

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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CONTENTS

| | |
|--|---|
| Department Overview | 2 |
| Department Budget: Recent Appropriations..... | 3 |
| Department Budget: Graphic Overview | 4 |
| General Factors Driving the Budget..... | 6 |
| Summary: FY 2016-17 Appropriation & FY 2017-18 Request | 9 |

ISSUES

| | |
|---|----|
| R3 Implement DevOps Model to Modernize the Business System and SCORE..... | 11 |
| R1 Increase to Local Election Reimbursement line item..... | 14 |
| R2 Increase to Initiative and Referendum line item | 17 |

APPENDICES

| | |
|---|----|
| A. Numbers Pages..... | 19 |
| B. Recent Legislation Affecting Department Budget | 25 |
| C. Update on Long Bill Footnotes and Requests for Information..... | 28 |
| D. Department Annual Performance Report | 29 |
| E. Department Response to JBC RFI for financial reporting related to Go Code..... | 30 |

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.

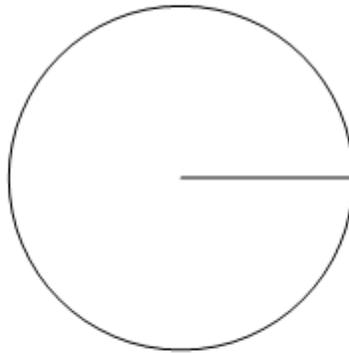
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

| FUNDING SOURCE | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 * |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | \$0 | \$0 | \$0 | \$0 |
| Cash Funds | 21,580,286 | 22,288,655 | 22,903,775 | 25,233,720 |
| Reappropriated Funds | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 |
| TOTAL FUNDS | \$21,580,286 | \$22,288,655 | \$22,903,775 | \$25,233,720 |
| Full Time Equiv. Staff | 137.3 | 137.4 | 137.4 | 142.9 |

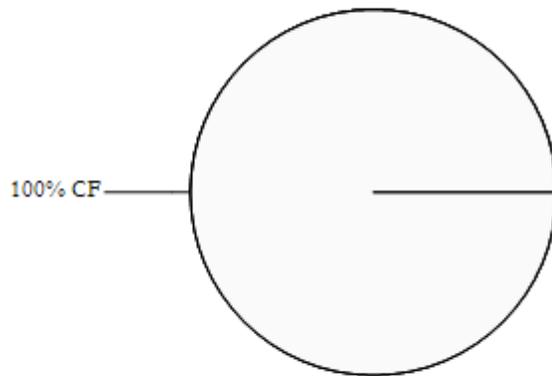
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

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



Department Funding Sources

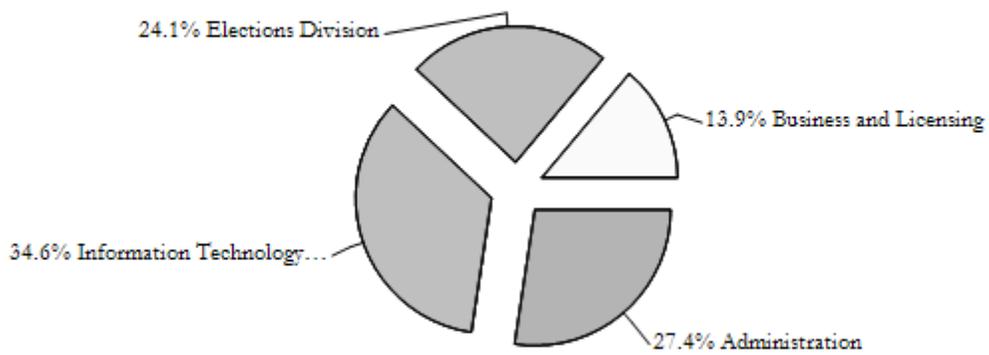


All charts are based on the FY 2017-18 appropriation.

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

The Department of State is responsible for administering statewide and coordinating local elections and maintaining a database of business filings required to conduct business in Colorado. 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 estimated 89.1 percent of all Department revenue accounted for by the business filing fees alone in FY 2017-18. 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 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 | 822,654 | \$20,048,615 | \$22,446,407 |
| FY 2017-18 ² | 876,949 | \$20,171,000 | \$22,626,595 |

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

² Data for FY 2017-18 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 24.1 percent of the total appropriation in FY 2017-18.

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.

More information on expenditures related to the Initiative and Referendum line item can be found in the briefing issue R2 Increase to Initiative and Referendum on page 17.

- 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.

More information on expenditures related to the Local Election Reimbursement line item may be found in the briefing issue R1 Increase to Local Election Reimbursement line item on page 14.

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 (HAVA) and, while its creation was primarily funded by the Federal Elections Assistance Fund, the costs of any changes to the system are supported by a combination of the Department of State Cash Fund and remaining HAVA grant funds.

BUSINESS AND LICENSING DIVISION EXPENDITURES

The Business and Licensing Division accounts for 13.9 percent of the Department's total FY 2017-18 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 host 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 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 ¹ |
| Financial Contributions | \$71,000 | \$69,000 | \$49,500 | \$0 |
| Estimated Value of In-Kind Donation | 160,000 | 76,100 | 76,900 | 0 |
| Total | \$231,000 | \$145,100 | \$126,400 | \$0 |

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, 2017.

ELECTRONIC RECORDING TECHNOLOGY BOARD (NEW LONG BILL GROUP)

The Electronic Recording Technology Board is an enterprise created until Section 20 of Article X of the Colorado Constitution (TABOR) and consists of a nine-member board. The board is authorized to impose a surcharge of up to \$2 on all documents that a clerk and recorder retains for recording or filing between January 1, 2017, and December 31, 2021.

