DEPARTMENT OF REVENUE
FY 2015-16 JOINT BUDGET COMMITTEE HEARING AGENDA

Monday, January 5, 2015
9:00 am – 10:30 am

9:00-9:20 INTRODUCTIONS AND OPENING COMMENTS

9:20-9:40 QUESTIONS COMMON TO ALL DEPARTMENTS

(The following questions require both a written and verbal response.)

1. SMART Government Act:
   a. Please describe how the SMART Government Act is being integrated into the Department's existing processes (both in terms of service delivery and evaluating performance).
   b. How is the data that is gathered for the performance management system used?
   c. Please describe the value of the act in the Department.

   Response:
   The Department's Strategic Plan drives its operations. This plan is a living document that guides the Department's budgetary and legislative actions and/or the allocation of resources. Performance measures are tracked and reported quarterly and annually. The measures provide timely information on how well the Department is meeting its stated goals and objectives and highlights areas of concern where adjustments may need to be made. It ensures resources are being utilized in a manner that best serves the Department and its customers.

   The Department developed its Strategic Plan in FY 2012-13 and is reviewed and updated on an annual basis. The plan was developed by an employee committee in coordination with the Executive Management Team. It incorporates all areas of the Department including the Lottery, Division of Motor Vehicles (DMV), Taxation, Enforcement, and Administration. The plan includes vision and mission statements and five main goals of customer service, fiduciary responsibility, statutory responsibility, employees, and public confidence. These goals were the basis for which the performance measures were developed for each line of business.

   A good example of the Department integrating the strategic plan and performance measures in its processes is in the FY 2014-15 and FY 2015-16 budget submissions, whereby the Department developed a comprehensive budget, legislation, and technology strategy for the DMV. A performance measure for the DMV requires driver's license customer transactions to be completed within an average of 60 minutes 65 percent of the time in FY 2013-14, migrating to a performance measure of an average of 15 minutes 80 percent of the time in FY 2017-18. In an effort to accomplish this goal, the Department secured $11.2 million General Fund to fund three budget actions in FY 2014-15 and

$41.0 million General Fund to fund the first year of a two-year request for the Driver's License, Record, Identification, and Vehicle Enterprise Solution (DRIVES) project, and passage of S.B. 14-194. To continue the efforts to modernize DMV operations and achieve its customer service goals, the FY 2015-16 budget includes $4.4 million General Fund to fund two budget actions and $52.4 million to fund the second year of the DRIVES project.

2. Do you have infrastructure needs (roads, real property, information technology) beyond the current infrastructure request? If so, how do these needs fit in with the Department's overall infrastructure priorities that have been submitted to the Capital Development Committee or Joint Technology Committee? If infrastructure should be a higher priority for the Department, how should the Department's list of overall priorities be adjusted to account for it?

Response:
The Department does not have infrastructure needs beyond the FY 2015-16 capital construction request to fund the second year of the DRIVES project.

3. Describe the Department's experience with the implementation of the new CORE accounting system.
   a. Was the training adequate?
   b. Has the transition gone smoothly?
   c. How has the implementation of CORE affected staff workload during the transition?
   d. Do you anticipate that CORE will increase the staff workload on an ongoing basis? If so, describe the nature of the workload increase and indicate whether the Department is requesting additional funding for FY 2015-16 to address it.

Response:
a. CORE training was not adequate for the following reasons:
   1. **The e-mail invitations and registration system used for training did not effectively reach all users who required training.**
   2. **Many users were unable to attend training as the scheduled classes were full by the time they were able to access the registration system.**
   3. **Users who did attend the training often experienced system outages in the training environment and/or the training environment did not have all of the functionality required to perform many of the class exercises.**

Furthermore, CORE training was initially developed by the system vendor without input from state functional leads. The content did not necessarily reflect typical state activity and transactions. State functional leads and team members presented the training and modified the content as they progressed through the training, where possible. As a result, policies, procedures, and job aids changed over time. This made it difficult for staff to apply the training to their daily job duties after system implementation. Fortunately, the Department had numerous staff members participating on the functional teams. These members have and will continue to provide additional training and assistance to the Department's end users as needed.

b. **The transition has not been as smooth as expected because the system has not functioned at a level necessary for deployment. While vendors are being paid, the complexity of the procurement module has been challenging as documents have had to be revised numerous times to allow payment. The conversion of vendors was problematic as well. Early on, payments were delayed at times because the vendors did not exist in the new system. This issue now appears to have been resolved. Payroll is being processed in a different system, so employees are being paid, but the interface to CORE is still problematic and payroll expenditures are not being posted in a timely manner. Another challenge for the staff is extracting information from the system as the reporting function is not working properly. It is not clear what information the reports are pulling and how to determine whether the information is correct. These issues are making it very difficult for division budget directors to effectively manage their budgets. Given these problems, the Office of the State Controller convened a special reporting group that is reviewing all reports for accuracy.**

   The Department has managed the transition well despite these difficulties, with staff making every effort to keep the Department functional while identifying and working to resolve issues in CORE. However, there are still many issues that have not been fully resolved that have a significant impact. For example, CORE did not include vendor offset functionality. Vendor offset allows the interception of payments from vendors who owe taxes to the state. While testing is ongoing, this issue has not been resolved, resulting in no taxes being intercepted to date. Another issue is not having the capability to manually upload year-end transactions into CORE. It is unknown if or when this functionality will be configured.

c. **The implementation of CORE has increased staff workload due to the learning curve involved with a new system and chart of accounts. Additionally, staff workload has increased to provide initial and ongoing training and assistance to end users. It is expected to decrease as system functionality improves and experience is gained.**

d. **The Department recognizes that the implementation of such a substantial new system will drive additional short-term workload as employees adjust to new ways of doing business. As employees adjust to new business processes and become more familiar with the CORE system, it is expected that this short-term workload increase will dissipate. Any long-term staffing changes resulting from CORE -- whether increases or decreases -- will not be known before the system reaches a steady operational state. At this time, the Executive Branch is not submitting any requests for FY 2015-16 to address the impact of CORE on normal Departmental financial services operations.**

9:40-10:00 MARIJUANA TAX CASH FUND

4. Please discuss the timing of revenues to the Marijuana Tax Cash Fund.
   a. When are transfers made to and from the account?

b. What is the final amount collected in FY 2013-14 that will be available for FY 2014-15?
c. What degree of certainty is there that this figure will not change?

