

Funding Request for the FY 2015-16 Budget Cycle

PB Request Number NPR-01

NPR-01 Annual Fleet Vehicle Request

		Supplemental FY 2014-15
Dept. Approval By: _____	<u> </u>	Change Request FY 2015-16
	<u> </u>	Base Reduction FY 2015-16
OSPB Approval By: _____	<u> </u>	Budget Amendment FY 2015-16

Line Item Information	Fund	FY 2014-15		FY 2015-16		FY 2016-17
		Appropriation	Request	Base	FY 2015-16	Continuation
				Request		
	Total	\$595,416	\$0	\$595,416	(\$21,630)	\$0
01. Executive Director's Office - Vehicle Lease	GF	\$158,376	\$0	\$158,376	(\$5,386)	\$0
Payments	CF	\$437,040	\$0	\$437,040	(\$16,244)	\$0

<p>Letternote Text Revision Required? Yes <u> X </u> No <u> </u></p> <p>The letternote "a" total for various sources of cash funds must be updated.</p> <p>Cash or Federal Fund Name and CORE Fund Number: Not applicable, mulitple funds.</p> <p>Reappropriated Funds Source, by Department and Line Item Name: Not applicable.</p> <p>Approval by OIT? Yes <u> </u> No <u> </u> Not Required: <u> X </u></p> <p>Schedule 13s from Affected Departments: Not applicable.</p> <p>Other Information: None.</p>	<p>If Yes, describe the Letternote Text Revision:</p>
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Funding Request for the FY 2015-16 Budget Cycle

Request Title

Dept. Approval By:

X

OSPB Approval By:

Budget Amendment FY 2015-16

Line Item Information	Fund	FY 2014-15		FY 2015-16		FY 2016-17
		Appropriation	Request	Base Request	FY 2015-16	Continuation
	Total	\$21,346,054	\$0	\$19,161,807	\$0	\$0
	FTE	395.2	-	394.8	-	-
04. Division of Motor Vehicles - (B) Driver Services, Personal Services	GF	\$9,035,849	\$0	\$2,949,185	\$4,199,062	\$3,832,402
	CF	\$12,163,127	\$0	\$16,052,158	(\$4,199,062)	(\$3,832,402)
	RF	\$147,078	\$0	\$160,464	\$0	\$0

Letternote Text Revision Required? Yes X No If Yes, describe the Letternote Text Revision:
 Letternote "a" for (4) Division of Motor Vehicles, (B) Driver Services and Operating must be reduced to reflect the new Licensing Services Cash Fund appropriation.
 Cash or Federal Fund Name and CORE Fund Number: Fund 4370 - Licensing Services Cash Fund
 Reappropriated Funds Source, by Department and Line Item Name: Not Applicable.
 Approval by OIT? Yes No Not Required: X
 Schedule 13s from Affected Departments: Not applicable.
 Other Information: None.



COLORADO

Department of Revenue

Priority: R-1
DMV Funding Deficit
FY 2015-16 Change Request

Cost and FTE

- The Department requests \$4,199,062 General Fund in FY 2015-16 and \$3,832,402 thereafter to fully fund the Licensing Services Cash Fund (LSCF) appropriation supporting the Division of Motor Vehicles (DMV) and to ensure a reserve equivalent to 16.5 percent of the appropriation. The Department requests a corresponding reduction in cash fund spending authority. There is no net increase to the Department's budget.

Current Program

- The LSCF pays for the cost of administration, personal services, and operating expenses incurred in the operation of driver's license offices. Revenue is collected from the issuance of driver's licenses, commercial driver licenses, permits, identification cards, and special license plates.
- In FY 2013-14, the LSCF had a total appropriation of \$30.1 million while revenue totaled only \$24.0 million.
- The Department included four funding requests in its FY 2014-15 budget submission aimed at improving customer service, reducing wait times, ensuring a stable funding mechanism, and improving funding transparency.
- S.B. 14-194 authorized the DMV to increase fees for certain services and to set fees for services for which no fee was previously charged, beginning in FY 2015-16. The fees cannot increase by more than 20 percent the first year and by no more than 5 percent annually thereafter.

Problem or Opportunity

- The Department anticipates increasing fees for documents by 20 percent in FY 2015-16 per S.B. 14-194, generating nearly \$4.0 million in new revenue.
- Despite the fee increase, the LSCF is projected to have a structural deficit of \$2.5 million in FY 2015-16 and also does not have a sufficient reserve balance equivalent to two months of expenditures.

Consequences of Problem

- Inadequate funding to fully finance the LSCF appropriation will result in lack of investments in technology and facilities and unfilled Technician positions. The reduced workforce negatively impacts customer service, thereby increasing wait times, inconvenience, and dissatisfaction with driver service operations.
- Having a fund balance below the reserve requirement does not provide sufficient revenue for the DMV to finance unexpected expenditures or emergencies.

