

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2017-18

DEPARTMENT OF STATE

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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DEPARTMENT OF STATE

DEPARTMENT OVERVIEW

The Secretary of State is one of five independently-elected constitutional officers and serves as the chief election official for the state of Colorado. The Department of State is broadly responsible for overseeing elections, registering businesses, and publishing information and records for public use. The Department consists of four divisions:

ADMINISTRATION DIVISION

- Provides general management and administrative support for all department divisions including budgeting, human resources services, and public outreach.

INFORMATION TECHNOLOGY SERVICES (IT SERVICES)

- Provides technical and project management services, systems development, and support for information technology systems in the Department, including:
 - the web-based filing systems used by the Business and Licensing Division; and
 - the computerized statewide voter registration and elections management system (SCORE).

ELECTIONS DIVISION

- Administers statewide statutory and constitutional provisions that relate to elections, including the administration of the initiative and referendum process.
- Certifies voting equipment.
- Implements the provisions of the federal Help America Vote Act (HAVA), including the improvements to the administration of federal elections.
- Maintains the State of Colorado Registration and Elections (SCORE) system, the State's computerized statewide voter registration system.
- Oversees campaign finance reporting by political candidates and committees.

BUSINESS AND LICENSING DIVISION

- Collects, maintains, and provides public access to filings made by businesses and non-profit organizations (e.g. annual reports, articles of incorporation etc.).
- Registers business names, trade names, and trademarks.
- Registers charitable organizations and licenses entities involved in charitable bingo/raffle.
- Registers lobbyists and monitors the filing of required disclosure reports.
- Licenses and regulates notaries public.
- Compiles and publishes the Code of Colorado Regulations (CCR).
- Oversees the Business Intelligence Center and coordinates the Go Code Colorado statewide application challenge.

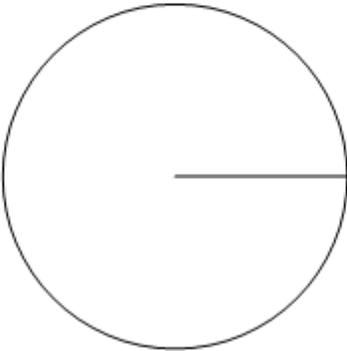
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18 *
General Fund	\$0	\$0	\$0	\$0
Cash Funds	22,508,337	21,580,286	22,087,139	22,596,055
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
TOTAL FUNDS	\$22,508,337	\$21,580,286	\$22,087,139	\$22,596,055
Full Time Equiv. Staff	137.3	137.3	137.4	137.4

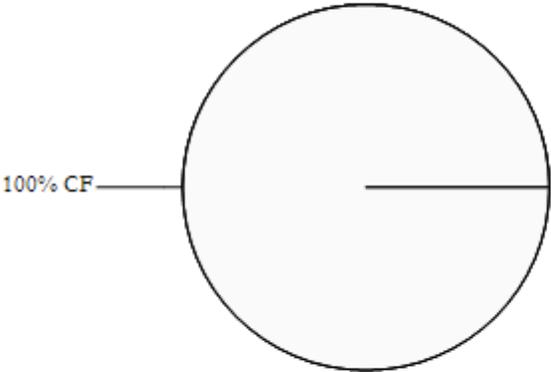
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

**Department's Share of Statewide
General Fund**



Department Funding Sources

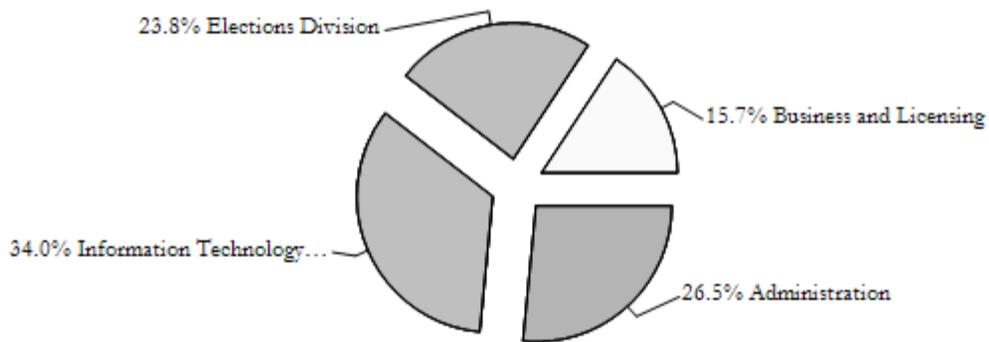


All charts are based on the FY 2016-17 appropriation.

Distribution of General Fund by Division

The Department of State does not receive General Fund appropriations

Distribution of Total Funds by Division



All charts are based on the FY 2016-17 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

Three major factors drive the Department of State budget:

- The volume of business filings, the fees of which generate nearly all the cash fund revenue used to support department programs;
- Department-wide expenses related to the administration of elections; and
- Information technology projects required to support elections and business filing processes.

BUSINESS FILING FEES AND CASH FUND REVENUES

The Department is almost entirely cash-funded through the Department of State (DOS) Cash Fund. Cash fund revenues are primarily driven by the volume of business filings and the fees associated with each filing, with an average of 84.8 percent of all Department revenue accounted for by the business filing fees alone. Fees from other programs, including bingo-raffle licensing, campaign finance reporting, and the registration of lobbyists and notaries public, account for the remainder.

Pursuant to Section 24-21-104 (3) (b), C.R.S., the Department of State is authorized to "adjust fees so that the revenue generated from the fees approximates [the Department's] direct and indirect costs" and to manage the uncommitted reserve in the DOS Cash Fund. It is currently Department policy to conduct regular competitiveness reviews when setting fee amounts to keep business filing fees at or near the lowest rate in the country. The following table provides data on total business filings received by the Department, as well as a comparison of revenue from business filing fees with total cash fund revenue:

DOS BUSINESS FILING FEES AND CASH FUND REVENUE			
	TOTAL BUSINESS FILINGS	REVENUE FROM BUSINESS FILING FEES ¹	TOTAL DOS CF REVENUE
FY 2010-11	634,078	\$15,072,872	\$18,111,700
FY 2011-12	625,078	\$14,700,605	\$17,298,268
FY 2012-13	682,949	\$12,749,090	\$14,838,261
FY 2013-14	696,140	\$16,335,768	\$20,869,466
FY 2014-15	748,368	\$16,981,602	\$19,878,791
FY 2015-16	782,017	\$19,097,497	\$21,462,890
FY 2016-17 ²	797,657	\$19,584,000	\$22,458,396

¹This column shows revenues from business filing fees only. It excludes revenue collected by other programs within the Business & Licensing Division.

