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

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

Request Title: Funding Driver and Vehicle Services
Department: Department of Revenue
Priority Number: DI-4, S-3
Dept. Approval by: Roxy Hyden **Date:** October 18, 2010
OSPB Approval: **Date:** 10-20-10

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

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

Letternote Revised Text for FY 2010-11: These amounts reflect direct program costs from the following sources: $1,149,174 shall be from Highway Users Tax Fund "off-the-top", $12,544,412 shall be from Licensing Services Cash Fund created in Section 42-2-114.5(1), C.R.S., $2,098,048 shall be from the Driver's License Administrative Revocation Account, a subaccount of the Highway Users Tax Fund created in Section 42-2-132(4)(b)(I)(A), C.R.S., $306,064 shall be from the Colorado State Titling and Registration Account created in Section 42-1-211(2), C.R.S., $226,081 shall be from the Defensive Driving School Fund created in Section 42-1-223(1), C.R.S., $197,550 shall be from the Outstanding Judgements anw Warrants Account as administered under Section 42-2-118(3)(c), C.R.S., $68,977 shall be from the Penalty Assessment Account as administered under the provisions of Section 42-1-217(2), C.R.S., $55,740 shall be from the County Jail Identification Processing Unit Fund created in section 42-2-312, C.R.S. and $3,599 shall be from the Auto Dealers License Fund created in Section 12-6-123(1), C.R.S.

Letternote Text Requested for FY 2011-12: These amounts reflect direct program costs from the following sources: $11,149,622 shall be from Highway Users Tax Fund "off-the-top", $2,656,376 shall be from Licensing Services Cash Fund created in Section 42-2-114.5(1), C.R.S., $2,246,318 shall be from the Driver's License Administrative Revocation Account, a subaccount of the Highway Users Tax Fund created in Section 42-2-132(4)(b)(I)(A), C.R.S., $327,600 shall be from the Colorado State Titling and Registration Account created in Section 42-1-211(2), C.R.S., $226,556 shall be from the Defensive Driving School Fund created in Section 42-1-223(1), C.R.S., $210,933 shall be from the Outstanding Judgements anw Warrants Account as administered under Section 42-2-118(3)(c), C.R.S., $73,650 shall be from the Penalty Assessment Account as administered under the provisions of Section 42-1-217(2), C.R.S., $58,681 shall be from the County Jail Identification Processing Unit Fund created in section 42-2-312, C.R.S. and $3,842 shall be from the Auto Dealers License Fund created in Section 12-6-123(1), C.R.S.

Cash or Federal Fund Name and COFRS Fund Number: None
Reappropriated Funds Source, by Department and Line Item Name: None
Approval by OIT? Yes: ☐ No: ☐ N/A: ☑
Schedule 13s from Affected Departments: None

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

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

SELECT ONE (click on box):

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

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

☐ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☒ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

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

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

General Description of Request:

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

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

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

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

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

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

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

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

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

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

Consequences if Not Funded: The Department would maintain restricted operations to meet projected LSCF fund balances rather than the budget appropriated for DVS. With expanded workload across driver's license offices, this would increase customer wait times over FY 2009-10 levels and decrease the level of customer service provided.

Calculations for Request:

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

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

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

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

Cash Funds Projections:

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

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

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

Assumptions for Calculations:

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

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

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

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

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

Impact on Other Government Agencies: Not Applicable.

Cost Benefit Analysis:

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

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

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

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

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

Performance Measures:

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

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