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# Colorado Department of Revenue Joint Finance Committee Hearing 2015 - 2016





# Agenda

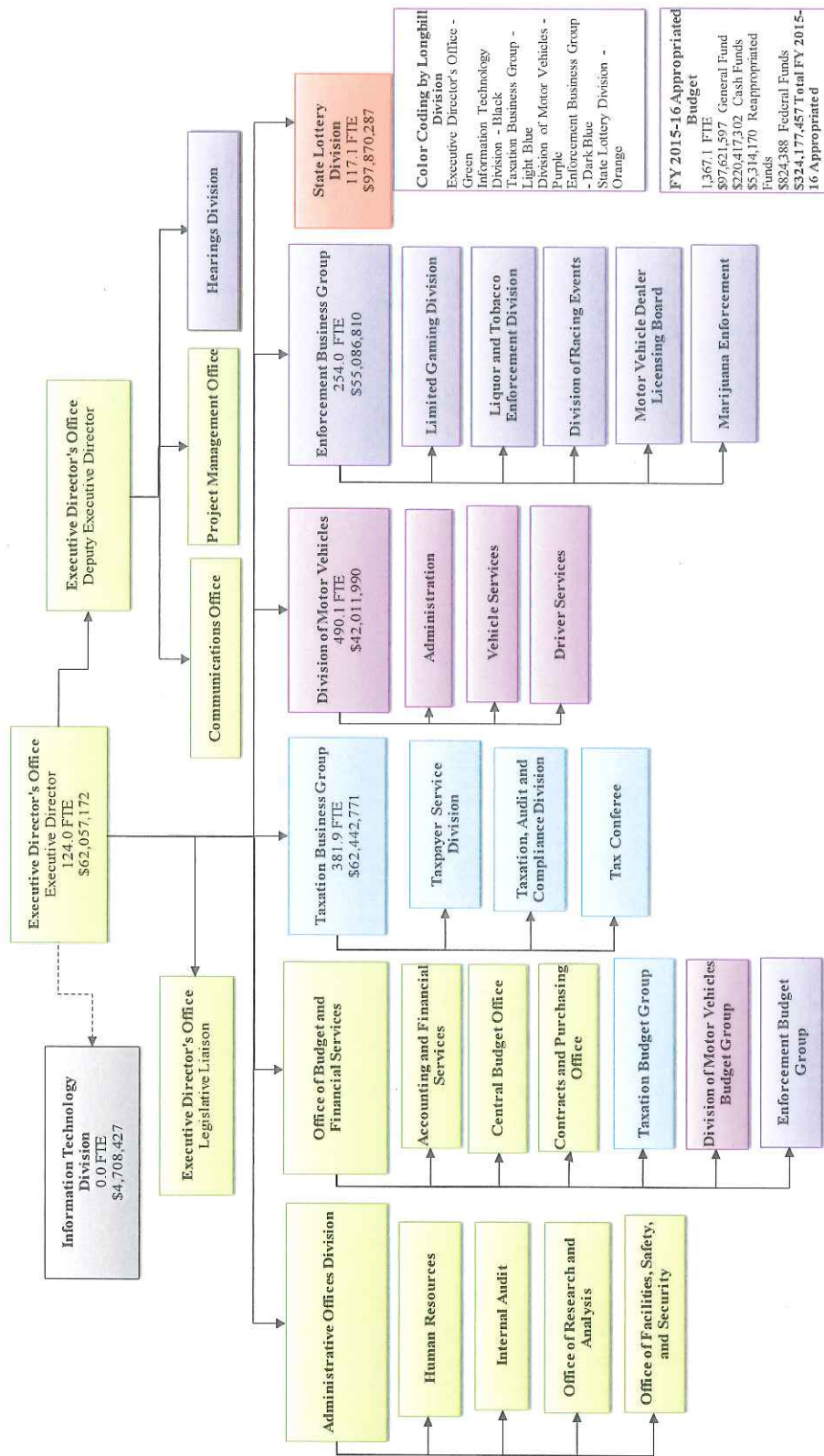
- o Overview of the Department
- o Organization Chart
- o Overview of Major Initiatives in DMV
- o Updates on Other Divisions in the Department
- o FY2016-17 Decision Items
- o FY2015-16 Legislative Initiatives
- o DOR Performance Plan
- o Regulatory Agenda