² Data for FY 2016-17 is estimated by the Department of State.

ELECTIONS ADMINISTRATION AND EXPENDITURES

A large proportion of Department expenditures are driven by costs associated with the administration of elections, which can vary based on growth in the population of eligible voters, changes in election laws, and the unique characteristics of each election cycle. The direct expenses of the Elections Division account for 23.8 percent of the total appropriation in FY 2016-17. In February 2015, the Department estimated the direct and indirect costs of the Elections Division exceeded \$14.7 million. The indirect or overhead expenses attributable to elections-related programs and personnel within the Department, e.g. administrative support, human resources services, and budgeting.

The Elections Division has specific appropriations for three types of expenditures in addition to personal services and operating costs:

- 1 The *Initiative and Referendum* line item funds the verification of signatures on candidate and initiative petitions. Department expenditures on signature verification depend on the year and number of initiatives on the ballot. While initiatives on the ballot for odd-year elections are limited to TABOR-related matters, there are no restrictions on the types of initiatives for even-year elections (presidential and gubernatorial election years) which results in higher even-year expenditures on signature verification.

As a result, even-year expenditures are generally higher and the appropriation for this line item has alternated between \$150,000 (odd-year) and \$250,000 (even-year) to better reflect this pattern of expenditures. The Department's budget submission for odd-year FY 2017-18 *does not reflect* this pattern, which the Department has stated is due to the rising costs of purchasing services from the Integrated Document Solutions unit in the Department of Personnel.

It is likely the Department of State will submit a budget request next year to increase this line item in FY 2018-19. Because rates have not yet been set by the Department of Personnel, Department of State staff are not comfortable providing an estimate at this time, although, rates being discussed may nearly double the cost of the Initiative and Referendum line item.

- 2 The *Local Election Reimbursement* line item reimburses counties for costs related to statewide ballot issues and questions on a 'per voter' basis. These expenditures are driven by the number of eligible registered voters in each county and the reimbursement rate specified in statute. For FY 2017-18, the Department estimates that \$2.7 million will be required to fulfill reimbursement obligations for the November 2017 election. This change is one of the Department's request items. Additionally, staff from the Department have indicated to JBC staff that it expects to submit a supplemental request for FY 2016-17, because it is anticipating the 2016 local election reimbursement to be \$2,694,921. This figure represents an increase of \$194,921.

The voters of Colorado have authorized Amendment 71 to the Colorado Constitution, which makes a number of changes to the requirements for citizens proposing constitutional amendments. The Secretary is not confident in the effect this change will have on the Initiative process.

- 3 The *Help America Vote Act Program* (HAVA) line item uses federal funds and matching cash funds to replace outdated voting technology, ensure accessibility for disabled voters, and institute a statewide voter registration system. In FY 2017-18, the Department expects to continue to fund two major projects: improvements to the State of Colorado Registration and Elections (SCORE) system related to online voter registration; and the provision of a ballot drop box for each county in the state. These funds are continuously-appropriated to the Department and included for informational purposes only. The Department does not anticipate any additional federal funding and HAVA funds are expected to be exhausted in the next several years. Exhaustion of funds is highly dependent on the number of counties that participate in the initiative.

DEPARTMENT OF STATE – HAVA EXPENDITURES							
	FY 10-11 ACTUAL	FY 11-12 ACTUAL	FY 12-13 ACTUAL	FY 13-14 ACTUAL	FY 14-15 ACTUAL	FY 15-16 ACTUAL ¹	FY 16-17 ESTIMATE
Personal Services	\$367,559	\$723,860	\$50,155	\$65,358	\$74,686	(\$276)	\$0
Contractors	1,428,817	424,166	56,593	245,299	317,687	0	0
Operating Expenses	459,185	351,183	874,637	147,718	10,543	324,481	73,597
Grants	135,073	96,081	172,333	256,050	28,959	26,431	739,604
Capitalized Property Purchases	367,843	0	0	39,925	0	185,058	0
Transfers	5,000	5,000	5,000	0	0	0	0
TOTAL	\$2,763,477	\$1,600,290	\$1,158,718	\$754,349	\$431,875	\$535,694	\$813,201

¹ The negative number in FY 2015-16 was the result of a transfer from the Office of the State Auditor for a refund to the Department of State for the overpayment of audit costs in FY 2014-15.

INFORMATION TECHNOLOGY SERVICES PROJECTS

The Information Technology Services (ITS) Division provides most of the technology support for other divisions in the Department.

Business and Licensing Division: Most of the business filing processes, public records resources, certification programs, and other services provided by the Department are handled electronically with 2,500 web-based transactions (i.e. filings with fees) processed daily. The ITS Division maintains and provides support for the systems used to manage these services.

Elections Division: The ITS Division currently has 4.75 FTE dedicated exclusively to elections-related projects, including maintaining the federally-mandated SCORE system for statewide computerized voter registration and election management. SCORE is required by the Help America Vote Act and, while its creation was primarily funded by the Federal Elections Assistance Fund, the costs of any changes to the system are now supported by the Department of State Cash Fund.

