JOINT BUDGET COMMITTEE

SUPPLEMENTAL BUDGET REQUESTS
FY 2017-18

CAPITAL CONSTRUCTION
INFORMATION TECHNOLOGY
PROJECTS

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CAPITAL CONSTRUCTION INFORMATION TECHNOLOGY PROJECTS

OVERVIEW

Pursuant to statute (Section 2-3-1704 (11) (a), C.R.S.), the Joint Technology Committee is tasked with producing a written report setting forth recommendations and other comments with respect to each capital construction information technology project supplemental budget request submitted for funding. This report must be provided to the Joint Budget Committee no later than January 15th of each year.

For FY 2017-18, the executive branch submitted three capital construction information technology project supplemental funding requests to the General Assembly for consideration. The Joint Technology Committee took action on two of the three requests on January 12th. The following table summarizes the recommendations made by the Joint Technology Committee to the Joint Budget Committee.

FY 2017-18 CAPITAL CONSTRUCTION IT PROJECT SUPPLEMENTAL FUNDING REQUESTS	
REQUEST NAME	JTC RECOMMENDATION TO JBC
Child Care Automated Tracking System Modernization	Approve as requested
Modernizing the Child Welfare Case Management System	Approve as requested
Human Resources Information System	No recommendation put forth*

*The executive branch submitted an emergency supplemental funding request for this project in September 2017. The Joint Technology Committee considered the emergency request three times, voting once to recommend funding the request and twice not to recommend funding the request. The executive branch resubmitted the emergency supplemental request as a regular supplemental request on January 11, 2018. The Joint Technology Committee did not discuss the regular supplemental request at its January 12, 2018 meeting.

SUMMARY: FY 2017-18
APPROPRIATION AND RECOMMENDATION

CAPITAL CONSTRUCTION INFORMATION TECHNOLOGY PROJECTS: RECOMMENDED CHANGES FOR FY 2017-18

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2017-18 APPROPRIATION					
SB 17-254 (Long Bill)	$58,800,059	$19,855,515	$27,110,068	$0	$11,834,476
CURRENT FY 2017-18 APPROPRIATION	**$58,800,059**	**$19,855,515**	**$27,110,068**	**$0**	**$11,834,476**
RECOMMENDED CHANGES					
Current FY 2017-18 Appropriation	$58,800,059	$19,855,515	$27,110,068	$0	$11,834,476
Child Care Automated Tracking System Modernization	786,500	0	0	0	786,500
Modernizing the Child Welfare Case Management System	2,472,849	0	0	0	2,472,849
Human Resources Information System	2,888,529	2,888,529	0	0	0
RECOMMENDED FY 2017-18 APPROPRIATION	**$64,947,937**	**$22,744,044**	**$27,110,068**	**$0**	**$15,093,825**
RECOMMENDED INCREASE/(DECREASE)	**$6,147,878**	**$2,888,529**	**$0**	**$0**	**$3,259,349**
Percentage Change	10.5%	14.5%	0.0%	n/a	27.5%

REQUEST/RECOMMENDATION DESCRIPTIONS

CHILD CARE AUTOMATED TRACKING SYSTEM MODERNIZATION: The Department of Human Services requests an increase of $786,500 federal funds from the Child Care Development Fund for FY 2017-18 to complete the Child Care Automated Tracking System (CHATS) replacement project. Staff recommends approving this request.

Note, this request includes a companion supplemental operating request for FY 2017-18 and a companion operating budget amendment for FY 2018-19 to decrease federal funds appropriations from the Child Care Development Fund by a total of $786,500 to cover the costs associated with this supplemental capital construction request.

MODERNIZING THE CHILD WELFARE CASE MANAGEMENT SYSTEM: The Department of Human Services seeks an increase of $2,472,849 federal funds from U.S. Department of Health and Human Services' Administration for Children and Families for a variety of enhancements to the Trails system that supports the state's child welfare and youth services programs. Staff recommends approving this request.