Counties are required to collect the surcharge on behalf of the board and transmit it to the State Treasurer for deposit in the newly created Electronic Recording Technology Fund (Fund). Appropriations reflected in the Long Bill are for informational purposes only because revenue in the Fund is TABOR-exempt and continuously appropriated to the board for the following uses:

- developing a strategic plan that incorporates the core goals of security, accuracy, sequencing, online public access, standardization, and preservation of public records;
- determining functionality standards for an electronic filing system that support the core goals;
- issuing a request for proposal for electronic filing system equipment and software that will be available to counties on an optional basis;
- developing best practices for an electronic filing system;
- providing training to clerk and recorders related to electronic filing systems; and
- making grants to counties to establish, maintain, improve, or replace electronic filing systems for documents that are recorded with a clerk and recorder. The board is required to give priority for grants to rural counties and counties that do not have sufficient revenue from the surcharge proceeds to maintain their existing electronic filing systems.

SUMMARY: FY 2017-18 APPROPRIATION & FY 2018-19 REQUEST

| DEPARTMENT OF STATE | | | | | | |
|---|---------------------|-----------------|---------------------|-------------------------|------------------|--------------|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| FY 2017-18 APPROPRIATION: | | | | | | |
| S.B. 17-254 (Long Bill) | \$22,711,371 | \$0 | \$22,711,371 | \$0 | \$0 | 137.4 |
| Other legislation | 192,404 | 0 | 192,404 | 0 | 0 | 0.0 |
| TOTAL | \$22,903,775 | \$0 | \$22,903,775 | \$0 | \$0 | 137.4 |
| FY 2018-19 APPROPRIATION: | | | | | | |
| FY 2017-18 Appropriation | \$22,903,775 | \$0 | \$22,903,775 | \$0 | \$0 | 137.4 |
| R1 Increase to Local Election Reimbursement line item | 500,000 | 0 | 500,000 | 0 | 0 | 0.0 |
| R2 Increase to Initiative and Referendum line item | 250,000 | 0 | 250,000 | 0 | 0 | 0.0 |
| R3 DevOps Model to Modernize Biz System and SCORE | 995,303 | 0 | 995,303 | 0 | 0 | 5.0 |
| R4 Increased voter registration form costs | 24,000 | 0 | 24,000 | 0 | 0 | 0.0 |
| Centrally appropriated line items | 715,870 | 0 | 715,870 | 0 | 0 | 0.0 |
| Annualize prior year legislation | 50,481 | 0 | 50,481 | 0 | 0 | 0.5 |
| Nonprioritized request items | 4,291 | 0 | 4,291 | 0 | 0 | 0.0 |
| Annualize prior year budget action | (210,000) | 0 | (210,000) | 0 | 0 | 0.0 |
| TOTAL | \$25,233,720 | \$0 | \$25,233,720 | \$0 | \$0 | 142.9 |
| INCREASE/(DECREASE) | \$2,329,945 | \$0 | \$2,329,945 | \$0 | \$0 | 5.5 |
| Percentage Change | 10.2% | n/a | 10.2% | n/a | n/a | 4.0% |

R1 INCREASE TO LOCAL ELECTION REIMBURSEMENT LINE ITEM: The request includes an increase of \$500,000 cash funds to fund reimbursements to local governments for administering elections concerning a statewide ballot question or candidate, as required by statute.

R2 INCREASE TO INITIATIVE AND REFERENDUM LINE ITEM: The request includes an increase of \$250,000 cash funds to fund changes to how the Department of Personnel bills the Department of State for initiative and candidate petition review and to fund signature verification software implementation.

R3 DEVOPS MODEL TO MODERNIZE BUSINESS SYSTEM AND STATEWIDE ELECTION SYSTEM (SCORE): The request includes an increase of \$995,303 cash funds and 5.0 FTE to continue modernization of its information technology infrastructure, which is began after approval of a September 2017 emergency supplemental budget request approved by the Joint Budget Committee.

R4 INCREASED VOTER REGISTRATION FORM COSTS: The request includes an increase of \$24,000 cash funds to fund purchase of services from the Department of Personnel. The additional funds will go toward statutorily-required voter registration forms being inserted in all required mailings. In previous years, although neither Department can report for how long, some of these mailings have not included such required forms.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes an increase of \$715,870 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 | \$318,351 | \$0 | \$318,351 | \$0 | \$0 | 0.0 |
| Health, life, and dental adjustment | 209,440 | 0 | 209,440 | 0 | 0 | 0.0 |
| AED adjustment | 68,702 | 0 | 68,702 | 0 | 0 | 0.0 |
| SAED adjustment | 68,702 | 0 | 68,702 | 0 | 0 | 0.0 |
| ALJ adjustment | 57,941 | 0 | 57,941 | 0 | 0 | 0.0 |
| Leased space adjustment | 19,951 | 0 | 19,951 | 0 | 0 | 0.0 |
| Workers' compensation adjustment | 10,850 | 0 | 10,850 | 0 | 0 | 0.0 |
| CORE adjustment | 2,214 | 0 | 2,214 | 0 | 0 | 0.0 |
| Vehicle lease payments adjustment | 270 | 0 | 270 | 0 | 0 | 0.0 |
| Short-term disability adjustment | 29 | 0 | 29 | 0 | 0 | 0.0 |
| Payment to risk management / property funds adjustment | (19,761) | 0 | (19,761) | 0 | 0 | 0.0 |
| Legal services adjustment | (9,792) | 0 | (9,792) | 0 | 0 | 0.0 |
| Indirect cost assessment adjustment | (6,565) | 0 | (6,565) | 0 | 0 | 0.0 |
| Payments to OIT adjustment | (4,462) | 0 | (4,462) | 0 | 0 | 0.0 |
| TOTAL | \$715,870 | \$0 | \$715,870 | \$0 | \$0 | 0.0 |

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes an increase of \$50,481 cash funds for annualization of previous year legislation summarized in the table below:

| ANNUALIZE PRIOR YEAR LEGISLATION | | | | | | |
|---|-----------------|--------------|-----------------|----------------------|---------------|------------|
| | TOTAL FUNDS | GENERAL FUND | CASH FUNDS | REAPPROPRIATED FUNDS | FEDERAL FUNDS | FTE |
| Annualize SB17-305 (Primary Election Cleanup) | \$74,018 | \$0 | \$74,018 | \$0 | \$0 | 0.5 |
| Annualize SB15-288 (Compensation of Public Officials) | 11,071 | 0 | 11,071 | 0 | 0 | 0.0 |
| Annualize HB17-1200 (Update Pub Benefit Corp) | (30,488) | 0 | (30,488) | 0 | 0 | 0.0 |
| Annualize SB17-152 (Implement Amendment 71) | (4,120) | 0 | (4,120) | 0 | 0 | 0.0 |
| TOTAL | \$50,481 | \$0 | \$50,481 | \$0 | \$0 | 0.5 |

NON-PRIORITIZED REQUESTED CHANGES: The request includes an increase of \$4,291 cash funds for the non-prioritized request related to cybersecurity insurance.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a reduction of \$210,000 cash to reflect one-time funding for the Water Cooling Loop Redundancy approved in FY 2017-18.

