

MEMORANDUM

TO: Joint Budget Committee

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: Document Contents

DATE: March 26, 2012

This document contains the following five components:

1. Updated CBMS staff recommendation.
2. Technical corrections to OIT.
3. CBMS staff recommendation.
4. Staff technical comebacks for the Office of the Governor.
5. Pending item comebacks for the Office of the Governor.
6. Staff's original figure setting document for the Office of the Governor.

MEMORANDUM

TO: Joint Budget Committee

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: Updated Staff Recommendation on the CBMS Supplemental Request

DATE: March 26, 2012

On March 14, 2012, staff recommended the Committee reject the request from the Governor's Office to appropriate \$23.2 million total funds (including \$13.7 million General Fund) and 22.0 FTE in FY 2011-12 to improve and modernize the Colorado Benefits Management System (CBMS). It was staff's opinion on that date that the proposal lacked a formal legislative oversight mechanism required of a project of this scope and public nature.

Since March 14, 2012, the Committee voted to sponsor a CBMS legislative oversight bill requiring the Governor's Office of Information Technology to provide a written report to the Committee on the first day of March, June, September, and December containing the following:

- Overview of the current management structure for the entire project including leadership, project management, and internal oversight.
- Overview of the entire project, including a list of all scheduled project components, actual or anticipated start and end dates of each project component, amount budgeted for each project component, and amount expended for each project component.
- A list and description of major changes, additions, deletions, or modifications to project components.
- Overview level status indicator/update of each component of the project work plan completed, underway, or slated to commence in the quarter following the report.
- Detailed level update of each component of the project work plan completed, underway, or slated to commence in the quarter following the report.

As a result of this legislation, it is staff's opinion that the Committee, and the legislative branch as whole, will be actively engaged in monitoring and overseeing the progress (or lack thereof) of each and every facet associated with improving and modernizing CBMS if the requested funds are approved. Due to past performance issues of CBMS and attempted fixes, this legislative oversight mechanism is imperative to ensure that the funds are invested as intended to directly benefit State-supervised public assistance programs, county workers, and citizens applying to receive or already receiving State-supervised public assistance programs.

Given the Committee's decision to sponsor this bill, **staff recommends the Committee appropriate \$23.2 million total funds (including \$13.7 million General Fund) and 22.0 FTE for FY 2011-12 and FY 2012-13.**

Assuming the Committee adopts staff's recommendation to appropriate \$23.2 million and 22.0 FTE across FY 2011-12 and FY 2012-13, the Committee must make the following decisions (see following page):

1. Mechanism for appropriating the funds.
 - a. Long Bill Add-on and/or Long Bill. This represents the request from the Governor's Office.
 - b. Committee-sponsored CBMS oversight bill.
2. Appropriation fiscal year structure.
 - a. All moneys and FTE appropriated in FY 2011-12 (with roll-forward authority through FY 2012-13). This represents the initial request from the Governor's Office. *General Fund impact in FY 2011-12 is \$13.7 million. No General Fund impact in FY 2012-13.*
 - b. All contract and equipment-related expenses appropriated in FY 2011-12 (with roll-forward authority through FY 2012-13) and all personnel-related expenses appropriated in FY 2012-13. *General Fund impact in FY 2011-12 is \$12.6 million. General Fund impact in FY 2012-13 is \$1.1 million.*
 - c. A portion of the contract and equipment-related expenses appropriated in FY 2011-12 (with or without roll-forward authority) and all personnel-related expenses appropriated in FY 2012-13. This represents a revised request from the Governor's Office (including roll-forward authority from FY 2011-12 into FY 2012-13 and from FY 2012-13 into FY 2013-14). *General Fund impact in FY 2011-12 is \$5.7 million. General Fund impact in FY 2012-13 is \$8.0 million.*
 - d. All moneys and FTE appropriated in FY 2012-13 (with or without roll-forward authority). *No General Fund impact in FY 2011-12. General Fund impact in FY 2012-13 is \$13.7 million.*

MEMORANDUM

TO: Joint Budget Committee

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: Governor's Office of Information Technology Technical Staff Comebacks

DATE: March 26, 2012

Comeback #1

The following footnote was included in the Office of the Governor's staff figure setting presentation and approved by the Committee:

Governor - Lieutenant Governor - State Planning and Budgeting, Office of Information Technology, Colorado Benefits Management System -- It is the intent of the General Assembly that any system changes to the Colorado Benefits Management System that result from legislation enacted to reduce State expenditures be prioritized to ensure that the State savings noted in the Legislative Council Staff Fiscal Note can be achieved within the time frames specified, to the extent possible.

Due to the Committee-sponsored CBMS legislative oversight bill, this footnote is not needed. **Staff recommends the footnote NOT be included in the FY 2012-13 Long Bill.**

Comeback #2

Staff erroneously neglected to reappropriate \$438,280 from the Department of Human Services to the Governor's Office of Information Technology for CBMS personnel expenses. The direct appropriation of \$438,280 for this purpose was appropriated to the Department of Human Services, but not included in the reappropriated funds total presented to the Committee for the Governor's Office of Information Technology. **Staff recommends an additional appropriation of \$438,280 reappropriated funds to the Governor's Office of Information Technology to remedy the error.**

MEMORANDUM

TO: Joint Budget Committee

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: Improve and Modernize the Colorado Benefits Management System
FY 2011-12 Supplemental Request

DATE: March 14, 2012

Background

Though not without problems, the Colorado Benefits Management System (CBMS) went live on September 1, 2004 as the single integrated system for determining eligibility and calculating benefits based on paper applications and paper client notices. The original contract for the design and operation of the system was awarded to EDS. The fixed price contract amount of \$220 million was nearly \$100 million less than contract bids from both EDS and IBM. However, due to State budget constraints funds were not available for the work proposed by vendors in the request-for-proposals process.

As the 2004 launch date neared, users in county social services agencies objected citing technical and training issues. After the launch date had been postponed several times, CBMS reached a point of "do or die," in part as a result of political and financial pressures. Consequently, CBMS was rolled out on September 1, 2004 despite objections from system end users and without the establishment of a satisfactory governance structure to manage CBMS processes and resources. Unfortunately, many of the early objections have proved accurate, as the system has been plagued with performance issues since its inception. In February 2012, the Governor outlined the technical issues (and their subsequent impacts) facing the system today, and proposed a series of technical solutions to mitigate ongoing issues. The overarching goal of the Governor's technical proposal is to deliver timely, accurate benefits to Colorado citizens.

Defining Technical Issues

CBMS was designed and developed based on technology of the late 1990s to serve a model whereby prospective and current State-supervised assistance program benefit recipients travelled to a county office to conduct business. Since 2004, the model for serving and assisting prospective and current benefit recipients has broadened beyond what was envisioned when pre-internet, 1990s technology was implemented as the preferred solution. Today, prospective and current benefit recipients interact with State-supervised assistance programs at Presumptive Eligibility Sites, Medical Assistance sites, and on the internet in addition to travelling to a county office. The pressures of serving a variety of access points to State-supervised assistance programs, growing caseloads for State-supervised assistance programs, and policy changes impacting State-supervised assistance programs have highlighted several issues with the 1990s technology design.

- The programming code is difficult to change without causing system-wide delays for users. Policy changes, which occur frequently, are driven by a combination of factors, including State and federal legislation, federal and court ordered timely application

processing requirements, and State and federal audits. Many policy changes require a programming code change to CBMS. The current CBMS programming environment requires the system to grind to a halt until changes are made to accommodate the policy changes.

- The processing of applications for assistance programs is not done in real-time (or near real-time), rather all applications are processed as a batch at one time. Batch processing, as it is known, delays the processing of applications without cause.
- The system is unable to expand to process applications in a timely manner as the number of users and applications increases for assistance programs.
- The underlying infrastructure experiences delays and bottlenecks due to outdated server technologies used to provide information to users.
- The system reporting tools used to generate client correspondence do not present accurate information to the client or the user.

Technical Issues Impact State Program Performance

The technical issues defined above negatively impact the performance of State-supervised assistance programs. The Department of Health Care Policy and Financing processed 72 percent of all new Medicaid applications within a timely manner (within 45 days) in FY 2010-11. Redeterminations of Medicaid benefits were processed within a timely manner only 52 percent during the same timeframe.

The Department of Human Services' Food Assistance Program has continually struggled to process applications for families applying for benefits. The Department processed 85 percent of Food Assistance expedited cases within a timely manner (seven days) in February 2012. During the same timeframe, 93 percent of regular Food Assistance cases were processed in a timely manner (within 30 days). In terms of benefit redeterminations for the program, 2011 saw a timely processing rate of 64 percent.

Applications for the Department of Human Services' Temporary Assistance for Needy Families (TANF) program were processed within a timely manner (45 days) 94 percent of the time in February 2012. In terms of benefit redeterminations for the program, February 2012 saw a timely processing rate of 75 percent, 20 points below the required 95 percent rate.

Technical Issues Impact Citizens

The technical issues defined above negatively impact the ability of citizens to interact with State-supervised assistance programs in a timely and beneficial manner. Applicants frequently have a delay in processing and determining their benefits. This is detrimental to the citizen (and the State) for several reasons.

- Individuals who do not receive medical benefits in a timely manner may forgo preventive care and end up in costly emergency rooms.
- Families receiving financial benefits may not be able to pay shelter bills in a timely manner, resulting in a loss to families and property owners.

- Verification that an individual submits at the time of application is frequently irrelevant by the time the application can be processed, requiring the individual to submit more current documentation to complete the application process. This delays an individual from accessing needed medical and financial assistance.

In addition to delays in processing and determining benefits, citizens are often provided with confusing, conflicting, and erroneous notices sent from CBMS reports. This scenario creates a lack of trust, and requires additional reassurances provided to citizens by county staff or through legal representation. This causes individuals to spend time navigating the system and resolving report notices that could be used to take steps to become self-sufficient.

Technical Issues Impact County Workers

The technical issues defined above negatively impact county workers administering State-supervised assistance programs. The timeliness of processing applications is impacted in three ways.

- Increases the amount of time required to perform an eligibility determination from start to finish for an assistance program. County users are often locked out of the system due to too many concurrent users, subjected to freezing computer screens during data entry, and forced to submit help desk tickets to resolve confusing error messages.
- Prevents the determination of eligibility for an assistance program for a period of days while system updates and fixes are finalized and ready for the production environment.
- Requires manual processes and cumbersome workarounds to complete the eligibility determination process for an assistance program.

Additionally, as mentioned above, confusing, conflicting, and erroneous notices sent from CBMS reports to citizens are not uncommon. These errors in client correspondence result in appeals, calls, increased lobby traffic at county offices, and overall increased workload to county workers. This increased workload at the county level detracts workers from processing applications and providing more targeted and useful assistance to citizens. The user workload is focused more on navigating and maneuvering the inadequate technology to determine and issue benefits than providing citizens with case management, resource referrals, and other critical services.

Similarly, although food, financial and medical assistance programs currently collaborate on policy changes, CBMS is not wired for program integration to consider cross program impacts. For example, a positive change to one program may result in a negative unintended consequence for another that is not flagged for the county staffer or the citizen. This results in additional workload for the county worker as the citizen receives a confusing notice, calls the county to figure out what happened, appeals the decision, and ultimately visits the county offices a second time to resolve the issue.

Technical Issues Impact Vulnerability to Lawsuits and Sanctions

The technical issues defined above negatively impact the ability of the State to reduce its vulnerability to lawsuits and federal sanctions related to State-supervised assistance programs. The Department of Health Care Policy and Financing and the Department of Human Services recently settled lawsuits with advocacy groups to maintain a prescribed level of timeliness every

month, which if not met, could reopen these lawsuits and expose the State to additional expenditures. On a related note, the most recent Centers for Medicare and Medicaid Services (CMS) audit focused on CBMS' timeliness, compliance, and client notifications. While CMS noted that the State has implemented several system and process remediation and plans around these areas, unfortunately the efforts were not sufficient and, if not fixed soon, could result in lost funding as well as new sanctions. Below is a description of the three interrelated CBMS issues that leave the State open to future lawsuits and federal sanctions if not remedied.

- The inability of CBMS to keep up with rising caseloads in assistance programs due to its slow performance, inability to scale to meet demand, and limits on the number of concurrent users leaves the State vulnerable to lawsuits and sanctions.
- The inability of CBMS to adapt to the changing demands of State and federal legislation, federal and court ordered timely application processing requirements, and State and federal audits leaves the State vulnerable to lawsuits and sanctions.
- The inability of CBMS to issue correct notifications to citizens poses various problems such as improper noticing, unnecessary repetitive volume of notices, excessive postage costs, and contradictory notices leaves the State vulnerable to lawsuits.

Governor's Proposed Technical Solutions

The Governor's Office proposes a series of technical and process solutions to deliver timely, accurate benefits to Colorado citizens. The solutions include enhancements and technology upgrades to CBMS, improvements to business processes, changes to help desk activities that support users across the state, and improvements to worker training. The proposal categorizes the technical and process solutions into five categories:

- "Any Door is the Right Door" seeks to eliminate unnecessary tasks for county workers through efficient screening mechanisms;
- "Providing Workers the Right Tools" seeks to improve county worker productivity by eliminating time consuming functions and redundant activities;
- "Building Infrastructure that Supports the Customer" seeks to manage caseload volume by ensuring that the technology infrastructure supports county workers and assistance benefit applicants;
- "Ensuring Correct Decisions are Made on Eligibility" seeks to make correct decisions on eligibility and enrollment on first contact with a citizen; and
- "Increasing Effective Communication and Training" seeks to develop, implement, and maintain a comprehensive training system for all users of CBMS (county workers, state workers, medical assistance site staff, etc.) to ensure a consistent and standardized set of procedures for interacting with CBMS.

The five technical and process solution categories contain 15 specific, overarching (and sometimes overlapping) actions designed to meet each of the category goals listed above. These 15 actions represent a summary of 93 items contained in the CBMS 18-Month Work Plan.

- Enhance the online application (PEAK) to allow real-time eligibility determinations to minimize workload at the county level.
- Convert the existing rigid eligibility and financial calculations to a modern calculation engine that can be easily modified to accommodate policy changes without impacting overall system performance.
- Redesign citizen notification to reduce the volume of paper notices sent out and improve the accuracy of the language contained in the notice.
- Add infrastructure and web-based access to CBMS to reduce the reliance on outdated server technologies that add delays and bottlenecks in processing applications for county workers.
- Add infrastructure to allow more concurrent users of CBMS. The current environment does not have the capacity to accommodate the number of users concurrently accessing the system that is required by increases in caseload and the number of workers required to process the increased applications.
- Introduce a process to troubleshoot performance issues, such as freezing computer screens, and remedy the source to eliminate the occurrence of future system degradation.
- Upgrade infrastructure to increase disaster recovery capabilities.
- Redesign the business process workflow in CBMS to only display the information needed by a county worker to complete a given task.
- Migrate CBMS to a computing power model that allows the State to manage increases in server needs caused by caseload increases in an on-demand manner.
- Build CBMS web tools and services that can be interoperable with other systems.
- Process applications and reports in a manner that does not negatively impact the overall performance of CBMS.
- Create a log-on routine that does not require users to enter multiple user IDs and passwords to be authenticated to use CBMS.
- Provide county workers with dual monitors to increase productivity.
- Implement changes for outstanding audit findings from federal regulators to eliminate federal sanctions.
- Expedite improvements to mitigate a potential lawsuit by three legal groups that represent clients who have been impacted by delays in eligibility determination.

Proposed Technical Solutions Impacting State Program Performance

The proposed technical and process solutions outlined above are slated to positively impact State program performance. The Department of Health Care Policy and Financing goal is to process

90 percent of family Medicaid and Child Health Plan Plus (CHP+) applications in real-time, five percent of family Medicaid and Child Health Plan Plus applications within 45 days, and 95 percent of adult Medicaid and Long Term Care applications within 45 and 90 days, respectively. The proposed technical and process solutions would allow the Department to reach its application processing goals. The changes would also enable the State to comply with the October 2013 federal requirement of real-time, online determinations for the family Medicaid and CHP+ programs.

The Department of Human Services expects to process 95 percent of all applications in a timely manner by September 2012 as a result of the proposed technical and process solutions. In addition to the timeliness of application for assistance supervised by the Department of Human Services, the Department indicates the following programmatic performance improvements would occur as a result of the proposed technical and process solutions.

- The Food Assistance Program is expected to improve in a federal performance measure that evaluates how clearly a household is informed of the reason why they were denied food assistance benefits. The proposed technical and process solutions would reduce the error rate from 66 percent in 2012 to six percent in 2013.
- The Food Assistance Program exceeded the national payment error rate in 2011 for the first time since 2007. The State expects the error rate to drop below the national average as a result of the proposed technical and process solutions.
- The proposed Income and Eligibility Verification System's Internal Revenue Service interface would automatically verify lottery and gambling income, self-employment wages, and interest payments to assist county workers with eligibility determinations for Temporary Assistance for Needy Families (TANF) and other public assistance programs. Programs will use this data to ensure payment accuracy, to detect and prevent citizen fraud, and to verify citizen statements regarding their finances.
- The proposed corrections to the interface between CBMS and the Child Support Automated System would ensure that all required children are referred to Child Support Enforcement for services. This could result in a savings for the TANF program by ensuring child support is pursued and used correctly in the TANF payment calculation.

Proposed Technical Solutions Impacting Citizens

The proposed technical and process solutions outlined above will positively impact citizens' interactions with State-supervised assistance benefits programs. Many, if not all, of the proposed solutions would benefit citizens. The examples below represent a subset of the total benefits to citizens.

- Enhancing the online application tool (PEAK) to allow real-time eligibility determinations to minimize workload at the county level would allow citizens to spend less time applying for benefits and waiting for a confirmation or rejection.
- Redesigning citizen notification to reduce the volume of paper notices sent out and improve the accuracy of the language contained in the notice would assist citizens in navigating the State's assistance programs and provide them with more time to focus on becoming self-sufficient.