HUMAN RESOURCES INFORMATION SYSTEM: The Governor's Office of Information Technology (OIT), in conjunction with the Department of Personnel, requests a supplemental appropriation of $2,888,529 General Fund for FY 2017-18 for the first phase of implementing the time and leave tracking component in the Human Resources Information System, now known as HRWorks. The

time and leave tracking solution proposed with this request differs from the solution originally selected for this purpose. Staff recommends approving this request.

Note, the request includes a companion supplemental operating request for FY 2017-18 to reduce OIT's spending authority by $5.4 million reappropriated funds due to two factors. First, given the delays associated with the time and leave tracking component of HRWorks, OIT does not need the same level of spending authority to meet operations and maintenance costs. Second, the operating costs for FY 2017-18 are lower for the proposed time and leave tracking solution than the solution originally chosen for implementation. Staff recommends approving this request, too.

SUPPLEMENTAL REQUESTS

CHILD CARE AUTOMATED TRACKING SYSTEM MODERNIZATION

	REQUEST	RECOMMENDATION
TOTAL	**$786,500**	**$786,500**
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	786,500	786,500

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	**YES**
[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	

Explanation: JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

DEPARTMENT REQUEST: The Department of Human Services requests an increase of $786,500 federal funds from the Child Care Development Fund for FY 2017-18 to complete the Child Care Automated Tracking System (CHATS) replacement project. Additionally, the request includes a companion supplemental operating request for FY 2017-18 and a companion operating budget amendment for FY 2018-19 to decrease federal funds appropriations from the Child Care Development Fund by a total of $786,500 to cover the costs associated with this supplemental capital construction request.

JOINT TECHNOLOGY COMMITTEE RECOMMENDATION: The Joint Technology Committee recommended funding the Department's request for FY 2017-18.

STAFF RECOMMENDATION: Staff recommends approving this supplemental capital construction request and its companion supplemental operating request.

STAFF ANALYSIS: The Colorado Child Care Assistance Program (CCCAP) provides financial assistance to low-income families that are working, searching for employment or are in training, and families that are enrolled in the Colorado Works Program and need child care services to support their efforts toward self-sufficiency. CCCAP is administered through county departments of social services under the direction of the Department's Division of Child Care.

CHATS is the information technology system for entering, storing, and reporting CCCAP data. The system also includes the attendance tracking system used by child care providers for CCCAP participant attendance tracking. The system is in the final stages of a modernization initiative funded with $7,161,975 federal funds across FY 2015-16 and FY 2016-17. The Department anticipates that the new CHATS will "go live" in August 2018.

There are three remaining project components that the Department requests funding for to ensure that the new CHATS provides the expected level of stability and functionality. First, the Department seeks $600,000 to replace the provider self-service portal that gives child care providers information on child attendance and county reimbursements for services rendered. Second, the Department requests $77,000 to have CHATS hosted through Amazon Web Services, which is the cloud-

environment standard authorized by the Governor's Office of Information Technology. Finally, the Department seeks $38,000 for knowledge transfer services to augment training offerings beyond users of CHATS to the state staff maintaining system. The following table summarizes these requests.

FY 2017-18 CHATS CAPITAL CONSTRUCTION SUPPLEMENTAL FUNDING REQUESTS	
REQUEST COMPONENT	APPROPRIATION REQUESTED
Provider Self-Service Portal	$600,000
Amazon Web Services	77,000
Knowledge Transfer (training)	38,000
Subtotal	**_$715,000_**
Contingency Funding (10%)	$71,500
Total	**$786,500**

To fund these items, the Department request a transfer of $786,500 federal funds from the Child Care Development Fund in the operating budget to the capital construction budget. Specifically, for FY 2017-18 a companion supplemental operating request asks for $250,000 federal funds appropriated to the "Micro-Grants to Improve Access to Child Care" line item to be transferred to a new "Child Care Automated Tracking System" capital construction line item. This line item was intended to provide micro grants to individuals in communities that currently lack licensed child care capacity to cover start-up costs associated with licensing and other business related expenses. The Department notified the General Assembly during the 2017 legislative session that this program was not viable and should be eliminated. $250,000 remains in the FY 2017-18 appropriation for this line item and can be used for CHATS purposes since it is no longer needed for the grant program. Additionally, the companion supplemental operating request asks for $136,000 federal funds appropriated to the "Child Care Automated Tracking System" operating line item to be transferred to a new "Child Care Automated Tracking System" capital construction line item. These two requested actions provide $386,000 of the $786,500 capital construction requested increase.