ISSUE: R3 IMPLEMENT DEVOPS MODEL TO MODERNIZE THE BUSINESS SYSTEM AND SCORE

The Department of State relies heavily on technology to deliver services to its customers. The database and technical infrastructure for its biggest customer base, the business and licensing system was initially deployed in 2004. As technology management changes along with changes in technology, the Department is seeking additional funding to modernize its systems and project management structure.

SUMMARY

- The Department is seeking a \$1.0 million cash fund increase to allow for continued improvement of its information technology infrastructure and to evolve into the faster paced and more agile DevOps model of technology deployment.
- The DevOps model focuses on rapid IT service delivery through the adoption of agile, lean practices in the context of a system-oriented approach. DevOps takes advantage of iterating new versions of software to address bugs as development occurs.
- The request includes the addition of a Chief Technology Officer to coordinate the evolution toward DevOps and to bring together common procedures between the Elections Division and Business and Licensing Division.

RECOMMENDATION

JBC staff recommendation is pending further conversations with the Department after considering any questions or concerns raised by the Committee.

DISCUSSION

To continue efforts modernizing the information technology (IT) infrastructure initially authorized by the Joint Budget Committee in September 2017, the Department of State is requesting an increase of almost \$1.0 million cash funds and 5.0 FTE in FY 2018-19. When the Committee approved the Department's emergency supplemental for FY 2017-18, the Department began acquisition of physical infrastructure and hiring of business analysts required to identify requirements to rebuild the business filings system.

Since initial implementation in 2004, the Department has continually updated, upgraded, and added to the capabilities of the business filing system. Since then, the system additions have included, e.g., new documents accepted through online filing, certifications, and secure-access for users. Thirteen years later, however, the Department has begun to observe limitations the development environment and the Department reports that every new module it adds causes ongoing code conflicts with existing filings. Thus, the Department is seeking to implement modern code development procedures.

The Department is in the early stages of shifting to, what the industry calls, a DevOps development model. For JBC staff, the best metaphor for what is meant by DevOps is that it is a management tool like Six Sigma or cost-benefit analysis, but specifically for IT management. DevOps definition explains

that it focuses on rapid IT service delivery through the adoption of agile, lean practices in the context of a system-oriented approach. DevOps takes advantage of iterating new versions of software to address bugs as development occurs.

As the Department’s systems have increased capabilities and individuals become more comfortable with submitting documentation electronically, it has also observed fewer and fewer in-person customer demands. Today, the Department is essentially an IT service provider for its clients and thus its IT expenditures span all of its activities including administration of elections. In fact, 99.6 percent of business filings are submitted online and most cash fund revenue generated by the Department originates from online filing fees.

The Department did not present this budget request to the Joint Technology Committee because it views this as an operational technology request and not a capital one. JBC staff is neutral and could view this as operational or capital. Additionally, because of the independent nature of elected officials offices, the Governor’s Office of Information Technology is only minimally involved in any of the Department’s IT activities; typically, when the project interfaces with Executive Branch technology.

If the Committee were to approve the Department request, it will hire an additional 9.0 FTE between now and first few weeks of FY 2018-19. The request, however, reflects the addition of 5.0 FTE because 2.0 FTE were approved in the emergency supplemental in September and an additional 2.0 FTE are vacant.

The 2.0 FTE approved in September are for business analyst positions and will support sustained requirements gathering and frequent testing cycles. These positions are in the Business and Licensing Division and will be hired in the current fiscal year. Included in this request is funding for continuing common policy and operating expenses in FY 2018-19. Of the new FTE request, an additional 2.0 FTE will be assigned to the Elections Division. Like those approved in FY 2017-18, the additional FTE in the Elections Division will gather system requirements and perform frequent testing related to the IT systems in use by the Elections Division. Due to heightened scrutiny over election security, and the fact that our county clerks administer all elections locally, 1.0 FTE is requested in the Elections Division to support coordination of IT security measures amongst the county clerks.

Finally, the Department’s request includes 4.0 FTE for the IT Services Division. These positions will provide supervision and management across all of the Department’s programs, providing cohesion between the varying needs of the Elections Division and the Business and Licensing Division. The following table summarizes the requested and approved FTE

| DESCRIPTION OF ALL NEW POSITIONS REQUESTED | | |
|--|----------------------|---|
| FTE DESCRIPTION | OFFICE OR DIVISION | STATUS |
| 2.0 FTE Business Analyst | Business & Licensing | Vacant FTE, To-be-hired in FY 2017-18 and approved by JBC |
| 2.0 FTE Business Analyst | Elections | To-be-hired on or near July 1, 2018 |
| 1.0 FTE County Support Unit | Elections | To-be-hired on or near July 1, 2018 |
| 1.0 FTE Chief Technology Office | IT Services | To-be-hired on or near July 1, 2018 |
| 1.0 FTE Project Manager | IT Services | To-be-hired on or near July 1, 2018 |
| 1.0 FTE Network Security Analyst | IT Services | To-be-hired on or near July 1, 2018 |
| 1.0 FTE Help Desk Technician | IT Services | To-be-hired on or near July 1, 2018 |

Finally, the request includes \$67,000 in ongoing annual maintenance costs to support the hardware being acquired in FY 2017-18. Since the Department was able to get a head start on the project it is anticipating it will be ready to hire staff on or near July 1, 2018. While it is typically JBC policy not to include funding for centrally appropriated line items in the first year, the Department is requesting this funding be provided because it anticipates having a full-year of employment for the new FTE.

