY 1988-89 levels, including inflation.

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.

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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.

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 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.

RESEARCH

This line is used to pay vendors for research including the cost of studies, surveys, data gathering, and consulting.

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.