# Overview of the Department

- o DOR created by the General Assembly in 1941
  - o Taxation and Revenue
  - o Enforcement
- o DOR has four Divisions
  - o DMV
  - o Enforcement
  - o Lottery
  - o Taxation
- o Recent changes made:
  - o 2010 added Medical Marijuana
  - o 2012 Ports of Entry moved to Department of Public Safety
  - o 2013 added Retail Marijuana



# Organization Chart



\*Budget amounts include long bill plus special bill appropriation



# This year (FY 2015-16) Year of Division of Motor Vehicles

(again)

## o Colorado DRIVES

- o The Colorado Department of Revenue and Governor's Office of Information Technology received funding during the 2014 and 2015 legislative sessions to replace the outdated Driver's License System (DLS installed in 1995) and Colorado State Titling and Registration System (CSTARS – installed between 1983 and 1988)
- o This project is called the Colorado Driver License, Record, Identification and Vehicle Enterprise Solution (Colorado DRIVES)
- o The Department of Revenue was appropriated \$93,372,000 for the project
  - o Capital construction of \$41,021,167 for FY 2014-15
  - o Capital construction of \$52,350,833 for FY 2015-16



## Colorado DRIVES (cont'd)

- o This project is the cornerstone of the DMV Strategic Plan initiative to improve customer service and meet the Governor's goal of reducing wait times in state driver license offices to an average of 15 minutes
- o When implemented, Colorado DRIVES will provide:
  - o State and county DMV employees a modern and user-friendly system that reduces customer service time
  - o Increased system reliability that significantly reduces outages and downtime in driver license offices across the State
  - o Citizens access to information to better prepare them for their office visit as well as improved online services
- o The Colorado DRIVES project will be completed in two 18-month periods, with the Driver License System being replaced first followed by Colorado State Title and Registration System
  - o Phase I – DLS replacement began in August 2015
  - o Phase II – CSTARS replacement is expected to begin in March 2017



# Driver License and Identification Card System Replacement

- o The Colorado DMV will begin issuing driver licenses, instruction permits and identification cards with new designs and enhanced features
- o The card design includes an entirely new format and enhanced features, including grayscale laser engraved information and new card material
- o Current cards will remain valid until their expiration date
- o The contract for this project was signed in October 2014 and full implementation is expected in early 2016



## ◦ Wait-Less expansion project

- The Wait-Less system allows for queuing, appointment scheduling and wait time tracking in driver license offices.
- This technology is currently being utilized in 15 offices in the front range, including Pueblo, and Grand Junction
  - The 15 existing offices are: Denver Central, Aurora, Boulder, Colorado Springs, Denver Northeast, Ft. Collins, Golden, Grand Junction, Greeley, Littleton, Longmont, Northglenn, Parker, Pueblo and Lakewood
- The Colorado Legislature approved a funding continuance to expand the Wait-Less system to 16 additional driver license offices statewide in 2015
  - The 16 new offices are: Alamosa, La Junta, Loveland, Durango, Glenwood Springs, Canon City, Montrose, Steamboat Springs, Frisco, Fort Morgan, Sterling, Lamar, Gunnison, Cortez, Trinidad and Craig
- A contract has been signed and full implementation is expected by June 2016



# Temporary registration permit project

- SB15-090 enacted legislation requiring the Department of Revenue (DOR) to issue temporary motor vehicle registration permits that meet the same statutory requirements as permanent plates regarding attachment, visibility, readability and ability to access to the data
- Exception is that temporary plates must only be affixed to the rear of the vehicle
- Bill required a donation to cover the cost of the project
- Donation has been received from E470 and contract has been awarded
- Issuance of the new temporary tags will begin on July 1, 2016 <sup>9</sup>



## S.B.13-251 – Colorado Road and Community Safety Act - (CO-RCSA) Update

- o Authorizes the issuance of a Colorado Driver license, instruction permit, or identification card to individuals who cannot provide proof of legal presence.
- o Those that can demonstrate temporary lawful presence
  - o May go to any Driver License office - appointments are not required except for drive tests
- o Those that are unable to demonstrate lawful presence
  - o Services available in 3 offices statewide – up to 31 appointments per day per office
  - o Can show documents, take written test, and drive test in one appointment
- o Between July 1, 2014 through June 30, 2015:
  - o Driver Licenses Issued based on SB13-251 requirements: 11,461
  - o Driver Permits Issued: 11,534
  - o Identification Cards Issued: 1,942