BUSINESS AND LICENSING DIVISION EXPENDITURES

The Business and Licensing Division accounts for 15.7 percent of the Department's total FY 2016-17 budget and is primarily responsible for collecting, maintaining, and providing public access to filings made by businesses and non-profit organizations. The Division also administers the *Business Intelligence Center* (BIC), which launched in FY 2013-14 to aggregate and standardize datasets from across state agencies and improve access to public information. Approximately half of the funding for BIC is used to put on the Go Code Colorado statewide application challenge event, where teams of developers and professionals compete to create apps that utilize available data to solve business challenges. Winning apps receive a one-year contract with the state worth \$25,000. BIC also receives financial contributions and in-kind donations from sponsors for Go Code Colorado, a summary of which is provided below. For additional detail see Appendix E.

GO CODE FINANCIAL CONTRIBUTIONS AND IN-KIND DONATIONS SUMMARY				
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Financial Contributions	\$75,000	\$71,000	\$69,000	\$30,000
Estimated Value of In-Kind Donation	120,000	160,000	76,100	0
Total	\$195,000	\$231,000	\$145,600	\$30,000

¹ The Department receives the majority of this Go Code funding in the second half of the fiscal year and this figure represents what has been donated as of November 1, 2016

SUMMARY: FY 2016-17 APPROPRIATION & FY 2017-18 REQUEST

DEPARTMENT OF STATE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
H.B. 16-1405 (Long Bill)	\$22,041,223	\$0	\$22,041,223	\$0	\$0	137.3
Other Legislation	45,916	0	45,916	0	0	0.1
TOTAL	\$22,087,139	\$0	\$22,087,139	\$0	\$0	137.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$22,087,139	\$0	\$22,087,139	\$0	\$0	137.4
R1 Local Election Reimbursement increase	200,000	0	200,000	0	0	0.0
R2 Outside legal counsel	25,000	0	25,000	0	0	0.0
R3 Rebalancing personal services	0	0	0	0	0	0.0
Centrally appropriated line items	268,841	0	268,841	0	0	0.0
Non-prioritized request items	14,004	0	14,004	0	0	0.0
Annualize prior year budget actions	1,071	0	1,071	0	0	0.0
TOTAL	\$22,596,055	\$0	\$22,596,055	\$0	\$0	137.4
INCREASE/(DECREASE)	\$508,916	\$0	\$508,916	\$0	\$0	0.0
Percentage Change	2.3%	n/a	2.3%	n/a	n/a	0.0%

R1 LOCAL ELECTION REIMBURSEMENT INCREASE: The request includes an increase of \$200,000 cash funds to fund the Department providing local election reimbursement based on statutory formula calculated on the number of active registered voters in each county.

R2 OUTSIDE LEGAL COUNSEL: The request includes an increase of \$25,000 to the Personal Services line item in the Department's Administration Division to purchase legal advice from outside legal counsel when the Department of Law's provision of advice presents a conflict of interest. The request is being made in response to the Department of Law's *R1 Request Title Modify Legal Appropriations and Billings*. The Briefing for Department of Law follows this one.

R3 REBALANCING PERSONAL SERVICES: The request includes shifting funding and FTE throughout the Department to accurately reflect changes in staffing at the Department based on the behavior of its clients who are utilizing more online services and fewer in person ones. This shift is net-zero of both total funds and total FTE.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes an increase of \$268,841 cash funds for centrally appropriated line items summarized in the table below:

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$228,288	\$0	\$228,288	\$0	\$0	0.0
Payment to risk management / property funds adjustment	30,290	0	30,290	0	0	0.0
Payments to OIT adjustment	22,564	0	22,564	0	0	0.0
Leased space adjustment	19,841	0	19,841	0	0	0.0
Legal services adjustment	18,091	0	18,091	0	0	0.0
Indirect cost assessment adjustment	9,295	0	9,295	0	0	0.0

CENTRALLY APPROPRIATED LINE ITEMS

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Workers' compensation adjustment	3,239	0	3,239	0	0	0.0
CORE adjustment	3	0	3	0	0	0.0
ALJ adjustment	(43,990)	0	(43,990)	0	0	0.0
Health, life, and dental adjustment	(11,455)	0	(11,455)	0	0	0.0
AED adjustment	(5,818)	0	(5,818)	0	0	0.0
SAED adjustment	(1,369)	0	(1,369)	0	0	0.0
Short-term disability adjustment	(138)	0	(138)	0	0	0.0
TOTAL	\$268,841	0	\$268,841	0	0	0.0

NON-PRIORITIZED REQUESTED CHANGES: The request includes an increase of \$14,004 cash funds for non-prioritized requests summarized in the table below:

NON-PRIORITIZED REQUEST ITEMS

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	GENERAL FUNDS	FTE
NP OIT Secure Colorado	\$14,104	\$0	\$14,104	\$0	\$0	0.0
NP Resources for administrative courts	743	0	743	0	0	0.0
NP Annual fleet vehicle request	(843)	0	(843)	0	0	0.0
TOTAL	\$14,004	0	\$14,004	0	0	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes an increase of \$1,071 cash funds for annualization of FY 2016-17 merit pay appropriation.

ISSUE: R1 INCREASE TO LOCAL ELECTION REIMBURSEMENT LINE ITEM

The Department of State reimburses counties for local election costs based on a per-active-voter statutory formula. A couple of recent changes to law as well as an increasing state population are driving the cost of election reimbursement to rise.

SUMMARY

- The Secretary of State requests an increase of \$200,000 cash fund spending to fund its obligation to reimburse counties for a portion of their state ballot question-related costs.
- Adoption of Amendment 71 may reduce the number of ballot initiatives proposed each year or it may just shift proposed constitutional amendments into proposed statutory changes. At the same time, the Department is starting to observe a trend related to the changes to how county clerks mark voters inactive contained in H.B. 13-1303 (Voter Access and Modernized Elections Act).
- JBC Staff has been informed a 1331 Supplemental Budget Request will be submitted mirroring this request with a request for increased funding in the current fiscal year. This request will be based on the actual number of voters active on election night and therefore the actual reimbursement required. Latest voter counts suggest this figure will be \$194,921.

RECOMMENDATION

Staff recommends the Committee approve the Department's request.