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 \$500,000 cash fund spending to fund its obligation to reimburse counties for a portion of their state ballot question-related costs. Typically, this reimbursement provides very little to counties compared to the overall costs of administering elections.
- 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 in how county clerks mark voters inactive pursuant to requirements of in H.B. 13-1303 (Voter Access and Modernized Elections Act).
- This is the third request to increase the appropriation for the Local Election Reimbursement line item in two legislative sessions. If the General Assembly does not have a strong desire to maintain strict control of the statutory expenditure, alternative options exist.

RECOMMENDATION

Staff recommends the Committee sponsor legislation to allow the Local Election Reimbursement line item to be continuously appropriated to the Department for the purpose of making statutory required reimbursements and include an informational appropriation in the Long Bill, to guide the Department's annual fee-setting.

DISCUSSION

The Department is requesting \$500,000 cash funds from the Department of State Cash Fund to fulfill statutory requirements to reimburse local governments for a portion of its costs, bringing to total reimbursement line item to \$2.7 million cash funds. Statute requires the General Assembly to appropriate sufficient funding for the reimbursement line item and directs that appropriations may be made from the Department of State Cash Fund or the General Fund. Historically, the General Assembly has always funded this with appropriations from the Department of State Cash Fund.

BACKGROUND

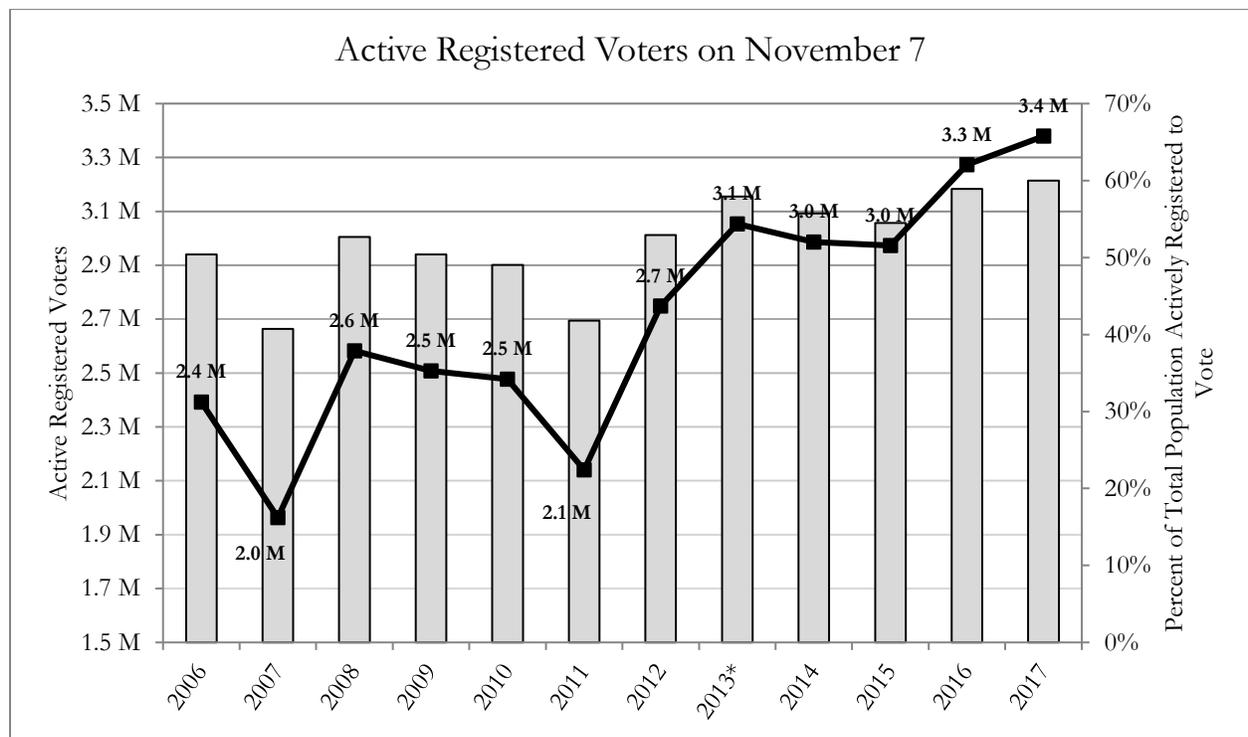
Since FY 2000-01 the Secretary of State has provided counties with a reimbursement for costs borne by each related to a state ballot question pursuant Section 1-5-505.5, C.R.S. This current practice started upon enactment of H.B. 00-1100 (Taylor/Tebedo), passed as a direct response to increased

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 7, 2017, the state counted about 3.4 million active voters. This represents a 41.3 percent growth since 2007 while the state's population during this period is forecast to grow by 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 (Hullinhorst 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 in 2016, 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.

PROPOSED SOLUTION

The Department's requested solution is straightforward, increase the appropriation for the Local Election Reimbursement line item by \$500,000. However, the Committee should consider an alternative solution: making the Local Election Reimbursement line item continuously appropriated and included in the Long Bill for informational purposes. The Department of State's office incorporates the final appropriation for the Local Election Reimbursement line item annually when it sets its fees. The amount reimbursed to each county is formulaic and dependent upon actual registered voters on the day of the election. As Colorado's population continues to increase, so too will the need for additional reimbursement funding to counties.

Counties typically operate their fiscal year January – December. This translates to a very short time between when the actual number of registered voters is calculated and the end of county fiscal years. Last year, this has resulted in a 1331 emergency supplemental being considered by the JBC in December, outside of any traditional 1331 meetings.

JBC staff recommends the Committee introduce legislation that would implement an informational appropriation for the Local Election Reimbursement line item and to allow Department and JBC staff to adjust that appropriation based in Department estimates each year for the Long Bill, and the Department's annual fee-setting.