For FY 2018-19, a companion budget amendment asks for $250,000 federal funds appropriated to the "Child Care Automated Tracking System" operating line item to be transferred to a new "Child Care Automated Tracking System" capital construction line item. Additionally, the budget amendment seeks a transfer of $150,500 federal funds from the "Child Care Assistance Program Support," which funds a portion of the contracted maintenance and support for CHATS, to a new "Child Care Automated Tracking System" capital construction line item. These two requested actions provide the remaining $400,500 of the $786,500 capital construction requested increase.

The following tables summarizes the operating adjustments that are requested to cover the costs of the CHATS capital construction project.

REQUESTED OPERATING ADJUSTMENTS TO FUND CHATS CAPITAL CONSTRUCTION PROJECT			
OPERATING LINE ITEM	FY 2017-18 SUPPLEMENTAL	FY 2018-19 BUDGET AMENDMENT	2 YEAR TOTAL
Micro-Grants to Improve Access to Child Care	($250,000)	$0	($250,000)
Child Care Automated Tracking System	(136,000)	(250,000)	(386,000)
Child Care Assistance Program Support	0	(150,500)	(150,500)
Total	**($386,000)**	**($400,500)**	**($786,500)**

Staff recommends approving the Department's capital construction and operating requests.

MODERNIZING THE CHILD WELFARE CASE MANAGEMENT SYSTEM

	REQUEST	RECOMMENDATION
TOTAL	**$2,472,849**	**$2,472,849**
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	2,472,849	2,472,849

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	**YES**
[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	

Explanation: JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

DEPARTMENT REQUEST: The Department of Human Services seeks an increase of $2,472,849 federal funds from U.S. Department of Health and Human Services' Administration for Children and Families for a variety of enhancements to the Trails system that supports the state's child welfare and youth services programs.

JOINT TECHNOLOGY COMMITTEE RECOMMENDATION: The Joint Technology Committee recommended funding the Department's request for FY 2017-18.

STAFF RECOMMENDATION: Staff recommends approving this supplemental capital construction request.

STAFF ANALYSIS: Colorado Trails is a statewide system, operational since 2002, that supports activities in the Department of Human Services' Division of Child Welfare and the Division of Youth Services (DYS). The Trails database links all divisions of DYS staff located in facilities and offices throughout the state, as well as state and county child welfare workers, supervisors, and support staff. The system provides case management support for direct client workers, decision-making support tools for managers, and access to client information across all DYS and child welfare populations in the state.

The Division of Child Welfare portion of Trails includes functions for intake, eligibility, resource management, court processing, case management, facilities management, financial management, and administration. The DYS portion of Trails allows users to track the stages a youth goes through in terms of their placements and counselor assignments. Workers can create, modify, and maintain treatment plans and release goals, and identify and assess resource providers.

The technology and architecture of the current Trails system is over 20 years old and is no longer supported by the manufacturers of the system. Beginning in FY 2015-16, the General Assembly funded a three phase Trails modernization project to upgrade its infrastructure to allow for faster implementation of system modifications and to accommodate changing child welfare practices. The Department anticipates that the modernized Trails system will "go live" in by the end of 2018. The following table summarizes the total capital construction appropriations for the project, to date.