Proposed Solution

- The Department requests \$2,531,359 General Fund in FY 2015-16 to fund the gap between the LSCF appropriation and revenue, and an additional \$1,667,703 General Fund to ensure sufficient reserves equivalent to two months of expenditures, or 16.5 percent of the appropriation.



COLORADO

Department of Revenue

John W. Hickenlooper
Governor

Barbara Brohl
Executive Director

FY 2015-16 Funding Request | November 1, 2014

Department Priority: R-1

Request Detail: Division of Motor Vehicles Funding Deficit

Summary of Incremental Funding Change for FY 2015-16	Total Funds	General Fund	Cash Funds
Division of Motor Vehicles Funding Deficit	\$0	\$4,199,062	(\$4,199,062)

Problem or Opportunity:

This funding request continues the Department's efforts to modernize the operations and financing of the Division of Motor Vehicles (DMV). The modernization effort began with the Governor's FY 2014-15 budget submission, which included four decision items with the goal of improving customer service, reducing wait times, ensuring a stable funding mechanism, and improving funding transparency. This request addresses ongoing financial support for DMV's operations.

The DMV lacks sufficient revenue to support its Long Bill appropriation. The Licensing Services Cash Fund (LSCF) is financed with driver's license, identification document, and special plate fees. The fund supports the DMV administration, driver's license program, driver control program, and investigations unit.

Prior to the 2007 legislative session, the DMV was financed with General Fund. In the 2007 session, S.B. 07-241 authorized the creation of the LSCF to pay the cost of administration, personal services, and operating expenses incurred in the operation of driver's license offices. The bill increased driver's license fees from \$15.00 to \$20.40 (not including the \$0.60 identification security fee), of which \$5.40 was credited to the LSCF and \$15.00 was credited to the Highway Users Tax Fund (HUTF). Additionally, the bill mandated a \$25 surcharge on special license plates to be credited to the LSCF and specified that all revenue credited to the LSCF would remain in the fund and not revert to the General Fund or any other fund.

Since that time, the cash financing of driver's license operations has been extended through several bills. During the 2009 legislative session, two bills passed impacting the LSCF. Senate Bill 09-274 mandated that the entire \$20.40 fee relating to driver licenses be credited to the LSCF in FY 2009-10 to support driver license services, and S.B. 09-279 required \$2,589,894 be transferred from the LSCF to the General Fund on June 15, 2010. H.B. 10-1387 extended the financing structure introduced in S.B. 09-274 to FY 2010-11 and FY 2011-12. The bill also mandated that the LSCF balance in excess of 16.5 percent of the total appropriation be swept into the HUTF. In FY 2010-11, \$2,095,728 was swept into the HUTF. House Bill 12-1216 extended the cash financing of the DMV for three more years from FY 2012-13 through FY 2014-15.

The Department included four DMV-related funding requests in its FY 2014-15 budget submission, all aimed at improving the Division's financial and operational capacity. R-1, "DMV Funding Deficit" provided a one-time General Fund appropriation (\$6.2 million) to address the structural deficit and help

build a reserve balance in the LSCF. R-2, "DMV Customer Services Enhancements" expanded staffing by 52.0 FTE and Wait Less technology at driver's license offices to improve customer service and reduce wait times. R-3, "DMV-Driver License Examination Reclassification" reclassified 226 Examiner positions to the Technician class to minimize turnover and enhance recruitment. Additionally, R-5, "DMV Appropriation Restructure" changed DMV's Long Bill to align appropriations with the programs they support. These requests were all included in the FY 2014-15 Long Bill, and the JBC-sponsored S.B. 14-194 addressed statutory funding issues.

Senate Bill 14-194 authorized the DMV to increase fees for certain services and to set fees for services for which no fee was previously charged. The fee increases are capped at 20 percent for the first year and 5 percent in subsequent years. This authority becomes effective July 1, 2015. The revenue projection model for the LSCF was also recently updated to include document expiration data that was previously unavailable. Additionally, the model was adjusted to better capture the timing of revenue seasonality and the impact of the most current revenue trends.

Together, S.B. 14-194 and H.B. 14-1336 (FY 2014-15 Long Bill) provided the DMV with an ongoing financing plan that reduced the number of cash funds, eliminated certain fund balance transfers, and realigned the Long Bill structure with DMV operations. Although these two bills were significant steps in providing a comprehensive financing plan for the division, there still exists a gap between the LSCF appropriation and revenue despite anticipating a 20 percent fee increase as authorized in S.B. 14-194. See Appendix A for calculations.

This request builds on the financing plan introduced in the 2014 legislative session, which supports the DMV's strategic plan to continue streamlining operations and increasing effectiveness in serving customers in the most efficient manner possible in order to achieve an elegant experience for both customers and employees. The DMV developed a five-year strategic plan that provides a roadmap for the division to achieve higher levels of performance and attain a vision of having a high performing team with dedicated employees driving toward excellence in customer service, identity security, and public safety. The DMV strategic plan aligns with the Department's plan and its five goals of customer service, fiduciary responsibility, statutory responsibility, employees, and public confidence.