# Outstanding Performances

## Audit Recommendations

- o **Financial**
  - o The one financial recommendation is related to the 2010 Statewide Single Audit Rec No. 38 part c;
  - o **Recommendation**
    - o The Department of Revenue should work with the Governor's Office of Information Technology to improve GenTax's general computer controls by documenting a disaster recovery plan that incorporates all components listed in State Cyber Security Policies and testing the plan on a regular basis.
    - o A disaster recovery plan was developed and approved by both the Governor's Office of Information Technology and the Department of Revenue in January 2015. This recommendation was listed as partially implemented during the Office of the State Auditor's review while awaiting testing of the plan. The Governor's Office of Information Technology successfully tested the plan in August 2015, and the finding is now considered to be fully implemented.
- o **Performance**
  - o The one performance recommendation is related to the 2011 Tax Processing Performance Audit Rec No. 2;
  - o **Recommendation**
    - o 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.
    - o This recommendation is documented as phase 4 of the Department of Personnel and Administration and the Department of Revenue Pipeline Lean project. To date the agencies have evaluated the cost benefit calculations and business requirements. The evaluation continues with rates, timing, and resource considerations being discussed and scheduled to be completed by January 31, 2016. After evaluation, if the // direction is to move forward, implementation would be October 31, 2016.



# Other Items of Interest

## Current Lottery Status

- o Implementation of new Jackpot system one year ago – November 9, 2014
  - o New machines rolled out to more than 3,000 retailers
  - o Ticket checkers have been installed at many retail outlets to make it easier for players to see if they have a winning ticket
  
- o Sales and Proceeds FY 2014-15
  - o Sales: \$538,025,144
  - o Proceeds: \$127,980,868
  - o Prize Expenses: \$331,498,987
  - o Operating Budget appropriated per Long Bill: \$97,747,093  
(Personal Services and Operating)
  - o Met Great Outdoor Colorado (GOCO) Cap of \$61,992,978 with spillover to BEST of \$1,997,456
  
- o Scratch Prize Payout Strategy
  - o Evaluate overall Scratch prize payout percentage
  - o August 2015, the Lottery Commission approved continuation of this prize payout strategy for FY16.



# Current Status of Medical Marijuana

o Licenses Issued and Revenue Remitted as of 9/30/15

	MEDICAL
<b>ACTIVE LICENSES ISSUED AS OF 9/30/15</b>	
• Cultivation	763
• Retail Stores	515
• Product Manufacturers	194
• Testing Facilities	0
• Occupational – includes both Medical and Retail	24,092
<b>REVENUE REMITTED FROM 1/1/14 to 9/30/15</b>	
• Sales Tax (2.9%)	\$19.5 M
• Fees	\$16.3 M



# Current Status of Retail Marijuana

## o Licenses Issued and Revenue Remitted as of 9/30/15

	RETAIL
<b>ACTIVE LICENSES ISSUED AS OF 9/30/15</b>	
• Cultivation	511
• Retail Stores	394
• Product Manufacturers	147
• Testing Facilities	17
<b>REVENUE REMITTED FROM 1/1/14 to 9/30/15</b>	
• Excise Tax (15%)	\$33.3 M
• Sales Tax (2.9%)	\$16.5 M
• Special Sales Tax (10%)	\$58.1 M
• Fees	\$ 6.3 M*

\*Retail marijuana fee revenue was remitted from October 1, 2013 – December 31, 2013 in the amount of \$1.7 M and is not included in the above table.



# Current Status of Tax Fraud Detection

- Identity-theft based refund fraud is becoming more sophisticated, is on the rise, and the dollar value per refund claim is increasing due to:
  - Electronic filing
  - Electronic refunds
  - Identity-theft nature
- **Currently:**
  - DOR has a custom-developed anti-fraud software platform that has been utilized for 15 years
  - Temporarily delaying and reviewing potentially fraudulent returns based on certain criteria
  - Following up directly with taxpayers to confirm their identity and their intent to file the specific return in question
  - Converting some high risk refunds from direct deposit to paper check in order to minimize risk to the state
- **Moving Forward:**
  - DOR is exploring the possibility of further system enhancements and identifying the resources needed for this program.