MODERNIZING THE CHILD WELFARE CASE MANAGEMENT SYSTEM		
TOTAL CAPITAL CONSTRUCTION APPROPRIATIONS OF THE PROJECT TO DATE		
FISCAL YEAR	TOTAL FUNDS	GENERAL FUND
FY 2015-16	$6,824,567	$4,648,707
FY 2016-17	6,749,617	3,374,809
FY 2017-18	6,749,617	3,374,809
Total	**$20,323,801**	**$11,398,325**

The Department has identified four additional changes that must be made to Trails that were not discovered prior to the General Assembly appropriating funds for the third and final phase of the project. First, the background check software that is used to approve child welfare providers is no longer supported by the vendor and must be replaced. Second, payments to counties and providers must be made from Trails rather than through the County Financial Management System (CFMS) which necessitates building out payment coding and payment tables within Trails. Third, the U.S. Department of Health and Human Services issued final rules for state child welfare systems called Comprehensive Child Welfare Information Systems (CCWIS) that require a variety of new interfaces and system changes to Trails. Finally, the Department identified additional storage needs for document transfers between counties and the state. The total sum of these additional projects is $2,472,849.

The Department worked with the U.S. Department of Health and Human Services' Administration for Children and Families to obtain federal funds in the amount of $2,472,849 to cover the costs of these projects. Specifically, the Administration for Children and Families agreed to match all appropriated state General Fund for the entire project at a rate of 50 percent federal funds/50 percent state funds. Originally, the Administration agreed to a 32 percent federal funds/68 percent state matching rate. The 50/50 match rate allows the state to fund the additional projects requested with this supplemental without needing more state General Fund.

Staff recommends approving the Department's capital construction request.

HUMAN RESOURCES INFORMATION SYSTEM

	REQUEST	RECOMMENDATION
TOTAL	**$2,888,529**	**$2,888,529**
General Fund	2,888,529	2,888,529
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	**YES**
[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	

Explanation: JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

DEPARTMENT REQUEST: The Governor's Office of Information Technology (OIT), in conjunction with the Department of Personnel (DPA), requests a supplemental capital construction appropriation of $2,888,529 General Fund for FY 2017-18 for the first phase of implementing the time and leave tracking component in the Human Resources Information System, now known as HRWorks. The time and leave tracking solution proposed with this request differs from the solution originally selected for this purpose.

Additionally, the request includes a companion supplemental operating request for FY 2017-18 to reduce OIT's spending authority by $5.4 million reappropriated funds due to two factors. First, given the delays associated with the time and leave tracking component of HRWorks, OIT does not need the same level of spending authority to meet operations and maintenance costs. Second, the operating costs for FY 2017-18 are lower for the proposed time and leave tracking solution than the solution originally chosen for implementation.

JOINT TECHNOLOGY COMMITTEE RECOMMENDATION: The Joint Technology Committee did not put forth a recommendation on OIT's regular supplemental request for FY 2017-18. The executive branch submitted an emergency supplemental funding request for this project in September 2017. The Joint Technology Committee considered the emergency request three times, voting once to recommend funding the request and twice not to recommend funding the request. The executive branch resubmitted the emergency supplemental request as a regular supplemental request on January 11th. The Joint Technology Committee did not discuss the regular supplemental prior to the January 15th deadline to provide recommendations to the Joint Budget Committee.

STAFF RECOMMENDATION: Staff recommends that the Committee approve the supplemental requests (capital construction/operating) put forth by DPA/OIT for the HRWorks project.

STAFF ANALYSIS:

Background
HRWorks is an information system owned by DPA and implemented by OIT that is currently under development to provide a single application for human resources management functions. HRWorks has four main components:

- Statewide time and leave tracking;
- Payroll processing;
- Performance and personnel management; and
- Statewide database for employee and position information.

HRWorks will replace the state's existing statewide leave, time tracking and human resources management system. DPA/OIT indicate that human resources functions are currently fragmented across the state agencies and are performed on paper or in a number of legacy systems. It is estimated that there are approximately 80 different applications used by executive branch agencies to perform the critical business functions of human resources.

This system replacement project received an initial capital construction information technology projects appropriation of $16.1 million General Fund in FY 2014-15 and was later augmented by a supplemental appropriation of $15.2 million General Fund during the 2015 legislative session. The total appropriation for the capital construction project is currently $31.3 million General Fund. The appropriated funds are used to contract with four primary vendors to undertake each component of the project:

- Kronos – Statewide time and leave tracking
- CGI – Payroll processing;
- Workday – Performance and personnel management; and
- Lexmark – Statewide database for employee and position information.