DISCUSSION

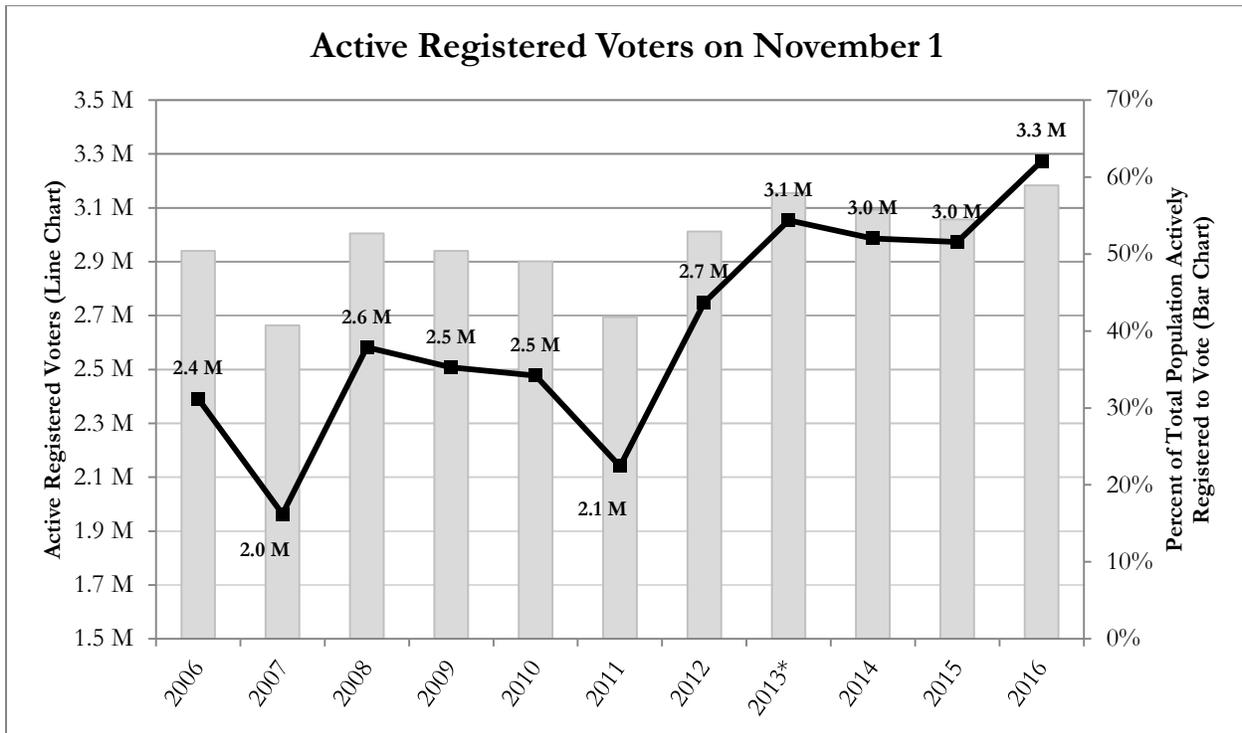
Since FY 2000-01 the Secretary of State has provided counties with a reimbursement for costs borne by each related to a state ballot question pursuant Section 1-5-505.5, C.R.S. This practice started upon enactment of H.B. 00-1100 (Taylor/Tebedo), passed as a direct response to increased election activity as a result of passing the Taxpayer Bill of Rights (Article X, Section 20) amendment to the Colorado Constitution.

The local election reimbursement requires the Secretary of State to reimburse counties for the actual costs attributable to the state ballot question in odd-numbered election years when no other question is on the local ballot. For both odd- and even-numbered election years where a state ballot question is on a county's ballot, a statutory formula based on the active number of registered voters in the county calculates the county's reimbursement. Initially the rate paid back to county was \$0.45 and \$0.35 for counties with active registered voters under 10,000 and over 10,000, respectively.

In 2006, the General Assembly passed S.B. 06-170 (Gordon/Buescher), which included among its provisions an increase in the rate of election reimbursement. The bill increased the rate paid to counties with active registered voters less than 10,000 to \$0.80 and those over 10,000 to \$0.70.

Finally, the rate increased to its current level through adoption of H.B. 12-1143 (Ferradino/Steadman), to \$0.90 and \$0.80 for counties with active registered voters under 10,000 and over 10,000, respectively.

As of November 1, 2016, the state counted about 3.3 million active voters. This represents a 38.6 percent growth since 2006 while the state’s population growth during this period is forecast to be approximately 17.1 percent.



* First election after enactment of H.B. 13-1303.

During this period, there was one statutory change that affected how county clerks determined whether voter status was active or inactive. House Bill 13-1303 (Hullinghorst and Pabon/Giron) made a number of changes to the elector system including removing requirements of county clerks to move an active voter to inactive status when the voter does not participate in the most recent election. After enacting this bill, the only voters whose status will change to inactive are those where the United States Postal Service have returned an election related piece of mail. Other methods by which a voter’s registration may be cancelled include a voluntary withdrawal submitted by the voter, removal after monthly comparison to the registrar of vital statistics death log, when the voter has multiple registrations, and when the voter registers in another county.

Colorado voters adopted Amendment 71 on election day, which requires those wishing to propose a constitutional amendment to collect signatures from each of the State Senate districts and requires a 55 percent supermajority of voters to approve new amendments that qualify for the ballot. It is uncertain whether the Department will see election costs reduced because fewer initiatives are being proposed or if the public will shift its activities to statutory changes that still allow signatures to be collected anywhere in the state.

The General Assembly last increased the appropriation to the Local Election Reimbursement line item in the 2015 Long Bill. As the data summarized above shows, the number of active registered voters continues to rise and was expected to continue rising through at least November 8, 2016. Changes to how county clerks designate voters as active or inactive will continue to reduce the number of voters moved from active to inactive status yearly and will continue to drive the need for increased local reimbursement for election costs.

No counties have expressed concern over the current rate at which the state reimburses their costs to the Department of State. JBC Staff is therefore inclined not to investigate a change to the rate.

The Secretary of State requests an increase of \$200,000 cash fund spending authority from the Department of State Cash Fund to fund its obligation to reimburse counties for a portion of their state ballot question-related costs. JBC Staff recommends the Committee approve this Department request during the figure setting presentation.