Response:

a. **Per Section 12-43.3-501 (1)(f)(I), C.R.S., on July 1, 2014, the state treasurer shall transfer to the Marijuana Tax Cash Fund (MTCF) any moneys in the Marijuana Cash Fund that are attributable to retail marijuana sales taxes. As shown in the table below, $18.9 million was transferred to the MTCF to fund the appropriations authorized in S.B. 14-215. Deposits are made to the MTCF in FY 2014-15 and thereafter on a daily basis and/or when the revenue is received by the Department. Per Section 39-28.8-501 (2)(a), C.R.S, the General Assembly cannot appropriate moneys in the MTCF for the fiscal year in which they were received by the state except for the Department of Revenue for the direct and indirect costs of the Marijuana Enforcement Division. The Department received an appropriation totaling $7.6 million from the MTCF in FY 2014-15 and ongoing per S.B. 14-215.**

b. **As shown below, $25.3 million was collected in FY 2013-14, less $6.4 million in distributions in FY 2013-14. The amount available for transfer to the MTCF totaled $18.9 million. The FY 2013-14 collections and distributions are as follows:**

Total Tax Collected in FY 2013-14	**25,307,067**
Transfer to General Fund per 39-26-123 (6)	**(2,000,000)**
Transfer to Department of Education per 39-28.8-305	**(3,014,839)**
Transfer to Locals 15% of Special Sales per 39-28.8-203 (1)(a)(I)	**(1,353,503)**
Total Distributions Completed FY 2013-14	**(6,368,342)**
Amount Transferred to the Marijuana Tax Cash Fund, July 1, 2014	**18,938,725**

c. **Both the State Controller and the Department are in agreement with the total amount transferred to the MTCF of $18,938,725. This amount is not expected to change.**

10:00-10:10 DIVISION OF MOTOR VEHICLES

5. Discuss the benefit to appropriating General Fund for multiple years for the Division of Motor Vehicles. Does the Department foresee itself exercising its authority to increase fees by 5.0 percent in FY 2015-16? What process will the Department use in future years to determine when to increase fees?

Response:

Since the creation of the Licensing Services Cash Fund (LSCF) in 2007, the Department has had challenges generating sufficient revenue to fully fund its spending authority as appropriated in the Long Bill. The structural deficit between the LSCF appropriation and revenue has worsened since FY 2009-10, when the LSCF was subject to a statutorily required transfer of $2,589,894 to the General Fund for budget balancing purposes. The ongoing structural deficit has created operational challenges for the DMV including the

need to hold positions vacant due to a lack of resources. In FY 2013-14, vacancies in the Driver's License and Driver Control units totaled over 50.0 FTE. These vacancies negatively impact customer service by increasing wait times and furthering dissatisfaction with DMV services. The DMV has not had the resources to meet basic operational needs, preventing upgrades to driver license offices and investments in technology.

The FY 2014-15 Long Bill provided $11.2 million General Fund to support several DMV initiatives including the following: (1) $6.2 million for R-1, "DMV Funding Deficit"; (2) $4.2 million for R-2, "DMV Customer Service Enhancements"; and (3) $837,502 for R-3, "DMV Driver License Examiner Reclassification." Additionally, $41.0 million was provided to fund the first year of the DRIVES capital construction project. The FY 2015-16 budget continues the Department's efforts to modernize the operations and financing of the DMV by providing General Fund for the following initiatives: (1) $4.2 million for R-1, "DMV Funding Deficit"; (2) $179,010 for R-2, "Colorado Automated Testing System Maintenance and Support;" and (3) $52.4 million to fund the second and final year of the DRIVES project.

Appropriating General Fund to finance a portion of the DMV's spending authority provides the following benefits: 1) a more stable and reliable funding source; (2) the ability to fund a staffing plan that provides a consistent level of services uninterrupted by unpredictable changes in document issuance; (3) technology investments and the maintenance of IT systems that were not supported due to insufficient cash flow; (4) document and service fees that are lower than they otherwise would be if fees had to fully fund the DMV's appropriation; and (5) adequate reserves to fund emergencies and weather declines in document issuance rather than utilizing funds needed to support DMV operations.

The DMV is conducting a fee setting analysis to be effective July 1, 2015. The DMV engaged a consultant to update the DMV's cost accounting study that was completed in 2011. This study will determine the direct and indirect costs associated with the issuance of driver's licenses, identification cards, and other documents as well as the provision of specific services. The results of the cost accounting study will be evaluated to determine the appropriate fees for issuing documents and providing services. Per Section 42-114.5 (3), C.R.S., fees cannot increase more than 20 percent before July 1, 2016, or by more than 5 percent in each year thereafter. As required, the Department will submit a report to the Joint Budget Committee 30 days prior to the fees becoming effective per Section 42-2-114.5 (4), C.R.S. The report must: (1) list the fees being changed and the amounts of the changes; and (2) provide an explanation of the reasons for the changes and an analysis of why the changes are needed.

The Department plans to use this fee setting methodology for all subsequent fee setting purposes. It is premature to predict whether the Department would exercise its statutory authority to propose 5 percent annual fee increases. The Department intends to take a measured approach to increasing fees in the future and will base its decision on

whether there is demonstrated justification to do so while considering a number of operational and financial factors.

6. Discuss how the salary survey, which does not account for cost of living adjustments between localities, affects the Division of Motor Vehicles ability to hire and retain employees in resort communities. What actions would need to be taken if the General Assembly wanted to provide some of that flexibility? Which locations are affected and how?

   Response:
   The State Personnel Rules allow departments to pay a new hire anywhere within a given pay range. Additionally, in the FY 2014-15 budget, the Department received $837,502 General Fund to fund R-3, "DMV Driver License Examiner Reclassification," whereby Driver License Examiner positions were reclassified to the Technician class series, which has a higher pay range. The Department cannot say with certainty that salary survey will help with recruitment and retention issues in certain areas of the state.

   There are several challenges to hiring qualified candidates in rural resort communities. These areas have a higher cost of living and the pay may not be sufficient to sustain living and working in the same community. Many of these residents living in these communities are retired and/or are more affluent and not interested in the type of employment opportunities offered by the DMV. Like other employers in these areas, the Department has to attract applicants living in less expensive outlying areas, which tend to require more travel. This forces the Department to compete with employers from the retail, hospitality, and other service industries for those same limited number of applicants.

   The Department encourages the General Assembly to work with the Department of Personnel and Administration to study pay adjustments based on location of employment. For example, the federal government provides Locality Pay to adjust salaries based on the cost of living of specific areas. This pay adjustment accounts for regional differences in the cost of living, but also ensures salaries are commensurate for performing the same job duties.

7. Discuss the statutory change the Division of Motor Vehicles is seeking to bring the fees from bulk data record requests in line with national fees. Please provide a comparison of those fees by state.