- Redesigning the business process workflow in CBMS to only display the information needed by a county worker to complete a given task would get citizens processed faster at the time of application.
- Converting the existing rigid eligibility and financial calculations to a modern calculation engine that can be easily modified to accommodate policy changes without impacting overall system performance would provide citizens with the most accurate and up-to-date benefit information upon application or redetermination.

Proposed Technical Solutions Impacting County Workers

The proposed technical and process solutions outlined above will positively impact county workers workload. Many counties have a “same-day” processing philosophy, and the CBMS technical and process solutions will help to achieve this expected level of service. Specifically:

- Electronic Document Management project would allow workers to scan a citizen’s paper documents and store them electronically, significantly reducing the time and effort needed to file and store the paper documents and then retrieve them during redetermination.
- Improvements to migrate from batch processing to real-time (or near real-time) processing, data archival, and web expansion would reduce the latency that county workers face in the current system, allowing them to focus time on processing applications in a more timely and accurate manner.
- A more flexible programming environment in which to make system changes would result in less system downtime, alleviating the need for cumbersome and time consuming manual workaround processes.
- More accurate client correspondence would reduce county worker time spent resolving confusion via phone, dealing with appeals, and visiting with citizens at county offices.
- Dual monitors would allow county workers to verify information from multiple sources while simultaneously entering data in CBMS.
- The development of a single sign-on tool would help county workers maintain one set of authentication credentials to log on to CBMS. Currently, if the county worker does not recall a password, he/she must submit a help desk request to reset the password. This is a costly loss of time needed to process applications in a timely manner.
- An integrated CBMS and online help tool would provide a county worker with the ability to maintain his/her current workflow and access help tips concurrently. Today, CBMS users must exit CBMS, losing all data entered in the process, to access help documents.

Proposed Technical Solutions Impacting Vulnerability to Lawsuits and Sanctions

The proposed technical and process solutions outlined above will reduce the State’s vulnerability to lawsuits and federal sanctions caused by issues of timeliness in processing applications and redeterminations, inaccurate client correspondence, and compliance with a State and federal

legislation, federal and court ordered timely application processing requirements, and State and federal audits.

- Today, CBMS only allows 2,100 concurrent users to access the system. Timeliness of eligibility determination and processing would increase through the addition to 250 user licenses.
- Adding infrastructure and web-based access to CBMS to reduce the reliance on outdated server technologies that add delays and bottlenecks in processing applications for county workers would increase the timeliness of eligibility determination and processing.
- Improvements to migrate from batch processing to real-time (or near real-time) processing would ease system-wide performance degradation while batch processing is occurring and would increase the timeliness of eligibility determination and processing.
- Converting the existing rigid eligibility and financial calculations to a modern calculation engine that can be easily modified to accommodate policy changes without impacting overall system performance would assist the State in maintaining compliance with State and federal legislation, federal and court ordered timely application processing requirements, and State and federal audits.
- Redesigning the client notification process would make correspondence easier to read, reduce the number of notices sent out, remove contradictory notices, and move toward more cost effective electronic notifications.

Governor’s Financial Request

The Governor’s Office of Information Technology, Department of Health Care Policy and Financing, and the Department of Human Services jointly request an increase of \$23.2 million total funds (including \$13.7 million General Fund) and 22.0 FTE for use in FY 2011-12 and FY 2012-13 (via roll forward authority) and an additional \$7.2 million total funds (including \$4.2 million General Fund) and 5.0 FTE for FY 2013-14 to make the technical CBMS changes needed to mitigate negative State assistance program performance, provide citizens with the expected level of service, ease unnecessary workload burdens on county employees administering State-assisted benefits, and reduce the risk of future lawsuits and federal sanctions. The table below summarizes the request for each State agency impacted.

FY 2011-12 CBMS Supplemental Request (roll-forward authority through FY 2012-13 requested)						
	Total	GF	CF	RF	FF	FTE
DHS						
Personal Services	\$825,118	\$313,380	\$28,582	\$304,510	\$178,646	11.0
Operating Expenses	64,797	24,610	2,245	23,913	14,029	0.0
HCPF Personal Services	997,655	378,909	34,559	368,184	216,003	0.0
Contract Expenses	21,230,022	6,796,131	382,058	11,549,222	2,502,611	0.0
Centrally Appropriated Items	107,740	40,919	3,732	39,762	23,327	0.0
DHS Total	\$23,225,332	\$7,553,949	\$451,176	\$12,285,591	\$2,934,616	11.0
HCPF						
Personal Services	\$825,119	\$0	\$0	\$825,119	\$0	11.0
Operating Expenses	64,796	0	0	64,796	0	0.0
Centrally Appropriated Items	107,740	0	0	107,740	0	0.0
DHS Medicaid Funding	12,285,591	6,128,387	19,229	0	6,137,975	0.0

FY 2011-12 CBMS Supplemental Request (roll-forward authority through FY 2012-13 requested)							
	Total	GF	CF	RF	FF	FTE	
HCPF Total	\$13,283,246	\$6,128,387	\$19,229		\$997,655	\$6,137,975	11.0
GOV							
Contract Expenses	\$21,230,022	\$0	\$0		\$21,230,022	\$0	0.0
GOV Total	\$21,230,022	0	0		21,230,022	0	0.0
Total Request Minus RF*	\$23,225,332	13,682,336	470,405		n/a	9,072,591	22.0

*Reappropriated funds are not included in the total to avoid double counting. All reappropriated funds shown in the Department of Human Services are derived from the Department of Health Care Policy and Financing.

The federal Centers for Medicare and Medicaid Services (CMS) are providing funds to states to assist in building or upgrading eligibility systems, such as CBMS. Under the terms of the program, CMS provides 90 percent of the funding for system development costs and the state provides the remaining ten percent. This funding structure is often referred to as “90/10.”

The Department of Health Care Policy and Financing has taken the initial step to receive 90/10 funding for CBMS improvements. On December 30, 2011 the Department received approval from CMS to develop an implementation plan for CBMS technical solutions. This is the first step in the State being granted the 90/10 enhanced federal match rate for the project.

The Department of Health Care Policy and Financing has taken the initial step to receive the enhanced federal funding to upgrade and modernize CBMS. On December 30, 2011, the Department received approval of a Planning Advanced Planning Document which authorizes the Department to receive enhanced federal funding to develop an implementation plan to receive enhanced federal funding related to the system change provided in the 18-month plan. If funding is approved by the General Assembly for this supplemental request, the Department will integrate the components that are eligible for enhanced federal funding into a comprehensive and detailed implementation plan for CMS to review. Through this plan, CMS will allocate enhanced federal funding to the Department. Since federal approval is not expected to be received until June 2012, funding from the General Assembly has been requested at the standard federal match rates for FY 2011-12. Through the supplemental budget process, the appropriation will be adjusted to account to the additional federal funds which will reduce General Fund expenditure. If the 90/10 funding is received as anticipated, the FY 2011-12 General Fund appropriation (and subsequent requested roll-forward) would be reduced to approximately \$7.5 million from the current requested \$13.7 million request.

Joint Budget Committee Staff Recommendation

It is undeniable that CBMS is in need of a massive technology upgrade to mitigate negative State assistance program performance, provide citizens with the expected level of service, ease unnecessary workload burdens on county employees administering State-assisted benefits, and reduce the risk of future lawsuits and federal sanctions. As detailed above, the current technology inefficiencies of CBMS are negatively impacting the finances of the State, the finances of counties, and the finances and well-being of citizens. The Governor’s Office has worked closely with staff to ensure that technical problems with the system have been identified, the impacts of the technical problems on State programs, county workers, and citizens have been thoroughly identified, and proposed technical and process solutions directly align with the impacted populations and programs.

It is also undeniable that improving and modernizing CBMS is a massive undertaking for the State not only in terms of financial risk, but also technological complexity. It is staff's opinion that the 18 Month Plan submitted for funding by the Governor's Office represents a level of rigor expected for a project of this size and scope. It is clear from the documentation provided that the plan has been thoroughly vetted by State and county officials in consultation with experts from the private sector. Staff has no qualms with the technical and process solutions proposed.

It is also staff's opinion that a project of this magnitude requires a consortium of leaders possessing a combination of technical acumen, project management expertise, and overall experience with large information technology endeavors. Staff believes that the Governor's Office has worked diligently to assemble a cast of individuals, whether they are leaders within the Governor's Office of Information Technology or county officials, with the necessary qualities to make the requested project a success.

Due to the past performance issues of CBMS and the subsequent negative public attention, the Committee's decision to approve or reject funding to upgrade the system is more complex than simply reviewing a 18 Month Plan to ensure that it is technically and financially sound. A large variable in the decision to approve or reject funding to upgrade the system is trust. Trust that the project addresses clearly identified needs, trust that the project best serves citizens, trust that the project will accomplish its goals, trust that the State has enlisted the assistance of qualified leaders to steer the project on a successful path, and trust that the entire project will be as transparent and accountable as possible. In short, the Committee must trust that it is making a wise investment before proceeding to approve funding to upgrade the system.

Given the past performance issues of CBMS and the subsequent negative public attention, staff developed a plan to build trust with the project in a phased approach. Staff urged the Governor's Office to rework its FY 2011-12 supplemental request from a one-time appropriation with roll forward authority into a series of planned appropriation requests flowing from FY 2011-12 through FY 2013-14. Staff's original proposition called for appropriation requests to be submitted to the Committee at the following junctures:

- FY 2011-12 Long Bill add-on appropriation
- FY 2012-13 Long Bill appropriation
- FY 2012-13 Supplemental Appropriation
- FY 2013-14 Long Bill Budget Request
- FY 2013-14 Budget Amendment Request

This approach would provide the Committee and the Governor's Office with an opportunity to develop trust by setting goals, reporting on goals, and outlining the next phase. As confidence and trust in the project is gauged based on meeting goals, the Committee would make funding decisions. Unfortunately, the Governor's Office indicates that the only acceptable funding timeline to achieve the necessary changes to rebuild CBMS is for \$23 million total funds and 22.0 FTE to be appropriated across the Governor's Office of Information Technology, Department of Health Care Policy and Financing, and the Department of Human Services in FY 2011-12 with roll-forward authority through FY 2012-13.

The Governor's Office explains that any potential funding delays that cause work stoppages would cause this project to fail. The 18 Month Plan funding request provides the flexibility to keep working on CBMS projects without potentially running out of funding and creating a

scenario whereby CBMS remains in a tenuous position with delayed projects. Specifically, the Governor's Office indicates that the plan submitted has been carefully developed using the following guidelines:

- Current State contracting rules add a minimum of six-to-eight weeks of additional delay before the implementation vendor can begin work on authorized changes. The requested plan and funding represent an attempt to minimize the need for additional contract amendments each time new funding is approved for the work plan.
- Items that affect the CMS Audit and performance of the system have been prioritized to be completed across FY 2011-12 and FY 2012-13. Roll forward authority through FY 2012-13 because many of these projects must be implemented by August and September 2012, and can only be successfully delivered if the work begins in FY 2011-12.
- There are inter-dependencies and economies of scales that have been assumed to be gained by starting many of the projects on a particular date. The 18 month timeline is by itself a very aggressive undertaking, and hence the Governor's Office used creative ways to make sure the projects would be distributed optimally in order to make the most efficient use of State and vendor resources.

If the Governor's Office were to provide a plan in accordance with staff's request to structure it in a phased-funding approach, the Governor's Office indicates several issues would arise.

- The work plan would be extended beyond the 18 month timeline as there are additional delays that would have to be accounted for because of the four new amendments. This would either cause a staffing ramp up and down on a frequent basis or carrying a larger team throughout the entire year.
- The CMS Audit items plan items would extend beyond the expected date of completion as many of the items cannot be completed within the an alternative timeframe.
- The overall integrity of the current plan would be lost. The estimated effort for State and vendor resources would have to be reassessed as the efficiencies created through the original draft work plan would no longer be intact.

To remedy the accountability and reporting concerns staff, the Governor's Office offered to have the Executive Steering Committee of CBMS present quarterly progress reports to the Committee in an effort to promote full transparency, provide project updates, and review finances.

Given the lack of a formal legislative oversight mechanism for the financial investment made in this project, staff recommends the Committee reject the request from the Governor's Office. Staff fully believes in the need to upgrade CBMS, the technical plan and its goals, the leaders engaged in the project, and the total amount proposed for project. The history of CBMS and prior investments made to bring about technical changes, though, necessitate a measured and phased approach to investment that the Governor's Office indicates is not feasible for successful project completion. Staff applauds the Governor's Office for offering quarterly project updates to the Committee, however, staff is not comfortable recommending the approval of a \$23 million total funds and 22.0 FTE investment without a formal mechanism (such as the

appropriations process) to evaluate and consider if the project is proceeding at a level that warrants future investment.

Staff understands the challenges the Committee faces in choosing to approve or reject the proposal from the Governor's Office. While CBMS has been plagued with issues throughout its life-span, it is still an integral component of many State-funded programs. The option to approve staff's recommendation leaves the system in a precarious state which will undoubtedly lead to further issues in the future that negatively impact State programs, citizens, and counties. Recognizing this, staff has compiled a list of options for the Committee to consider.

1. Approve staff's recommendation to not fund the project due to its current legislative oversight deficiencies.
2. Reject staff's recommendation and fund the project as requested by the Governor's Office.
3. Craft legislation separately from the FY 2012-13 Long Bill that would provide funding for the project and reporting requirements.

MEMORANDUM

TO: Joint Budget Committee

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: Office of the Governor Staff Comebacks

DATE: March 16, 2012

OIT Communications Services Utilities Increase

Reason for Comeback: Staff failed to include an analysis of a budget amendment submitted by the Office of the Governor during figure setting for the agency.

Description: The Governor's Office of Information Technology provides planning, coordination, engineering, and design services for the statewide Digital Trunked Radio System (DTRS). The State is responsible for maintaining several sites and links within the statewide network. Each of the sites requires electricity. From FY 2006-07 through FY 2011-12, utility costs to purchase electricity have increased from \$172,933 per year to \$183,502.

Request: For FY 2012-13, the Office requests an additional \$20,000 reappropriated funds. The Office of the Governor has been appropriated \$165,002 reappropriated funds from FY 2003-04 through FY 2011-12. Since FY 2006-07 the appropriation level has been below the actual expenditures, as shown in the table below.

State Utility Comparison for the Digital Trunked Radio System						
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Appropriation	\$165,002	\$165,002	\$165,002	\$165,002	\$165,002	\$165,002
Actual	172,933	171,814	165,002	176,055	182,204	183,502
Difference	(\$7,931)	(\$6,812)	\$0	(\$11,053)	(\$17,202)	(\$18,500)

Recommendation: **Staff recommends an appropriation of \$18,766 additional reappropriated funds for FY 2012-13.** The recommendation consists of funds transferred from State agencies using the DTRS. Staff's recommendation is closer to the estimated FY 2011-12 costs than the Office's request. The table below summarizes the transfers from each agency.

FY 2012-13 Recommendation	
Agency	Appropriation
Corrections	\$6,735
Human Services	700
Natural Resources	3,937
Public Safety	2,470
Transportation	4,924
Total	\$18,766

OIT Staff Transfer – Technical Adjustment

Reason for Comeback: Staff failed to include an analysis of a budget amendment submitted by the Office of the Governor during figure setting for the agency.

Description: The FY 2010-11 transfer of State agency information technology staff resources to the Governor’s Office of Information Technology included 4.0 FTE across two agencies whose duties were later determined to not be information technology-related. The Department of Public Health and Environment and the Department of Natural Resources each had 2.0 FTE that fit this category.

Request: For FY 2012-13, the Office requests a budget neutral action to return personal services funding and FTE to the Department of Public Health and Environment and the Department of Natural Resources.

Recommendation: **Staff recommends the Office of the Governor’s request to return 2.0 FTE and associated costs to the Department of Public Health and Environment and 2.0 FTE and associated costs to the Department of Natural Resources FY 2012-13.** The table below summarizes staff’s budget neutral recommendation.

FY 2012-13 OIT Staff Transfer						
Agency/Line Item	Total	GF	CF	RF	FF	FTE
OIT Personal Services	(322,580)	0	0	(322,580)	0	(4.0)
Total OIT Personal Services	(\$322,580)	\$0	\$0	(\$322,580)	\$0	(4.0)
DNR IT Common Policy	(150,470)	0	(150,470)	0	0	0.0
CDPHE IT Common Policy	(172,110)	9,353	(158,810)	(57,322)	34,669	0.0
Total IT Common Policy	(\$322,580)	\$9,353	(\$309,280)	(\$57,322)	\$34,669	0.0
DNR Personal Services	150,470	0	150,470	0	0	2.0
CDPHE Personal Services	172,110	(9,353)	158,810	57,322	(34,669)	2.0
Total Personal Services	\$322,580	(\$9,353)	\$309,280	\$57,322	(\$34,669)	4.0

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2012-13 STAFF PENDING ITEM COMEBACKS
OFFICE OF THE GOVERNOR**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
Kevin Neimond, JBC Staff
March 7, 2012**

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**FY 2012-13 PENDING ITEM COMEBACKS
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE
JBC Working Document: Decisions Subject to Change**

OFFICE OF THE GOVERNOR

TABLE OF CONTENTS

	Page
(1) Office of the Governor	
(B) Special Purpose	
▪ S.B. 04-257 Amortization Equalization Disbursement	1
▪ S.B. 06-235 Supplemental Amortization Equalization Disbursement	1
(C) Governor’s Energy Office - All Line Items	3
(E) Office of Homeland Security	
▪ Program Administration	12
▪ Grants and Training	12
(4) Economic Development Programs	
▪ Global Business Development	13
▪ Economic Development Commission - General Economic Marketing Incentives	16
▪ CAPCO Administration	20
▪ Gaming Funded Programs:	
○ Colorado Promotion - Other Program Costs	22
○ Council on Creative Industries	23
○ Bioscience Discovery Evaluation	23
○ Colorado Office of Film, Media, and Television	24
(5) Office of Information Technology	
(A) Management and Administration of OIT	
▪ Operating Expenses	31

(1) OFFICE OF THE GOVERNOR

(A) Special Purpose

S.B. 04-257 Amortization Equalization Disbursement

New Information: The Committee previously approved the FY 2012-13 appropriation level for S.B. 04-257 Amortization Equalization Disbursement (AED) for this agency. Staff's recommendation matches the Committee's approved figures. The FY 2012-13 total funds increase over FY 2011-12 total funds for AED for the Office of the Governor is in line with the increases across all State agencies. The FY 2012-13 appropriation of General Fund moneys for the Office of the Governor, however, represents a greater increase over the FY 2011-12 appropriation than is generally seen with other State agencies. This is primarily the result of the Office's requested (and staff recommended) decision item to fund employees in the Governor's Energy Office with cash funds (the Office of the Governor erroneously attributed associated AED moneys with General Fund, which ironically matches staff's recommendation). **Staff seeks permission to adjust the line item following Committee action on the Governor's Energy Office decision item.**

Description: The line item reflects an increase to the effective PERA contribution rates beginning January 1, 2006 to bring the Office of the Governor into compliance with Section 24-51-211, C.R.S.