Additionally, the FY 2017-18 operating budget includes $8.0 million total funds for the ongoing costs associated with maintaining HRWorks. This cost is spread across state agencies through direct appropriations made in the Payments to OIT line items within each agency. OIT has spending authority for $8.0 million in the form of an appropriation of reappropriated funds that are transferred from state agencies from their Payments to OIT line item appropriations from a variety of sources (General Fund, cash funds, reappropriated funds, and federal funds) for this purpose.

Issue
A contract for the statewide time and leave tracking component of the project was initially awarded to Kronos. In addition to Kronos submitting a bid fulfilling DPA/OIT's requirements, and Kronos generally being considered the industry leader in timekeeping systems, most state agencies also use some version of the vendor's tools for timekeeping functions. DPA/OIT spent $9.1 million of its $31.3 million capital construction appropriation across three fiscal years (FY 2014-15, FY 2015-16, and FY 2016-17) for a master agreement to license the most current Kronos tools for agencies to implement prior to the launch of HRIS and to integrate the most current Kronos tools with the payroll processing component of HRWorks under development by CGI.

After CGI and Kronos began to integrate the statewide time and leave tracking component of the project with the payroll processing component of project in January 2017, DPA/OIT determined that the state's Kronos configuration would not work with CGI's tools without significant customization by both vendors. DPA/OIT then opted to halt the implementation of Kronos tools for statewide time and leave tracking and instead implement a CGI-based time and leave tracking solution. The agencies entered into a contract with CGI to do this work. This solution is deemed to reduce the

technology risk of the project, increase the overall functionality and usability of HRWorks, and improve the integration of HRWorks with the state's financial system, CORE (also implemented by CGI), which will benefit the monthly and annual closing processes.

Fiscal Impact of Proposed Change from Kronos to CGI for Time and Leave Tracking
In September 2017, DPA/OIT submitted an emergency supplemental capital construction funding request seeking $2,888,529 General Fund for FY 2017-18 to build out the CGI solution for time and leave tracking. Additionally, the agencies' FY 2018-19 capital construction funding request includes $7,414,260 General Fund to complete this work. The estimated go live date for HRWorks is sometime in October 2018 if the funding is approved by the General Assembly.

The following table summarizes current and requested capital construction appropriations for this project. Included in the table are DPA/OIT's estimated capital construction costs associated with the Kronos option. It should be noted that Kronos adamantly disputes the capital construction funding numbers put forth by DPA/OIT. The company contends that it can implement its time and leave tracking solution without any additional capital construction funding other than existing appropriations and within DPA/OIT's timeline that projects a go live date in October 2018. DPA/OIT offer that a Kronos solution will result in a 6 to 10 month project delay that will drive up the costs of the project. Staff has examined the arguments made by the involved parties and has determined that DPA/OIT and Kronos will likely never agree on project timelines or needed capital construction funds to implement the Kronos option.

HRWORKS CAPITAL CONSTRUCTION FUNDING CGI OPTION VS. KRONOS OPTION			
	CGI OPTION	KRONOS OPTION	DIFFERENCE
	GF / CCF	GF / CCF	GF / CCF
Existing FY 2014-15 Appropriation	$31,288,801	$31,288,801	$0
FY 2017-18 Supplemental Request	2,888,529	1,632,427	1,256,102
FY 2018-19 Request	7,414,260	8,412,110	(997,850)
Total	**$41,591,590**	**$41,333,338**	**$258,252**

On the operating budget side, the CGI solution put forth by DPA/OIT is less expensive in the long-term. Beginning in FY 2019-20, the annual operating cost (which is shared by all state agencies through the common policy process) for the HRWorks system is $6.3 million with the CGI solution for time and leave tracking. DPA/OIT's estimated annual operating cost for HRWorks with the Kronos solution for time and leave tracking is $7,133,096. The following table summarizes the annual operating costs for HRWorks with each time and leave solution between the period of FY 2019-20 through FY 2026-27.