   Response:
   The Department is seeking an amendment to Section 42-1-306(3.7)(e), C.R.S., that would direct the funds from the sale of bulk records to be deposited in both the Licensing Services Cash Fund (LSCF) and the HUTF after certain thresholds are met. Currently, the DMV provides two types of records: individual and bulk.

   Individual Records: **Individuals may request copies of public records from the Department per Section 42-1-206 (1), C.R.S. The statutory fee of $2.20 per record is collected for a copy of an individual Driver's License Record (DLR) or Title, Lien, or Registration Record (TLR) per Section 42-1-206 (2)(a), C.R.S. These fees are retained**

by the Department to defray some of the cost of providing the copies. Requestors must also comply with the specifications listed in Sections 42-1-206 (1) and (2), C.R.S., in order to receive a DLR or TLR.

Bulk Records: **Section 42-1-206 (3.7)(a), C.R.S., states that the Department "shall establish a system to allow bulk electronic transfer of information to primary users and vendors who are permitted to receive such information pursuant to Section 24-72-204 (7), C.R.S. Bulk transfers to vendors shall be limited strictly to vendors who transfer or resell such information for purposes permitted by law." This statute also specifies which information may be obtained during the course of these searches. Section 42-1-206 (3.7)(b), C.R.S., enumerates the responsibilities of the Department in promulgating rules governing annual contracts with primary users.**

The state partners with a quasi-governmental agency, the Statewide Internet Portal Authority (SIPA), to develop the state's web portal (Colorado.gov) and to provide e-Government services. SIPA, in turn, contracts with Colorado Interactive, LLC, (CI) as the integrator for the Colorado State Portal. In addition, by statute, SIPA has designated CI as the entity that provides bulk records. As a result, the Department has a separate and direct contract with CI for the provision of bulk records. Currently, the contract is for the bulk transfer of DLRs and TLRs. The Department does not currently provide accident records.

Section 42-1-206 (3.7)(b)(I), C.R.S., allows for a reasonable fee to be charged to the vendor (CI) and to "primary users", for example insurance companies, that encompasses all direct costs of the Department related to the bulk electronic transfer of information to the primary user or vendor. Section 42-1-306 (3.7)(e), C.R.S., directs the Department to forward all fees to the state treasurer for credit to the HUTF. Section 42-1-206 (3.7)(f)(4), C.R.S., provides that the Executive Director by rule may increase or decrease the fee. The fees charged by Colorado Interactive are defined in the contract with the Department. These fees, less the amount transferred to the HUTF, are retained by CI. The table below provides the fee structure by type of record and fee type.

Type of Record	Fee Type	Fee Amount	Fee Term
DLR	Individual record search by vendor	$2.00	Per search
DLR	Monitoring 1-400,000 records	$0.06	Per record, per month monitored
DLR	Monitoring 400,001-750,000 records	$0.02	Per record, per month monitored
DLR	Monitoring 750,001 and more records	$0.01	750,000+ records monitored, per month monitored
DLR	Driver Age/ Identity Verification Service	$0.06	Per Driver Record Matched

DLR	**Youthful Driver Monitoring Interactive Service**	**$0.03**	**Per Address Monitored**
TLR	**Titles, Lien, and Registration Bulk Records**	**$30.00**	**Per 1,000 records delivered***

Sub-vendors are also subject to a $75 annual fee for use of this service, which is also paid directly to Colorado Interactive.

Per the contract, CI is required to pay a DLR Administration Fee of $100,000 per year in four equal quarterly installments. CI is also required to pay a TLR Administration Fee of $25 per 1,000 records to be paid monthly. All funds transferred to the State are required to be deposited in the HUTF by statute. See the table below for transaction counts and total revenue collected in FY 2013-14.

Record Sales Type	Transaction Count	Total Revenue	State Revenue To HUTF	CI Revenue
DLR Sales Totals	3,066,085	$6,132,170	$100,000	$6,032,170
TLR Sales Totals	17,399,839	$521,995	$434,996	$86,999
Other Sales Total	23,259,637	$1,619,924	$0	$1,619,924
Total	**43,725,561**	**$8,274,090**	**$534,996**	**$7,739,094**

As previously discussed, Section 42-1-306 (3.7)(e), C.R.S., directs the Department to forward all fees that are deposited with the state from the sale of bulk records to the state treasurer for credit to the HUTF. However, the revenue from the sale of these records and revenue collected from records provided in the future would move the DMV towards self-sufficiency and greatly decrease its reliance on the General Fund. Therefore, the Department is seeking an amendment to this statute that would direct the funds from the sale of bulk records to be deposited in both the LSCF and the HUTF. The HUTF would still receive $100,000 from DLRs and $25 per 1,000 records from TLRs. All other funds generated from the sale of DLRs, TLRs, and accident records in excess of the funds to CI and the funds to the HUTF, would be split 75 percent to the LSCF and 25 percent to the HUTF.

Appendix A provides information on the DLR fees charged for the sale of bulk driver records and the number of licensed drivers in each state.

10:10-10:30 OTHER QUESTIONS FOR THE DEPARTMENT

8. Describe the Department's progress in implementing the following two acts concerning conservation easement tax credits:
   a. H.B. 11-1300 (Concerning the resolution of a disputed claim for a donation of a perpetual conservation easement that includes a process that allows a taxpayer to waive an expedited administrative hearing for the purpose of appealing directly to a district court)

b. S.B. 13-221 (Concerning an application and review process for issuing tax credit certificates for a state income tax credit allowed for the donation of a perpetual conservation easement)

Please include data concerning the number of disputes that have been resolved, the method used to resolve such disputes, and the General Fund revenue impact (including tax credits, interest, and penalties) of resolving such disputes. Also include data concerning the number of disputes that are still pending and the potential General Fund revenue impact of such disputes once resolved. Please provide the number of appraisals that have come through under S.B. 13-221.

Response:

a. HB 11-1300:

During the 2011 legislative session, the General Assembly passed H.B. 11-1300 to allow an expedited resolution process for disputed conservation easement tax credits. HB 11-1300 applied to 543 cases that the Department issued a notice of deficiency on or prior to May 1, 2011 (but had not yet issued a final determination as of May 19, 2011).

A notice of deficiency is a formal communication between the Department and the taxpayer that may indicate that their tax return has been denied or disputed for another reason. A final determination is issued by the Department after a taxpayer goes through, or fails to grow through, a protest or hearing process that identifies the final amount of money owed by the taxpayer to the state.