ISSUE: R2 OUTSIDE LEGAL COUNSEL

Since 2013, the Department of State has contracted with outside legal counsel for advice when the Attorney General's Office has an unresolvable conflict of interest. A Department of Law/Attorney General's Office budget request to change how the Attorney General's Office is funded eliminates the ability to continue this practice.

SUMMARY

- When the Department of State has an unresolvable conflict of interest with the Attorney General's Office, it seeks the advice of outside legal counsel. This is a permissible use of funds appropriated to the Legal Services line item, up to a ten percent limit.
- The Department of Law is seeking a change to how it bills agencies for its services. The effect the change would have to the Department of State is the elimination of the funding for outside counsel.
- The Department of State is seeking a \$25,000 cash fund increase in the Personal Services line item in the Administration Division for it to purchase outside legal counsel. This is an allowable use of the Personal Services line item and the Department will be required to notify the JBC each time it expends Personal Services appropriations.

RECOMMENDATION

Staff recommendation is pending the JBC Staff recommendation for the Department of Law's *R1 Legal Allocations and Billings*.

DISCUSSION

During the budget briefing for the Department of Law, you will learn about their proposal to change the method by which state agencies fund the Attorney General's office. This budget request from the Department of State is only requested if the Department of Law's budget request is approved.

The Department of State requests an increase of \$25,000 cash funds from the Department of State Cash Fund to the Personal Services line item in the Administration Division of the long bill for it to purchase services provided by outside legal counsel. The request does not require any change to current law.

Section 24-75-112 (1)(i), C.R.S., authorizes state agencies to expend up to 10.0 percent of the amount appropriated to the Legal Services line item for "operating expenses, contractual services, and tuition for employee training." The current practice at the Secretary of State's office is to utilize this allowance to purchase legal services from outside counsel when the Attorney General's Office cannot handle the issue due to a conflict of interest. Over the past five years, the appropriation for legal services has ranged from \$408,715 in FY 2016-17 to \$704,753 in FY 2014-15. The Department of State highlighted this to demonstrate it has been authorized to use up to between \$40,872 and \$70,475 each year for outside counsel.

HISTORY OF OUTSIDE LEGAL COUNSEL AND LEGAL SERVICES LINE ITEM

	APPROPRIATION	STATUTORY AUTHORIZATION	ACTUAL EXPENDITURE
FY 2013-14 ¹	\$648,307	\$64,831	\$125,562
FY 2014-15	704,753	70,475	57,657
FY 2015-16	503,553	50,355	22,793
FY 2016-17	408,715	40,871	n/a

¹ At the time this document was submitted for printing, JBC Staff was not yet able to determine legal authority for exceeding 10.0 percent of the appropriation in FY 2013-14.

Data received close to the deadline for this document reveals that in FY 2013-14, the Department expended \$60,731 more than it was authorized by the budget to spend on outside counsel. JBC Staff highlighted this to Department of State Staff, who explained that all of the outside counsel were certified Special Assistant Attorney Generals. It is their position that the regular legal services appropriation is authorized for Special Assistant Attorney Generals and it is not subject to the 10 percent, which is inconsistent with this request.

The definition of “legal services” includes the phrase “...the purchase of legal services from the [D]epartment of [L]aw.” Section 24-75-112(1)(i), C.R.S. JBC and Office of Legislative Legal Services staff agree that certifying a Special Assistant Attorney General likely does not make that person the Department of Law for purposes of this statute. Therefore, JBC staff recommends the Committee discuss this overexpenditure with the Secretary of State at the hearing.

Under the Attorney General’s budget request, the entire legal services line item for each agency will be divided by twelve and billed monthly leaving no additional funding for the Department of State to hire outside legal services. Therefore, if the Committee authorizes the new billing method, the Secretary of State is requesting a permanent increase of \$25,000 cash fund spending authority to the Personal Services line item in the Administration Division for it to purchase legal services.

The Secretary of State has utilized outside counsel since FY 2013-14 for controversies that arise where the Attorney General’s Office identifies a conflict of interest. That year, the Attorney General recommended to the Secretary that he obtain outside counsel. The Attorney General’s Office often represents parties on both sides of a controversy and, therefore, has robust procedures in place to ethically “silo” attorneys with conflicts from each other. While the Department of State should be encouraged to purchase all of its legal services from the Attorney General, JBC Staff feels it is reasonable to budget for outside counsel. However, Staff worries that increasing the Personal Services line item will make it more difficult for JBC Staff to track expenditures and analyze the need for continuing appropriations.

Pursuant Section 24-75-112(1)(m)(II), C.R.S., agencies may utilize Personal Services line item appropriations for the purchase of outside legal services but must first provide notice to the JBC that it will be doing so. JBC Staff believes transparency will be greater if a new line item is created in the Department of State budget for “Purchase of Legal Services from Outside Counsel.” Creating a new line item would not require a change in law.

JBC staff recommendation is pending JBC decision on the Attorney General’s request.

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Number Pages

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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DEPARTMENT OF STATE
Wayne Williams, Secretary of State

(1) ADMINISTRATION

Personal Services	<u>1,508,092</u>	<u>1,588,667</u>	<u>1,670,213</u>	<u>1,895,438</u> *
FTE	19.4	17.9	19.1	21.1
Cash Funds	1,508,092	1,588,667	1,670,213	1,895,438
Health, Life, and Dental	<u>708,778</u>	<u>751,456</u>	<u>1,030,749</u>	<u>1,019,294</u>
Cash Funds	708,778	751,456	1,030,749	1,019,294
Short-term Disability	<u>17,368</u>	<u>19,131</u>	<u>16,148</u>	<u>16,010</u>
Cash Funds	17,368	19,131	16,148	16,010
S.B. 04-257 Amortization Equalization Disbursement	<u>265,000</u>	<u>323,459</u>	<u>427,131</u>	<u>421,313</u>
Cash Funds	265,000	323,459	427,131	421,313
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>265,000</u>	<u>320,221</u>	<u>422,682</u>	<u>421,313</u>
Cash Funds	265,000	320,221	422,682	421,313
Salary Survey	<u>216,883</u>	<u>95,089</u>	<u>1,071</u>	<u>229,359</u>
Cash Funds	216,883	95,089	1,071	229,359
Workers' Compensation	<u>12,921</u>	<u>14,187</u>	<u>18,106</u>	<u>21,345</u>
Cash Funds	12,921	14,187	18,106	21,345