Proposed Solution:

The Department requests a General Fund appropriation totaling \$4,199,062 in FY 2015-16 and \$3,832,402 thereafter to refinance the projected gap between the LSCF appropriation and revenue and requests an equivalent reduction in cash funds. Appendix A shows the projected cash flow per the LSCF Schedule 9. The gap is estimated to total \$2,531,359 in FY 2015-16. The request also provides \$1,667,703 to fund reserves equivalent to two months of expenditures or 16.5 percent of the LSCF appropriation.

The Department expects to make similar requests in future years due to the limitations on DMV fee setting. Although the proposed solution anticipates a 20 percent increase in fees in FY 2015-16 generating \$3,972,728, fee increases after FY 2015-16 are capped at 5 percent and are not expected to keep pace with increases in operating costs, particularly those for personal services and information technology.

Anticipated Outcomes:

Refinancing the \$2.5 million gap between the LSCF appropriation and estimated fee revenue with General Fund will provide a stable and predictable funding source to supplement existing fees. Fully funding the appropriation allows the DMV to fill all authorized positions, implement plans to upgrade driver license offices, and invest in technology to further reduce wait times and promote customer service. Establishing a

cash fund reserve of \$4,550,341 for the LSCF, which is equivalent to two months of expenditures or 16.5 percent of the appropriation, will enable the DMV to meet unexpected expenditures or emergencies. Once the cash fund reserve is fully funded, the DMV will only need to manage to annual changes in revenue and appropriations.

Without this funding request, the DMV will be in the same untenable position as in FY 2013-14. To ensure the LSCF remained solvent in FY 2013-14, the DVM had to take the following actions: 1) held vacant positions open in the Driver's License and Driver Control business units ending the year with nearly 52.0 FTE vacant out of 321.9 FTE authorized positions (16.1%); 2) delayed replacement of equipment such as optical testing machines; 3) deferred all but health and safety maintenance projects at driver license offices; 4) curtailed all travel including regular visits to regional driver license offices; 5) deferred office reconfigurations; and 6) deferred discretionary operating spending.

If this request is not funded for FY 2015-16, the DMV will need to reduce expenditures by nearly \$2.5 million in order to align spending with revenue projections as shown in Appendix A. The consequences of this reduction would be catastrophic to driver license services. To put this problem into perspective, 54 Driver's License Technician positions would not be filled. This would cause major setbacks to the customer service initiatives that were funded in the FY 2014-15 budget. This reduction would dramatically increase customer wait times, inconvenience, and dissatisfaction resulting in a poor customer experience contrary to both the Department's and the DMV's strategic goals.

Assumptions and Calculations:

The Department requests a General Fund appropriation of \$4,199,062 in the (4) Division of Motor Vehicles, (B) Driver Services, Personal Services line item. Of this amount, \$2,531,359 is to fund the gap between the LSCF appropriation and revenue and the remainder of the request, \$1,667,703, is to increase the LSCF reserves from \$2,882,638 to \$4,550,341. The calculations in Appendix A are based on the following assumptions:

- (1) LSCF appropriations in the Executive Director's Office that are requested in FY 2015-16 and projected for FY 2016-17 are included in the analysis;
- (2) All appropriations include annualized amounts for prior year special bills and funding requests;
- (3) Revenue projections anticipate a 20 percent increase in fees in FY 2015-16 and no increase in fees for FY 2016-17;
- (4) The FY 2015-16 beginning cash fund balance is determined using the Department's anticipated expenditure and revenue estimates for FY 2014-15;
- (5) Total driver services expenditures remain unchanged, this net zero request refinances LSCF cash funds with General Fund;
- (6) The LSCF reserve balance is equivalent to two months of expenditures or 16.5 percent of the final LSCF appropriation; and
- (7) Other funding pressures on the LSCF will require additional General Fund appropriations.

Appendix A: Licensing Services Cash Fund Analysis

Licensing Services Cash Fund

Cash Flow per the Schedule 9	FY 2015-16	FY 2016-17
(A) Beginning Cash Fund Balance	\$2,882,638	\$4,550,341
(B) Projected Fee Revenue without Fee Increase	\$25,272,797	\$24,670,940
(C) Revenue due to FY 2015-16 20 Percent Fee Increase	<u>\$3,972,728</u>	<u>\$3,857,188</u>
(D) Projected Revenue under Proposal (D = B + C)	\$29,245,525	\$28,528,127
(E) Appropriation without Proposal	\$31,776,884	\$32,225,937
(F) General Fund Request to Close Funding Gap (F = E - D)	\$2,531,359	\$3,697,810
(G) General Fund to Reach 16.5 Percent Reserve*	<u>\$1,667,703</u>	<u>\$134,592</u>
(H) LSCF Appropriation under Proposal (H = E - F - G)	\$27,577,822	\$28,393,535
(I) TOTAL General Fund Request (H = F + G)	\$4,199,062	\$3,832,402
(J) Year-end Cash Fund Balance (J = A + D - H)**	\$4,550,341	\$4,684,933