HB 11-1300 allowed donors to make an election to either bypass the Department's formal hearing process and proceed directly to a district court hearing or elect an expedited administrative hearing. Almost 94 percent or 508 of the 543 cases made an election under HB 11-1300 as follows:

- **478 cases made an election to proceed directly to district court. To date, 62.3 percent or 298 of these cases have been resolved either through settlement with the Department or court order. An additional 33.9 percent or 162 of these cases have settled in principle. The remaining cases are subjects of ongoing resolution.**
- **30 cases elected an expedited formal hearing with the Department. All of these cases have been settled.**

Thirty-five cases made no election under the legislation. To date, 65.7 percent of these cases have settled and 5.7 percent have been set for an administrative hearing.

As required by HB 11-1300 and Section 39-22-522.5 (12) (a), C.R.S., the Department provides a quarterly report to the Joint Budget Committee and the finance committees of the General Assembly. The Department's quarterly report addresses all conservation easement tax credit cases for which the Department has requested consultation with the Division of Real Estate and the Conservation Easement

Oversight Commission. Therefore, the latest quarterly report dated December 31, 2014, includes a total of 684 cases: the 543 cases covered by HB 11-1300 as well as 141 additional cases for which notices of deficiency were issued after May 1, 2011 (and therefore were not governed by the procedural changes of HB 11-1300).

The latest quarterly report showed that 58.8 percent of the 684 cases have been resolved. An additional 25.6 percent of the cases have reached a settlement in principle, leaving 15.6 percent of the cases to be resolved. A settlement in principle means that an agreement between the Department and taxpayer has been reached or terms of the agreement have been negotiated. The state has not yet received full payment from taxpayers in many of these agreements.

The Department has waived almost all penalty and interest in these cases as encouraged by the legislature in HB 11-1300 (Section 39-22-522 (1) (h) (i), C.R.S). The Department has expended just over $8.0 million in resolution, or anticipated resolution, of these cases, while recovering over $100.0 million in tax credits (including both resolved cases and anticipated settlements).

b. SB-13-221:
SB 13-221 concerned the application and review process for issuing tax credit certificates for a state income tax credit for a conservation easement. This process is being handled by the Division of Real Estate (DRE) in the Department of Regulatory Agencies. The DRE will issue the certificate to the taxpayer after reviewing the real estate transaction. The taxpayer will then submit such certificate to the Department of Revenue when they file their tax return to claim credits under the program. The Department of Revenue does not have responsibility for this process.

9. Discuss the use of electronic fund transfers and e-filing that are in use by the Taxation and Compliance Division. How much does the use of electronic filing save the state?

Response:
For FY 2014-15, the Department estimates that 82.8 percent of individual income tax returns will be filed electronically. Therefore, there is less work for the Department's Tax Examiners because the tax collections and refunds processes have fewer errors. Income tax electronic filing rates have benefited from electronic filing mandates at the federal level issued by the Internal Revenue Service. These mandates are for tax practitioners. For example, if a practitioner files eleven or more tax returns in a given year, the practitioner must file electronically. It is unlikely that Colorado will experience much more growth in electronic individual income tax filings without specific legislative mandates. Without a statutory mandate to file electronically, some taxpayers will continue to file paper documents. The Department expects these rates to stabilize between 80 percent and 90 percent.

The Department has also seen substantial increases in the electronic filing rates for sales tax returns. For example, in FY 2014-15, the Department estimates that 60.7 percent of total sales tax filers will file electronically as compared to 42.0 percent in FY 2011-12.

Since the introduction of the Department's system for the electronic filing of sales tax returns in 2012, the Department has seen the utilization rate increase to 60 percent without legislative mandates. Customer feedback suggests that being able to file at the last minute, receiving immediate confirmation of filings and payments, and the benefit of system-generated user-assistance, are the main reasons taxpayers are choosing to file their sales tax returns electronically.

The Department has not quantified the dollar value of savings tied to electronic filing of either individual income or sales tax returns.

10. Discuss how the Department provides technical support for its online estimated tax payment system.

    Response:
    The Department offers taxpayers three online payment options for paying estimated taxes. Taxpayers may either: (1) remit payment online via credit card; (2) remit payment via e-check; or (3) remit payment via Electronic Funds Transfer (EFT). In order to utilize the EFT option, the taxpayer must be pre-registered to make either an EFT Automated Clearing House (ACH) debit or ACH credit transaction.

    The Department's Tax Call Center provides basic technical support to customers using the system. For example, the call center will assist with password resets or assist taxpayers to ensure that payments are applied to the proper account. As the Department moves more toward electronic filing and payment technologies, the nature and types of questions fielded at the call center are changing. For example, self-help technologies that are now offered online have reduced the number of basic tax questions that are received by the Department. The calls that the Department now receives tend to consist of more highly complex tax questions, which require more time with the customer.

11. Discuss the capital request for the Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES). Please provide an update on the progress of implementation. When will operating expenses for support and maintenance begin to be required?

    Response:
    In FY 2014-15 and FY 2015-16, the Department requested $41.0 million and $52.4 million, respectively, to fund the DRIVES capital construction project. The purpose of the project is to replace the Driver's License System, Colorado State Titling and Registration System, and supporting systems. The primary goal of DRIVES is to provide a flexible, reliable, accurate, and integrated solution for Driver and Vehicle Services by purchasing and implementing a modern customer-centric commercial-off-the-shelf integrated solution that best meets business, operational, and technical requirements. The capabilities of the selected solution will include, but not be limited to, all hardware, software, maintenance, and support services required to provide a hosted environment to serve the state-operated driver license offices and county-operated offices in Colorado.

Representatives from the Department, the Governor's Office of Information Technology (OIT), and the counties participate on the DRIVES Steering Committee as well as on the Business Process and Technical Committee that developed the business and technical requirements for the Request for Proposal (RFP). In February 2014, the Department hired a consultant to assist in the development of the DRIVES RFP. The RFP contained statement of work requirements including system implementation and operational requirements. Additionally, business and technical specifications for DRIVES as requested in the RFP included over 1,400 requirements. The DRIVES RFP required cost responses for three options: (1) state purchase of hardware, software, and implementation/support services; (2) state-hosted system solution; and (3) vendor-hosted system solution. The latter two options include the cost of the service over the life of the contract (initial term of six years with an optional four-year extension). It must include all capital costs plus the cost of maintenance and support of the system amortized over the contract term. The RFP was released on June 27, 2014.

Three responses were received on September 19, 2014. The responses were reviewed to determine whether they met the minimum mandatory requirements of the RFP. Only one proposal was determined to be qualified. The proposal is being reviewed and evaluated by the DRIVES Evaluation Committee.