Request: The Office of the Governor requests an appropriation of \$2,346,849 (including \$210,030 General Fund) for FY 2012-13. The request represents a total funds increase of 24.6 percent and a General Fund increase of 69.9 percent over the FY 2011-12 appropriation.

Recommendation: **Staff recommends, per prior Committee action, an appropriation of \$2,298,312 total funds for FY 2012-13.** The recommendation consists of \$203,685 General Fund, \$43,563 cash funds from various sources, \$1,959,187 reappropriated funds from direct billings by the Governor's Office of Information Technology, and Statewide indirect cost collections from the Governor's Office of Information Technology, the Governor's Office, the Governor's Energy Office, and the Department of Transportation, and \$91,877 federal funds.

S.B. 06-235 Supplemental Amortization Equalization Disbursement

New Information: The Committee previously approved the FY 2012-13 appropriation level for S.B. 06-235 Supplemental Amortization Equalization Disbursement (SAED) for this agency. Staff's recommendation above matches the Committee's approved figures. The FY 2012-13 total funds increase over FY 2011-12 total funds for SAED for the Office of the Governor is in line with the increases across all State agencies. The FY 2012-13 appropriation of General Fund moneys for the Office of the Governor, however, represents a greater increase over the FY 2011-12 appropriation than is generally seen with other State agencies. This is primarily the result of

the Office's requested (and staff recommended) decision item to fund employees in the Governor's Energy Office with cash funds (the Office of the Governor erroneously attributed associated SAED moneys with General Fund, which ironically matches staff's recommendation). **Staff seeks permission to adjust the line item following Committee action on the Governor's Energy Office decision item.**

Description: This appropriation reflects an increase to the effective PERA contribution rates beginning January 1, 2008 to bring the Office of the Governor into compliance with Section 24-51-211, C.R.S.

Request: The Office of the Governor requests an appropriation of \$2,016,824 (including \$180,495 General Fund) for FY 2012-13. The request represents a total funds increase of 32.8 percent and a General Fund increase of 81.7 percent over the FY 2011-12 appropriation.

Recommendation: **Per Committee action, staff recommends a total appropriation of \$1,974,275 total funds for FY 2012-13.** The recommendation, however, is not consistent with the General Fund appropriation for the Office of the Governor approved by the Committee. The approved level of reappropriated funds for the line item is greater than what is available to be collected by the Office of the Governor. As a result, staff's recommendation consists of \$357,454 General Fund (\$183,249 higher than the approved General Fund appropriation), \$37,437 cash funds from various sources, \$1,500,427 reappropriated funds (\$183,249 lower than the approved reappropriated funds appropriation) from user fees paid by State agencies for the provision of information technology services by the Governor's Office of Information Technology and Statewide indirect costs collected from the Department of Transportation, and \$78,957 federal funds. The table below summarizes the discrepancy between the reappropriated funds collected and the reappropriated funds needed necessitating a General Fund backfill.

SAED Calculations	
OIT Direct Billings	\$1,429,777
Statewide Indirect Cost Assessment (OIT)	0
Statewide Indirect Cost Assessment (Gov's Office)	0
Statewide Indirect Cost Assessment (GEO)	0
Statewide Indirect Cost Assessment (CDOT)	70,650
Total RF Collected	\$1,500,427
Total RF Need Per Committee Policy	\$1,683,676
Difference	\$183,249

(C) Governor's Energy Office

Over the years, the Governor's Energy Office (GEO) has been funded with federal moneys associated with weatherization projects and petroleum violation escrow funds (PVE) that are earmarked for a narrow set of uses. PVE is a fixed source of funding, with a total allocation to Colorado of \$70.5 million. As of October 20, 2012, \$2.6 million remained in the PVE accounts. In preparation for the depletion of PVE funds (and due to the narrow scope with which the funds can be used), GEO, in conjunction with the legislature, migrated funding for its programs to alternative sources.

New Information: House Bill 12-1315 (Becker/Steadman) was introduced after staff's figure presentation to the Committee for GEO. Broadly, the bill renames the Office, defines the mission of the Office, changes the name of the Clean Energy Fund to the Innovative Energy Fund and aligns its purposes with the new mission of the Office, makes moneys in the Innovative Energy Fund subject to annual appropriation, and transfers \$1.25 million each year from FY 2012-13 through FY 2016-17 from the Perpetual Base Account of the Severance Tax Trust Fund to the Innovative Energy Fund.

The Office of the Governor's decision item (and staff's recommendation) seeks an appropriation of \$3.1 million total funds and 20.7 FTE for FY 2012-13. The decision item request contains overlapping components with language contained in H.B. 12-1315. **As a result, staff recommends that the Committee make the following decisions:**

1. Total amount of funds appropriated to GEO per the decision item request.
2. Source of the funds appropriated to GEO per the decision item request. Options formally offered to date include limited gaming tax revenue (decision item), General Fund (staff recommendation), and the Perpetual Base Account of the Severance Tax Trust Fund (H.B. 12-1315).
3. Funding mechanism for the decision item. Options include the Long Bill, H.B. 12-1315, or a combination of the Long Bill and H.B. 12-1315.

Decision Item #2: Energy Policy Development and Implementation

Request: In the last five years, alternative funding sources for GEO have included General Fund, limited gaming tax revenue, severance tax revenue, and one-time federal moneys provided through the passage of the American Recovery and Reinvestment Act of 2009 (ARRA). Each of these funding sources has been eliminated, or is scheduled to be eliminated.

- General Fund: The GEO Solar Incentives Program was appropriated \$1.0 million of General Fund moneys in FY 2008-09. The program assisted rural electric associations and municipal utilities in providing rebates to homeowners installing systems that comply

with the State's renewable energy portfolio standard. Since FY 2008-09, GEO has not received a General Fund appropriation.

- Severance Tax Revenue: GEO receives appropriations from three cash funds that acquire moneys from the collection of severance taxes. First, \$6.5 million is scheduled to be transferred from the Operational Account of the Severance Tax Trust Fund to GEO's Low-Income Energy Assistance Fund for FY 2012-13 for weatherization program expenditures. Weatherization programs include:

Households eligible for the home energy efficiency program described above must be at or below one hundred percent of the area median income guidelines adjusted for family size based on the most recently published area median income limits established by the United States Department of Housing and Urban Development (HUD). GEO is legislatively bound to serve as many low-income households throughout the state as possible achieve the maximum lifetime energy savings per dollar expended, use competitive bidding procedures to hire contractors, and, whenever feasible, contract with Colorado accredited youth corps to provide labor.

The legislature eliminated the transfer in FY 2009-10 with the passage of S.B. 09-293 (Isgar/Curry), and eliminated the transfer in FY 2010-11 and FY 2011-12 with the passage of H.B. 10-1319 (Ferrandino/Tapia). The Fund is expected to receive a transfer of \$6.5 million in FY 2012-13. The FY 2012-13 transfer is the last to GEO's Low-Income Energy Assistance Fund contained in current statute. House Bill 12-1028 (Gerou/Steadman), however, continues the transfer through FY 2018-19.

Second, the Energy Outreach Colorado Low-Income Energy Assistance Fund, administered by GEO, receives moneys from the Operational Account of the Severance Tax Trust Fund. The moneys are passed through GEO to the non-profit organization Energy Outreach Colorado to provide energy assistance to individuals from May 1st through October 31st when the Colorado Low-income Energy Assistance Program (LEAP) does not offer assistance. Energy Outreach Colorado is projected to receive \$3.25 million in for FY 2012-13 from the Energy Outreach Colorado Low-Income Energy Assistance Fund. The FY 2012-13 transfer is the last to the Energy Outreach Colorado Low-Income Energy Assistance Fund contained in current statute. House Bill 12-1028 (Gerou/Steadman), however, continues the transfer through FY 2018-19.

Third, GEO expends moneys transferred to the Public School Energy Efficiency Fund from the generation of interest earned on the accelerated collection of oil and gas severance taxes. The Fund supports energy efficiency projects in public schools across the state. Specifically, the moneys are used to assist school districts in energy performance contracting for existing buildings and high performance building for new school facilities. Energy performance contracting is the term used to describe the process of using utility bill savings that result from the installation of new building systems (reducing energy use) to pay for the cost of a building renewal project. GEO is scheduled to receive approximately \$200,000 each fiscal year for this purpose in FY 2012-13.

- **Limited Gaming Tax Revenue:** GEO received a continuous appropriation of moneys from the Clean Energy Fund established in 2007. The principal of the Clean Energy Fund consisted of moneys transferred to it at the end of each State fiscal year from the Limited Gaming Fund. At the end of FY 2007-08, the Clean Energy Fund received a transfer of \$4.0 million for use by GEO in FY 2008-09. No transfer of moneys occurred at the end of FY 2008-09 or FY 2009-10 due to insufficient General Fund revenues for the State. Beginning at the end of FY 2010-11, transfers from limited gaming tax revenue to the Clean Energy Fund were eliminated via S.B. 11-159 (Steadman/Ferrandino).
- **ARRA Moneys:** The passage of ARRA provided GEO with increased funding for weatherization services, State Energy Program projects, Energy Efficiency and Conservation Block Grant projects, Energy Star Appliance Rebates for consumers, and energy assurance planning for the energy grid. Approximately \$143.7 in federal funds was awarded to GEO with the passage of ARRA for expenditure in the programmatic categories listed above. The Office indicated at its December 2011 hearing with the Committee that all ARRA funds will be expended before the end of FY 2011-12.

The Office of the Governor seeks \$3.1 million cash funds from limited gaming tax revenue and 20.7 FTE for FY 2012-13. Per the Governor’s official request, the priority focus areas of the Governor’s Energy Office for FY 2012-13 are to:

“Advance energy efficiency and the use of clean and renewable energy in Colorado, a spectrum of resources that include solar and wind energy, natural gas, and clean coal technology among others. Advancing the Colorado electricity generation and transportation energy markets will enhance energy security, manage consumer costs, protect the environment, and create jobs.”

The table below outlines each of the four priority focus areas of the Governor’s Energy Office for FY 2012-13, as outlined in the agency’s funding request.

Governor’s Energy Office FY 2012-13 Priority Focus Areas			
Enhanced Energy Security Strategy	Consumer Cost Management	Job Creation	Environmental Protection
Colorado imports nearly 80 percent of its transportation fuel.	Coloradans spend more than \$17 million on energy.	10 percent of Colorado's economy is accounted for through the energy industry.	Energy consumption impacts the environment via emissions.
Relying on outside fuel sources decreases the security and reliability of Colorado's energy.	Energy efficiency decreases costs.	Potential for growth in the energy sector is large.	Diversified fuel sources and energy technologies can sustain environmental quality.
Increasing energy efficiency reduces the state's energy risks.	Reducing market barriers to diverse energy sources encourages market	Industries in Colorado in both fuel needs and emission	

Governor's Energy Office FY 2012-13 Priority Focus Areas			
Enhanced Energy Security Strategy	Consumer Cost Management	Job Creation	Environmental Protection
	competition.	technologies.	
Colorado has an abundance of local energy sources.			

Decision Item #2 contains eight specific projects that tie directly to one or more of the four priority focus areas presented above. The following table outlines the projects, personal services costs, program costs, and FTE sought by the Office. Below the table, each of the eight projects outlined in the table is described in detail.

Governor's Energy Office FY 2012-13 Funding Request By Project					
Project Number	Project Type	Requested Personal Services	Requested Program Costs	Requested Total	Requested FTE
1	Facilitating Development of the Electric Power Market Towards a Balanced Energy Portfolio	\$247,792	\$175,104	\$422,896	2.7
2	Diversifying Colorado's Transportation Fuels Portfolio	198,069	0	198,069	2.1
3	Unlocking the Potential of Residential, Small Commercial, and Agriculture Energy Efficiency	204,469	227,600	432,069	2.2
4	Developing Transmission for Internal and External Electricity Markets	63,360	3,789	67,149	0.5
5	Greening Government	118,016	0	118,016	1.3
6	Public Sector Resource Efficiency Energy Performance Contracting (EPC)	90,736	240,031	330,767	1.0
7	Economic Development Through Innovation in the Energy Market	300,064	0	300,064	3.1
8	Energy Policy Development	342,984	30,000	372,984	3.3
n/a	Overhead and Support	365,788	451,351	817,139	4.5
	Total	\$1,931,278	\$1,127,875	\$3,059,153	20.7

1. Facilitating Development of the Electric Power Market towards a Balanced Energy Portfolio: The request indicates that all actors within the electric power sector have a narrowly focused perspective and incentive structure which impacts the broad, long-term

objectives of Colorado citizens. GEO's identified role includes the provision of a statewide view, with an emphasis on transparency, which uses its technical expertise to ensure a holistic approach is taken in determining the future of electricity generation.

2. **Diversifying Colorado's Transportation Fuels Portfolio:** The request indicates that transitioning away from imported oil requires consumers to have the fuel, the vehicles, and the fueling infrastructure to support any new transportation fuels. GEO's identified role includes acting as a convener and a central point of knowledge to coordinate private and public investments in fueling infrastructure, vehicle conversion and development, and fuel sources.
3. **Unlocking the Potential of Residential, Small Commercial, and Agriculture Energy Efficiency:** The request indicates that there is a lack of information and standardization about the long-term cost savings and environmental benefits to improving energy efficiency that results in upgrades made to a property not being fully incorporated into the market value of that property. GEO's identified role includes coordinating a program to educate appraisers, realtors, financiers, and property owners on how to monetize energy efficient upgrades into property values.
4. **Developing Transmission for Internal and External Electricity Markets:** The request indicates that a large barrier to renewable energy production projects is the lack of electricity transmission infrastructure or an electricity transmission plan. GEO's identified role includes monitoring and reporting on transmission development (and the complexities of overlaying federal and state rules, regulated and unregulated utility companies, and land use concerns) to ensure that entities are planning, permitting, and paying for infrastructure investments in alignment with the interests of the people of Colorado in regards to reliability, consumer costs, and environmental issues.
5. **Greening Government:** The request indicates that lack of information is a barrier to improving energy efficiency in State agencies. GEO's identified role includes acting as an energy-use consultant to guide efficient energy outcomes.
6. **Public Sector Resource Efficiency Energy Performance Contracting (EPC):** The request indicates that energy efficient upgrades are prohibitively expensive causing organizations to put off investing in building retrofits that achieve long-term cost savings and energy conservation. GEO's identified role includes continued management of its program for local governments, K-12 schools, and institutions of higher education to use performance contracting as a financing mechanism to make capital improvements using anticipated energy bill savings generated from energy efficiencies.
7. **Economic Development through Innovation in the Energy Market:** The request indicates that Colorado has a strong network of research universities, national laboratories, and private sector research facilities, but a perceived weakness in migrating science into commercial products. GEO's identified role includes working with the Office of Economic Development and International Trade to promote the state's clean technology industry to local industry partners, potential investors, and international markets.

8. Energy Policy Development: The request indicates that states have different policies and regulations that can be leveraged as best practices by Colorado. GEO's identified role includes leveraging the trained policy staff expertise that has been developed over the past few years to develop policies aimed at maintaining Colorado's place as an energy industry leader.

Limited gaming tax revenue is the Office of the Governor's requested funding source for the aforementioned project components of Decision Item #2. This funding source was selected by the Office based on historical context. For several years, GEO received limited gaming tax revenue transferred to the Clean Energy Fund. Senate Bill 11-159 (Steadman/Ferrandino), as mentioned above, discontinued this transfer. Decision Item #2 requires changes to statutory provisions addressing the distribution of the State's share of limited gaming tax revenue. Specifically, two changes must be made to fulfill the request.

1. The first \$19.2 million of the State share of limited gaming tax revenue is currently transferred to the state general fund. Decision Item #2 requires this amount to be reduced by \$3.1 million.
2. Decision Item #2 requires a new provision to be added to statute to transfer \$3.1 million to a new cash fund created for GEO.

Recommendation: The availability of funds to support the programs and initiatives administered by GEO is highly variable beginning in FY 2012-13. The Committee and the General Assembly need to determine the role of GEO in the post-ARRA funded environment beginning in FY 2012-13. The two options available to the Committee are:

1. Reduce GEO to a federally-funded, weatherization-only agency; or
2. Invest State moneys in GEO to provide the Governor with staff and resources to retool its programs and policies with a focus toward energy security, management of consumer costs, protection of the environment, and the creation of jobs.

It is staff's recommendation that the Committee fund GEO at the requested level of \$3.1 million and 20.7 FTE beginning in FY 2012-13. Colorado, due to its natural resources and prior monetary investments made by all sectors, is positioned as a leader in energy production and research in the country. The Governor's proposal to revamp GEO represents a comprehensive plan that develops highly skilled expertise in a complex policy area to ensure that energy development, and its associated industries, does not have unnecessary burdens to growing in a balanced manner consistent with the fiscal and environmental desires of Coloradans.

It is staff's recommendation that the fund source consist of General Fund moneys rather than the requested cash funds from limited gaming tax revenue. Much of the focus on programs receiving moneys from limited gaming tax revenue is on revenue projections and distributions governed by statute. This focus takes time and energy away from evaluating the programs to determine goals, success rates, modifications needed, and appropriate funding

levels. By appropriating General Fund moneys to GEO for its stated purposes, the focus shifts away from the distribution of limited gaming tax revenue projections and to the performance-based goals of the agency.