* Amount required to reach reserve accounts for reduction in LSCF appropriation due to increase in GF

** Year-end Cash Fund Balance equivalent to 16.5 percent of final LSCF appropriation.

Schedule 13

Funding Request for the FY 2015-16 Budget Cycle

Department of Revenue

PB Request Number R-02

Request Title

R-02 CATS Maintenance and Support

Dept. Approval By: *Debra B. Borch* ^{10/30/14} x Supplemental FY 2014-15
 Change Request FY 2015-16
 Base Reduction FY 2015-16
 OSPB Approval By: *Grant N. Borch* Budget Amendment FY 2015-16

Line Item Information	Fund	FY 2014-15		FY 2015-16		FY 2016-17
		Appropriation	Request	Base Request	FY 2015-16	Continuation
Total		\$3,474,262	\$0	\$1,753,105	\$179,010	\$179,010
FTE		-	-	-	-	-
Total of All Line Items	GF	\$1,847,216	\$0	\$239,094	\$179,010	\$179,010
	CF	\$1,519,864	\$0	\$1,500,451	\$0	\$0
	RF	\$107,182	\$0	\$13,560	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2014-15		FY 2015-16		FY 2016-17
		Appropriation	Request	Base Request	FY 2015-16	Continuation
Total		\$3,474,262	\$0	\$1,753,105	\$179,010	\$179,010
	GF	\$1,847,216	\$0	\$239,094	\$179,010	\$179,010
04. Division of Motor Vehicles - (B) Driver Services, Operating Expenses	CF	\$1,519,864	\$0	\$1,500,451	\$0	\$0
	RF	\$107,182	\$0	\$13,560	\$0	\$0

Letternote Text Revision Required?	Yes	No	X	If Yes, describe the Letternote Text Revision:
Cash or Federal Fund Name and CORE Fund Number:	Not Applicable.			
Reappropriated Funds Source, by Department and Line Item Name:	Not Applicable.			
Approval by OIT?	Yes	No	Not Required:	X
Schedule 13s from Affected Departments:	Not Applicable.			
Other Information:	None.			



COLORADO

Department of Revenue

Priority: R-2
Colorado Automated Testing System
(CATS) Maintenance and Support
FY 2015-16 Change Request

Cost and FTE

- The Department requests \$179,010 General Fund for ongoing maintenance and support of the Colorado Automated Testing System (CATS). This represents a 0.4 percent increase to the Division of Motor Vehicles (DMV) base budget.

Current Program

- The DMV administers tests for driver licenses, commercial driver licenses (CDL), motorcycle driver licenses, and permits. In FY 2013-14, the DMV administered 273,680 written tests.
- In 2003, the Department purchased an automated testing system for CDLs utilizing funds from a one-time grant from the Federal Motor Carrier Safety Administration (FMSCA).
- In 2009, the DMV received \$1,005,985 from the FMSCA through the CDL Program Improvement (CDLPI) Grant to replace the existing CDL testing system. Through a modification to the Driver's License Security Grant Program (DLSGP), DMV received an added \$554,127 to augment CATS.
- In FY 2013-14, 1,099 of 30,199 CDL tests or 3.6 percent were administered using the testing machines. However, the automated testing machines are no longer operable or serviceable.
- The DMV received permission to utilize the CDLPI Grant to expand automated testing to include driver licenses, motorcycle licenses, and permits provided that CDL test applicants receive priority.
- In May 2014, the DMV contracted with a vendor to purchase a new automated testing system including hardware, software, installation, and one year of system maintenance.
- There is sufficient funding to purchase 162 machines to be installed in 34 state-operated driver's license offices and 9 county-operated offices to automate all 273,000 written tests.
- The deployment plan includes 94 machines funded through the CDLPI grant to be operational December 2014 and 68 machines funded through the DLSGP to be operational by fiscal year-end.

Problem or Opportunity

- This request continues the Department's efforts to modernize the operations of the DMV, which began with the Governor's FY 2014-15 budget to improve customer service and reduce wait times.
- The DMV desires to administer all test types through an automated testing system. However, the state must assume these ongoing maintenance costs.
- An automated testing system (1) decreases the risk of fraudulent activity; (2) decreases the incidence of data entry and scoring errors; (3) is more efficient to score; and (4) provides automated test results that can be used to enhance driver education materials and processes.

Consequences of Problem

- Without annual maintenance and support of the system, there would be no regular software updates to utilize the system's full functionality or hardware maintenance. The DMV would have to administer paper tests if the machines become inoperable.

Proposed Solution

- The Department requests \$179,010 General Fund in FY 2015-16 and thereafter for contracted support of the CATS to include hardware maintenance, licenses, and remote hosting services.