ISSUE: R2 INCREASE TO INITIATIVE AND REFERENDUM LINE ITEM

The Department of State verifies signatures are valid on candidate and initiative petitions submitted to it for consideration by the people of Colorado.

SUMMARY

- The Department of State reviews candidate and initiative petitions to ensure validity with state election laws and regulations. The Department contracts with the Integrated Document Solutions in the Department of Personnel for imaging the individual pages of petitions submitted.
- Integrated Document Solutions and the Department of State have been negotiating a change in billing methodology, from hourly to per page, and the changes are being implemented in FY 2018-19.
- With heightened review of candidate petitions after enactment of H.B. 17-1088 (Voter and Signature Verification & Election Petition Pilot), the Department is seeking to utilize a signature verification software solution similar to those used by financial institutions. It requests an additional \$250,000 to fund these purchases from Integrated Document Solutions.

RECOMMENDATION

Staff recommendation is pending further analysis and discussion with the Department related to this request.

DISCUSSION

Articles 4 and 40 of Title 1, C.R.S., require the Department of State to verify signatures and to review candidate and initiative petitions. In recent election cycles, the number of petitions, particularly candidate petitions, the Department received for review increased. For example, in the 2016 election cycle the Department received 46 candidate petitions (a record number) and eight initiative petitions. The Department expects even more candidate petitions during the 2018 election cycle though admits forecasting candidate and initiative petition volume is difficult due to no strong predictor other than elected office vacancy.

Recent legislation, H.B. 17-1088 (Voter and Signature Verification & Election Petition Pilot), also complicates the review because the Department must conduct signature verification on all candidate petitions. Prior to enactment of H.B. 17-1088, voter information, including address and voter eligibility was validated, but signatures were not compared to the signature database of electors utilized by election judges to verify ballots. (For more information on changes included in H.B. 17-1088, see Appendix B Recent Legislation Affecting Department Budget).

The Department utilizes services provided by Integrated Document Solutions (IDS) in the Department of Personnel to assist in candidate and petition signature verification, which consists primarily of imaging the signature pages. IDS and the Department of State have been negotiating

changes to how IDS bills the Department for signature verification and the rate at which the Department should reimburse it for those services. Previously, IDS billed the Department based on an per person per hour rate and the new structure will bill the Department by a flat fee per page. IDS is implementing this long-planned rate increase for FY 2018-19 and based on the FY 2017-18 workload, IDS has estimated the cost of petition verification for the Department to be almost \$500,000.

The final fiscal note for H.B. 17-1088 estimated that the bill would increase the costs of candidate and imitative signature verification but the it could not have included information related to the Department of Personnel's planned changes to how it bills the Department of State for this activity. JBC staff and Legislative Council staff agree that this request is reasonable in light of the estimates and unknowns at the end of the 2016-17 fiscal year.

The Department anticipated the new requirements for verifying petitions would increase the work it needed to purchase from IDS significantly, even if IDS was not changing its billing methodology, and has since contracted with a developer to design and implement software that automates much of the verification process and flags signatures that require human verification by IDS staff. The software will implement handwriting recognition services similar to those utilized by bank and compare information on petitions with those preserved in the voter database, SCORE. The contract is valued \$105,000.

The Department's current appropriation for the Initiative and Referendum line item is \$250,000 cash funds from the Department of State Cash Fund. Historically, this line item shifted from \$150,000 cash funds in odd years and \$250,000 in even years, which generally tracked changes in workload. Last year, anticipating the rate change at IDS, the Joint Budget Committee and the Department maintained the \$250,000 appropriation even though budgeting for an odd-year election.

For FY 2018-19 the Department is requesting an additional \$250,000 cash funds to pay for the contracted development services discussed above and for the rate change implementation with IDS for a total appropriation of \$500,000.

Appendix A: Number Pages

| | FY 2015-16 Actual | FY 2016-17 Actual | FY 2017-18 Appropriation | FY 2018-19 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

DEPARTMENT OF STATE
Wayne Williams, Secretary of State

(1) ADMINISTRATION

| | | | | | |
|---|------------------|------------------|------------------|------------------|---|
| Personal Services | <u>1,588,667</u> | <u>1,650,470</u> | <u>1,870,438</u> | <u>1,921,284</u> | |
| FTE | 17.9 | 21.1 | 21.1 | 21.1 | |
| Cash Funds | 1,588,667 | 1,650,470 | 1,870,438 | 1,921,284 | |
| Health, Life, and Dental | <u>751,456</u> | <u>1,030,749</u> | <u>1,006,113</u> | <u>1,286,897</u> | * |
| Cash Funds | 751,456 | 1,030,749 | 1,006,113 | 1,286,897 | |
| Short-term Disability | <u>19,131</u> | <u>16,148</u> | <u>15,998</u> | <u>17,318</u> | * |
| Cash Funds | 19,131 | 16,148 | 15,998 | 17,318 | |
| S.B. 04-257 Amortization Equalization Disbursement | <u>323,459</u> | <u>393,131</u> | <u>420,997</u> | <u>523,643</u> | * |
| Cash Funds | 323,459 | 393,131 | 420,997 | 523,643 | |
| S.B. 06-235 Supplemental Amortization Equalization Disbursement | <u>320,221</u> | <u>417,682</u> | <u>420,997</u> | <u>523,643</u> | * |
| Cash Funds | 320,221 | 417,682 | 420,997 | 523,643 | |
| Salary Survey | <u>95,089</u> | <u>1,071</u> | <u>161,622</u> | <u>318,351</u> | |
| Cash Funds | 95,089 | 1,071 | 161,622 | 318,351 | |
| Merit Pay | <u>100,385</u> | <u>0</u> | <u>61,746</u> | <u>0</u> | |
| Cash Funds | 100,385 | 0 | 61,746 | 0 | |