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Operating Expenses	<u>407,206</u>	<u>463,874</u>	<u>450,000</u>	<u>450,000</u>	
Cash Funds	407,206	463,874	450,000	450,000	
Legal Services	<u>457,529</u>	<u>333,182</u>	<u>408,715</u>	<u>426,806</u>	
Cash Funds	457,529	333,182	408,715	426,806	
Administrative Law Judge Services	<u>33,136</u>	<u>76,431</u>	<u>122,804</u>	<u>79,557</u>	*
Cash Funds	33,136	76,431	122,804	79,557	
Payment to Risk Management and Property Funds	<u>53,338</u>	<u>59,693</u>	<u>90,123</u>	<u>120,413</u>	
Cash Funds	53,338	59,693	90,123	120,413	
Vehicle Lease Payments	<u>528</u>	<u>360</u>	<u>4,881</u>	<u>4,038</u>	*
Cash Funds	528	360	4,881	4,038	
Leased Space	<u>655,164</u>	<u>621,712</u>	<u>718,739</u>	<u>738,580</u>	
Cash Funds	655,164	621,712	718,739	738,580	
Payments to OIT	<u>0</u>	<u>0</u>	<u>271,219</u>	<u>307,887</u>	*
Cash Funds	0	0	271,219	307,887	
CORE Operations	<u>5,336</u>	<u>17,031</u>	<u>15,906</u>	<u>15,909</u>	
Cash Funds	5,336	17,031	15,906	15,909	
Indirect Cost Assessment	<u>128,983</u>	<u>156,308</u>	<u>184,132</u>	<u>193,427</u>	
Cash Funds	128,983	156,308	184,132	193,427	
Discretionary Fund	<u>4,880</u>	<u>4,984</u>	<u>5,000</u>	<u>5,000</u>	
Cash Funds	4,880	4,984	5,000	5,000	

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Merit Pay	<u>84,574</u>	<u>100,385</u>	<u>0</u>	<u>0</u>	
Cash Funds	84,574	100,385	0	0	
TOTAL - (1) Administration	4,824,716	4,946,170	5,857,619	6,365,689	8.7%
<i>FTE</i>	<u>19.4</u>	<u>17.9</u>	<u>19.1</u>	<u>21.1</u>	<u>10.5%</u>
Cash Funds	4,824,716	4,946,170	5,857,619	6,365,689	8.7%

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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(2) INFORMATION TECHNOLOGY

Information Technology

Personal Services	<u>5,774,121</u>	<u>4,652,682</u>	<u>4,837,398</u>	<u>4,858,328</u> *	
FTE	37.3	38.5	36.0	42.0	
Cash Funds	5,774,121	4,652,682	4,837,398	4,858,328	
Operating Expenses	<u>793,600</u>	<u>440,471</u>	<u>481,112</u>	<u>481,112</u>	
Cash Funds	793,600	440,471	481,112	481,112	
Hardware/Software Maintenance	<u>1,236,201</u>	<u>1,236,201</u>	<u>1,738,242</u>	<u>1,738,242</u>	
Cash Funds	1,236,201	1,236,201	1,738,242	1,738,242	
Information Technology Asset Management	<u>501,269</u>	<u>443,977</u>	<u>445,418</u>	<u>445,418</u>	
Cash Funds	501,269	443,977	445,418	445,418	

TOTAL - (2) Information Technology	8,305,191	6,773,331	7,502,170	7,523,100	0.3%
FTE	<u>37.3</u>	<u>38.5</u>	<u>36.0</u>	<u>42.0</u>	<u>16.7%</u>
Cash Funds	8,305,191	6,773,331	7,502,170	7,523,100	0.3%

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
(3) ELECTIONS DIVISION					
Personal Services	<u>1,984,711</u>	<u>2,178,783</u>	<u>2,224,719</u>	<u>2,303,176</u>	*
FTE	27.1	26.9	34.2	34.2	
Cash Funds	1,984,711	2,178,783	2,224,719	2,303,176	
Operating Expenses	<u>196,915</u>	<u>258,514</u>	<u>267,838</u>	<u>267,838</u>	
Cash Funds	196,915	258,514	267,838	267,838	
Help America Vote Act Program	<u>431,876</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	431,876	10,000	10,000	10,000	
Local Election Reimbursement	<u>2,409,260</u>	<u>2,398,623</u>	<u>2,500,000</u>	<u>2,700,000</u>	*
Cash Funds	2,409,260	2,398,623	2,500,000	2,700,000	
Initiative and Referendum	<u>82,396</u>	<u>66,490</u>	<u>250,000</u>	<u>250,000</u>	
Cash Funds	82,396	66,490	250,000	250,000	
TOTAL - (3) Elections Division	5,105,158	4,912,410	5,252,557	5,531,014	5.3%
FTE	<u>27.1</u>	<u>26.9</u>	<u>34.2</u>	<u>34.2</u>	<u>0.0%</u>
Cash Funds	5,105,158	4,912,410	5,252,557	5,531,014	5.3%