It is anticipated the term of the initial contract will be through June 30, 2018, with an option to extend for 10 one-year renewals. The implementation period is expected to begin in March 2015 through December 2017, followed by a six-month acceptance period, ending June 30, 2018. Depending upon the terms of the contract and the project implementation timeline, system maintenance and support costs are expected to be incurred beginning July 2018. These costs are unknown at this time, but it is the Department's and OIT's desire to acquire a vendor-supported, vendor-hosted solution. This information will become available once a contract is executed, but the Department intends to submit a request seeking funding for ongoing maintenance and support in the FY 2018-19 budget.

To date, the Department has executed a lease to secure space for the project. It is anticipated the project team will be able to occupy the space by mid-March 2015. Build-out of the space will be necessary to meet the needs of the project team. Additionally, the project organization chart, project charter as well as project roles and responsibilities have been completed and approved by the DRIVES Steering Committee. Both the Department and OIT have begun hiring staff to augment the project with funding provided in the DRIVES capital construction request.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.

Response:

All 2014 legislation or portions of legislation with an implementation date of 12/31/14 or prior have been implemented. For legislation with an implementation date after 12/31/14, the Department is on track for on-time implementation. For example, the Department continues to implement provisions of S.B. 14-194, "Concerning the issuance of identification documents by the Department of Revenue." Under the bill, the Department is provided limited fee setting authority for driver's licenses and identification cards. The Department can raise or lower the fees, but it cannot increase fees by more than 20 percent before July 1, 2016, or by more than five percent per year on or after July 1, 2016. Additionally, the Department is required to issue a report to the Joint Budget Committee 30 days before rules are promulgated to increase fees.

Part of the success in being able to implement legislation on time is due to the Project Management Office that was established in May of 2012. Prior to the establishment of that office, the Department had difficulty completing projects in a timely manner. Since May 2012, the Department has completed 259 projects.

2. What is the turnover rate for staff in the department? Please provide a breakdown by office and/or division, and program.

Response:

The Department of Personnel and Administration will provide a statewide report in response to the first part of this question during their hearing before the Joint Budget Committee.

The table below shows the Department's FY 2013-14 turnover rates by Long Bill division/program based on total separations divided by appropriated FTE.

Department of Revenue Summary of Classified Turnover for FY 2013-14

Long Bill Division/Program	Appropriated FTE	Separations	Turnover Rate
Executive Director's Office	68.1	12	17.6%
Central Department Operations	80.6	6	7.4%
Taxation Business Group Administration	5.0	0	0.0%
Taxation and Compliance Division	227.4	26	11.4%
Mineral Audit Program	10.2	0	0.0%
Taxpayer Service Division	76.9	5	6.5%
Fuel Tracking System	1.5	0	0.0%
Tax Conferee	12.2	2	16.4%
Division of Motor Vehicles Administration	9.5	4	42.1%
Driver and Vehicle Services	354.1	58	16.4%
Vehicle Emissions	15.0	2	13.3%
Titles	32.2	1	3.1%
Motorist Insurance Identification Database Program	1.0	0	0.0%
Ignition Interlock Program	5.0	0	0.0%

Enforcement Business Group Administration	8.0	1	12.5%
Limited Gaming Division	84.4	8	9.5%
Liquor and Tobacco Enforcement Division	26.5	3	11.3%
Division of Racing Events	7.7	0	0.0%
Hearings Division	29.4	6	20.4%
Motor Vehicle Dealer Licensing Board	26.2	2	7.6%
Medical Marijuana Enforcement	55.2	3	5.4%
State Lottery Division	117.1	4	3.4%
Department of Revenue Total	**1253.2**	**143**	**11.4%**

3. Please identify the following:
    a. The department's most effective program;
    b. The department's least effective program (in the context of management and budget);
    c. Please provide recommendations on what will make this program (2.b.) more effective based on the department's performance measures.

<u>Response:</u>

a. The Department's most effective program is the Colorado Lottery. The Lottery has made significant enhancements in 2014, making it a highly effective program for the State of Colorado.

On November 9, 2014, the Lottery successfully converted to a new Jackpot gaming system, entering into a ten-year, $80 million contract with a new vendor, GTECH Corporation. This conversion, which usually occurs every 8-10 years, took approximately 15 months to complete. The conversion involved an upgrade of state-of-the art equipment and technology to more than 3,000 Lottery retail stores across Colorado and included 560 new ticket vending machines installed at high volume retailers. For the first time, this new equipment can now sell both Jackpot and Scratch tickets in a self-service capacity. Players and retailers alike will enjoy many other benefits of the new equipment and technology, such as faster purchase and validation services, fewer equipment repairs, and improved system reliability. The Department's Project Management Office provided oversight of this project -- from RFP issuance through system conversion -- using proven controls and discipline to help ensure on-time and successful deployment of the new system.

Another important enhancement for players is the Lottery's launch of Jackpot and Scratch Apps in 2014. Although players are not able to purchase lottery tickets through these apps, they are able to quickly and easily check winning numbers, enter Second Chance Drawings, locate Lottery retailers, and learn about Lottery games and promotions. This is an exciting enhancement for players "on-the-go," and an important advancement to remain relevant to all players in a rapidly changing industry.

The Lottery continues to improve its bottom line, or "net proceeds." As part of the Department's strategic plan, the Lottery's goal is to grow sales and profits to maximize

proceeds to beneficiaries that are receiving funding at levels defined by the State and achieve a profitability percentage of 24.5 percent by FY 2016-17. As a result of these efforts in the last year, the Lottery's profitability percentage was 23.87 percent, an increase of 0.04 percent over the prior year. While increasing sales is important, managing operating expenses remains a priority. The Colorado Lottery enjoyed its third highest year for record sales in the Lottery's history -- $545 million in FY 2013-14 -- while proceeds available for distribution were the second highest in history totaling $130.1 million. Beneficiaries included Great Outdoors Colorado -- $60.3 million; Conservation Trust fund -- $52.1 million; Colorado Parks and Wildlife -- $13.0 million; and the Public School Capital Construction Fund -- $4.7 million.

As part of the Lottery's continued efforts to increase proceeds, the Lottery Commission and the Lottery are currently in the process of developing a prize payout strategy and analysis. This strategy is expected to continue, along with the requisite analysis of any potential impact to sales and net proceeds.

The Lottery will continually look to the future and stay abreast of changes in the industry. In 2014, the Lottery formed a Retailer Forum, bringing together representatives from Lottery's retailer base to discuss opportunities and challenges, and to identify ways in which retailers can collaborate with the Lottery to bring games to players.