Additionally, during the staff briefing presentation on the Office of the Governor on November 30, 2011, members inquired as to the availability of severance tax revenue for use by the Governor's Energy Office. One funding option available for the Committee to consider is eliminating or reducing the transfer of moneys from the Operational Account of the Severance Tax Trust Fund to GEO's Low-Income Energy Assistance Fund for weatherization purposes and instead transferring a portion of the moneys to GEO to implement the programs and achieve the goals outlined in the decision item request.

Program Administration

Description: The line item reflects the petroleum violation escrow funds, as well as other federal grants received by GEO, which are traditionally used to provide primary funding for the Office's programs.

Request: The Office of the Governor requests an appropriation of \$6,493,283 total funds (including \$2,993,283 cash funds that would otherwise be transferred to the General Fund) and 32.3 FTE for FY 2012-13. The Offices submittal includes the decision item detailed above.

Recommendation: **Staff recommends that the Committee appropriate \$6,445,833 total funds and 32.3 FTE for the line item in FY 2012-13.** The appropriation recommendation is comprised of \$2,962,915 General Fund and \$3,482,918 federal funds from the Department of Energy for weatherization and other grants and petroleum violation escrow moneys. The table below summarizes the calculations for staff's recommendation.

Office of the Governor, Governor's Energy Office, Program Administration						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$1,178,123	\$0	\$0	\$0	\$1,178,123	26.1
S.B. 11-076	(54,784)	0	0	0	(54,784)	0.0
Subtotal: FY 2011-12 Appropriation	1,123,339	0	0	0	1,123,339	26.1
Federal Funds Adjustment	2,321,877	0	0	0	2,321,877	(14.5)
Energy Policy Development and Implementation (DI #2)	2,993,283	2,993,283	0	0	0	20.7
Restore FY 2011-12 PERA Reduction	54,784	0	0	0	54,784	0.0
Two Percent Base Personal Services Reduction	(47,450)	(30,368)	0	0	(17,082)	0.0
Recommended FY 2012-13 Appropriation	\$6,445,833	\$2,962,915	\$0	\$0	\$3,482,918	32.3

Low-Income Energy Assistance

Description: Moneys from the Operational Account of the Severance Tax Trust Fund are transferred to GEO's Low-Income Energy Assistance Fund. Moneys in the Fund are continuously appropriated to GEO to provide home energy efficiency improvements for low-income households. GEO was appropriated \$6.5 million in FY 2008-09. The legislature eliminated the FY 2009-10, FY 2010-11, and FY 2011-12 appropriations for home energy efficiency improvements for low-income households. Under current statute, moneys are to be transferred to GEO's Low-Income Energy Assistance Fund in FY 2012-13. This transfer represents the final transfer to the fund authorized by statute.

Request: The Office of the Governor did not request funds for this line item for FY 2012-13.

***Recommendation:* Consistent with current law, staff recommends an informational purposes only appropriation of \$6.5 million for FY 2012-13.**

School Energy Efficiency

Description: House Bill 07-1309 (Weissmann/Tupa) required estimated tax payments and withholding for oil and gas severance taxes to be made on a monthly basis, rather than quarterly. The additional interest earned from collecting monthly payments is deposited into the Public School Energy Efficiency Fund, up to a maximum of \$1.5 million annually. Money in the fund is continuously appropriated to GEO for energy efficiency projects and programs in public schools. The amount shown for this line item reflects the estimated revenues that will be received, and is shown for informational purposes only.

Request: The Office of the Governor submitted, for informational purposes only, an appropriation request of \$207,975 cash funds and 2.0 FTE for FY 2012-13.

***Recommendation:* Staff's recommends an appropriation of \$206,819 cash funds and 1.4 FTE from interest earned from collecting monthly tax payments and withholding for oil and gas severance for FY 2012-13.** Calculations are shown below for staff's recommendation.

Office of the Governor, Governor's Energy Office, School Energy Efficiency						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$207,975	\$0	\$207,975	\$0	\$0	2.0
S.B. 11-076	(3,375)	0	(3,375)	0	0	0.0
Subtotal: FY 2011-12 Appropriation	204,600	0	204,600	0	0	2.0
Restore FY 2011-12 PERA Reduction	3,375	0	3,375	0	0	0.0
FTE Reduction	0	0	0	0	0	(0.6)
Two Percent Base Personal Services Reduction	(1,156)	0	(1,156)	0	0	0.0
Recommended FY 2012-13 Appropriation	\$206,819	\$0	\$206,819	\$0	\$0	1.4

Legal Services

Description: The Legal Services appropriation provides funding for the cost of purchasing legal services from the Department of Law based on GEO's number of legal services hours needed and the hourly rate per Common Policy. These hours have traditionally been federally funded, and represent anticipated legal services costs for GEO.

Request: The Office of the Governor requests a continuation funding level of \$17,413 federal funds to purchase 230 hours of legal services and an additional \$65,868 cash funds to purchase an additional 870 hours of legal services per the decision item detailed above. The total request represents \$83,281 total funds to purchase 1,100 hours of legal services from the Department of Law.

Recommendation: **Staff recommends funding sufficient to purchase a continuation level of 230 hours of legal services and, consistent with staff's recommendation, an additional 870 hours per the decision item detailed above.** The dollar amount of staff's recommendation is pending the determination of the hourly rate for legal services by the Committee.

Indirect Cost Assessment

Description: The line item appropriates funds for GEO's share of assessed Statewide indirect cost recoveries.

Request: The Office of the Governor requests an appropriation of \$54,574 total funds for FY 2012-13.

Recommendation: **Staff recommends an appropriation of \$7,484 cash funds, consistent with the Committee's action on the common policy for FY 2012-13.**

(E) Office of Homeland Security

Program Administration

New Information: **Staff recommends an appropriation of \$600,000 federal funds and 6.0 FTE for FY 2012-13.** The update is based on revised figures received from the Department of Public Safety. The Department of Public Safety submitted the figures when estimating the fiscal impact of H.B. 12-1283.

Description: This appropriation is the primary funding line for the Governor's Office of Homeland Security. This line covers operating expenses including office supplies and materials, telecommunications, travel, training, printing, information technology updates and equipment maintenance and replacement. Funding for this office is entirely from federal grants. The appropriation is an estimate of federal funds to be received by the office. Federal requirements dictate that no more than 5.0 percent of the total grant amounts be used for administrative purposes.

Request: The Office of the Governor requests an appropriation of \$958,532 federal funds and 10.0 FTE for FY 2012-13.

Original Recommendation: **Staff recommends that the Committee appropriate \$942,532 federal funds and 10.0 FTE for the line item in FY 2012-13.**

Grants and Training

New Information: **Staff recommends an appropriation of \$9,601,205 federal funds for FY 2012-13.** The update is based on revised figures received from the Department of Public Safety. The Department of Public Safety submitted the figures when estimating the fiscal impact of H.B. 12-1283.

Description: This line item appropriates moneys for the grant funds received by the Office of Homeland Security distributed to cities, counties and other public entities throughout Colorado for homeland security planning and training. Funds are entirely from federal grants. The appropriation is an estimate of federal funds to be received by the office, and is shown for informational purposes only.

Request: The Office of the Governor requests a continuation level appropriation of \$18,761,187 federal funds for FY 2012-13.

Original Recommendation: **Staff recommends the Committee approve a continuation level appropriation of \$18,761,187 federal funds for FY 2012-13.**

(4) Economic Development Programs

Global Business Development

New Information: None.

Description: The line item provides for the expenses of the former Business Development, Grand Junction Satellite Office, International Trade, and Minority Business Office line items.

Staffing Summary - Global Business Development				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
General Professionals	15.0	16.9	19.7	16.9
Administrative Assistant	0.7	0.7	0.7	0.7
Total	15.7	17.6	20.4	17.6

Decision Item #4: Global Business Development Initiative

Request: The FY 2012-13 budget request seeks an appropriation of \$250,000 General Fund and 2.8 FTE in the Office of Economic Development and International Trade's Global Business Development unit to be more proactive in efforts to retain target cluster industries in Colorado. The requested staff will be responsible for developing relationships with existing Colorado businesses in targeted clusters to identify the positive attributes of doing business in the state, as well as the barriers that businesses in specific clusters face in the state.

FY 2012-13 Request		
Cost Component	FTE	Cost
Personnel	2.8	\$223,700
Operating	n/a	16,959
Software Customization	n/a	9,341
Total	2.8	\$250,000

Recommendation: There are currently three bills in the legislative process seeking to accomplish the initiatives set forth in this decision item funding request. Senate bill 12-005 (Newell/Massey) instructs the Office of Economic Development and International Trade to develop a business retention and expansion program that:

- Develops stronger relationships between state economic development partners;
- serves as a clearinghouse of resources that assist Colorado business retention and expansion;
- facilitates communications between local governments, partners and businesses; and
- identifies opportunities to retain and expand Colorado businesses in a quick and effective manner.

Senate Bill 12-144 (Heath & Scheffel/Summers & Ryden), instructs the Office of Economic Development and International Trade to develop a strategy to grow key industries located in the state. Specifically, the bill requires the Office to:

- Collaborate with key industry network working groups to develop a strategy to assist in the fostering of job creation and competitiveness of key industries;
- align the key industries strategy with the Colorado Blueprint and with state, regional, and local economic development programs;
- identify potential members for each key industry network working group;
- help develop and implement the key industry business plans;
- review each key industry business plan and identify potential policy proposals to foster economic growth;
- assist and meet with the key industry network working groups; and
- provide a report on the key industries strategy and each key industry business plan in the Office's annual report to the General Assembly.

House Bill 12-1154 (Coram & Hamner/Jahn & White) requires the Office of Economic Development and International Trade to assist regional stakeholders to develop and support a comprehensive and inclusive regional economic development partnership. Specifically, the bill tasks the Office with facilitating economic development through partnerships in each of 14 regions in the state.

The fiscal notes for all three bills indicate that approximately one-third of the total Decision Item #4 request (total equals \$250,000 and 2.8 FTE) will be used to support each of the bills.

Fiscal Notes		
S.B. 12-005		
Cost Component	FTE	Cost
Personnel	0.9	\$74,567
Operating	n/a	5,652
Software Customization	n/a	<u>3,114</u>
Total S.B. 12-005	0.9	\$83,333
S.B. 12-144		
Cost Component	FTE	Cost
Personnel	0.9	\$74,567
Operating	n/a	5,652
Software Customization	n/a	<u>3,114</u>
Total S.B. 12-005	0.9	\$83,333
H.B. 12-1154		
Cost Component	FTE	Cost
Personnel	0.9	\$74,567
Operating	n/a	5,652
Software Customization	n/a	<u>3,114</u>
Total H.B. 12-1154	0.9	\$83,333
Total all bills	2.7	\$249,999

Each of the fiscal notes puts forth that if Decision Item #4 is approved as part of the FY 2012-13 Long Bill, no further appropriation is necessary to pay for the three bills. Conversely, an appropriation will be required for each of the bills in FY 2012-13 if Decision Item #4 is not fully funded through the Long Bill.

As a result of the pending legislation, staff recommends that the Committee not fund the request through the FY 2012-13 Long Bill. If S.B. 12-005, S.B. 12-144, and H.B. 12-1154 proceed through the legislative process on their merits, **staff recommends that an appropriation clause be added to each bill to appropriate moneys and FTE as outlined by the Legislative Council fiscal notes for each bill.**

Decision Item #6: Global Business Development Increase in Cash Funds

Request: The FY 2012-13 budget request seeks to raise the spending authority from the Minority Business Development Cash Fund to extend the Global Business Development unit's outreach efforts to raise awareness of opportunities available to minority owned businesses in Colorado. The moneys, \$20,050, will be raised by the Minority Business Office Director from businesses. The funds are paid by businesses sponsoring activities coordinated by the Minority Business Office and through table rentals at the activities.

Recommendation: **Staff recommends the Committee approve the Office's request to appropriate \$20,050 additional cash funds from the Minority Business Fund.**

Request: The Department requests an appropriation of \$2,315,853 total funds (including \$1,717,716 General Fund) and 20.4 FTE for FY 2012-13. The request represents an increase of 14.5 percent total funds and a 19.0 percent General Fund over the FY 2011-12 appropriation. The increase is due to the restoration of the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA) pursuant to S.B. 11-076 and to the two decision items detailed above.

Recommendation: **Staff recommends that the Committee appropriate \$2,044,249 total funds and 17.6 FTE for the line item in FY 2012-13.** The recommendation consists of \$1,446,112 General Fund, \$240,000 cash funds from fees collected by participants in activities conducted by the Office and the Minority Business Fund, and \$358,137 federal funds. The table below summarizes the calculations for staff's recommendation.

Economic Development Programs, Global Business Development						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$2,045,803	\$1,467,716	\$219,950	\$0	\$358,137	17.6
S.B. 11-076	(23,868)	(23,868)	0	0	0	0.0
Subtotal: FY 2011-12 Appropriation	2,021,935	1,443,848	219,950	0	358,137	17.6

Economic Development Programs, Global Business Development						
	Total	GF	CF	RF	FF	FTE
Restore FY 2011-12 PERA Reduction	23,868	23,868	0	0	0	0.0
Global Business Development Increase in Cash Funds (DI #6)	20,050	0	20,050	0	0	0.0
Two Percent Base Personal Services Reduction	(21,604)	(21,604)	0	0	0	0.0
Recommended FY 2012-13 Appropriation	\$2,044,249	\$1,446,112	\$240,000	\$0	\$358,137	17.6

Economic Development Commission - General Economic Incentives and Marketing

New Information: None.

Description: The legislature created the Colorado Economic Development Commission (EDC) to promote economic development in Colorado. The Governor, President of the Senate, and Speaker of the House appoint the members of the Commission. The EDC approves loans and grants from the Economic Development Fund to public and private entities in Colorado to help existing businesses expand and new companies locate to the state. It also supports marketing programs and special activities to promote Colorado nationally and internationally. The EDC shares responsibility for oversight of the state's Enterprise Zone program. The nine Commission members make all policy and funding decisions.

Decision Item #3: Economic Development Commission General Fund Increase

Request: The Commission has oversight authority for several financing programs, incentives, and tax credits designed to support businesses and economic development in the state.

- Strategic Fund – the Commission provides funding incentives to businesses that create and maintain net new jobs. The incentive amount is based on a cost per job calculation that considers annual average wage rate (county level), as well as whether the business is located in an enterprise zone;
- Job Growth Incentive Tax Credit – per H.B. 09-1001 (Rice/Heath), the Commission provides a State income tax credit to businesses undertaking job creation projects that would not occur in Colorado without a financial incentive. To qualify, businesses have to create at least 20 net new jobs (or five net new jobs if within an enhanced enterprise zone) in the state during the credit period (defined as 60 consecutive months where the business may qualify for an annual tax credit) with an average yearly wage of at least 110 percent of the county average wage rate based on where the business is located. All net new jobs must be maintained for at least one year after the positions are filled to qualify for tax credits. The maximum tax credit the EDC can authorize is calculated by taking 50

percent of the Federal Insurance Contributions Act (FICA) tax paid by the business on the net job growth for each year in the credit period;

- Regional Tourism Act Program – per S.B. 09-173 (Veiga/Rice), the Commission reviews and renders a ruling on applications put forth by local government entities to pursue tourism-related capital improvement projects using State sales tax increment financing. The Commission is limited to approving two projects that would lead to a dedication of up to (but not over) \$50 million in State sales tax revenue per year.

Recently, media attention has been garnered by the City of Aurora and City and County of Denver’s ongoing discussions concerning the application for regional tourism authority funds to assist with the development of a new home for the National Western Stock Show and Rodeo, hotel, and convention center complex located near the Denver International Airport;

- Colorado Enterprise Zone Program – the Commission designates Enterprise Zone status to areas with high unemployment, low per capita income, and / or slower population growth. Businesses and projects within the zones are provided tax incentives to encourage businesses to locate and expand in designated economically distressed areas of the state. There are 16 Enterprise Zones and 2 sub-zones in Colorado.

The EDC received a General Fund appropriation of \$1.0 million for use in FY 2011-12 to support economic development efforts in Colorado. Additionally, the EDC received a one-time \$13 million allocation of Federal Funds from the Jobs & Growth Tax Relief Reconciliation Act and gaming funds for a total of 5 years that sunset January 2011. These funds have now been depleted. The table below highlights the expenditures made by EDC to attract and retain jobs with the federal funds and General Fund moneys:

Recent EDC Job Creation and Job Retention Projects			
EDC 2011 Projects	Number of Jobs	Average Wage	Incentive
Parelli	25	\$37,180	\$125,000
SMA	500	30,749	1,000,000
Vestas	1,750	37,131	1,000,000
Siemens Energy	60	98,553	250,000
PrimeStar Solar	84	72,012	168,000
Total	2,419	\$38,547	\$2,543,000
EDC 2010 Projects			
Arrow Electronics	439	\$84,086	\$1,097,000
Baird	14	128,964	14,000
Scottrade	285	52,500	259,759
Space Foundation	70	90,284	350,000
Spirae	30	93,833	150,000
Leprino	400	44,950	1,200,000
Total	1,238	\$65,264	\$3,070,759
EDC 2009 Projects			
Charles Schwab	500	\$75,245	\$1,000,000
Corinthian Colleges, Inc.	600	41,363	1,200,000

Recent EDC Job Creation and Job Retention Projects			
Dot Hill	100	108,800	250,000
CREED/NREL	<u>123</u>	<u>84,307</u>	<u>615,000</u>
Total	1,323	\$63,258	\$3,065,000

The Office of the Governor requests an increase in its annual General Fund appropriation from \$1.0 million to \$6.8 million, an increase of \$5.75 million, to support the Economic Development Commission (EDC) in FY 2012-13. The EDC will use the funds to provide incentives to businesses interested to expand in or relocate to Colorado. The Department will use \$70,772 of the requested funding for costs associated with a new 0.9 FTE, annualizing to 1.0 FTE in FY 2013-14.