# FY 2016-17 Decision Items

- **DMV Funding Deficit**
  - \$3.2 million Off-the-Top HUTF spending authority for DMV Personal Services
  - With an offsetting reduction of \$3.2 million in Personal Services spending authority in the LSCF and;
  - An increase in spending authority of \$836,501 to the Driver's License Document line item in the LSCF
  - Recommended by the Governor's Office of State Planning and Budgeting in support of their statewide fiscal balancing strategy.
- **Earned Income Tax Credit (EITC)**
  - Department requests \$1,304,530 General Fund and 16.7 FTE in FY 2016-17, and \$1,646,329 and 23.4 FTE ongoing to support the cost of implementing and managing the EITC.
- **Postage Fund Mix Adjustment**
  - The Department requests a fund mix adjustment in FY 2016-17 and ongoing in the amount of \$23,813 from the General Fund to cash funds to align the Postage appropriation with utilization.
- **Long Bill Alignment**
  - The Department requests a budget neutral alignment of the Long Bill in FY 2016-17 and ongoing for a clearer and more visible representation of the Department's organizational structure. The alignment changes are implemented over two years, FY 2016-17 and FY 2017-18.



# FY 2015-16 Legislative Initiatives

- o Allow individuals who hold a Colorado driver license expired less than one year to convert their Colorado driver license to a Colorado identification card on-line (via the on-line application).
- o Add a new liquor license to allow on-premises consumption of malt, vinous and spirituous liquor that does not mandate its primary business be the sale of alcohol, which is a requirement for both Tavern and Hotel and Restaurant liquor licenses.
- o Create in statute two new business license types in both the Retail and Medical Marijuana Codes: Operator and Transportation licenses.
- o Allows local governments with sales tax deficits to apply to the state to allow the deficit to be paid over time while still receiving partial sales tax distributions that fund local services. Deficits can accrue due to businesses filing amended sales tax returns or audit adjustments.
- o Legislative changes to the Licensing Services Cash Fund (LSCF) and Highway Users Tax Fund (HUTF) related to funding the Division of Motor Vehicles.



# QUESTIONS

**Before Performance Plan Presentation?**



# Performance Plan



# Vision and Mission

## Vision

To become a premier Department of Revenue known for its outstanding customer service, innovation, and dedicated employees.

## Mission

The Department of Revenue will provide quality service to our customers in fulfillment of our fiduciary and statutory responsibilities while instilling public confidence through professional and responsive employees.



# Goals

The Department's FY 2015-16 Strategic Plan focuses on five main goals:

Customer Service - Be respectful to our customers by providing processes that are clear, simple, timely, and convenient.

Fiduciary Responsibility - Provide responsible financial, resource, and project management that builds a sustainable foundation utilizing a high standard of care.

Statutory Responsibility - Promote fairness and consistency in the application of the law.

Employees - Recruit, develop, retain, and value a high-quality, diverse workforce in an environment that promotes collaboration, professional development, and employee innovation.

Public Confidence - Maximize public trust through responsible stewardship and transparent processes.



# Major Program Areas

- Taxation Division
- Motor Vehicle Division
- Lottery Division
- Enforcement Division
- Executive Director's Office and Administration



# Taxation Division



# Tax Call Center

The Tax Call Center will answer calls within an average of 9:30 minutes of entering the queue for FY 2015, with a reduction annually.

	FY13	FY14	FY15*	FY16	FY17	FY18
Objective	0:10:00	0:09:30	0:09:30	0:09:25	0:09:20	0:09:15
Actual	0:09:34	0:09:08	0:12:18			
Difference	0:00:26	0:00:22	0:02:48			

The Tax Call Center will block less than 23% of calls in FY 2015 and ongoing.

	FY13	FY14	FY15*	FY16	FY17	FY18
Objective	25.00%	24.00%	23.00%	23.00%	23.00%	23.00%
Actual	23.75%	23.24%	40.01%			
Difference	1.25%	0.76%	17.01%			

\*The Department did not achieve its performance goals for either call center objective this fiscal year. In response to an increase in fraudulent tax filing activity, the Department stopped issuing refunds for several weeks in February and early March. As a result, a significant number of taxpayers attempted to contact the call center. In February and March of 2015, approximately 167,000 taxpayers contacted the call center, while over the same period in 2014 approximately 106,000 taxpayers contacted the call center. This increase in call volume is attributable to the delay in refund issuance while the Department updated its fraud detection capabilities in its accounting system.