*The line item includes a decision item

Appendix A: Number Pages

| | FY 2015-16 Actual | FY 2016-17 Actual | FY 2017-18 Appropriation | FY 2018-19 Request | Request vs. Appropriation |
|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Workers' Compensation | <u>14,187</u> | <u>18,106</u> | <u>21,345</u> | <u>32,195</u> | |
| Cash Funds | 14,187 | 18,106 | 21,345 | 32,195 | |
| Operating Expenses | <u>463,874</u> | <u>274,076</u> | <u>450,000</u> | <u>450,000</u> | |
| Cash Funds | 463,874 | 274,076 | 450,000 | 450,000 | |
| Legal Services | <u>333,182</u> | <u>285,795</u> | <u>328,287</u> | <u>318,495</u> | |
| Cash Funds | 333,182 | 285,795 | 328,287 | 318,495 | |
| Outside Legal Services | <u>0</u> | <u>0</u> | <u>25,000</u> | <u>25,000</u> | |
| Cash Funds | 0 | 0 | 25,000 | 25,000 | |
| Administrative Law Judge Services | <u>76,431</u> | <u>122,804</u> | <u>79,557</u> | <u>137,498</u> | |
| Cash Funds | 76,431 | 122,804 | 79,557 | 137,498 | |
| Payment to Risk Management and Property Funds | <u>59,693</u> | <u>90,123</u> | <u>120,855</u> | <u>105,385</u> | * |
| Cash Funds | 59,693 | 90,123 | 120,855 | 105,385 | |
| Vehicle Lease Payments | <u>360</u> | <u>240</u> | <u>4,038</u> | <u>4,308</u> | |
| Cash Funds | 360 | 240 | 4,038 | 4,308 | |
| Leased Space | <u>621,712</u> | <u>707,310</u> | <u>738,580</u> | <u>758,531</u> | |
| Cash Funds | 621,712 | 707,310 | 738,580 | 758,531 | |
| Payments to OIT | <u>0</u> | <u>271,219</u> | <u>330,213</u> | <u>325,751</u> | |
| Cash Funds | 0 | 271,219 | 330,213 | 325,751 | |
| CORE Operations | <u>0</u> | <u>15,906</u> | <u>16,792</u> | <u>19,006</u> | |
| Cash Funds | 0 | 15,906 | 16,792 | 19,006 | |

Appendix A: Number Pages

| | FY 2015-16 Actual | FY 2016-17 Actual | FY 2017-18 Appropriation | FY 2018-19 Request | Request vs. Appropriation |
|-----------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Indirect Cost Assessment | <u>156,308</u> | <u>184,132</u> | <u>193,427</u> | <u>186,862</u> | |
| Cash Funds | 156,308 | 184,132 | 193,427 | 186,862 | |
| Discretionary Fund | <u>4,984</u> | <u>4,797</u> | <u>5,000</u> | <u>5,000</u> | |
| Cash Funds | 4,984 | 4,797 | 5,000 | 5,000 | |
| Information Technology Security | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | |
| Cash Funds | 0 | 0 | 0 | 0 | |
| TOTAL - (1) Administration | 4,929,139 | 5,483,759 | 6,271,005 | 6,959,167 | 11.0% |
| <i>FTE</i> | <u>17.9</u> | <u>21.1</u> | <u>21.1</u> | <u>21.1</u> | 0.0% |
| Cash Funds | 4,929,139 | 5,483,759 | 6,271,005 | 6,959,167 | 11.0% |

Appendix A: Number Pages

| | FY 2015-16 Actual | FY 2016-17 Actual | FY 2017-18 Appropriation | FY 2018-19 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(2) INFORMATION TECHNOLOGY

Information Technology

| | | | | | |
|---|------------------|------------------|------------------|--------------------|-------------|
| Personal Services | <u>4,652,682</u> | <u>4,771,546</u> | <u>5,155,664</u> | <u>5,573,804</u> * | |
| FTE | 38.5 | 42.0 | 42.0 | 46.0 | |
| Cash Funds | 4,652,682 | 4,771,546 | 5,155,664 | 5,573,804 | |
| Operating Expenses | <u>440,471</u> | <u>532,315</u> | <u>586,180</u> | <u>503,724</u> * | |
| Cash Funds | 440,471 | 532,315 | 586,180 | 503,724 | |
| Hardware/Software Maintenance | <u>1,636,396</u> | <u>1,632,500</u> | <u>1,738,242</u> | <u>1,805,242</u> * | |
| Cash Funds | 1,636,396 | 1,632,500 | 1,738,242 | 1,805,242 | |
| Information Technology Asset Management | <u>443,977</u> | <u>0</u> | <u>445,418</u> | <u>445,418</u> | |
| Cash Funds | 443,977 | 0 | 445,418 | 445,418 | |
| TOTAL - (2) Information Technology | 7,173,526 | 6,936,361 | 7,925,504 | 8,328,188 | 5.1% |
| FTE | <u>38.5</u> | <u>42.0</u> | <u>42.0</u> | <u>46.0</u> | 9.5% |
| Cash Funds | 7,173,526 | 6,936,361 | 7,925,504 | 8,328,188 | 5.1% |

Appendix A: Number Pages

| | FY 2015-16 Actual | FY 2016-17 Actual | FY 2017-18 Appropriation | FY 2018-19 Request | Request vs. Appropriation |
|---------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| (3) ELECTIONS DIVISION | | | | | |
| Personal Services | <u>2,178,783</u> | <u>2,217,958</u> | <u>2,303,176</u> | <u>2,576,202</u> | * |
| FTE | 26.9 | 34.2 | 34.2 | 35.7 | |
| Cash Funds | 2,178,783 | 2,217,958 | 2,303,176 | 2,576,202 | |
| Operating Expenses | <u>258,514</u> | <u>265,158</u> | <u>267,838</u> | <u>299,391</u> | * |
| Cash Funds | 258,514 | 265,158 | 267,838 | 299,391 | |
| Help America Vote Act Program | <u>535,694</u> | <u>437,617</u> | <u>10,000</u> | <u>10,000</u> | |
| FTE | 0.0 | 0.0 | 0.0 | 0.0 | |
| Cash Funds | 535,694 | 437,617 | 10,000 | 10,000 | |
| Local Election Reimbursement | <u>2,398,623</u> | <u>2,694,921</u> | <u>2,700,000</u> | <u>3,200,000</u> | * |
| Cash Funds | 2,398,623 | 2,694,921 | 2,700,000 | 3,200,000 | |
| Initiative and Referendum | <u>66,490</u> | <u>245,794</u> | <u>250,000</u> | <u>500,000</u> | * |
| Cash Funds | 66,490 | 245,794 | 250,000 | 500,000 | |
| TOTAL - (3) Elections Division | 5,438,104 | 5,861,448 | 5,531,014 | 6,585,593 | 19.1% |
| FTE | <u>26.9</u> | <u>34.2</u> | <u>34.2</u> | <u>35.7</u> | <u>4.4%</u> |
| Cash Funds | 5,438,104 | 5,861,448 | 5,531,014 | 6,585,593 | 19.1% |