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
(4) BUSINESS AND LICENSING DIVISION					
Personal Services	<u>2,431,354</u>	<u>2,440,789</u>	<u>2,572,700</u>	<u>2,274,159</u> *	
FTE	40.1	35.4	47.1	39.1	
Cash Funds	2,431,354	2,440,789	2,572,700	2,274,159	
Operating Expenses	<u>71,743</u>	<u>160,181</u>	<u>125,000</u>	<u>125,000</u>	
Cash Funds	71,743	160,181	125,000	125,000	
Business Intelligence Center Personal Services	<u>0</u>	<u>621,485</u>	<u>627,093</u>	<u>627,093</u>	
FTE	0.0	1.0	1.0	1.0	
Cash Funds	0	621,485	627,093	627,093	
Business Intelligence Center Operating Expenses	<u>0</u>	<u>149,954</u>	<u>150,000</u>	<u>150,000</u>	
Cash Funds	0	149,954	150,000	150,000	
TOTAL - (4) Business and Licensing Division	2,503,097	3,372,409	3,474,793	3,176,252	(8.6%)
FTE	40.1	36.4	48.1	40.1	(16.6%)
Cash Funds	2,503,097	3,372,409	3,474,793	3,176,252	(8.6%)
TOTAL - Department of State	20,738,162	20,004,320	22,087,139	22,596,055	2.3%
FTE	123.9	119.7	137.4	137.4	(0.0%)
Cash Funds	20,738,162	20,004,320	22,087,139	22,596,055	2.3%

APPENDIX B RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2015 SESSION BILLS

S.B. 15-234 (Long Bill): General appropriations act for FY 2015-16.

S.B. 15-288 (Compensation Paid to Elected Officials): Effective January 2019, replaces the existing fixed dollar salaries listed in statute for certain state officials and state legislators with a new method for determining salaries that aligns them to certain judicial officers' salaries. The Secretary of State's salary will be equal to 58.0 percent of the salary paid to most county court judges. For additional information, see the "Recent Legislation" section at the end of the Governor – Lieutenant Governor – State Planning and Budgeting.

2016 SESSION BILLS

S.B. 16-089 (Dept Of State Cash Fund Alternative Max Reserve): Establishes an alternative maximum reserve for the Department of State Cash Fund of 16.5 percent of total expenditures plus an amount equal to any unexpended money from the annual appropriation for local election reimbursements made to counties. The alternative maximum reserve is effective for FY 2015-16 and subsequent fiscal years. No appropriation was required to implement this bill.

S.B. 16-115 (Electronic Recording Technology Board): Creates the Electronic Recording Technology (ERT) Board as an enterprise within the Department of State to assume responsibility for ensuring uniformity in electronic filing systems throughout the state. Authorizes the ERT Board to assess \$2 surcharge on electronic filing documents to cover its expenses and provide grants to counties to establish, maintain, improve, or replace their electronic filing systems. Requires the ERT Board to issue annual reports on grants made during the prior fiscal year, as well as a five-year progress report on the success of the grant program. Appropriates \$5,289 cash funds from the Department of State Cash Fund in FY 2016-17 to provide 0.1 FTE of administrative assistance for the grant program established in the bill.

S.B. 16-186 (Small-scale Issue Committees): Defines small-scale issue committees as an issue committee that has accepted or made contributions or expenditures in an amount that does not exceed \$5,000 during an applicable election cycle for the purpose of supporting or opposing any ballot issue or question. Establishes alternative disclosure, reporting, and registration requirements for these committees under the Fair Campaign Practices Act. Appropriates \$20,130 cash funds from the Department of State Cash Fund in FY 2016-17 for programming costs associated with required updates to allow the online campaign finance system to accept small-scale issue committee registrations and reports.

H.B. 16-1014 (SOS Business Intelligence Center): Formally establishes the Business Intelligence Center (BIC) program and the BIC Advisory Board in statute for the purpose of streamlining access to public data and providing resources to make the data more useful. Authorizes the Department to accept gifts, grants, and donations to help offset program costs. The appropriation for BIC has been included in the Department's Long Bill since FY 2013-14 and no additional appropriation was required to implement this bill.

H.B. 16-1070 (Signature Verification In Municipal Mail Ballot Election): Requires an election judge to compare the signature on each ballot return envelope with the signature of the eligible elector stored in the statewide voter registration system (SCORE) for every municipal mail ballot election. Includes specifications for how signatures should be compared and the process for handling a signature discrepancy. Requires that municipal clerks be given access to the digitized signatures in SCORE and appropriates \$15,450 cash funds from the Department of State Cash Fund in FY 2016-17 for programming costs associated the system updates required by this provision.

H.B. 16-1282 (Align Regular Biennial School Elections & FCPA): Applies disclosure requirements in the Fair Campaign Practices Act to regular biennial school board elections. Appropriates \$5,046 cash funds from the Department of State Cash Fund in FY 2016-17 for programming costs associated with required updates to the online campaign finance system to accommodate increased reporting requirements.

H.B. 16-1405 (Long Bill): General appropriations act for FY 2016-17.

APPENDIX C FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

The 2016 Long Bill did not include any footnotes for the Department of State.

UPDATE ON REQUESTS FOR INFORMATION

- 1 Department of State, Business and Licensing Division, Business Intelligence Center Personal Services -- The Department is requested to submit a report with its annual budget request detailing donations received by the Business Intelligence Center, either directly or through the 501(c)(3) organization designated by the Department. The report should include data on the receipt and expenditure of both financial and in-kind donations for the prior fiscal year and year-to-date data on donations made in the current fiscal year.

COMMENT: The Department provided a response that JBC staff believes is responsive.

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Office of State Planning and Budgeting is required to publish an Annual Performance Report for the Department of State by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2016-17 report dated October 1, 2016 can be found at the following link:

<http://www.sos.state.co.us/pubs/newsRoom/SMART-Act/FY16-17/OctoberSMARTActEvaluationFY2016-17.pdf>

Pursuant to Section 2-7-204 (3) (a) (I), C.R.S., the Department of State is required to develop a performance plan and submit that plan to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2016-17 plan dated July 1, 2016 can be found at the following link:

<http://www.sos.state.co.us/pubs/newsRoom/SMART-Act/FY16-17/CDOS-SMARTActPerformancePlanFY16-17.pdf>

APPENDIX E: DEPARTMENT RESPONSE TO JBC RFI FOR FINANCIAL REPORTING RELATED TO GO CODE

JBC Request for Information: Business Intelligence Center Donations

Department of State, Business and Licensing Division, Business Intelligence Center Personal Services -- The Department is requested to submit a report with its annual budget request detailing donations received by the Business Intelligence Center, either directly or through the 501(c)(3) organization designated by the Department. The report should include data on the receipt and expenditure of both financial and in-kind donations for the prior fiscal year and year-to-date data on donations made in the current fiscal year.