COLORADO

Department of Revenue

John W. Hickenlooper
Governor

Barbara Brohl
Executive Director

FY 2015-16 Funding Request | November 1, 2014

Department Priority: R-2

Request Detail: Colorado Automated Testing System (CATS) Maintenance and Support

Summary of Incremental Funding Change for FY 2015-16	Total Funds	General Fund
Colorado Automated Testing System (CATS) Maintenance and Support	\$179,010	\$179,010

Problem or Opportunity:

This funding request continues the Department's efforts to modernize the operations and financing of the Division of Motor Vehicles (DMV). The modernization effort began with the Governor's FY 2014-15 budget submission, which included four decision items with the goal of improving customer service, reducing wait times, ensuring a stable funding mechanism, and improving funding transparency. This request is anticipated to both improve customer service and reduce wait times by providing a more efficient and effective testing process.

The Division of Motor Vehicles is installing a new automated testing system for the written portion of driver's license examinations. The purchase and installation of this system is being funded with federal grant moneys.

Under Sections 42-2-403 (2)(a) and (b) C.R.S., the Department is required to promulgate rules and regulations to govern all aspects of licensing commercial drivers including testing procedures. Section 42-2-104(3)(a) C.R.S. requires the Department to not issue a driver license to any person who has not successfully passed an examination. The DMV requires knowledge and road tests to determine whether the applicant may be issued a driving permit or an additional endorsement within a license category (e.g., a motorcycle endorsement to a standard driver's license). Tests may also be required for the reinstatement of a license. The knowledge test, also referred to as the "written" test, examines aspects of driving knowledge, including the rules of the road and driving safety. The knowledge test can be administered either using paper-based or computer-based system. In FY 2013-14, the DMV administered 273,680 knowledge tests in state- and county-operated driver's license offices.

Currently, the DMV provides driver's license knowledge tests in paper-based written format. However, in prior years certain tests were offered using an automated testing system. In 2003, Colorado was one of the first states to purchase an automated testing system for commercial driver's license (CDL) tests using one-time grant funds from the Federal Motor Carrier Safety Administration (FMSCA). The automated testing system was installed in two phases: In 2004, eight testing machines were installed and activated. In 2006, the system was expanded statewide.

Three years after full implementation, the maintenance/warranty contract expired. The testing system, although operational, deteriorated due to lack of funding to upgrade the software and replace the hardware. During FY 2013-14, 1,099 of 30,199 (3.6 percent) written CDL tests were administered using the few remaining testing machines. Currently, no testing machines are operational.

Without an operational automated testing system all driver license, CDL, motorcycle, and permit knowledge tests are administered using a paper-based test. The paper-based test is less efficient to administer and has an increased potential for scoring and data entry errors and fraud. As part of an effort to return to an automated testing environment, the DMV secured \$1,005,985 in funding from FMCSA's Commercial Driver License Program Improvement (CDLPI) Grant. The DMV was given permission to use the CDLPI Grant to replace the existing CDL testing system including the purchase and installation of 94 testing machines. Additionally, the DMV requested and received permission to utilize the grant to expand automated testing to include driver licenses, motorcycle licenses, and permits provided that CDL test applicants receive priority. The Department also requested a modification of a Department of Homeland Security Driver's License Security Grant Program (DLSGP) award for an additional \$554,127. This approval was granted on August 12, 2014. This funding will be used to augment the CDL grant and enable the DMV to purchase and install an additional 68 testing machines in driver license offices.

In October of 2013, the Department selected a vendor to purchase and install a new automated testing system referred to as the Colorado Automated Testing System (CATS) through a competitive RFP process. The final contract, which covered hardware and software, installation, and one year of maintenance, was signed in May 2014. The combined grants will fund the purchase and installation of 162 machines to be installed in each of 34 state-operated driver license offices and nine county-operated offices. The initial 94 testing machines are expected to be fully deployed and operational in December 2014. The remaining 68 machines are expected to be operational by the end of the fiscal year.

Following user acceptance testing, a one-year warranty period begins. The warranty period includes: replacing hardware (if needed), upgrading software, translating tests into Spanish (DMV is covering the cost of translating the tests in additional languages outside of this contract), scoring tests instantly, and interfacing directly with the Driver License System to upload the test results in a vendor-hosted environment.

The Department will have the option to extend the contract with the current vendor at the end of the one-year warranty period. The Department will, however, require additional funds to support ongoing hardware and software maintenance, licensure, and remote hosting services. These ongoing costs are not allowable costs under FMCSA grant.

Proposed Solution:

The Department requests \$179,010 General Fund in FY 2015-16 and ongoing to provide hardware and software maintenance for the CATS system, licenses, remote hosting services, and an escrow account for required maintenance beginning in January of 2016. A breakdown of associated costs provided by the current vendor is found in the Assumptions and Calculations section below.