The Governor's funding request indicates that 2,319 new jobs in Colorado will be created if the \$5.75 million General Fund appropriation request is included in the enacted FY 2012-13 budget. The table below summarizes the relationship between jobs created and funding provided from 2008 through 2011.

Jobs Created and Annual Wage					
Year	Jobs Created	Annual Average Wage	Total Incentive Funding Provided	Cost Per Job Created	Weighted Average Annual Wage
2008	648	\$66,808	\$1,470,000	\$2,269	\$7,692
2009	1,323	63,258	3,065,000	2,317	14,870
2010	1,238	65,264	3,070,759	2,480	14,356
2011	<u>2,419</u>	<u>38,547</u>	<u>2,543,000</u>	<u>1,051</u>	<u>16,568</u>
Total	5,628	\$58,469	\$10,148,759	\$1,803	\$53,487

Based on past use of funds and related outcomes, the Office projects the creation of 2,319 new jobs in Colorado with an additional \$5,750,000. At an average annual wage rate of \$53,487, this results in additional income of \$123,982,866 to Coloradans. The State would receive \$4,900,000 of this annually in direct tax revenue. Thus, the request indicates that funding will generate full pay-back to the State in a little over one year. Beyond job creation and tax revenue to the State, the additional funding could spur capital expenditures that have an undeterminable effect on the economy.

Recommendation: Colorado is not known as a state that provides rich incentives to businesses located in the state or businesses contemplating a move to the state. Colorado is known as a state that uses its funding to target industries that are attracted to Colorado based on a number of factors including:

- Transportation networks (air, freight, and rail);
- Tax structure (corporate, property, and individual);
- Skilled labor force;
- Housing prices;
- Utilities;
- Water; and
- Colleges, universities, and research institutions.

Industries that are drawn to Colorado due to the factors listed above (and others) include bioscience, aerospace, energy and natural resources, agriculture, information technology, tourism and recreation, and health and wellness.

Most states (approximately 30) make a form of discretionary economic development funds available to state officials to attract targeted industries. The Office of Economic Development and International Trade has identified several states that Colorado typically competes with for job-creating opportunities. Discretionary incentives made available by several states (including neighboring states) are summarized below.

Job Incentive Moneys By State	
State	Moneys
Texas	\$280 million
Kansas	\$6 million for new jobs, \$1.2 for job retention
Arizona	\$25 million in FY 2011
Missouri (proposed)	\$141 million by 2014
North Carolina	\$10 million /year
Virginia	\$10 million/year
Florida	\$26.4 million
New York	\$35 million
Georgia	\$25 million

It is obvious from the figures above that Colorado does not appropriate moneys for financial incentives at a level that can compete with other states solely on a dollar-for-dollar basis. Instead, the Economic Development Commission works closely with staffers from the Office of Economic Development and International Trade to target industries (see above) that are attracted to Colorado based on the qualities that the state has to offer (see above). The moneys appropriated to the Economic Development Commission are not used to compete with other states, rather they are used to affirm the State’s commitment to investing in economic development in the state.

Staff recommends that the Committee appropriate \$5,750,000 General Fund and 0.9 FTE to the Economic Development Commission in FY 2012-13 for job-creation incentives. While Colorado cannot compete with other states on a dollar-for-dollar incentive basis, it is imperative in today’s economic development environment that states make some incentive funding available to prospective companies considering Colorado as a location for their new or expanded facility. Currently, the Economic Development Commission is at a disadvantage financially because it does not have the funding resources needed to enter into conversations with companies seeking to create jobs. The funding request represents providing the Commission with funds needed to compete at a base level to meet the demand of companies well-suited to locate or expand in Colorado.

As indicated in the table above, the Office and the Commission have been successful at using the funds given to attract businesses to Colorado and aid in efforts to retain and grow existing businesses. The prior successes of the Office and the Commission, coupled with the programmatic rules dictating that the Office and the Commission do not disburse incentive funds until the business has created the required net new jobs and met other requirements, give staff confidence that the requested and recommended funds will be used in a beneficial manner.

Request: The Office of the Governor requests an appropriation of \$6,842,280 total funds (including \$6,763,764 General Fund) and 4.9 FTE for FY 2012-13.

Recommendation: Staff recommends an appropriation of \$6,841,722 totals funds and 4.9 FTE for FY 2012-13. The recommended appropriation is comprised of \$6,763,206 General Fund moneys and \$78,516 cash funds from the Colorado Innovation Investment Tax Credit Cash Fund. Staff's calculations for the recommendation are included in the table below.

Economic Development Programs, Economic Development Commission - General Economic Incentives and Marketing						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$1,056,882	\$1,013,764	\$43,118	\$0	\$0	3.5
S.B. 11-076	(2,770)	(2,770)	0	0	0	0.0
H.B. 11-1045	35,398	0	35,398	0	0	0.5
Subtotal: FY 2011-12 Appropriation	1,089,510	1,010,994	78,516	0	0	4.0
Economic Development Commission General Fund Increase (DI #3)	5,750,000	5,750,000	0	0	0	0.9
Restore FY 2011-12 PERA Reduction	2,770	2,770	0	0	0	0.0
Two Percent Personal Services Base Reduction	(558)	(558)	0	0	0	0.0
Recommended FY 2012-13 Appropriation	\$6,841,722	\$6,763,206	\$78,516	\$0	\$0	4.9

CAPCO Administration

New Information: The name of this line item is slightly misleading. While the administration of CAPCO is funded in this line, so too is the administration of the Venture Capital Authority program. For clarification purposes, below is a brief description of each program.

Certified Capital Companies Program

The program was created via H.B. 01-1097 (Dean/Matsunaka) to provide financial assistance in the formation of new businesses and the expansion of existing businesses that create jobs in the State. To fund the program, insurance premium tax credits of \$100 million from the State were allocated to six Certified Capital Companies (CAPCOs). These CAPCOs then sold the tax credits to insurance companies to generate the funds used to invest in businesses.

To access funds, a business contacts one of the six CAPCO's to inquire about submitting its information for consideration. The CAPCO reviews the information submitted and decides if it will proceed with further analysis of the business. If the CAPCO is interested in making an investment in the business, it submits a determination statement of the business to the Governor's Office of Economic Development and International Trade for a compliance review. If approved, the CAPCO has six months to make the investment before the approval is voided.

Venture Capital Authority

The Venture Capital Authority (VCA) program was created via S.B. 04-106 (Teck/Stengel) to provide financial assistance in the formation of new businesses and the expansion of existing businesses that create jobs in the State. To fund the program, insurance premium tax credits of \$50 million from the State were sold to insurance companies with payments to be received on an annual basis. In 2005, the VCA selected a fund manager (High Country Venture, LLC) and established its first fund of approximately \$25 million (Colorado Fund I), and in 2010 established a second fund of approximately \$25 million (Colorado Fund II) which is also managed by High Country Venture, LLC. These funds make seed and early-stage capital investments in businesses.

To access funds, a business contacts High Country Venture, LLC to inquire about submitting its information for consideration. High Country Venture, LLC reviews the information submitted and decides if it will proceed with further analysis of the business. If the organization is interested in making an investment in the business, it submits a determination statement of the business to the Governor's Office of Economic Development and International Trade for a compliance review. If approved, High Country Venture, LLC has six months to make the investment before the approval is voided.

As it relates to the CAPCO and VCA programs, S.B. 12-058 (Heath/Ryden) seeks to create the Venture Capital Advisory Board, serving under the State Economic Development Commission, to review the feasibility of State-supported venture capital programs. The Board would present its findings on or before March 1, 2013 to the relevant committees of the General Assembly. The CAPCO and VCA programs have already been implemented and disbursed funding accordingly. If S.B. 12-058 becomes law (currently assigned to the House Committee on Economic and Business Development), it would not impact the current configuration of the CAPCO and VCA programs.

Description: The Certified Capital Companies Program (CAPCO) was legislatively created with the goal of making venture capital funds available to new or expanding small businesses throughout Colorado. The State of Colorado provided \$100 million for this program in the form

of premium tax credits. The \$100 million in premium tax credits were given to insurance companies in exchange for the insurance companies giving \$100 million in cash to the CAPCOs. The CAPCOs then use these funds to invest in qualifying Colorado businesses.

Request: The Office of the Governor requests an appropriation of \$80,281 reappropriated funds and 2.0 FTE for FY 2012-13. The source of the moneys is the Division of Insurance Cash Fund in the Department of Regulatory Agencies.

Recommendation: **Staff recommends an appropriation of \$78,746 reappropriated funds and 2.0 FTE for FY 2012-13.** Staff's calculations for the recommendation are found in the table on the following page.

Economic Development Programs, CAPCO Administration						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-076)	80,281	\$0	\$0	80,281	\$0	2.0
S.B. 11-076	(1,719)	0	0	(1,719)	0	0.0
Subtotal: FY 2011-12 Appropriation	78,562	0	0	78,562	0	2.0
Restore FY 2011-12 PERA Reduction	1,719	0	0	1,719	0	0.0
Two Percent Personal Services Base Reduction	(1,535)	0	0	(1,535)	0	0.0
Recommended FY 2012-13 Appropriation	\$78,746	\$0	\$0	\$78,746	\$0	2.0

Colorado Promotion - Other Program Costs

New Information: This line item receives limited gaming tax revenue. Please see the “Limited Gaming Tax Revenue Funded Programs” section at the end of the Economic Development Programs division for Committee options on the distribution of limited gaming tax revenue.

Description: The line item funds the Colorado Tourism Office and staff support for its board. The Office promotes Colorado as a vacation destination by developing and implementing marketing and promotional strategies, materials and programs that, in concert with private sector promotional activities, portray a consistent, unified brand image of Colorado in the tourism marketplace. The major expenses are a contract with an ad agency to develop campaigns, and a fulfillment center to handle day-to-day inquiries, the 800-number, and vacation guide distribution.

Request: Revenue for the line item consists of a statutory transfer from the Limited Gaming Cash Fund to the Colorado Travel and Tourism Promotion Fund at the end of each fiscal year for use

in the following fiscal year. The Office of the Governor requests an appropriation of \$14,150,000 cash funds and 4.0 FTE for FY 2012-13.

Recommendation: Staff recommends the Committee appropriate \$9,153,729 cash funds and 4.0 FTE for this line item, consistent with current law and application of the two percent personal services base reduction.

It is important to note that Senate Bill 11-159 (Steadman/Ferrandino), which established the distribution of gaming revenue for statutory programs, assumed that \$48.5 million would be available for transfer to the “State share” at the end of each fiscal year. Under this assumption, the Colorado Tourism Office was to receive approximately \$14.6 million cash funds for its programs each year as its distribution. Due to a decrease in the forecasted level of funds available from limited gaming revenue, the distribution to the Office has declined to \$12.0 million, \$9.7 million, and \$10.1 million for use in FY 2011-12, FY 2012-13, and FY 2013-14, respectively.

Bioscience Discovery Evaluation

New Information: This line item receives limited gaming tax revenue. Please see the “Limited Gaming Tax Revenue Funded Programs” section at the end of the Economic Development Programs division for Committee options on the distribution of limited gaming tax revenue.

Description: The Bioscience Discovery Evaluation Grant Program was created by the legislature for the purpose of improving and expanding the evaluation of new bioscience discoveries as research institutions with the intent of accelerating the development of new products and services.

Request: The Bioscience Discovery Evaluation Cash Fund receives transfers from the Limited Gaming Fund, pursuant to Section 12-47.1-701, C.R.S. The moneys are continuously appropriated to OEDIT for the implementation of the Bioscience Discovery Evaluation Grant Program. The Office of the Governor requests an appropriation of \$5,274,000 cash funds and 0.6 FTE for FY 2012-13, shown for informational purposes only.

Recommendation: **Staff recommends the Committee appropriate \$3,475,734 cash funds and 0.6 FTE for this line item, consistent with current law and the application of the Committee-approved two percent personal services base reduction.**

Council on Creative Industries

New Information: This line item receives limited gaming tax revenue. Please see the “Limited Gaming Tax Revenue Funded Programs” section at the end of the Economic Development Programs division for Committee options on the distribution of limited gaming tax revenue.

Description: The Creative Industries Council promotes the cultural, educational, and economic growth of Colorado through development of its arts and cultural heritage. The Council administers grants and provides services that make the arts more accessible to all Colorado citizens, expand arts education opportunities for youth, support tourism and other economic development strategies, preserve and promote our cultural heritage, and stimulate and encourage the development of artists and arts organizations. State funding for this line item is from the Creative Industries Cash Fund. Revenues for the fund originate from a transfer from the Limited Gaming Cash Fund at the end of each fiscal year.

Request: Revenue for the line item consists of a statutory transfer from the Limited Gaming Cash Fund to the Creative Industries Cash Fund at the end of each fiscal year for use in the following fiscal year and federal funds. The Office of the Governor requested an appropriation of \$1,936,397 total funds and 3.0 FTE for FY 2012-13.

Recommendation: **Staff recommends the Committee appropriate \$1,535,627 total funds, including \$771,230 cash funds (consistent with current law and the application of the two percent personal services base reduction) and \$764,397 federal funds for this line item for FY 2012-13.**

Colorado Office of Film, Television, and Media

New Information: This line item receives limited gaming tax revenue. Please see the “Limited Gaming Tax Revenue Funded Programs” section at the end of the Economic Development Programs division for Committee options on the distribution of limited gaming tax revenue.

Description: The Colorado Office of Film, Television, and Media is legislatively tasked with promoting Colorado as a location for making feature films, television shows, television commercials, still photography, music videos, and emerging mass media projects and providing financial incentives to do so.

Decision Item #5: Performance-based Film Incentives Funding

Request: Per its statutory authority (Section 24-48.5-311, C.R.S.) the Office of Film, Television, and Media allows production companies to claim a performance-based incentive if the company employs a workforce for any in-state production activities made up of at least twenty-five percent Colorado residents. The amount of the incentive is based up on the origination location of the film production:

- For a production company that originates the film production in Colorado, an amount equal to ten percent of the total amount of the production company's qualified local expenditures if the total of such expenditures equals or exceeds one hundred thousand dollars; and

- For a production company that does not originate the film production activities in Colorado, an amount equal to ten percent of the total amount of the production company's qualified local expenditures if the total of such expenditures equals or exceeds two hundred fifty thousand dollars.

In order for a production company to claim a performance-based incentive for film production activities in Colorado, it must first apply to the Office prior to beginning production activities in the state. The application must include a statement of intent by the production company to produce a film in Colorado and documentation necessary to demonstrate the production company's projected qualified local expenditures. At this time, if the application is approved, a conditional written approval is provided to the production company indicating that it will be eligible to receive a performance-based incentive. The conditional approval communication also estimates the amount of the incentive that will be due to the production company.

Following the completion of production activities in Colorado, the production company that obtained conditional written approval for a performance-based incentive from the Office of Film, Media, and Television submits financial documents to the Office that detail the expenses incurred in the course of the film production activities in Colorado, along with a signed affidavit stating that the financial documents are an accurate accounting of the production company's qualified local expenditures. If the production company has met its qualified local expenditures' obligations, it receives an incentive payment from the Office.

The Office of Film, Television, and Media receives a percentage of limited gaming tax revenue for the operation of the Office and performance-based film incentives. Per Section 12-47.1-701, C.R.S., the Office receives one percent of the State share of limited gaming tax revenue that is greater than \$19.2 million and less than \$48.5 million. For use in FY 2011-12, the Office received an appropriation of \$240,054 cash funds and 4.5 FTE. For FY 2012-13 and FY 2013-14, the Office is projected to receive \$188,404 and 189,932 cash funds, respectively.

The Governor's funding request indicates that the state will be able to attract production companies that will create approximately 600 jobs for a variety of film-related professions and skilled laborers at the current ten percent incentive rate. Additionally, at that rate, the requested funding will generate \$30.0 million in new production expenditures and \$3.6 million in additional tax revenue in Colorado. During the Office's Committee hearing, however, the Office indicated that this statement is somewhat misleading as "it assumes that Colorado will attract out-of-state productions with the current incentive structure – which Colorado has not been able to do. It would be true that the existing incentive program would generate this type of expenditures/jobs if in fact production companies were interested in spending \$30.0 million in production at the current ten percent incentive rate – which has simply not proven to be the case." In addition to the funding request, the Office of Film, Television, and Media seeks to amend statute to raise the allowable incentive from 10 percent to 20 percent of the total amount of the production company's qualified local expenditures to 20 percent and create a gap loan program to provide up to 20 percent of a production's costs in the form of a low-interest bank loan that is guaranteed by the State.

In its hearing with the Committee, the Office also indicated that, coupled with the \$1.0 million that is currently available for the existing performance-based film incentive program, the requested \$3.0 million and a 20.0 percent incentive rate can create \$30.0 million in new production expenditures. The calculations are based on the October 2011 Colorado Film Incentives: Economic and Fiscal Impact Analysis of Actual Film Budget Scenario on Colorado report published by the Leeds School of Business at the University of Colorado Boulder that concludes that each \$1.0 million spent on production in Colorado will result in \$1.93 million in economic benefit and create 20 jobs. The figures presented in the October 2011 study, however, are based on the actual budget and production expenditures for only one film produced in New Mexico in 2008.

Recommendation: There is a bill introduced in the legislature that seeks to accomplish the provisions of Decision Item #5. House Bill 12-1286 (Massey & Ferrandino/Newell & White), as introduced, accomplishes the following:

- Adds television show to the definition of film;
- clarifies that sound recording is included in allowable payments for qualified local expenditures;
- reduces the payments allowed for each employee or contractor from \$3.0 million to \$1.0 million;
- creates a loan guarantee program for production activities;
- requires in-state production activities to be made up of at least 50.0 percent Colorado residents in order to claim a performance-based incentive for film production in Colorado instead of the previous 25.0 percent requirement;
- increases the amount of the incentive from 10.0 percent to 20.0 percent of the total amount of the production company's qualified local expenditures; and
- except for television commercials, increases the amount of qualified local expenditures for a production company that does not originate the film production activities in Colorado from \$250,000 to \$1.0 million.