# Electronic Filing of Tax Returns

Increase e-filed individual income tax returns as a percentage of total income tax returns filed to 82.80% in FY 2015 and increase annually.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	84.00%	82.00%*	82.80%	83.60%	84.50%	85.00%
Actual	80.40%	81.00%	82.36%			
Difference	3.60%	1.00%	0.44%			

\* Objective lowered for FY14 due to a lower participation rate of late filers in FY13.

Increase e-filed sales tax returns as a percentage of total sales tax returns filed to 60.70% in FY 2015 and increase annually.

	FY13	FY14	FY15	FY16*	FY17*	FY18
Objective	42.00%	55.20%	60.70%	75.00%	77.00%	80.00%
Actual	48.00%	60.80%	70.22%			
Difference	6.00%	5.60%	9.52%			

\*This objective has been consistently met and therefore the objectives for FY16 and FY17 were re-evaluated in April 2015. Original objectives for FY16 was 66.70% and FY17 was 73.50%



# Motor Vehicle Division



# Call Centers

## Title and Registration

Title and Registration Call Center will answer 100% of calls within an average of 1:30 minutes of entering the queue on an annual basis and maintain this percentage each year going forward.

	FY13	FY14	FY15**	FY16	FY17	FY18
Objective	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Actual	63.68%*	100.00%	94.65%			
Difference	36.32%	0.00%	5.35%			

\* In January 2014 an error was discovered that was inaccurately reporting the customer wait times.

\*\*This objective was not be met this fiscal year due to high turnover rate in the call center. The training time for replacement employees is lengthy due to the complexity of CSTARS.



# Call Centers

## Driver Services

The Driver Services Call Center will have an average call wait time of 9:00 minutes on an annual basis beginning in FY 2015.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	0:08:30	0:08:30	0:09:00	0:10:00*	0:10:00	0:10:00
Actual	0:08:27	0:07:48	0:08:12			
Difference	0:00:03	0:00:42	0:00:48			

\*This increase is related to the anticipation of increased phone calls due to legislative changes related to HB13-1240 and assigning experienced staff to the DRIVES project.

The Driver Services Call Center will block less than 5% of calls on an annual basis.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Actual	4.10%	5.50%	4.88%			
Difference	0.90%	0.50%	0.12%			



# Walk-in Customer Service in Driver License Offices

Driver License customer transactions will be completed within an average of 60 minutes 65% of the time on an annual basis in Driver License offices where Wait-Less is deployed.\*

	FY13*	FY14	FY15	FY16**	FY17
Objective	65.00%	65.00%	65.00%		
Actual	64.99%	74.99%	67.39%		
Difference	0.01%	9.99%	2.39%		

\* This objective is being replaced with the objective below to better represent the implementation of the DMV strategic plan, expansion of Wait-Less queuing, the addition of more staff and the continuation of the DRIVES project.

Driver License customer transactions will be completed within an average of 15 minutes 50% of the time for FY 2016-17.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	N/A	N/A	N/A	50.00%	65.00%	80.00%
Actual	N/A	N/A	N/A			
Difference	N/A	N/A	N/A			



# Walk-in Customer Service in Driver License Offices (cont'd)

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

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Actual	91.89%	95.36%	87.01%			
Difference	1.89%	5.36%	2.99%			



# Online Renewal and Payment

Increase the number of driver license renewals processed online by 5% over the previous year on an annual basis.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	194,513	186,928	148,621	142,224	149,335	156,802
Actual	178,027	141,550	135,451			
Difference	16,486	45,378	13,170			



# International Registration Plan (IRP) Electronic Registration

The percentage of International Registration Plan (IRP) registrations completed through electronic filing will increase to 35% in FY15.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	25.00%	30.00%	35.00%	30.00%*	35.00%	40.00%
Actual	26.43%	29.46%	27.06%			
Difference	1.43%	0.54%	7.94%			

\*A survey is being conducted to determine why this service is not more utilized by the trucking industry. Objective will be evaluated based on survey results.



# Commercial Driver Training and Testing 3<sup>rd</sup> Party Commercial Driving Schools

Complete required audits of 3<sup>rd</sup> party Commercial Driving Schools on an annual basis 100% of the time.