BIC FY 2015-16 Donations

One of the key ways the Department accomplishes its goals for the BIC program is the Go Code Colorado app challenge. The Go Code Colorado app challenge encourages software developers and entrepreneurs to use public data to solve business problems. The Department receives monetary and in-kind donations to support the Go Code Colorado app challenge. These donations enable the Department to keep the challenge free for participants and provide them with tools and in-kind services that enhance the quality of their apps. Donations also keep participants out-of-pocket costs to a minimum and encourage participation.

All Financial donations (Table 1), expenditures (Table 2), as well as in-kind donations (Table 3) are detailed below. In-kind donations include use of software programs at discounted or no cost, as well as mentorship and technical support from corporate staff. Additional in-kind donations, such as sticker printing and discounts or donations on food and beverages help offset program costs and keep the program free to all participants. A summary of these non-itemized in-kind donations (those below \$1,000) is included at the bottom of Table 3.

Financial donations are for the Go Code Colorado app challenge, but are otherwise unrestricted. Broadly, the financial donations are used to offset the program costs to host the Go Code Colorado app challenge and keep it free to participants. Participants of the challenge are not charged to participate and, in an effort to ensure the challenge is open and accessible to all across the state, the Department provides travel reimbursement costs to those who qualify as finalists and need to travel for the mentor weekend or the final event. Financial donations primarily offset the cost to the State of the events on which the challenge is centered. This includes five simultaneous challenge weekend events (April 2016), a mentor weekend (April 2016) for finalist teams, and a final competition that is open to the public. Finally, financial donations also offset the cost of some of the marketing collateral used to encourage participation in the challenge, such as t-shirts and water bottles. Expenditures are detailed by category in Table 2 below. Expenditures exceed revenue because a balance of approximately \$10,000 was carried forward into FY 2015-16. In addition, the \$5,000 grant from the Statewide Internet Portal Authority was received during FY 2015-16 but will be spent during the first half of FY 2016-17.

Table 1 – FY2015-16 Financial Donations

Organization	Donation/Grant Amount
AT&T	\$30,000
Salesforce	\$15,000
Develop Intelligence	\$5,000
DigitalGlobe	\$5,000
Google	\$5,000
Softlayer/IBM	\$5,000*
Statewide Internet Portal Authority	\$5,000
Turing School of Software and Design	\$1,500
SendGrid	\$1,500
Comcast Viper	\$1,000
Total	\$74,000

* The \$5,000 donation from Softlayer/IBM was committed during FY 2014-15 but the deposit was not received until the beginning of FY 2015-16.

Table 2 – FY 2015-16 Expenditures

Expense Category	Amount	Description
Pre-competition events	\$2,838.54	These are events staff attend or host to raise awareness about the competition, recruit participants, and answer questions
Kick-off event	\$5,252.50	The event used to kick-off the app challenge.
Challenge Weekend	\$14,776.11	Held in five cities around the state simultaneously, challenge weekend is when all the challenge participants come together to work for a weekend. At the end of the weekend, each team presents their ideas and the ten finalist teams are chosen.
Mentor Weekend	\$7,791.36	Hosted in Boulder for the ten finalist teams, this weekend connects the participants with mentors to help them refine and improve their ideas.
Final Event	\$23,699.07	The community gathering and pitch competition for the ten finalist teams and the event where the three winners are declared.
Advertising	\$1,486.66	Digital advertising used to drive attendance and participation in events.
Promotional	\$13,457.55	Marketing and promotional collateral like t-shirts, water bottles, and signage.
Fees	\$572.77	Merchant processing fees for donations made by credit card
Total	\$69,874.56	

Table 3 – FY 2015-16 In-kind Donations

Organization	Donation Amount	Description
Develop Intelligence	\$2,500	Provided programming class for Go Code Colorado finalist participants during mentor weekend.
IBM	\$1,100	Provided meal to Go Code Colorado challenge participants during mentor weekend.
CA Technologies	\$20,000	Event space at Boulder office location for mentor weekend, including use of supplies.
DigitalGlobe	\$2,500	Access for Go Code Colorado challenge participants to DigitalGlobe satellite imagery application programming interface (API).
Socrata	\$10,000	Staff traveled to Colorado and provided open data technical support and mentorship to Go Code Colorado participants during challenge weekend. Value includes staff time and travel costs.
GitHub	\$5,000	Provided each Go Code Colorado team with a private repository for application code. Also provided staff time to work with Go Code organizers to integrate into other challenge software.
CartoDB	\$3,000	Provided mapping and database software service free to Go Code Colorado challenge winners.
Galvanize Fort Collins	\$10,000	Use of facility event space to host challenge weekend in Fort Collins.
Epicentral Coworking	\$1,500	Use of facility event space to host challenge weekend in Colorado Springs.
Durango Space	\$3,000	Use of facility event space to host challenge weekend in Durango.
Hoptocopter Films	\$5,000	Discount on video production services.
Non-itemized	\$12,500	This category includes in-kind donations below \$1,000. Such donations include donations of meals and beverages, or discounts on meals and beverages for the more than 40 meals provided to participants and food and beverage served to the general public at events throughout the challenge.
Total	\$76,100	

BIC FY 2016-17 Donations

At the time of this report, only four months have passed in FY 2016-17 and the bulk of the Go Code Colorado app challenge donation revenues and expenditures typically occur in the last half of the fiscal year. The Department currently is engaged with several organizations who are interested in providing financial and in-kind donations for FY 2016-17. To date, as detailed in the table below, only AT&T has provided funding. No other organizations have committed to provide additional monetary or in-kind donations to date. The Department has not expended any donated funds yet this fiscal year.

Table 4 – FY2017 Financial Donations

Organization	Donation/Grant Amount
AT&T	\$30,000
Total	\$30,000