The bill includes a clause appropriating \$3.0 million from the General Funds to the Colorado Office of Film, Television, and Media for the performance-based film incentives program. Additionally, the clause indicates that the moneys will be transferred to a cash fund (also created in the bill) called the Colorado Office of Film, Television, and Media Operational Account Cash Fund. The bill states that moneys in the Fund that are unexpended at the end of the fiscal year do not revert to the General Fund, but remain in the Fund instead.

As a result of the pending legislation, staff recommends that the Committee not fund the request through the FY 2012-13 Long Bill, sponsor legislation to amend gaming statute, or sponsor legislation to create a loan program. If H.B. 12-1286 proceeds through the legislative process on its merits, an appropriation clause will not be needed since it is already included in the bill.

If the Committee chooses to consider funding Decision Item #5 through the FY 2012-13 Long Bill process, staff recommends against funding the request. Colorado offers much to out-of-state film production companies including unparalleled scenery, proximity to Los Angeles

and daily non-stop flights, a skilled workforce, available hotel space, film-friendly communities, and a reasonable cost of living. Beginning in 2002, however, states introduced large film incentives to induce employment gains and provide economic stimulus. Colorado has not kept pace in providing performance-based incentives. Currently, New Mexico, Louisiana, Georgia, Utah, and a handful of other states all offer much larger incentives than does Colorado. As a result, Colorado is not competitive in growing its small share of the market.

In its 2009 report, Summary of the Impact of Film Incentives on the Colorado Economy and on Public Revenues, the Leeds School of Business at the University of Colorado Boulder indicated Colorado's current status in the film production industry:

“Despite growth in the national film industry, Colorado’s film industry is in a state of decline, caused by the lack of competitive incentives similar to those in other states, as well as a small and centralized infrastructure.”

Staff recommends that the Committee determine if investing funds to attract out-of-state film productions to Colorado and grow an industry from a relatively small base is a priority use of State moneys. Due to Colorado's lack of recent competitiveness in attracting out-of-state film productions, coupled with the downturn in State financial resources, it is **staff's recommendation that the Committee reject the Governor's request to provide an appropriation of \$3.0 million cash funds from limited gaming tax revenue in FY 2012-13 and beyond to the Colorado Office of Film, Television, and Media for performance-based film incentives.**

Request: The Office of the Governor requested an appropriation of \$3,293,000 cash funds from limited gaming tax revenue and 4.5 FTE for FY 2012-13. This amount equals the base appropriation of cash funds per current law (\$293,000) plus the amount of the decision item detailed above (\$3,000,000).

Recommendation: **Staff recommends that the Committee appropriate \$187,426 cash funds and 4.5 FTE for this line item in the FY 2012-13 Long Bill,** consistent with current law and application of the two percent personal services base reduction.

Limited Gaming Tax Revenue Funded Programs

Senate Bill 11-159 (Steadman/Ferrandino), which established the distribution of limited gaming tax revenue for statutory programs, assumed that \$48.5 million would be available for transfer to the “State share” at the end of each fiscal year. The total amount of limited gaming tax revenue available to the “State share” has not equaled \$48.5 million since the passage of S.B. 11-159 due primarily to a downturn in the total amount of gaming revenue flowing into the state coffers. The table on the following page highlights the incongruity between the assumed amounts of revenue transferred to the “State share” vs. the actual and forecasted levels from FY 2010-11 through FY 2012-13.

Total Amount of "State Share"			
Fiscal Year	S.B. 11-159 Assumption	Actual / Forecast	Difference
FY 2010-11*	\$48,488,500	\$43,205,373	(\$5,283,127)
FY 2011-12**	48,500,000	38,516,178	(9,983,822)
FY 2012-13**	48,500,000	39,343,418	(9,156,582)

*Actual tax revenue collected.

**Projected tax revenue collected based on December 2011 Legislative Council Forecast.

The Governor's Office of Economic Development and International Trade administers four programs that receive appropriations of limited gaming tax revenue transferred to the "State share."

- Colorado Tourism Office (50% of the "State share");
- Bioscience Discovery Evaluation (18% of the "State share");
- Council on Creative Industries (4% of the "State share"); and
- Colorado Office of Film, Media, and Television (1% of the "State share").

The table on the following page summarizes the relationship between the assumed level of "State share" transferred to each statutorily authorized program at the time S.B. 11-159 was adopted and the actual and forecasted level of "State share" that was/will be distributed to each program under current law. Each of the four programs administered by the Governor's Office of Economic Development and International Trade is highlighted in yellow in the table.

Limited Gaming "State share" Distribution – Assumed Distributions vs. Actual/Forecasted Distributions			
FY 2010-11*	S.B. 11-159 Assumption	Actual	Difference
Total "State Share"	\$48,488,500	\$43,205,373	(\$5,283,127)
General Fund	19,200,000	19,200,000	0
General Fund from Excess	0	0	0
General Fund from Repealed Programs	<u>1,464,425</u>	<u>1,200,269</u>	<u>(264,156)</u>
Total General Fund	\$20,664,425	\$20,400,269	(\$264,156)
Amount for Statutory Programs	\$29,288,500	\$24,005,373	(\$5,283,127)
Local Gov't Limited Gaming Impact (15%)	4,393,275	3,600,806	(792,469)
Travel and Tourism Promotion (50%)	14,644,250	12,002,687	(2,641,564)
Bioscience Discovery (18%)	5,271,930	4,320,967	(950,963)
Innovative Higher Ed Research (7%)	2,050,195	1,680,376	(369,819)
New Jobs Incentives (repealed) (5%)	n/a	n/a	n/a
Council on the Arts (4%)	1,171,540	960,215	(211,325)
Film Incentives (1%)	292,885	240,054	(52,831)
FY 2011-12*	S.B. 11-159 Assumption	Current Forecast	Difference
Total "State Share"	\$48,500,000	\$38,516,178	(\$9,983,822)
General Fund	19,200,000	19,200,000	0
General Fund from Excess of \$48.5 million	0	0	0
General Fund from Repealed Programs	<u>1,465,000</u>	<u>965,809</u>	<u>(499,191)</u>
Total General Fund	\$20,665,000	\$20,165,809	(\$499,191)
Total Amount for Statutory Programs	\$29,300,000	\$19,316,178	(\$9,983,822)
Local Gov't Limited Gaming Impact (15%)	4,395,000	2,897,427	(1,497,573)
Travel and Tourism Promotion (50%)	14,650,000	9,658,089	(4,991,911)
Bioscience Discovery (18%)	5,274,000	3,476,912	(1,797,088)
Innovative Higher Ed Research (7%)	2,051,000	1,352,132	(698,868)
New Jobs Incentives (repealed) (5%)	n/a	n/a	n/a
Council on Creative Industries (4%)	1,172,000	772,647	(399,353)
Film Incentives (1%)	293,000	193,162	(99,838)
FY 2012-13*	S.B. 11-159 Assumption	Current Forecast	Difference
Total "State Share"	\$48,500,000	\$39,343,418	(\$9,156,582)
General Fund	19,200,000	19,200,000	0
General Fund from Excess of \$48.5 million	0	0	0
General Fund from Repealed Programs	<u>1,465,000</u>	<u>1,007,171</u>	<u>(457,829)</u>
Total General Fund	\$20,665,000	\$20,207,171	(\$457,829)
Total Amount for Statutory Programs	\$29,300,000	\$20,143,418	(\$9,156,582)
Local Gov't Limited Gaming Impact (15%)	4,395,000	3,021,513	(1,373,487)
Travel and Tourism Promotion (50%)	14,650,000	10,071,709	(4,578,291)
Bioscience Discovery (18%)	5,274,000	3,625,815	(1,648,185)
Innovative Higher Ed Research (7%)	2,051,000	1,410,039	(640,961)
New Jobs Incentives (repealed) (5%)	n/a	n/a	n/a
Council on Creative Industries (4%)	1,172,000	805,737	(366,263)
Film Incentives (1%)	293,000	201,434	(91,566)

*Gaming tax revenue is transferred to funds on the last day of the fiscal year, and is available for appropriation in the following fiscal year (e.g. FY 2010-10 figures above represent moneys available for appropriation in FY 2011-12).

Staff’s pending FY 2012-13 appropriation recommendations to the Committee for each of the four programs that the Governor’s Office of Economic Development and International Trade administers that receive appropriations of limited gaming tax revenue transferred to the “State share” is consistent with current law and the application of any other Committee-approved policies (e.g. two percent personal services base reduction). The table below, taken from the table on the prior page, depicts staff’s recommendations (not including any of the previously adopted Committee policies).

FY 2012-13 Current JBC Staff Recommended Transfers to Economic Development Programs			
FY 2011-12*	S.B. 11-159 Assumption	Current Forecast	Difference
Travel and Tourism Promotion	14,650,000	9,658,089	(4,991,911)
Bioscience Discovery	5,274,000	3,476,912	(1,797,088)
Council on Creative Industries	1,172,000	772,647	(399,353)
Film Incentives	293,000	193,162	(99,838)

*Gaming tax revenue is transferred to funds on the last day of the fiscal year, and is available for appropriation in the following fiscal year (e.g. FY 2011-12 figures above represent moneys available for appropriation in FY 2012-13).

Staff has identified the following options for the Committee to consider in making a decision on appropriating moneys to programs funded by the “State share” of limited gaming tax revenue:

1. Do not take legislative action or appropriation action. As shown in previous tables, current law will guide the appropriations for each program.
2. Take legislative action to transfer 100 percent of the “State share” to the General Fund and appropriate General Fund moneys to programs historically funded by limited gaming tax revenue.
3. Take legislative action to transfer 100 percent of the “State share” to one cash fund and appropriate cash fund moneys to programs historically funded by limited gaming tax revenue. This option would also allow the Committee to transfer portions of the cash fund to the General Fund each year, as needed.
4. Do not take legislative action to amend current statute governing the distribution of the “State share” of limited gaming tax revenue and use General Fund moneys to appropriate additional moneys to a program (or programs) to backfill the difference between the assumed S.B. 11-159 appropriation levels and current forecasted levels.
5. Take legislative action to “hard code” appropriation levels into statute governing the distribution of the “State share” of limited gaming tax revenue. Any funds in excess of the “hard coded” levels would flow to the General Fund in this scenario.

(5) Office of Information Technology

(A) Management and Administration of OIT

Operating Expenses

Description: The line item supports the programmatic operating expenses associated with OIT Administration.

New Information: During staff's figure setting presentation, there were two main concerns expressed related to the Colorado First Responder Authentication Credential (COFRAC) decision item submitted by the Governor's Office of Information Technology.

Turning Away Volunteers and Responders

Committee members expressed concern that individuals and/or organizations with valuable resources to lend to an emergency incident could be turned away due to the lack of credentials. The Office indicates that this scenario would not occur. The ultimate goal of COFRAC is to create one, unified credentialing system across the state, not to use COFRAC as a mechanism for turning valuable resources away at the scene.

Denver Metro Specific

Committee members noted that current COFRAC users are clustered in the Denver metro area, and questioned the true statewide nature of the system. The Office indicates that there is a large statewide demand for COFRAC, however, several agencies in the Denver metro region were the first to have adequate funding to fully implement the system. Over the course of the next year, a full project plan will be written to add agencies across the state to the system.

For the Committee's reference, staff received an updated list of current COFRAC user agencies:

Buckley AFB
CDPS
CDPHE
DOLA (Div of Emergency Management)
City of Commerce City
Commerce Office of Emergency Management
Commerce City Police Department
North Washington Fire Protection District
Southwest Adams Fire Protection District
South Metro Fire
City of Aurora
City of Glendale
Douglas County Sheriff's Office
Douglas County Emergency Management
Douglas County Hazmat Team
Boulder Sheriff's Office

Allenspark Fire
Boulder Emergency Squad
Volunteer Fire Department of Big Elk Meadows
Boulder Mountain Fire Protection District
Boulder Rural Fire Rescue
Coal Creek Canyon Fire Protection District
Four Mile Fire Protection District
Front Range Rescue Dogs
Gold Hill Fire Protection District
City of Boulder Emergency Response for Wastewater and Hazmat
Hygiene Fire Protection District
Indian Peaks Fire Protection District
Jamestown Volunteer Fire Department
City of Lafayette Fire Department
Lefthand Fire Protection District
Longmont Emergency Unit
City of Longmont Public Safety
Longmont Fire Department
Longmont Office of Emergency Management
Longmont Police Department
Louisville Fire/Rescue
Lyons Fire Protection District
Mountain View Fire Protection District
Nederland Fire Protection District
Pinewood Springs Fire Protection District
Rocky Mountain Fire District
Rocky Mountain Rescue Group
Sugar Loaf Fire Protection District
Sunshine Fire Protection District
Timberline Fire Authority
Adams / Jefferson / Broomfield Hazardous Response Authority
ADEMS Medical Reserve Corps
Cheyenne County MRC
Colorado Veterinary Medical Reserve Corps
ColoradoSTAR Medical Reserve Corps
Custer County MRC
Denver Health Paramedic Division All Hazards Team
Fremont County MRC
Garfield County Medical Reserve Corps
Gunnison County Medical Reserve Corps
Heritage Eagle Bend/Parker Adventist Hospital MRC
Hinsdale County Colorado MRC
Kit Carson County MRC
Medical Reserve Corps of Boulder County
Medical Reserve Corps of El Paso County
Medical Reserve Corps of Larimer County

Medical Reserve Corps of Southwest Colorado
Mesa County Medical Reserve Corps
Northwest Colorado Volunteer Reserves
Pueblo Medical Reserve Corps
San Luis Valley Medical Reserve Corps
Southeast Colorado Medical Reserve Corps
Teller County MRC
Weld County Medical Reserve Corps
Yuma/Washington County MRC
Strategic National Stockpile

Decision Item #10 – COFRAC Funding Request

Request: The FY 2012-13 budget request seeks an ongoing base increase of \$408,549 reappropriated funds to support the Colorado First Responder Authentication Credential (COFRAC). The moneys would be used for hardware, software, maintenance, and hosting costs associated with the development of a system to electronically validate the identity and attributes of individuals responding to emergency incidents.

Recommendation: Beginning in 2007, the Governor’s Office of Information Technology facilitated a statewide credentialing workgroup comprised of local, regional, and State agencies. The goal of the workgroup was to provide first responders with a solution for the problem of medical professionals, firefighters, and other public safety professionals deploying from other jurisdictions and not having interoperable credentials to validate their identity and qualifications. The workgroup determined that using the federal standard for credentialing information and smart card technology proved the most efficient, effective, and scalable solution to manage identities.

Colorado tested the technology solution in 2009 as part of a Federal Emergency Management Agency (FEMA) exercise. During this exercise, COFRAC was successful in providing interoperable identity management with State agencies, local agencies, and federal agencies, including the Department of Defense. According to the head of the Office of Emergency Management at Buckley Air Force Base:

“Credentials provide a strong a trust model. On more than one occasion our emergency responders have augmented and have been augmented by off-base responders both real world and exercise events. Prior to the COFRAC card we did not have a system in place with high reliability by which we could vet responders.”

Further, during the 2011 Operation Mountain Guardian exercise in Denver, COFRAC was used to track all personnel at the Park Meadows Mall site. The system worked as designed, and the intentional degradation of services caused no failures. Real-time incident data was pushed to a secure website, and shared to multiple emergency operations centers and to mobile phones with web browsers.

To date, much of the costs the Governor’s Office of Information Technology incurs in maintaining COFRAC have been covered by grants. Grant moneys are no longer available to support the system at the level required for hardware, software, maintenance, and hosting costs. As a result, the Office, in conjunction with COFRAC partners, has developed a plan to bill local agency and State agency COFRAC users for the needed costs. The table below summarizes the billing plan.

COFRAC Billing Plan		
Agency	Credentials	Allocation
Douglas County (Sheriff and Fire)	105	\$25,474
Adams County/Commerce City	99	24,018
Adams County/NW Fire	67	16,255
Adams County/Reg	2	485
Adams County SM Fire	2	485
Arapahoe County/Glendale	55	13,343
Arapahoe County/Aurora	9	2,183
Clear Creek County	89	21,592
Boulder County	967	234,600
City/County of Denver	2	485
Buckley Air Force Base	141	34,207
South Metro Fire	2	485
State Agencies	144	34,935
Total	1,684	\$408,547

Staff recommends the Committee approve the Office of the Governor’s request and appropriate \$408,549 reappropriated funds collected from local agencies and State agencies to support COFRAC’s annual hardware, software, maintenance, and hosting costs. State agencies and local entities have invested millions of dollars to develop an identity management and credentialing system that meets federal standards, local needs, and provides flexibility to expand to other uses in the future.

Request: The Office of the Governor requests an appropriation of \$558,817 reappropriated funds for FY 2012-13. The request consists of \$150,268 reappropriated funds as a continuation appropriation from FY 2011-12 and \$408,549 for the decision item detailed above.

Recommendation: **Staff recommends and appropriation of \$558,817 reappropriated funds.**

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2012-13 STAFF FIGURE SETTING
OFFICE OF THE GOVERNOR**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
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February 16, 2012**

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**FY 2012-13 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE
JBC Working Document: Decisions Subject to Change**

OFFICE OF THE GOVERNOR

TABLE OF CONTENTS

	Narrative Page	Numbers Page
(1) Office of the Governor	21	1
(A) Governor's Office	21	1
(B) Special Purpose	23	2
(C) Governor's Energy Office	30	4
(D) Other Programs and Grants	38	5
(E) Office of Homeland Security	38	6
(2) Office of the Lieutenant Governor	40	7
(3) Office of State Planning and Budgeting	42	8
(4) Economic Development Programs	44	9
(5) Office of Information Technology	64	12
(A) Management and Administration of OIT	65	12
(B) Computer Center Services	69	13
(C) Network Services	77	16
(D) Communication Services	80	17
(E) Colorado Benefits Management System (CBMS)	83	18
Long Bill Footnotes / Requests for Information	87	N/A

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING John Hickenlooper, Governor
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(1) OFFICE OF THE GOVERNOR

As the chief executive of the state, the Governor is responsible for the overall operation of the executive branch of government. This office provides for coordination, direction, and planning of agency operations, as well as maintaining a liaison with local governments and the federal government. Offices within the Governor's Office include: the Governor's Energy Office, the Office of Homeland Security, the Boards and Commissions Office, the Citizens' Advocate Office, and the Office of Policy and Initiatives.