HRWORKS ANNUAL OPERATING COSTS CGI OPTION VS. KRONOS OPTION			
	CGI OPTION	KRONOS OPTION	DIFFERENCE
Annual Operating Cost	$6,315,153	$7,133,096	($817,943)

Status of the Emergency Supplemental Capital Construction Request to Move from Kronos to CGI
The Joint Technology Committee (JTC) reviewed OIT's FY 2017-18 emergency supplemental capital construction funding request for $2,888,529 General Fund to build out the CGI solution for time and leave tracking and voted 4 to 2 on September 13th in favor of authorizing the funds. On September

20th, the Joint Budget Committee (JBC) met and considered this emergency supplemental request and asked that the JTC review this funding solicitation a second time to study concerns brought forth by members of the JBC. On October 3rd, the JTC studied the request a second time and subsequently voted 2 to 4 on a motion to approve the emergency supplemental. Following the JTC's vote, the JBC opted to table a decision on funding the request. At DPA/OIT's request, the JTC analyzed the request a third time on December 19th and voted 3 to 3 on a motion to approve the emergency supplemental.

From Emergency Supplemental Request to Regular Supplemental Request
OIT/DPA submitted the emergency supplemental request to the JTC and the JBC as a regular supplemental request on January 11th. The dollar amount of the requested funding did not change.

Operating Supplemental Request
DPA/OIT submitted a companion supplemental operating reduction of $5.4 million reappropriated funds for FY 2017-18. This reduction is due to two factors. First, given the delays associated with the time and leave tracking component of HRWorks, DPA/OIT do not need the same level of spending authority to meet operations and maintenance costs as was assumed when the original appropriation was made. Second, the operating costs for FY 2017-18 are lower with the CGI solution than the Kronos option. Together, these two factors allow DPA/OIT to request an operating reduction of $5.4 million reappropriated funds for FY 2017-18.

Note, while OIT requests a supplemental operating reduction in reappropriated funds spending authority for FY 2017-18, the actual budgetary savings will be realized through the true-up process for the information technology common policy for FY 2018-19 when agencies receive a reduction in appropriations in their operating Payments to OIT line items totaling $5.4 million statewide.

Interaction of the Capital Construction Supplemental and the Operating Supplemental Requests
The supplemental operating reduction requested for FY 2017-18 is directly tied to the supplemental capital construction funding request for FY 2017-18.

- If the Committee approves the supplemental capital construction funding request for FY 2017-18, the Committee should approve the supplemental operating funding request for FY 2017-18.

- If the Committee rejects the supplemental capital construction funding request for FY 2017-18, the Committee should reject the supplemental operating funding request for FY 2017-18.

- If the Committee tables the supplemental capital construction funding request for FY 2017-18 until a later date, the Committee should table the supplemental operating funding request for FY 2017-18 until a later date.

Committee Decision Options
Staff identifies the following options available to the Committee for taking action on the supplemental requests:

1   Approve DPA/OIT's supplemental capital construction and operating requests. The agencies will proceed to implement the CGI time and leave component of the project. Under this scenario, the agencies predict that HRWorks will go live in October 2018. DPA/OIT do not anticipate any additional capital construction funding requests for HRWorks outside of the amount

requested for FY 2017-18 and FY 2018-19, but do admit that it's impossible to predict with certainty that additional funding will not be required.

2   Deny DPA/OIT's supplemental capital construction and operating requests and assume the project will end without completion. Departments will continue current practices and systems for human resources, time and leave tracking, and payroll. This includes relying on the COBOL-based Colorado Personnel Payroll System (CPPS) for payroll functions. DPA/OIT indicate that they are evaluating whether certain parts of the HRWorks project could continue if the supplemental request is not approved.

3   Approve a supplemental capital construction appropriation in an amount equal to DPA/OIT's estimates for the Kronos option to indicate to the agencies that it is the General Assembly's preference to build HRWorks with a Kronos-based time and leave tracking solution. The appropriation for this purpose is $1,632,427. Note, making an appropriation in this amount would not require DPA/OIT to work with Kronos, as funds appropriated by the General Assembly cannot be directed to specific vendors (Article V, Section 34, of the State Constitution).