	FY13	FY14	FY15*
Objective	100.00%	100.00%	100.00%
Actual	100.00%	100.00%	100.00%
Difference	0.00%	0.00%	0.00%

\* This objective has consistently been met and therefore the measure will be discontinued at the end of FY15.

## Commercial Driver License Testing Units

Complete required audits\* of Commercial Driver License Testing Units on an annual basis 100% of the time.

	FY13	FY14	FY15*
Objective	100.00%	100.00%	100.00%
Actual	100.00%	100.00%	100.00%
Difference	0.00%	0.00%	0.00%

\* This objective has consistently been met and therefore the measure will be discontinued at the end of FY15.



# Emissions Testing Facilities

Complete number of statutorily required audits of Emissions Testing Facilities on an annual basis 100% of the time.

	FY13	FY14	FY15**
Objective	100.00%	100.00%	100.00%
Actual	100.78%*	100.00%	100.00%
Difference	0.78%	0.00%	0.00%

\*The transition effective July 1, 2012 to the new requirements of SB12-012 caused some facilities to be audited more than the pre-SB12-012 quarterly requirement in FY13.

\*\* This objective has consistently been met and therefore the measure will be discontinued at the end of FY15.



# Lottery Division



# Lottery Sales and Profits

Grow Colorado Lottery sales and profits to maximize proceeds for recipients that are receiving funding at levels defined by the state and achieve a profitability percentage of 24.5% by FY 2017-18.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	23.13%	24.00%	23.50%	22.20%	24.00%	24.50%
Actual	23.83%	23.87%	23.79%			
Difference	0.70%	0.13%	0.29%			



# **Enforcement Division**



# Liquor License Processing

By the end of each fiscal year, the Liquor Enforcement Division will reach the objective of initiating final agency action of licenses within 60 days of receipt of local approval 90% of the time.

	FY13	FY14	FY15	FY16*	FY17
Objective	90.00%	90.00%	90.00%		
Actual	92.03%	94.40%	92.40%		
Difference	2.03%	4.40%	2.40%		

\* The process to issue a new license and the process to renew a license vary and therefore it has been determined to be beneficial to measure those objectives separately in the two following measures.

By the end of the fiscal year, the Liquor Enforcement Division will reach the objective of initiating final agency action of renewal license applications within 60 days of receipt 95% of the time.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	N/A	N/A	N/A	95.00%	95.00%	95.00%
Actual	N/A	N/A	N/A			
Difference	N/A	N/A	N/A			

By the end of the fiscal year, the Liquor Enforcement Division will reach the objective of initiating final agency action of new license applications within 90 days of receipt 75% of the time.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	N/A	N/A	N/A	75.00%	75.00%	75.00%
Actual	N/A	N/A	N/A			
Difference	N/A	N/A	N/A			



# Hiring Personnel

The average number of days it takes the Department to fill 100% of vacant positions from the submittal of the personnel request form to Human Resources to the job offer will be reduced each year.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	54.0	49.0	44.0	44.0	44.0	44.0
Actual	51.4	43.0	47.7			
Difference	2.6	6.0	3.7			



# Employee Satisfaction

Improve employee satisfaction by a rate of 5% points on an annual basis for each of the three categories.

Capacity to act on innovative ideas.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	31.00%	39.00%	34.00%	37.00%	40.00%	43.00%
Actual	34.00%	31.00%	N/A			
Difference	3.00%	8.00%	N/A			

Satisfied with opportunities for career growth and advancement.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	39.00%	42.00%	36.00%	38.00%	40.00%	42.00%
Actual	37.00%	34.00%	N/A			
Difference	2.00%	6.00%	N/A			

Leaders give a clear picture of direction.

	FY13	FY14	FY15	FY16	FY17	FY18
Objective	33.00%	39.00%	40.00%	42.00%	44.00%	46.00%
Actual	34.00%	34.00%	N/A			
Difference	1.00%	5.00%	N/A			

Data will be collected upon completion of the DPA Employee Engagement survey.



# Regulatory Agenda

## Rule and Regulation Review

The Department will review 20% of its rules and regulations each year to ensure compliance with Executive Order 11-5, Executive Order 12-2, and House Bill 12-1008.

	CY13	CY14	CY15	CY16	CY17	CY18
Objective	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Actual	20.00%	21.00%	N/A			
Difference	0.00%	1.00%	N/A			

\*This data is reported every six months and will be updated upon the close of the calendar year.



# Questions on the Performance Plan