In recognition of their effectiveness, the Lottery received three awards of excellence in 2014. At the LaFluer's conference in June, the Lottery received an award of excellence for their 2013 holiday television advertisement. At the annual meeting of the National Association of State and Provincial Lotteries, the Lottery received two awards: Best use of Cinematography in the "Don't Forget to Play" television ad and the award for best Corporate Communication for the FY 2013 Annual Report, "30 Years of Play."

b. The Department's most challenged program is the Division of Motor Vehicles (DMV). Since 2007, financing of the DMV has changed several times creating short-term funding solutions that provided insufficient resources causing instability and unpredictability in funding DMV operations in both the short- and long-term. Coupled with changes to the license renewal cycle during this same period of time, revenues could not keep pace with the DMV's appropriation as authorized in the Long Bill. This problem became more pronounced in the last year when revenues declined, exacerbating the structural deficit in the Licensing Services Cash Fund (LSCF), which funds driver license operations. In order to align spending with revenues, the DMV had to drastically reduce spending and postpone the implementation of numerous initiatives including making investments in technology and facilities. Delaying the filling of approximately 50 vacancies in driver services negatively impacted the DMV's ability to provide customer service at driver's license offices creating longer wait times and unsatisfied customers.

Included in the Department's strategic plan are two goals to enhance customer service at the DMV: (1) reduce wait times for driver license customers from an average of 60 minutes 65 percent of the time in FY 2014 to an average of 15 minutes 80 percent of the time in FY 2018 in offices where Wait Less is deployed; and (2) driver license customers

with pre-scheduled appointments will be called to the counter within 15 minutes of their scheduled appointment 90 percent of the time on an annual basis in driver license offices where Wait-Less is deployed.

In order to achieve these goals, the Department developed a comprehensive budget, legislative, and technology strategy. This effort began with the FY 2014-15 budget, which included four decision items with the goal of improving customer service, reducing wait times, ensuring a stable funding mechanism, and improving funding transparency. These decision items totaled $11.2 million General Fund to address the structural deficit and build a reserve balance in the LSCF, increase staffing by 52.0 FTE and expand the Wait Less technology to driver license offices across the state, fund the reclassification of Driver License Examiner positions to the Technician class series, and restructure the DMV appropriations to better align with the its current organizational and programmatic structure.

Since the beginning of the fiscal year, the DMV has made significant progress in hiring and training most of the 52.0 FTE provided in the FY 2014-15 budget. Additionally, the Wait Less Queuing and Appointment Scheduling System is in 15 offices and will be expanding to 16 additional offices by June 30, 2015. All Driver License Examiner positions have been reclassified to Technicians.

The legislative strategy employed by the Department included passage of S.B. 14-194. This legislation included a number of changes to strengthen the financing of the DMV, most notably the authorization to increase fees for certain services and to set fees for services for which no fee was previously charged. Additionally, the legislation provided electronic renewal of driver's licenses and identification cards for two consecutive renewal periods. This was completed in September 2014. Previously, online renewal could only occur every other renewal period.

The Department partnered with OIT to develop a technology strategy for the DMV. This included seeking $93.4 million over a two-year period to fund the DRIVES project. This investment would replace two antiquated systems -- the Driver License System and the Colorado State Titling and Registration System -- these systems are 20 and 27 years old, respectively. Proposals are currently under evaluation, but it is expected the new system will become operational by June 2018.

By leveraging federal grant dollars to purchase a new automated testing and scoring system for commercial driver's license and regular driver's license tests; working collaboratively with the Department of Corrections to expand driver's license services to two correctional facilities; and expanding credit card payment options to all 36 driver's license offices, the DMV has made great progress toward achieving its customer service goals. Currently, customers wait an average of 60 minutes 75 percent of the time and driver license customers with pre-scheduled appointments are called to the counter within 15 minutes of their scheduled appointment 95 percent of the time in driver license offices where Wait Less is deployed.

While the DMV has made tremendous progress toward achieving its goals in the last year, it is continually challenged financially. The Department applauds the General Assembly's support of S.B. 14-194 and providing fee setting authority for the DMV; however, this authority is limited to an increase of 20 percent in the first year and 5 percent in each year thereafter. While it is anticipated that a 20 percent fee increase will generate nearly $4 million in FY 2015-16, a funding gap in the LSCF of $4.2 million still persists. In the FY 2015-16 budget, the Department submitted R-1, "DMV Funding Deficit," requesting $4.2 million General Fund to fund the gap between the LSCF appropriation and revenue. Even if the Department exercises its fee setting authority by increasing fees each year, a funding gap will still persist into the future.

Furthermore, the Department is expected to incur costs associated with the maintenance and support of DRIVES once it is fully operational. No funding source has been identified to finance this system. Lastly, the DMV participated in a Lean event in March 2013. While short-term recommendations have been implemented resulting in changes to internal processes to reduce customer wait times, long-term recommendations require investments in facilities. A model office was created that would enhance the customer experience; however, there is no funding to begin planning upgrades to any driver's license offices.

4. How much capital outlay was expended using either operating funds or capital funds in FY 2013-14? Please break it down between the amount expended from operating and the amount expended from capital.

   Response:
   In FY 2013-14, the Department spent $2,195,456 on capital outlay per the statutory definition (Section 24-75-112, C.R.S.). Of this total, $1,558,424 was expended from operating funds and $637,032 was expended from capital funds.

5. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2014? What is the department doing to resolve the outstanding high priority recommendations?

   Response:
   There are three financial and two performance high priority audit recommendations outstanding listed in the Annual Report as of June 30, 2014.

   FINANCIAL
   The three financial recommendations are related to the 2010 Single Audit Rec No. 39, rewritten in 2013 Single Audit Rec No. 17 sub parts b, c, e;

   Recommendation
   The Department of Revenue and the Governor's Office of Information Technology should improve the general IT controls over the Colorado State Titling and Registration System (CSTARS) by;

17 (b) reviewing user access management procedures to ensure that access to the application is commensurate with users' job responsibilities. Additionally, users access request forms should be maintained for the time period specified by Colorado Information Security Policies and users are required to acknowledge the Department's policies and procedures prior to gaining access to CSTARS;

The Department of Revenue (DOR) and the Office of Information Technology (OIT) worked together to create a user functions/tasks matrix to establish best practice procedures for user access. DOR worked with the OIT to create a process that allows for an annual review by the entity authorizing application access to confirm user access is correct and reflects the user job responsibilities. A confirmation sheet was developed to attest to the review and be submitted to the department annually. The programming for the annual review by the entity authorizing application access and the confirmation were completed and in place July 1, 2014. The counties have until March 2015 to submit their confirmation sheet. All outstanding items have been completed.

The Access Security form reflects the network access requested for the user and the Statement of Compliance form is signed by the user acknowledging the Department's policies and procedures. The DOR and the OIT implemented a process whereby these forms are maintained by the OIT Access Control team. As of November 30, 2014, all outstanding items have been completed.