Appendix A: Number Pages

| | FY 2015-16 Actual | FY 2016-17 Actual | FY 2017-18 Appropriation | FY 2018-19 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| (4) BUSINESS AND LICENSING DIVISION | | | | | |
| Personal Services | <u>2,440,789</u> | <u>2,569,321</u> | <u>2,274,159</u> | <u>2,456,192</u> * | |
| FTE | 35.4 | 39.1 | 39.1 | 39.1 | |
| Cash Funds | 2,440,789 | 2,569,321 | 2,274,159 | 2,456,192 | |
| Operating Expenses | <u>160,181</u> | <u>0</u> | <u>125,000</u> | <u>125,000</u> | |
| Cash Funds | 160,181 | 0 | 125,000 | 125,000 | |
| Business Intelligence Center Personal Services | <u>621,485</u> | <u>626,034</u> | <u>627,093</u> | <u>629,580</u> | |
| FTE | 1.0 | 1.0 | 1.0 | 1.0 | |
| Cash Funds | 621,485 | 626,034 | 627,093 | 629,580 | |
| Business Intelligence Center Operating Expenses | <u>149,954</u> | <u>150,000</u> | <u>150,000</u> | <u>150,000</u> | |
| Cash Funds | 149,954 | 150,000 | 150,000 | 150,000 | |
| TOTAL - (4) Business and Licensing Division | 3,372,409 | 3,345,355 | 3,176,252 | 3,360,772 | 5.8% |
| FTE | <u>36.4</u> | <u>40.1</u> | <u>40.1</u> | <u>40.1</u> | 0.0% |
| Cash Funds | 3,372,409 | 3,345,355 | 3,176,252 | 3,360,772 | 5.8% |
| TOTAL - Department of State | 20,913,178 | 21,626,923 | 22,903,775 | 25,233,720 | 10.2% |
| FTE | <u>119.7</u> | <u>137.4</u> | <u>137.4</u> | <u>142.9</u> | 4.0% |
| Cash Funds | 20,913,178 | 21,626,923 | 22,903,775 | 25,233,720 | 10.2% |

APPENDIX B

RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

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.

2017 SESSION BILLS

S.B. 17-152 (IMPLEMENT AMENDMENT 71 CHANGES): Updates Colorado statutes to reflect the changes to the Colorado Constitution under Amendment 71, which was approved by the voters during the 2016 General Election. Changes include:

- The Title Board must determine if a proposed constitutional amendment repeals all or part of a provision in the Constitution. Proponents may appeal to the Title Board for a rehearing on such decisions.
- The signature requirements for citizen-initiated constitutional amendments reflect the new requirement that signatures must be gathered in each state senate district and for district-level verification of all signatures if a minimal statistical threshold is met.
- The Department of State is required to notify the proponents of the current number of state senate districts, boundaries, and the number of registered voters in each at the time a constitutional initiative petition is approved for signature collection.
- The Department of State is required to issue a statement indicating whether the required number of signatures overall from each senate district and a sufficient number of signatures have been submitted when certifying the issue petition for the ballot.
- At least 55.0 percent of votes must be cast to pass an amendment to the state constitution

S.B. 17-170 (SUPPLEMENTAL BILL): Modifies FY 2016-17 appropriations to the Department.

S.B. 17-254 (LONG BILL): General appropriations act for FY 2017-18.

S.B. 17-305 (PRIMARY ELECTION CLEAN-UP): Makes statutory modifications concerning the implementation of Propositions 107 and 108 which were approved by voters at the 2016 general election. Proposition 107 restored the presidential primary and authorized unaffiliated voter participation and Proposition 108 created a semi-open primary that allows unaffiliated voters to participate in non-presidential primaries.

H.B. 17-1088 (Voter and Signature Verification & Election Petition Pilot): Requires the Department of State to compare each signature on a candidate petition with the signature stored in the statewide voter registration system (SCORE) for any candidate position filed. The Department of State uses the Integrated Document Solutions (IDS) group in the Department of Personnel to validate

candidate and issue petitions. Petitions are required to be validated within 30 days of being filed. When factoring in administrative time IDS has 25 days to complete the validation. Temporary staff are used to meet the workload demand within this time period. No appropriation included for FY 2017-18.

H.B. 17-1200 (UPDATE PUBLIC BENEFIT CORPORATION REQUIREMENTS): Makes changes to state law related to public benefit corporations. Currently, a domestic cooperative may operate as a public benefit corporation as long as certain criteria are met. The bill allows limited cooperative associations to also operate as public benefit corporations. The bill requires that a public benefit corporation obtain approval from two-thirds of their shareholders for transactions to opt out, through various means, of their status as a public benefit corporation, and clarifies the requirements for the annual report by a public benefit corporation. Finally, the bill loosens requirements that public benefit corporations include the phrase “public benefit corporation” in its name and restricts the use of the same phrase only to actual public benefit corporations.

APPENDIX C FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

- 86 Department of State, Elections Division, Local Election Reimbursement – If actual reimbursements to counties require by Section 1-5-505.5, C.R.S., exceeds the appropriation authorized, the Department may overexpend this line item by up to 15.0 percent of the current appropriation.