(A) Governor's Office

Administration of Governor's Office and Residence	2,549,600	2,147,420	2,126,636	2,154,098	2,118,166 *
FTE	<u>33.1</u>	<u>32.4</u>	<u>32.4</u>	<u>31.4</u>	<u>31.4</u>
General Fund	2,095,694	1,589,599	2,108,931	2,134,969	2,099,037
Cash Funds	442,682	544,368	0	0	0
Reappropriated Funds	11,224	13,453	17,705	19,129	19,129
Discretionary Fund	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>
General Fund	19,500	19,500	19,500	19,500	19,500
Mansion Activity Fund	<u>195,467</u>	<u>179,786</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Cash Funds	195,467	179,786	200,000	200,000	200,000

Total Funds - (A) Governor's Office	2,764,567	2,346,706	2,346,136	2,373,598	2,337,666
FTE	<u>33.1</u>	<u>32.4</u>	<u>32.4</u>	<u>31.4</u>	<u>31.4</u>
General Fund	2,115,194	1,609,099	2,128,431	2,154,469	2,118,537
Cash Funds	638,149	724,154	200,000	200,000	200,000
Reappropriated Funds	11,224	13,453	17,705	19,129	19,129

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
(B) Special Purpose					
Health, Life, and Dental	<u>1,840,362</u>	<u>5,114,698</u>	<u>6,517,528</u>	<u>6,453,369</u>	<u>7,127,198</u>
General Fund	646,102	730,835	376,769	538,575	594,814
Cash Funds	0	0	89,506	119,635	130,946
Reappropriated Funds	1,194,260	4,383,863	5,735,881	5,500,654	6,078,274
Federal Funds	0	0	315,372	294,505	323,164
Short-term Disability	<u>23,843</u>	<u>104,889</u>	<u>117,278</u>	<u>129,810</u>	<u>114,077</u>
General Fund	5,553	5,473	7,816	11,617	7,660
Cash Funds	0	0	1,468	2,459	1,439
Reappropriated Funds	18,290	99,416	101,935	110,548	99,896
Federal Funds	0	0	6,059	5,186	5,082
S.B. 04-257 Amortization Equalization Disbursement	<u>322,166</u>	<u>1,618,186</u>	<u>1,883,695</u>	<u>2,346,849</u>	<u>2,298,312</u>
General Fund	75,662	83,561	123,638	210,030	203,685
Cash Funds	0	0	23,228	44,452	43,563
Reappropriated Funds	246,504	1,534,625	1,640,982	1,998,615	1,959,187
Federal Funds	0	0	95,847	93,752	91,877
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>200,106</u>	<u>1,182,942</u>	<u>1,518,837</u>	<u>2,016,824</u>	<u>1,974,275</u>
General Fund	46,476	60,317	99,352	180,495	357,454
Cash Funds	0	0	18,665	38,201	37,437
Reappropriated Funds	153,630	1,122,625	1,323,800	1,717,560	1,500,427
Federal Funds	0	0	77,020	80,568	78,957
Shift Differential	<u>41,562</u>	<u>75,022</u>	<u>107,879</u>	<u>77,532</u>	<u>75,981</u>
Reappropriated Funds	41,562	75,022	107,879	77,532	75,981

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Workers' Compensation	<u>140,688</u>	<u>142,719</u>	<u>238,235</u>	<u>405,515</u>	<u>Pending</u>
General Fund	9,821	17,380	29,065	49,473	
Reappropriated Funds	130,867	125,339	209,170	356,042	
Legal Services	<u>407,266</u>	<u>958,783</u>	<u>654,968</u>	<u>382,412</u>	<u>Pending</u>
General Fund	398,470	921,703	616,705	344,149	
Reappropriated Funds	8,796	37,080	38,263	38,263	
Lobato Litigation Expenses	<u>0</u>	<u>417,573</u>	<u>432,500</u>	<u>50,000</u>	<u>50,000</u>
General Fund	0	417,573	432,500	50,000	50,000
Purchase of Services from Computer Center	<u>2,070,751</u>	<u>234,346</u>	<u>0</u>	<u>2,111,753</u>	<u>Pending</u>
General Fund	1,187,816	234,346	0	1,313,552	
Reappropriated Funds	882,935	0	0	798,201	
Multiuse Network Payments	<u>56,037</u>	<u>51,951</u>	<u>44,999</u>	<u>153,693</u>	<u>Pending</u>
General Fund	17,976	24,665	35,099	4,688	
Reappropriated Funds	38,061	27,286	9,900	149,005	
Management and Administration of OIT	<u>47,747</u>	<u>83,470</u>	<u>84,524</u>	<u>0</u>	<u>Pending</u>
General Fund	39,036	70,400	71,195	0	
Cash Funds	2,411	3,617	3,704	0	
Reappropriated Funds	2,838	4,258	4,306	0	
Federal Funds	3,462	5,195	5,319	0	
Payment to Risk Management and Property Funds	<u>288,321</u>	<u>85,800</u>	<u>116,359</u>	<u>155,663</u>	<u>Pending</u>
General Fund	69,334	25,433	34,908	46,699	
Reappropriated Funds	218,987	60,367	81,451	108,964	

*This line item includes a decision item.

FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Vehicle Lease Payments	<u>101,735</u>	<u>104,363</u>	<u>98,494</u>	<u>91,010</u>	<u>Pending</u> *
Reappropriated Funds	101,735	104,363	98,494	91,010	
Leased Space	<u>808,710</u>	<u>923,660</u>	<u>1,290,813</u>	<u>2,371,521</u>	<u>2,371,521</u> *
Reappropriated Funds	808,710	923,660	1,290,813	2,371,521	2,371,521
Capitol Complex Leased Space	<u>471,244</u>	<u>461,386</u>	<u>462,762</u>	<u>513,730</u>	<u>Pending</u>
General Fund	264,803	262,014	266,406	264,382	
Reappropriated Funds	206,441	199,372	196,356	249,348	
Total Funds - (B) Special Purpose	6,820,538	11,559,788	13,568,871	17,259,681	14,011,364
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	2,761,049	2,853,700	2,093,453	3,013,660	1,213,613
Cash Funds	2,411	3,617	136,571	204,747	213,385
Reappropriated Funds	4,053,616	8,697,276	10,839,230	13,567,263	12,085,286
Federal Funds	3,462	5,195	499,617	474,011	499,080
(C) Governor's Energy Office					
Program Administration	133,421	84,524	1,123,339	6,493,283	6,445,833 *
FTE	<u>26.0</u>	<u>26.0</u>	<u>26.1</u>	<u>32.3</u>	<u>32.3</u>
General Fund	0	0	0	0	2,962,915
Cash Funds	0	0	0	2,993,283	0
Federal Funds	133,421	0	1,123,339	3,500,000	3,482,918
Clean Energy	3,069,713	3,215,323	0	0	0
FTE	<u>5.0</u>	<u>5.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds	3,069,713	3,215,323	0	0	0

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Low-Income Energy Assistance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,500,000</u>
Cash Funds	0	0	0	0	6,500,000
School Energy Efficiency	292,940	268,870	204,600	207,975	206,819
FTE	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>1.4</u>
Cash Funds	292,940	268,870	204,600	207,975	206,819
Legal Services	<u>0</u>	<u>0</u>	<u>17,413</u>	<u>83,281</u>	<u>Pending</u> *
Cash Funds	0	0	0	65,868	
Federal Funds	0	0	17,413	17,413	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>70,580</u>	<u>54,574</u>	<u>7,484</u>
Cash Funds	0	0	70,580	54,574	7,484
Total Funds – (C) Governor's Energy Office	3,496,074	3,568,717	1,415,932	6,839,113	13,160,136
FTE	<u>33.0</u>	<u>33.0</u>	<u>28.1</u>	<u>34.3</u>	<u>33.7</u>
General Fund	0	0	0	0	2,962,915
Cash Funds	3,362,653	3,484,193	275,180	3,321,700	6,714,303
Federal Funds	133,421	0	1,140,752	3,517,413	3,482,918
(D) Other Programs and Grants					
Program Administration	<u>0</u>	<u>0</u>	<u>26,158</u>	<u>26,158</u>	<u>1,000</u>
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds	0	0	26,158	26,158	1,000

*This line item includes a decision item.

FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Total Funds - (D) Other Programs and Grants	0	0	26,158	26,158	1,000
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds	0	0	26,158	26,158	1,000
 (E) Office of Homeland Security					
Program Administration	0	0	937,732	958,532	942,532
FTE	<u>0.0</u>	<u>0.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
Federal Funds	0	0	937,732	958,532	942,532
Grants and Training	<u>0</u>	<u>0</u>	<u>18,761,187</u>	<u>18,761,187</u>	<u>18,761,187</u>
Federal Funds	0	0	18,761,187	18,761,187	18,761,187
 Total Funds - (E) Office of Homeland Security					
FTE	<u>0.0</u>	<u>0.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
Federal Funds	0	0	19,698,919	19,719,719	19,703,719
 Total Funds - (1) Office of the Governor					
FTE	<u>66.1</u>	<u>65.4</u>	<u>70.5</u>	<u>75.7</u>	<u>75.1</u>
General Fund	4,876,243	4,462,799	4,221,884	5,168,129	6,295,065
Cash Funds	4,003,213	4,211,964	637,909	3,752,605	7,128,688
Reappropriated Funds	4,064,840	8,710,729	10,856,935	13,586,392	12,104,415
Federal Funds	136,883	5,195	21,339,288	23,711,143	23,685,717

*This line item includes a decision item.

FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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(2) OFFICE OF THE LIEUTENANT GOVERNOR

Colorado's Constitution provides for the Lieutenant Governor to become Governor in the case of the death, impeachment, felony conviction, incapacitation, or resignation of the Governor. The Lieutenant Governor serves as chairperson of the Colorado Commission of Indian Affairs, and handles additional responsibilities assigned by the Governor.

Administration	293,391	261,117	215,119	221,233	217,453
FTE	<u>3.7</u>	<u>3.7</u>	<u>2.7</u>	<u>2.7</u>	<u>2.7</u>
General Fund	222,230	217,458	215,119	221,233	217,453
Reappropriated Funds	76,290	76,630	0	0	0
Federal Funds	(5,129)	(32,971)	0	0	0
 Discretionary Fund	 <u>2,843</u>	 <u>2,875</u>	 <u>2,875</u>	 <u>2,875</u>	 <u>2,875</u>
General Fund	2,843	2,875	2,875	2,875	2,875
 Commission of Indian Affairs	 75,353	 73,383	 76,256	 78,086	 77,037
FTE	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>
General Fund	75,353	73,383	75,072	76,902	75,853
Cash Funds	0	0	1,184	1,184	1,184

Total Funds - (2) Office of the Lieutenant Governor	371,587	337,375	294,250	302,194	297,365
FTE	<u>6.0</u>	<u>6.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
General Fund	300,426	293,716	293,066	301,010	296,181
Cash Funds	0	0	1,184	1,184	1,184
Reappropriated Funds	76,290	76,630	0	0	0
Federal Funds	(5,129)	(32,971)	0	0	0

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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(3) OFFICE OF STATE PLANNING AND BUDGETING

The Office of State Planning and Budgeting is responsible for the development of executive budget requests, the review and analysis of departmental expenditures, and preparation of revenue and economic forecasts for the state.

Personal Services	1,377,143	1,339,732	1,371,610	1,403,975	1,377,062
FTE	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>
Cash Funds	79,801	88,615	0	0	0
Reappropriated Funds	1,297,342	1,251,117	1,371,610	1,403,975	1,377,062
Operating Expenses	<u>69,644</u>	<u>75,570</u>	<u>50,944</u>	<u>50,944</u>	<u>50,944</u>
General Fund	0	25,000	0	0	0
Cash Funds	31,450	0	0	0	0
Reappropriated Funds	38,194	50,570	50,944	50,944	50,944
Economic Forecasting Subscriptions	<u>15,853</u>	<u>6,153</u>	<u>16,362</u>	<u>16,362</u>	<u>16,362</u>
Reappropriated Funds	15,853	6,153	16,362	16,362	16,362

Total Funds - (3) Office of State Planning and Budgeting	1,462,640	1,421,455	1,438,916	1,471,281	1,444,368
FTE	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>
General Fund	0	25,000	0	0	0
Cash Funds	111,251	88,615	0	0	0
Reappropriated Funds	1,351,389	1,307,840	1,438,916	1,471,281	1,444,368

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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(4) ECONOMIC DEVELOPMENT PROGRAMS

The Office of Economic Development is the central coordination office for the state's business assistance, retention, expansion, and recruitment programs. The Division includes the Economic Development Commission, the Global Business Development Office, Small Business Development Centers, Colorado Welcome Centers, Colorado Tourism Office, Creative Industries Council, and the Colorado Office of Film, Television, and Media. The Division also coordinates programs related to Bioscience Discovery Evaluation.

Administration	589,491	591,920	587,469	597,994	588,021
FTE	<u>5.5</u>	<u>5.5</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>
General Fund	543,662	546,091	537,742	548,267	575,952
Cash Funds	0	0	2,435	2,435	2,435
Reappropriated Funds	45,829	45,829	45,142	45,142	7,484
Federal Funds	0	0	2,150	2,150	2,150
 Vehicle Lease Payments	 <u>13,447</u>	 <u>15,161</u>	 <u>15,161</u>	 <u>15,161</u>	 <u>Pending</u>
General Fund	13,447	15,161	15,161	15,161	
 Leased Space	 <u>230,738</u>	 <u>231,540</u>	 <u>231,540</u>	 <u>231,540</u>	 <u>231,540</u>
General Fund	230,738	231,540	231,540	231,540	231,540
 Global Business Development	 0	 1,484,521	 2,021,935	 2,315,853	 2,044,249 *
FTE	<u>0.0</u>	<u>15.7</u>	<u>17.6</u>	<u>20.4</u>	<u>17.6</u>
General Fund	0	1,465,071	1,443,848	1,717,716	1,446,112
Cash Funds	0	19,450	219,950	240,000	240,000
Federal Funds	0	0	358,137	358,137	358,137
 Leading Edge Program Grants	 <u>50,976</u>	 <u>50,976</u>	 <u>126,407</u>	 <u>126,407</u>	 <u>126,407</u> *
General Fund	50,976	50,976	50,976	50,976	50,976
Cash Funds	0	0	75,431	75,431	75,431

*This line item includes a decision item.

FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Small Business Development Centers	1,712,569	1,807,215	1,290,276	1,295,168	1,290,450
FTE	<u>3.5</u>	<u>3.5</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
General Fund	83,896	84,248	83,495	84,522	83,343
Federal Funds	1,628,673	1,722,967	1,206,781	1,210,646	1,207,107
Colorado Office of Film, Television, and Media	351,486	401,615	293,000	3,293,000	187,426 *
FTE	<u>2.9</u>	<u>2.7</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>
Cash Funds	351,486	401,615	293,000	3,293,000	187,426
Colorado Promotion - Colorado Welcome Centers	503,515	488,925	500,000	500,000	496,710
FTE	<u>3.0</u>	<u>3.3</u>	<u>3.3</u>	<u>3.3</u>	<u>3.3</u>
Cash Funds	503,515	488,925	500,000	500,000	496,710
Colorado Promotion - Other Program Costs	15,481,283	14,897,080	14,150,000	14,150,000	9,153,729
FTE	<u>2.9</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Cash Funds	15,481,283	14,897,080	14,150,000	14,150,000	9,153,729
Economic Development Commission - General Economic Incentives and Marketing	3,538,779	1,269,408	1,089,510	6,842,280	6,841,722 *
FTE	<u>3.0</u>	<u>2.6</u>	<u>4.0</u>	<u>4.9</u>	<u>4.9</u>
General Fund	3,511,261	850,726	1,010,994	6,763,764	6,763,206
Cash Funds	27,518	418,682	78,516	78,516	78,516
Colorado First Customized Job Training	2,725,022	2,725,022	2,725,022	2,725,022	2,725,022
General Fund	2,725,022	2,725,022	2,725,022	2,725,022	2,725,022
CAPCO Administration	79,196	98,867	78,562	80,281	78,746
FTE	<u>1.6</u>	<u>1.6</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Reappropriated Funds	79,196	98,867	78,562	80,281	78,746

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Council on Creative Industries	1,920,276	1,910,360	1,936,397	1,936,397	1,535,627
FTE	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Cash Funds	1,147,276	1,910,360	1,172,000	1,172,000	771,230
Federal Funds	773,000	0	764,397	764,397	764,397
New Jobs Incentives	4,745,500	1,440,724	0	0	0
Cash Funds	4,745,500	1,440,724	0	0	0
Bioscience Discovery Evaluation	7,474,364	5,770,944	5,273,321	5,274,000	3,475,734
FTE	<u>0.6</u>	<u>0.0</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>
Cash Funds	7,474,364	5,770,944	5,273,321	5,274,000	3,475,734
Indirect Cost Assessment	0	22,030	38,322	29,370	7,484
Cash Funds	0	22,030	38,322	29,370	7,484
Business Development	818,209	0	0	0	0
FTE	<u>8.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	818,209	0	0	0	0
Grand Junction Satellite Office	37,007	0	0	0	0
FTE	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	37,007	0	0	0	0
Minority Business Office	147,740	0	0	0	0
FTE	<u>2.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	147,740	0	0	0	0
International Trade Office	536,037	0	0	0	0
FTE	<u>4.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	528,637	0	0	0	0
Cash Funds	7,400	0	0	0	0

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Total Funds - (4) Economic Development Programs	40,955,635	33,206,308	30,356,922	39,412,473	28,782,867
FTE	<u>41.2</u>	<u>41.9</u>	<u>49.0</u>	<u>52.7</u>	<u>49.9</u>
General Fund	8,690,595	5,968,835	6,098,778	12,136,968	11,876,151
Cash Funds	29,738,342	25,369,810	21,802,975	24,814,752	14,488,695
Reappropriated Funds	125,025	144,696	123,704	125,423	86,230
Federal Funds	2,401,673	1,722,967	2,331,465	2,335,330	2,331,791

OFFICE OF INFORMATION TECHNOLOGY

The Governor's Office of Information Technology (OIT) oversees executive agency technology initiatives and recommends strategies to maximize service delivery efficiency in a cost-effective manner through the application of enterprise technology solutions.