The Department's implementation of an automated testing system helps to meet the goal of enhancing customer service while reducing the risk of fraud and errors by offering the following advantages over paper-based written tests: (1) test questions are a randomized selection from a larger set of questions, making it harder for an applicant to pass along questions to other applicants – either verbally or by taking pictures of the test questions; (2) testing machines and system software safeguard against applicants having

another person take the test on their behalf; and (3) the system scores the tests and uploads the results to the Driver License System reducing the potential for errors in scoring and data entry and making the results available immediately upon test completion. If a written test is compromised, all tests must be collected, destroyed, rewritten, reprinted, and redistributed to all testing locations resulting in increased costs.

By leveraging the CDLPI and DLSGP grants, the Department is able to purchase and install the CATS system. However, without annual maintenance and support of the system, CATS will not receive regular software or hardware upgrades – risking the security of customer information, increasing the probability of utilizing written tests creating longer wait times for applicants, and failing to take advantage of the system's full functionality.

Anticipated Outcomes:

Requested funding will guarantee ongoing support to the 162 machines funded by the CDLPI and DLSGP grants. The Department estimates that all 273,680 tests will be administered using CATS. Although paper tests will still be available, DMV envisions that they will only be used in rarest of circumstances. With CATS, the Department anticipates a significant reduction in the opportunity for fraud and enhanced accuracy in testing data. The DMV will also receive automated test results that can be used to enhance driver education materials and create process improvements that will allow the DMV to customize tests. The Department expects to save time from scoring tests and entering data and, instead, focus on providing customer service.

Implementing CATS helps assure that DMV's operations meet federal regulations and desired outcomes for driver license programs. For example, installing the CATS system is the only practicable way for Colorado to comply with 49 CFR 383.133, which specifies the following regarding CDL testing as part of the federal government's fraud prevention efforts:

49 CFR 383.133: Test methods.

- (a) All tests must be constructed in such a way as to determine if the applicant possesses the required knowledge and skills contained in subpart G of this part for the type of motor vehicle or endorsement the applicant wishes to obtain.
- (b) Knowledge tests:
 - (1) States must use the FMCSA pre-approved pool of test questions to develop knowledge tests for each vehicle group and endorsement. The pool of questions must be comparable to those in AAMVA's "2005 CDL Test System (July 2010 Version) 2005 Test Item Summary Forms," which FMCSA has approved and provides to all State Driver Licensing Agencies.
 - (2) The State method of generating knowledge tests must conform to the requirements in paragraphs (b)(2)(i) through (iv) of this section and be pre-approved by FMCSA. The State method of generating knowledge tests must be comparable to the requirements outlined in AAMVA's "2005 CDL Test System (July 2010 Version) 2005 Requirements Document For Use In Developing Computer-Generated Multiple-Choice CDL Knowledge Tests", which FMCSA has approved and provides to all State Driver Licensing Agencies to develop knowledge tests for each vehicle group and endorsement. These requirements include:
 - (i) The total difficulty level of the questions used in each version of a test must fall within a set range;
 - (ii) Twenty-five percent of the questions on a test must be new questions that were not contained in the previous version of the test;

- (iii) Identical questions from the previous version of the test must be in a different location on the test and the three possible responses to the questions must be in a different order; and
 - (iv) Each test must contain a set number of questions with a prescribed number of questions from each of the knowledge areas.
- (3) Each knowledge test must be valid and reliable so as to ensure that driver applicants possess the knowledge required under § 383.111. The knowledge tests may be administered in written form, verbally, or in automated format and can be administered in a foreign language, provided no interpreter is used in administering the test.
- (4) A State must use a different version of the test when an applicant retakes a previously failed test.

Assumptions and Calculations:

The following table provides a breakdown of the annual maintenance and support costs. The amounts shown are from the vendor contract discussed in the Problem or Opportunity section.

CATS Maintenance Request FY2015-16	Units	Per Unit Cost	Total
Office Site License	47	\$400	\$18,800
Test Station License	162	\$400	\$64,800
Test Station Maintenance	162	\$450	\$72,900
Remote Hosting Services	1	\$20,612	\$20,612
Escrow Annual Maintenance Fee	1	\$1,898	\$1,898
Total General Fund Request			\$179,010

Maintenance is required annually, beginning in FY 2015-16. Payments are made in January for one calendar year of maintenance. The office site licenses include the 43 driver license offices and four additional licenses used for administrative purposes to run reports and monitor the system.