COMMENT: The Department did not need to utilize this exception for the FY 2017-18 election because there were no statewide ballot questions. JBC staff will likely recommend this footnote not be included in FY 2018-19 because an alternate solution is proposed.

UPDATE ON REQUESTS FOR INFORMATION

- 1 Department of State, Elections Division, Local Election Reimbursement -- The Department is requested to submit a letter addressed to the General Assembly and to the Joint Budget Committee notifying both if, and when, it relies on footnote 86 to overexpend the Local Election Reimbursement line item authorized by aforementioned footnote to meet statutory requirements of Section 1-5-505.5, C.R.S.

COMMENT: The Department did not need to utilize this exception for the FY 2017-18 election because there were no statewide ballot questions. JBC staff will likely recommend this request not be included in FY 2018-19 because an alternate solution is proposed.

- 2 Department of State, Business and Licensing Division, Business Intelligence Center – 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. It should also include information on each project ever funded, including public availability/access, features/purpose, and a measure to gauge its success or usage, to the extent possible.

COMMENT: The Department provided a response that JBC staff believes is responsive and is included as Appendix E.

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(b), C.R.S., the Department of State is required to publish an **Annual Performance Report** for the *previous fiscal year* 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 the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* 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 FY 2018-19 budget request, the FY 2016-17 Annual Performance Report dated November 1, 2017, and the FY 2017-18 Performance Plan dated November 1, 2017, can be found at the following link:

<http://www.sos.state.co.us/pubs/newsRoom/SMART-Act/index.html>

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

The report begins of the following page.

JBC Request for Information: Business Intelligence Center Donations

Department of State, Business and Licensing Division, Business Intelligence Center -- 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. It should also include information on each project ever funded, including public availability/access, features/purpose, and a measure to gauge its success or usage, to the extent possible.

BIC FY 2016-17 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 encourage participation by keeping participants' out-of-pocket costs to a minimum.

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.

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 2017), a mentor weekend (April 2017) for finalist teams, and a final competition that is open to the public.

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. Finally, in order to encourage participation and support the winning teams the Department used donated funds to pay travel expenses for 2017 challenge winning teams to travel to Palo Alto, CA for mentoring from staff of the AT&T Foundry innovation center.

Expenditures are detailed by category in Table 2 below.

Table 1 – FY 2016-17 Financial Donations

| Organization | Donation/Grant Amount |
|--------------|-----------------------|
| AT&T | \$30,000.00 |
| Google* | \$5,000.00 |
| Talend | \$5,000.00 |
| WilmerHale | \$5,000.00 |
| Carto | \$4,000.00 |
| Allstate | \$250.00 |
| Alpine Bank | \$250.00 |
| Total | \$49,500.00 |

*On-Sight Public Affairs Inc. submitted payment on behalf of Google, its client.

Table 2 – FY 2016-17 Expenditures

| Expense Category | Amount | Description |
|------------------------|--------------------|---|
| Pre-competition events | \$3,074.19 | 10 events across the state that staff attended or hosted to raise awareness about the competition, recruit participants, and answer questions. |
| Kick-off event | \$6,802.21 | The event used to kick-off the app challenge. |
| Challenge Weekend* | \$9,243.34 | 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. |
| Promotional materials | \$9,195.06 | Signage, t-shirts, jackets, and water bottles used as promotional items for the challenge. |
| Professional services | \$4,250.00 | Including event photography, design services, and musical entertainment at the final competition event. |
| Legal services | \$6,656.00 | Legal services to support the challenge. |
| AT&T Foundry trip | \$5,279.20 | Trip for winning teams to AT&T Foundry innovation center in Palo Alto, CA for mentorship. |
| Ideascale subscription | \$5,000.00 | Subscription to innovation challenge software platform where business decision-makers could submit ideas for challenge participants to address. |
| Total | \$49,500.00 | |

*These represent the portion of challenge weekend expenses paid out of donated funds. There were additional challenge weekend expenses paid for out of Department funds.

Table 3 – FY 2016-17 In-kind Donations

| Organization | Donation Amount | Description |
|-------------------------|--------------------|--|
| CA Technologies | \$22,500.00 | Event space at Boulder office location for mentor weekend, including use of supplies, as well as staff time. Access to Waffle, a software project management tool, for Go Code Colorado participants. |
| Carto | \$6,000.00 | Access to the Carto web-based mapping database software, at no cost, to Go Code Colorado participants and provided staff for technical support and mentoring during the challenge. |
| David Graham and Stubbs | \$5,000.00 | Legal educational materials and informational sessions regarding business formation to Go Code Colorado participants. |
| Digital Garage | \$5,000.00 | Access to developer platform for Go Code Colorado participants, as well as training materials and staff technical support during the challenge. |
| GitHub | \$5,000.00 | 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. |
| Great Divide | \$5,000.00 | Beverages served during challenge events. |
| Innosphere | \$5,000.00 | Use of facility space to host Fort Collins challenge weekend event. |
| Name.com | \$5,000.00 | No-cost web hosting for Go Code Colorado participants. |
| WilmerHale | \$5,000.00 | Legal educational materials and informational sessions regarding intellectual property to Go Code Colorado participants. |
| University of Denver | \$3,400.00 | Use of facility space to host Denver challenge weekend event. |
| Durango Space | \$3,000.00 | Use of facility space to host challenge weekend in Durango. |
| Twitter | \$2,500.00 | Hosted data programming class and provided lunch and facility use to mentor weekend participants. |
| Epicentral Coworking | \$1,500.00 | Use of facility space to host challenge weekend in Colorado Springs. |
| Factory Coworking | \$1,500.00 | Use of facility space to host challenge weekend in Grand Junction. |
| Techstars | \$1,500.00 | Use of facility space to host dinner during mentor weekend. |
| Total | \$76,900.00 | |

BIC FY 2017-18 Donations and Expenditures

At the time of this report, only four months have passed in FY 2017-18, whereas 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 2017-18, but to date, no organizations have provided funding or in-kind goods or services. To-date, the Department has expended \$551.50 in donated funds for promotional items in FY 2017-18.