17 (c) establishing policies and procedures to provide guidance to county users regarding their roles and responsibilities pertaining to CSTARS. Specifically, the Department and OIT should establish a procedure to ensure that terminated users are removed from the application in a timely manner and users' access reflects their job responsibilities;

The Access Security form for CCR/CSTARS was updated on January 3, 2014 to include the following statement "This form is required to be maintained in your County Office at least one year after employee separation". The verification of signon security was added to the CSTARS Trainers Office Checklist responsibilities on January 3, 2014. For every visit a CSTARS Trainers make to a County office they verify all users listed are current employees; work with management to remove old users from MV Signon Security and assist the County in completing the User Access Request Form in the Service Desk folder to remove the user. Programming for the annual review by the entity authorizing application access and the confirmation was completed and in place July 1, 2014. As of November 30, 2014, all outstanding items have been completed.

17 (e) hardening system configuration settings for CSTARS.

OIT has undertaken a project to refresh all of the CSTARS county servers, which includes a limited hardened system configuration. As of December 2014, 75 percent of the servers have been refreshed and the remaining 25 percent are scheduled to be completed February 11, 2015. The upgrade of the remaining 50 percent of the CSTARS

computers to Server 2008/Windows 7 is scheduled to start February 18, 2015, and be completed on May 8, 2015.

Additionally, an OIT Secure Configuration Exception Request regarding this recommendation was approved April 2014 because this is a legacy system that has system limitations. CSTARS is being replaced as a part of a multi-year project. The anticipated implementation of the new systems is September 2017. OIT and business staff is aware of the system limitations. User access is role based and the servers are on the secure DOR network. DOR internal Audit is alerted to any suspicious activity related to the CSTARS system. As of November 30, 2014, all outstanding items have been completed.

PERFORMANCE

The two performance audit recommendations are related to the 2011 Tax Processing Performance Audit and the 2013 Cash Funds Uncommitted Reserves reports.

> **Tax Processing Performance Audit #2157, September 2011, Recommendation No. 2:**
> **The Department of Revenue should maximize its use of Central Services for outgoing mail processing and warrant printing, and reallocate or eliminate staff who are currently performing this work.**

Status as of December 2014

The Department of Revenue and the Department of Personnel & Administration are working together to address the recommendation and have agreed to table the decision until Phase III of the pipeline project is complete. Phase III of the project is scheduled to be completed in January 2015 and implementation of the recommendation will be reconsidered after that time.

> **Cash Funds Uncommitted Reserves, Performance Audit # 1344P, June 2013, Recommendation 12A:**
> **The Department of Revenue should ensure compliance with applicable cash funds statutes and OSPB requirements by:**
> **a) Monitoring its excess uncommitted reserves and taking the appropriate action to ensure all cash funds comply with Senate Bill 98-194 requirements as soon as possible.**

The audit report identified three cash funds not in compliance with Senate Bill 98-194: Racing Cash Fund, Auto Dealers License Fund, and Liquor Enforcement Cash Fund. The Department has brought two of the three funds into compliance. As of December 2014, only the Liquor Enforcement Fund remains outstanding.

Liquor Enforcement Cash Fund Status as of December 2014

The revenue projection and fee-setting models for the Liquor Enforcement Cash Fund have been approved. Approved recommendations include a reduction to specific fees intended to reduce the excess uncommitted reserves. Notice of the fee adjustment to the industry is underway. Liquor Enforcement Division management filed a notice of rulemaking for the change in fees with the Secretary of State in October 2014. The rule

hearing held December 3, 2014, was for rules that will be effective mid-January; therefore, the Division will file/process an emergency rule to make the change in fees effective January 1, 2015. With these changes, the Liquor Enforcement Cash Fund is expected to be in compliance in FY 2015-16.

6. How many CNG vehicles have been registered in the state for the past 5 years?

Response:
The table below provides the number of registered CNG vehicles by category.

Calendar Year	CNG	Hybrid CNG/Gas	Hybrid CNG/Electric	Total
2009	584	164	60	808
2010	617	171	37	825
2011	662	251	45	958
2012	1,122	377	34	1,533
2013	1,127	662	41	1,830
2014	1,250	982	56	2,288

7. Provide a comparison between lottery collections and limited gaming collections. What are trends? Are they countercyclical? If one of these goes up does the other go down? Do they increase or decrease during recessions?

Response:
Lottery and Gaming collections are not comparable because Lottery sales represent total dollars prior to distribution of proceeds, and Gaming collections represent taxes on Gaming revenues. Therefore, there is no evidence to show they are related or correlated. Lottery sales are driven more by jackpots than by economic trends. As the jackpots grow, so do Lottery revenues. Gaming collections or taxes are typically unaffected by recessionary times.

8. Please provide historical severance tax and ad valorem tax collections with detail on how much is collected in each county. Compare those will production by county.

Response:
The Department does not track severance tax revenue by county. In addition, there are limitations on the ability of the Department's severance taxpayer information that makes it difficult to link the county location of drilling operations with a taxpayer's filing location. However, using a methodology that employed rural average mill levies, Legislative Council Staff provided information on county-level severance taxes in 2013 to the Water Resources Review Committee but the Department does not have access to this information.

In FY 2014, the Department of Revenue collected $245,087,354 in severance tax. Of that $235,199,630 was from oil and gas and $9,887,724 was from coal, molybdenum, and metallic minerals.

State law governs the distribution of state severance taxes. Starting in FY 2012-13 and through FY 2016-17, the first $1.5 million of annual severance tax revenue is transferred to the Colorado Energy Office for innovative energy efficiency projects. The remaining proceeds are then distributed evenly between the Department of Local Affairs and the Department of Natural Resources. The proceeds are used for various programs and purposes. Thirty percent of the Department of Local Affairs' allocation is distributed directly to local governments impacted by mineral and energy development via a statutory formula. The formula is based on measures of mineral extraction activity in local jurisdictions, such as the number of industry employees, mine and well permits, mineral production levels, as well as a jurisdiction's population and road miles. The remaining 70 percent is allocated to local governments via competitive grants under the Mineral and Energy Impact grant program. Grants are used by local governments to provide services and infrastructure to areas impacted by mineral and energy development.