Schedule 13

Funding Request for the FY 2015-16 Budget Cycle

Department of Revenue

PB Request Number R-03

Request Title

R-03 DMV Long Bill Technical Adjustments

Dept. Approval By: *Debra Ball* 10/30/14 Supplemental FY 2014-15
 x Change Request FY 2015-16
 OSPB Approval By: *Greg M. Hall* Base Reduction FY 2015-16
 Budget Amendment FY 2015-16

Line Item Information	Fund	FY 2014-15		FY 2015-16		FY 2016-17
		Appropriation	Request	Base Request	FY 2015-16	Continuation
Total		\$27,505,560	\$0	\$23,678,480	\$0	\$0
FTE		417.1	-	417.7	0.0	0.0
Total of All Line Items	GF	\$10,914,496	\$0	\$3,430,113	\$0	\$0
	CF	\$16,336,804	\$0	\$20,074,343	\$0	\$0
	RF	\$254,260	\$0	\$174,024	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2014-15		FY 2015-16		FY 2016-17
		Appropriation	Request	Base Request	FY 2015-16	Continuation
Total		\$1,453,280	\$0	\$1,522,321	\$51,345	\$51,345
FTE		16.9	-	17.9	1.0	1.0
04. Division of Motor Vehicles - (A) Administration, Personal Services	GF	\$29,761	\$0	\$229,494	\$0	\$0
	CF	\$1,423,519	\$0	\$1,292,827	\$0	\$0
	RF	\$0	\$0	\$0	\$51,345	\$51,345
Total		\$80,034	\$0	\$81,854	\$3,390	\$3,390
GF		\$1,670	\$0	\$12,340	\$0	\$0
04. Division of Motor Vehicles - (A) Administration, Operating Expenses	CF	\$78,364	\$0	\$69,514	\$0	\$0
	RF	\$0	\$0	\$0	\$3,390	\$3,390

	Total	\$21,346,054	\$0	\$19,161,807	(\$116,814)	(\$116,814)
	FTE	395.2	-	394.8	(2.9)	(2.9)
04. Division of Motor Vehicles - (B) Driver Services, Personal Services	GF	\$9,035,849	\$0	\$2,949,185	\$0	\$0
	CF	\$12,163,127	\$0	\$16,052,158	(\$65,469)	(\$65,469)
	RF	\$147,078	\$0	\$160,464	(\$51,345)	(\$51,345)
	Total	\$3,474,262	\$0	\$1,753,105	(\$5,195)	(\$5,195)
	GF	\$1,847,216	\$0	\$239,094	\$0	\$0
04. Division of Motor Vehicles - (B) Driver Services, Operating Expenses	CF	\$1,519,864	\$0	\$1,500,451	(\$1,805)	(\$1,805)
	RF	\$107,182	\$0	\$13,560	(\$3,390)	(\$3,390)
	Total	\$1,151,930	\$0	\$1,159,393	\$67,274	\$67,274
04. Division of Motor Vehicles - (B) Driver Services, Ignition Interlock Program	FTE	5.0	-	5.0	1.9	1.9
	CF	\$1,151,930	\$0	\$1,159,393	\$67,274	\$67,274

Letternote Text Revision Required?	Yes	<u>X</u>	No	<u> </u>	If Yes, describe the Letternote Text Revision:
<p>Letternotes referencing the First Time Drunk Driving Offender Account of the Highway Users Tax Fund must be adjusted to incorporate the funding change. The following (4) <i>Division of Motor Vehicles, (B) Driver Services</i> lines are affected: Personal Services; Operating; and Ignition Interlock Program.</p>					
Cash or Federal Fund Name and CORE Fund Number:			Fund 4050 - First Time Drunk Driving Offenders Account, a subaccount of Fund 4300 - Highway Users Tax Fund		
Reappropriated Funds Source, by Department and Line Item Name:			General Fund, Department of Corrections, (2) Institutions, (1) Case Management Subprogram, Offender ID Program		
Approval by OIT?	Yes	<u> </u>	No	<u> </u>	Not Required: <u>X</u>
Schedule 13s from Affected Departments:			Not Applicable.		
Other Information:			None.		



COLORADO

Department of Revenue

Priority: R-3
DMV Long Bill Technical Adjustments
FY 2015-16 Change Request

Cost and FTE

- The Department requests technical adjustments to several Division of Motor Vehicle (DMV) line item appropriations to align the Long Bill appropriations with operations resulting in no net fiscal impact.

Current Program

- The Ignition Interlock Program monitors compliance on interlock restricted licenses. Funding in this line pays for the program's staff, benefits, and contract services associated with the oversight of the program, as well as costs for interlock services for violators who require financial assistance for the cost of an interlock device.
- The DMV Investigations Unit conducts investigations of fraud, ensures statutory compliance, and provides advocacy for victims of identity fraud.
- The FY 2014-15 Long Bill incorporated R-5, "DMV Appropriation Restructure," which aligned the Long Bill structure with DMV operations.

Problem or Opportunity

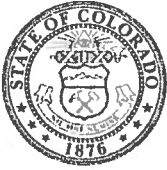
- This funding request continues the Department's efforts to modernize the operations and financing of the DMV, which began with the Governor's FY 2014-15 budget to improve customer service, reduce wait times, ensure stable funding mechanisms, and improve funding transparency.
- H.B. 13-1240 granted \$67,274 in annualized funding in FY 2015-16 for implementation of changes related to drunk driving penalties. This funding was allocated to the Driver and Vehicle Services, Personal Services and Operating lines, and should have been allocated to the Ignition Interlock line.
- The DMV Investigations Unit received \$54,735 in funding in FY 2014-15 through the Department of Correction's BA-1, "Pre-Release Services." At the time the budget amendment was drafted, the Schedule 13 reflected the correct placement of funding in the Driver and Vehicle Services, Personal Services and Operating lines. However, these line items were identified prior to the DMV's appropriation restructure through R-5. The funding should now be allocated to the Division's Administration Personal Services and Operating lines.