4   Deny DPA/OIT's supplemental capital construction and operating requests and assume that the agencies will negotiate with Kronos to implement the time and leave solution based on company's stance that it does not require additional capital construction funds to complete its work on time for an HRWorks go live date in October 2018. Note, nothing in this option binds the agencies to work with Kronos.

5   Take no action on DPA/OIT's supplemental capital construction and operating requests and ask that the executive branch present additional justification for the requests on Monday, January 29th during the Office of State Planning and Budgeting's comebacks session. The Committee may wish to use the time between staff's recommendation and the comebacks session to meet with colleagues from the Joint Technology Committee to determine what information is needed to arrive at a final decision.

6   Take no action on DPA/OIT's supplemental capital construction and operating requests at this time and wait until figure setting for capital construction information technology projects in early March before making a decision. If the Committee takes action to fund the FY 2017-18 supplemental request during figure setting, it would be included in the Long Bill as an add-on appropriation. Note, the agencies estimate that existing HRWorks appropriations will be fully expended by March 2018. Without additional funding through a supplemental appropriation, the project will be halted in March.

Staff Recommendation
It is unfortunate that $9.1 million General Fund was expended on the statewide time and leave tracking component of the HRWorks project for Kronos technology that will not be part of the final product. This highlights that issues in the application of current information technology procurement statutes and rules are costing the state money and will continue to do so until significant changes are made to the procurement process. Spending $9.1 million of state money and then determining that a technology solution is not the right one to address business process needs should be unacceptable to taxpayers, the executive branch, and the General Assembly. Staff will work with the Joint Technology Committee to identify policy and process changes that can be implemented to ensure that opportunities for such expenditures are minimized in the future.

Regardless of procurement process issues that allowed for a state agency to spend state money on items that will never be included in a final product, the Committee has a decision before it as to whether the HRWorks project should continue to completion with a new technology approach or end prior to completion to avoid additional costs. It is staff's recommendation that the project should continue to completion to avoid the permanent loss of more money than has already occurred.

DPA/OIT indicate that they have done their due diligence in studying the technology options required to finish the time and leave component of the project, selected one technology approach over another, and submit this supplemental funding request to implement the chosen technology. However, not all parties agree with DPA/OIT's choice of technology or the capital construction cost estimates used to compare options. The only generally agreed upon fact when it comes to cost estimates is that the technology solution selected by DPA/OIT is projected to have an annual operating cost that is $817,943 less than the alternative considered. From a budgetary perspective, this fact is a compelling argument in favor the selection made by DPA/OIT. The lack of clarity and consensus surrounding the capital construction costs of the solution not favored by DPA/OIT, however, makes the Committee's decision on this request more complicated than simply comparing solutions on a cost basis.

Ultimately, after studying the project and contemplating the option to fund or not fund the completion of the project, staff recommends that the Committee approve the supplemental requests (capital construction/operating) put forth by DPA/OIT to finish HRWorks. It is staff's opinion that the HRWorks project suffered from a series of procurement and project management issues that caused it to follow a rocky implementation path. The actions of the agencies involved have undoubtedly driven up the costs of the project beyond what was originally proposed to the General Assembly, thus necessitating a supplemental funding request. Rather than recommending that the project be ceased altogether based on a series of process issues, staff recommends moving forward with a solution that the executive branch is confident it can implement. Staff does not have evidence to suggest that the circuitous path taken has arrived at a technology destination that is anything other than what DPA/OIT believe is the most appropriate and cost-effective solution to meet the needs of the state's time and leave tracking processes.

Despite staff recommending funding the agencies' request and moving forward, it is hoped that this is not the end of the discussion. Staff recommends that the Committee and its legislative colleagues focus attention on ensuring that changes are made to the procurement process such that the General Assembly is not asked again to fulfill the role of referee between executive branch agencies and vendors over contracting decisions. Until such changes are made, the Committee may wish to deny all future capital construction information technology project requests made by the executive branch.