The Department of Local Affairs recently published data for severance tax distributions to Colorado counties for 2014 based on the statutory formula and can be found at:

https://dola.colorado.gov/sdd/ddSDDTier1.jsf

Appendix A
Driver License Record Fees by State

State	# Licensed Drivers	DLR Fee
Alabama	3,827,522	$8.25
Alaska	526,371	$10.00
Arkansas	2,199,164	$10.00
California	24,200,997	$2.00
Colorado	3,807,673	$2.00
Connecticut	2,485,708	$20.00
Delaware	720,290	$15.00
District of Columbia	400,993	$13.00
Florida	13,896,581	$20.85
Georgia	6,581,534	$6.00
Hawaii	1,000,000	$23.00
Idaho	1,092,977	$9.00
Illinois	8,235,745	$12.00
Indiana	5,375,973	$11.00
Iowa	2,217,304	$10.00
Kansas	2,018,029	$6.00
Kentucky	2,985,234	$5.50
Louisiana	2,923,744	$17.00
Maine	1,019,738	$7.00
Maryland	4,102,154	$12.00
Massachusetts	4,733,936	$8.00
Michigan	7,018,713	$7.00
Minnesota	3,321,760	$9.00
Mississippi	1,957,980	$14.00
Missouri	4,288,488	$5.88
Montana	757,812	$7.25
Nebraska	1,363,596	$3.00
Nevada	1,728,060	$7.00
New Hampshire	1,064,604	$15.00
New Jersey	6,039,623	$15.00
New Mexico	1,848,917	$6.50
New York	11,248,617	$7.00
North Carolina	6,677,693	$11.00
North Dakota	502,807	$3.00
Ohio	8,006,183	$8.50
Oklahoma	2,400,358	$27.50
Oregon	2,769,757	$9.63
Pennsylvania	8,842,587	$7.00

Rhode Island	749,900	$20.00
South Carolina	3,455,931	$7.25
South Dakota	606,779	$5.00
Tennessee	4,573,871	$7.00
Texas	15,252,192	$6.50
Utah	1,788,822	$9.00
Vermont	529,502	$15.00
Virginia	5,538,480	$7.00
Washington	5,227,889	$13.00
West Virginia	1,400,000	$9.00
Wisconsin	2,200,000	$7.00
Wyoming	421,580	$5.00
National Average	4,118,683	$10.03

DEPARTMENT OF REVENUE
FY 2015-16 JOINT BUDGET COMMITTEE HEARING AGENDA

Monday, January 5, 2015
9:00 am – 10:30 am

9:00-9:20 INTRODUCTIONS AND OPENING COMMENTS

9:20-9:40 QUESTIONS COMMON TO ALL DEPARTMENTS

(The following questions require both a written and verbal response.)

1. SMART Government Act:
   a. Please describe how the SMART Government Act is being integrated into the Department's existing processes (both in terms of service delivery and evaluating performance).
   b. How is the data that is gathered for the performance management system used?
   c. Please describe the value of the act in the Department.

2. Do you have infrastructure needs (roads, real property, information technology) beyond the current infrastructure request? If so, how do these needs fit in with the Department's overall infrastructure priorities that have been submitted to the Capital Development Committee or Joint Technology Committee? If infrastructure should be a higher priority for the Department, how should the Department's list of overall priorities be adjusted to account for it?

3. Describe the Department's experience with the implementation of the new CORE accounting system.
   a. Was the training adequate?
   b. Has the transition gone smoothly?
   c. How has the implementation of CORE affected staff workload during the transition?
   d. Do you anticipate that CORE will increase the staff workload on an ongoing basis? If so, describe the nature of the workload increase and indicate whether the Department is requesting additional funding for FY 2015-16 to address it.

9:40-10:00 MARIJUANA CASH TAX FUND

4. Please discuss the timing of revenues to the Marijuana Tax Cash Fund.
   a. When are transfers made to and from the account?
   b. What is the final amount collected in FY 2013-14 that will be available for FY 2014-15?
   c. What degree of certainty is there that this figure will not change?

10:00-10:10 DIVISION OF MOTOR VEHICLES

5. Discuss the benefit to appropriating General Fund for multiple years for the Division of Motor Vehicles. Does the Department foresee itself exercising its authority to increase fees by 5.0 percent in FY 2015-16? What process will the Department use in future years to determine when to increase fees?

6. Discuss how the salary survey, which does not account for cost of living adjustments between localities, affects the Division of Motor Vehicles ability to hire and retain employees in resort communities. What actions would need to be taken if the General Assembly wanted to provide some of that flexibility? Which locations are affected and how?

7. Discuss the statutory change the Division of Motor Vehicles is seeking to bring the fees from bulk data record requests in line with national fees. Please provide a comparison of those fees by state.

10:10-10:30 OTHER QUESTIONS FOR THE DEPARTMENT

1. Describe the Department's progress in implementing the following two acts concerning conservation easement tax credits:
   a. H.B. 11-1300 (Concerning the resolution of a disputed claim for a donation of a perpetual conservation easement that includes a process that allows a taxpayer to waive an expedited administrative hearing for the purpose of appealing directly to a district court)
   b. S.B. 13-221 (Concerning an application and review process for issuing tax credit certificates for a state income tax credit allowed for the donation of a perpetual conservation easement)

   Please include data concerning the number of disputes that have been resolved, the method used to resolve such disputes, and the General Fund revenue impact (including tax credits, interest, and penalties) of resolving such disputes. Also include data concerning the number of disputes that are still pending and the potential General Fund revenue impact of such disputes once resolved. Please provide the number of appraisals that have come through under S.B. 13-221.

8. Discuss the use of electronic fund transfers and e-filing that are in use by the Taxation and Compliance Division. How much does the use of electronic filing save the state?

9. Discuss how the Department provides technical support for its online estimated tax payment system.

10. Discuss the capital request for the Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES). Please provide an update on the progress of implementation. When will operating expenses for support and maintenance begin to be required?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.

2. What is the turnover rate for staff in the department? Please provide a breakdown by office and/or division, and program.

3. Please identify the following:
   a. The department's most effective program;
   b. The department's least effective program (in the context of management and budget);
   c. Please provide recommendations on what will make this program (2.b.) more effective based on the department's performance measures.

4. How much capital outlay was expended using either operating funds or capital funds in FY 2013-14? Please break it down between the amount expended from operating and the amount expended from capital.

5. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2014? What is the department doing to resolve the outstanding high priority recommendations?

http://www.leg.state.co.us/OSA/coauditor1.nsf/All/1FE335CE3162803F87257D7E00550568/$FILE/1422S%20-%20ANNUAL%20REPORT%20OF%20AUDIT%20RECOMMENDATIONS%20NOT%20FULLY%20IMPLEMENTED%20AS%20OF%20JUNE%2030,%202014.pdf

6. How many CNG vehicles have been registered in the state for the past 5 years?
7. Provide a comparison between lottery collections and limited gaming collections. What are trends? Are they countercyclical? If one of these goes up does the other go down? Do they increase or decrease during recessions?
8. Please provide historical severance tax and ad valorem tax collections with detail on how much is collected in each county. Compare those will production by county.