Consequences of Problem

- Financial and FTE reporting will be inaccurate for the affected programs and line items.

Proposed Solution

- The Department requests offsetting technical adjustments in the affected line items to align DMV Long Bill appropriations with operations. The Department intends to submit a FY 2014-15 supplemental request to incorporate these changes.
- Included in the changes are reductions of \$116,814 and 2.9 FTE in the Driver Services, Personal Services line and \$5,195 in the Driver Services, Operating line in FY 2015-16 and ongoing. The Department requests offsetting increases of \$67,274 and 1.9 FTE in the Ignition Interlock line, as well as \$51,345 and \$3,390 in the Division of Motor Vehicles, Administration, Personal Services and Operating lines and 1.0 FTE in FY 2015-16 and ongoing.



COLORADO

Department of Revenue

John W. Hickenlooper
Governor

Barbara Brohl
Executive Director

FY 2015-16 Funding Request | November 1, 2014

Department Priority: R-3

Request Detail: DMV Long Bill Technical Adjustments

Summary of Incremental Funding Change for FY 2015-16	Total Funds	General Fund	Cash Funds	Reappropriated Funds
DMV Long Bill Technical Adjustments	\$0	\$0	\$0	\$0

Problem or Opportunity:

This funding request continues the Department's efforts to modernize the operations and financing of the Division of Motor Vehicles (DMV). The modernization effort began with the Governor's FY 2014-15 budget submission, which included four decision items with the goal of improving customer service, reducing wait times, ensuring a stable funding mechanism, and improving funding transparency. This request improves transparency by aligning the Long Bill appropriations with operations.

The Department has identified two situations where personal services and operating costs in the Long Bill do not align with the Division of Motor Vehicles current operational structure. This budget neutral change request moves these costs to the correct line item appropriations.

During the 2014 legislative session, the Department of Corrections (DOC) requested and received funding to enhance overall parole operations through BA-1, "Pre-Release Services." As part of BA-1, the DMV Investigations Unit received reappropriated funding of \$50,542 and 0.9 FTE for a Compliance Investigator in FY 2014-15. These expenditures annualized to \$54,735 and 1.0 FTE in FY 2015-16. BA-1 correctly appropriated funding to the DMV's Driver and Vehicle Services, Personal Services and Operating lines. However, the Department of Revenue was simultaneously realigning the Long Bill structure for the DMV through R-5, "DMV Appropriation Restructure." The new resources were not appropriated to the personal services and operating lines of the Administration group, as requested in R-5.

House Bill 13-1240 appropriated cash funding from the First Time Drunk Driving Offender subaccount of the Highway Users Tax Fund to implement changes related to "driving while impaired" penalties. For the driver's license personnel addressed in this decision item, the bill appropriated \$100,120 and 1.0 FTE in FY 2013-14. These expenditures annualized to \$76,775 and 1.9 FTE in FY 2014-15 and \$67,274 and 1.9 FTE in FY 2015-16 and thereafter. This funding was appropriated to the Driver and Vehicle Services, Personal Services and Operating lines. However, it should have been appropriated to the Ignition Interlock line.

Although the Department is not impacted operationally by the misalignment of funds and FTE, the requested adjustments improve accountability and transparency by accurately reflecting DMV expenditures in the appropriate line items. These technical adjustments impact several Long Bill lines, but do not impact overall dollar appropriations.

Proposed Solution:

For FY 2015-16 and thereafter, the Department requests changes to the Long Bill line items summarized in Table 1: DMV Long Bill Technical Adjustments. The Department will submit a supplemental request to address FY 2014-15 funding, also shown in Table 1.

Table 1: FY 2014-15 and FY 2015-16 DMV Long Bill Technical Adjustments

	FTE Change	Funding Change	Funding Source
Line Item	Increases = Correct Line Decreases = Incorrect Line		
FY 2014-15			
(4) Division of Motor Vehicles,			
(A) Administration, Personal Services	0.9	\$ 47,062	DOC BA-1
(A) Administration, Operating		\$ 3,390	DOC BA-1

Anticipated Outcomes:

If these requested adjustments are approved, the Department's appropriations will be representative of actual spending. Funding and FTE reporting will be correct for the personal services and operating expenditures shown for DMV's Administration, Driver Services, and Ignition Interlock Program lines.

Assumptions and Calculations:

The adjustment is based on the annualized amounts for H.B. 13-1240 and DOC's FY 2014-15 BA-1. Long Bill adjustments are funding neutral. Please see Table 1 in the Proposed Solutions section and the Schedule 13 for calculations.