(A) Management and Administration of OIT

Personal Services	898,038	1,085,071	1,090,263	1,127,581	1,106,502
FTE	<u>7.4</u>	<u>10.1</u>	<u>13.0</u>	<u>13.0</u>	<u>13.0</u>
Reappropriated Funds	898,038	1,085,071	1,090,263	1,127,581	1,106,502
Operating Expenses	<u>101,033</u>	<u>148,093</u>	<u>150,268</u>	<u>558,817</u>	<u>558,817</u> *
Reappropriated Funds	101,033	148,093	150,268	558,817	558,817
Statewide IT Management	1,717,010	4,932,822	5,091,353	5,233,061	5,133,551
FTE	<u>17.7</u>	<u>56.8</u>	<u>68.9</u>	<u>68.9</u>	<u>68.9</u>
Reappropriated Funds	1,717,010	4,932,822	5,091,353	5,233,061	5,133,551

*This line item includes a decision item.

FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Legal Services	<u>1,793</u>	<u>1,908</u>	<u>1,968</u>	<u>37,022</u>	<u>Pending</u> *
Reappropriated Funds	1,793	1,908	1,968	37,022	
Indirect Cost Assessment	<u>24,909</u>	<u>34,041</u>	<u>12,373</u>	<u>80,935</u>	<u>80,935</u>
Reappropriated Funds	24,909	34,041	12,373	80,935	80,935
H.B. 10-1119 Feasibility Study	<u>0</u>	<u>48,563</u>	<u>0</u>	<u>0</u>	<u>0</u>
Federal Funds	0	48,563	0	0	0
Total Funds - (A) Management and Administration of OIT					
FTE	<u>25.1</u>	<u>66.9</u>	<u>81.9</u>	<u>81.9</u>	<u>81.9</u>
Reappropriated Funds	2,742,783	6,201,935	6,346,225	7,037,416	6,879,805
Federal Funds	0	48,563	0	0	0
(B) Computer Center Services					
(I) Computer Services					
Personal Services	<u>2,667,280</u>	<u>41,977,905</u>	<u>43,717,624</u>	<u>44,424,962</u>	<u>43,577,059</u>
FTE	<u>36.3</u>	<u>543.7</u>	<u>568.3</u>	<u>568.3</u>	<u>568.3</u>
Reappropriated Funds	2,667,280	41,977,905	43,717,624	44,424,962	43,577,059
Operating Expenses	<u>5,853,505</u>	<u>5,456,156</u>	<u>6,261,199</u>	<u>5,754,871</u>	<u>6,254,871</u> *
Cash Funds	2,328	2,328	2,328	2,328	2,328
Reappropriated Funds	5,851,177	5,453,828	6,258,871	5,752,543	6,252,543
Rental, Lease, or Lease/Purchase of Central Processing Unit	<u>336,035</u>	<u>336,035</u>	<u>336,034</u>	<u>336,034</u>	<u>336,034</u>
Reappropriated Funds	336,035	336,035	336,034	336,034	336,034

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Indirect Cost Assessment	<u>248,290</u>	<u>986,044</u>	<u>1,096,776</u>	<u>165,321</u>	<u>165,321</u>
Reappropriated Funds	248,290	986,044	1,096,776	165,321	165,321
Total Funds - (I) Computer Services	9,105,110	48,756,140	51,411,633	50,681,188	50,333,285
FTE	<u>36.3</u>	<u>543.7</u>	<u>568.3</u>	<u>568.3</u>	<u>568.3</u>
Cash Funds	2,328	2,328	2,328	2,328	2,328
Reappropriated Funds	9,102,782	48,753,812	51,409,305	50,678,860	50,330,957
(II) Statewide Information Technology Services Administration					
Personal Services	395,340	430,963	436,838	444,303	436,981
FTE	<u>4.5</u>	<u>6.7</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Reappropriated Funds	395,340	430,963	436,838	444,303	436,981
Operating Expenses	<u>6,450</u>	<u>3,491</u>	<u>6,450</u>	<u>6,450</u>	<u>6,450</u>
Reappropriated Funds	6,450	3,491	6,450	6,450	6,450
Total Funds - (II) Statewide Information Technology Services Administration	401,790	434,454	443,288	450,753	443,431
FTE	<u>4.5</u>	<u>6.7</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Reappropriated Funds	401,790	434,454	443,288	450,753	443,431

*This line item includes a decision item.

FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
(III) Customer Service					
Personal Services	751,419	808,442	821,429	840,574	824,636
FTE	<u>9.9</u>	<u>12.6</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>
Reappropriated Funds	751,419	808,442	821,429	840,574	824,636
Operating Expenses	<u>14,625</u>	<u>13,398</u>	<u>14,625</u>	<u>14,625</u>	<u>14,625</u>
Reappropriated Funds	14,625	13,398	14,625	14,625	14,625
Total Funds - (III) Customer Service	766,044	821,840	836,054	855,199	839,261
FTE	<u>9.9</u>	<u>12.6</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>
Reappropriated Funds	766,044	821,840	836,054	855,199	839,261
(IV) Technology Management Unit					
Personal Services	2,918,434	2,738,332	2,829,659	2,886,684	2,831,519
FTE	<u>33.5</u>	<u>30.3</u>	<u>32.5</u>	<u>32.5</u>	<u>32.5</u>
Reappropriated Funds	2,918,434	2,738,332	2,829,659	2,886,684	2,831,519
Operating Expenses	<u>364,371</u>	<u>364,373</u>	<u>364,371</u>	<u>364,371</u>	<u>364,371</u>
Reappropriated Funds	364,371	364,373	364,371	364,371	364,371
Total Funds - (IV) Technology Management Unit	3,282,805	3,102,705	3,194,030	3,251,055	3,195,890
FTE	<u>33.5</u>	<u>30.3</u>	<u>32.5</u>	<u>32.5</u>	<u>32.5</u>
Reappropriated Funds	3,282,805	3,102,705	3,194,030	3,251,055	3,195,890

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Total Funds - (B) Computer Center Services	13,555,749	53,115,139	55,885,005	55,238,195	54,811,867
FTE	<u>84.2</u>	<u>593.3</u>	<u>616.8</u>	<u>616.8</u>	<u>616.8</u>
Cash Funds	2,328	2,328	2,328	2,328	2,328
Reappropriated Funds	13,553,421	53,112,811	55,882,677	55,235,867	54,809,539
 (C) Network Services					
(I) Network Services					
Personal Services	1,468,641	7,238,081	7,455,818	7,590,673	7,445,539
FTE	<u>17.4</u>	<u>92.6</u>	<u>90.6</u>	<u>90.6</u>	<u>90.6</u>
Reappropriated Funds	1,468,641	7,238,081	7,455,818	7,590,673	7,445,539
Operating Expenses	<u>16,188,346</u>	<u>17,014,513</u>	<u>16,200,371</u>	<u>16,166,621</u>	<u>16,166,621</u> *
Cash Funds	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Reappropriated Funds	14,988,346	15,814,513	15,000,371	14,966,621	14,966,621
Toll-free Telephone Access to Members of the General Assembly	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Reappropriated Funds	25,000	25,000	25,000	25,000	25,000
Indirect Cost Assessment	<u>171,481</u>	<u>166,355</u>	<u>267,245</u>	<u>15,637</u>	<u>15,637</u>
Reappropriated Funds	171,481	166,355	267,245	15,637	15,637
Total Funds - (I) Network Services	17,853,468	24,443,949	23,948,434	23,797,931	23,652,797
FTE	<u>17.4</u>	<u>92.6</u>	<u>90.6</u>	<u>90.6</u>	<u>90.6</u>
Cash Funds	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Reappropriated Funds	16,653,468	23,243,949	22,748,434	22,597,931	22,452,797

*This line item includes a decision item.

FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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(II) Order Billing

Personal Services	621,168	606,157	607,422	620,946	609,355
FTE	<u>7.8</u>	<u>8.4</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>
Reappropriated Funds	621,168	606,157	607,422	620,946	609,355
Operating Expenses	<u>10,750</u>	<u>3,871</u>	<u>10,750</u>	<u>10,750</u>	<u>10,750</u>
Reappropriated Funds	10,750	3,871	10,750	10,750	10,750

Total Funds - (II) Order Billing	631,918	610,028	618,172	631,696	620,105
FTE	<u>7.8</u>	<u>8.4</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>
Reappropriated Funds	631,918	610,028	618,172	631,696	620,105

Total Funds – (C) Network Services	18,485,386	25,053,977	24,566,606	24,429,627	24,272,902
FTE	<u>25.2</u>	<u>101.0</u>	<u>99.6</u>	<u>99.6</u>	<u>99.6</u>
Cash Funds	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Reappropriated Funds	17,285,386	23,853,977	23,366,606	23,229,627	23,072,902

(D) Communication Services

Personal Services	3,570,140	3,589,565	3,608,382	3,685,808	3,571,144
FTE	<u>44.6</u>	<u>41.4</u>	<u>46.0</u>	<u>46.0</u>	<u>46.0</u>
Cash Funds	708,028	721,134	0	0	0
Reappropriated Funds	2,862,112	2,868,431	3,608,382	3,685,808	3,571,144
Operating Expenses	<u>134,627</u>	<u>134,631</u>	<u>183,231</u>	<u>183,231</u>	<u>183,231</u>
Cash Funds	0	0	48,600	48,600	48,600
Reappropriated Funds	134,627	134,631	134,631	134,631	134,631

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Training	<u>1,828</u>	<u>17,910</u>	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>
Reappropriated Funds	1,828	17,910	22,000	22,000	22,000
Utilities	<u>165,002</u>	<u>165,003</u>	<u>165,002</u>	<u>165,002</u>	<u>165,002</u>
Reappropriated Funds	165,002	165,003	165,002	165,002	165,002
Local Systems Development	<u>199,134</u>	<u>206,643</u>	<u>121,000</u>	<u>121,000</u>	<u>121,000</u>
Federal Funds	199,134	206,643	121,000	121,000	121,000
Indirect Cost Assessment	<u>379,134</u>	<u>369,791</u>	<u>715,020</u>	<u>52,596</u>	<u>52,596</u>
Reappropriated Funds	379,134	369,791	715,020	52,596	52,596
Total Funds - (D) Communication Services	4,449,865	4,483,543	4,814,635	4,229,637	4,114,973
FTE	<u>44.6</u>	<u>41.4</u>	<u>46.0</u>	<u>46.0</u>	<u>46.0</u>
Cash Funds	708,028	721,134	48,600	48,600	48,600
Reappropriated Funds	3,542,703	3,555,766	4,645,035	4,060,037	3,945,373
Federal Funds	199,134	206,643	121,000	121,000	121,000
(E) Colorado Benefits Management System					
Colorado Benefits Management System	0	25,482,457	0	0	0
FTE	<u>0.0</u>	<u>53.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Reappropriated Funds	0	25,482,457	0	0	0
Personal Services	0	0	4,500,517	4,592,223	4,504,411
FTE	<u>0.0</u>	<u>0.0</u>	<u>58.5</u>	<u>58.5</u>	<u>58.5</u>
Reappropriated Funds	0	0	4,500,517	4,592,223	4,504,411
Operating Expenses and Contract Costs	0	0	20,473,769	20,340,928	20,340,928 *
Reappropriated Funds	0	0	20,473,769	20,340,928	20,340,928

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
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Total Funds - (E) Colorado Benefits Management System	0	25,482,457	24,974,286	24,933,151	24,845,339
FTE	<u>0.0</u>	<u>53.2</u>	<u>58.5</u>	<u>58.5</u>	<u>58.5</u>
Reappropriated Funds	0	25,482,457	24,974,286	24,933,151	24,845,339

(G) Miscellaneous Line Items Consolidated Into Other Subdivisions Per Statewide OIT Consolidation

Office of the Chief Information Security Officer

Program Costs	429,236	276,565	0	0	0
FTE	<u>1.8</u>	<u>2.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Reappropriated Funds	429,236	276,565	0	0	0

Chief Information Offices in State Agencies Program

Costs	1,626,959	0	0	0	0
FTE	<u>10.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Reappropriated Funds	1,626,959	0	0	0	0

Internal Program Support Program Costs

Costs	730,746	0	0	0	0
FTE	<u>10.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Reappropriated Funds	730,746	0	0	0	0

*This line item includes a decision item.

**FY 2012-13 Joint Budget Committee Staff Figure Setting
Office of the Governor
Numbers Pages**

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Total Funds - (G) Miscellaneous Line Items Consolidated Into Other Subdivisions Per Statewide					
OIT Consolidation	2,786,941	276,565	0	0	0
FTE	<u>22.3</u>	<u>2.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Reappropriated Funds	2,786,941	276,565	0	0	0
Total Funds - Office of Information Technology					
FTE	<u>201.4</u>	<u>858.2</u>	<u>902.8</u>	<u>902.8</u>	<u>902.8</u>
Cash Funds	1,910,356	1,923,462	1,250,928	1,250,928	1,250,928
Reappropriated Funds	39,911,234	112,483,511	115,214,829	114,496,098	113,552,958
Federal Funds	199,134	255,206	121,000	121,000	121,000
Total Funds - Governor - Lieutenant Governor - State Planning and Budgeting					
FTE	<u>334.2</u>	<u>991.0</u>	<u>1,046.8</u>	<u>1,055.7</u>	<u>1,052.3</u>
General Fund	13,867,264	10,750,350	10,613,728	17,606,107	18,467,397
Cash Funds	35,763,162	31,593,851	23,692,996	29,819,469	22,869,495
Reappropriated Funds	45,528,778	122,723,406	127,634,384	129,679,194	127,187,971
Federal Funds	2,732,561	1,950,397	23,791,753	26,167,473	26,138,508

*This line item includes a decision item.

**FY 2012-13 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE
JBC Working Document: Decisions Subject to Change**

OFFICE OF THE GOVERNOR

(1) OFFICE OF THE GOVERNOR

(A) Governor's Office

Administration of Governor's Office and Residence

Description: As Chief Executive of the State, the Governor is responsible for the overall operation of the executive branch of government. This office provides for coordination, direction, and planning of agency operations, maintains liaison with local governments and the federal government, and exercises the executive powers of the State. The unit includes the Citizen's Advocate Office, the Office of Policy and Initiatives, the Press Office, the Boards and Commissions Office, as well as legal counsel and administrative personnel.

Staffing Summary - Administration of Governor's Office and Residence				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Governor	1.0	1.0	1.0	1.0
Administrative Assistant	7.0	7.0	6.0	6.0
General Professional	23.0	21.9	21.8	21.8
Controller	0.3	0.8	0.8	0.8
Accountant	<u>1.1</u>	<u>1.8</u>	<u>1.8</u>	<u>1.8</u>
Total	32.4	32.5	31.4	31.4

Decision Item #11: General Fund Base Reduction
<p><i>Request:</i> The FY 2012-13 budget request includes a reduction of one receptionist position in the Governor's Office. The request, which reduces General Fund by \$28,164 and 1.0 FTE, follows a staffing requirements study conducted by the new administration.</p> <p><i>Recommendation:</i> Staff recommends the Committee approve the Governor's request to eliminate one receptionist position.</p>

Request: The Office of the Governor requests an appropriation of \$2,154,098 total funds (including \$2,134,969 General Fund) and 31.4 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment and a reduction of \$28,164 General Fund and 1.0 FTE per the decision item described above.

Recommendation: **Staff recommends that the Committee appropriate \$2,118,166 total funds and 31.4 FTE for the line item in FY 2012-13.** The appropriation recommendation is

comprised of \$2,099,037 General Fund and \$19,129 reappropriated funds from indirect cost recoveries from federal grants received by the Office of the Governor. The table below summarizes the calculations for staff's recommendation.

Office of the Governor, Governor's Office, Administration of Governor's Office and Residence						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$2,182,262	\$2,163,133	\$0	\$19,129	\$0	32.4
S.B. 11-076	(55,626)	(54,202)	0	(1,424)	0	0.0
Subtotal: FY 2011-12 Appropriation	2,126,636	2,108,931	0	17,705	0	32.4
Restore FY 2011-12 PERA Reduction	55,626	54,202	0	1,424	0	0.0
Two Percent Base Personal Services Reduction	(35,932)	(35,932)	0	0	0	0.0
General Fund Base Reduction	(28,164)	(28,164)	0	0	0	(1.0)
Recommended FY 2012-13 Appropriation	\$2,118,166	\$2,099,037	\$0	\$19,129	\$0	31.4

Discretionary Fund

Description: Pursuant to Section 24-9-105, C.R.S., elected officials may be provided specified amounts to expend as each elected official sees fit. The specified maximum amount for the Governor is \$20,000, and is subject to appropriation by the General Assembly.

Request: The Office of the Governor requests a continuation funding level of \$19,500 General Fund for FY 2012-13.

Recommendation: **Staff recommends a continuation funding level of \$19,500 General Fund for FY 2012-13.**

Mansion Activity Fund

Description: The Governor's Residence, located in the City and County of Denver at 400 East Eighth Avenue, is 26,431 square feet, and is accompanied by a 4,837 square foot Carriage House located on the same property. The two buildings are made available to the public for various activities and require spending authority for funds collected for use of the Governor's mansion. Funds received are from public and State agency use fees used to cover the costs of holding functions at these facilities.

Request: The Office of the Governor seeks a continuation level appropriation of \$200,000 cash funds for FY 2012-13. The cash funds originate from rental fees for events using the mansion facilities.

Recommendation: **Staff recommends the Office's continuation appropriation request of \$200,000 cash funds for FY 2012-13.**

(B) Special Purpose

Health, Life, and Dental

Description: The appropriation covers the cost of the State's share of the employee's health, life and dental insurance as it relates to the number of employees in the Governor's Office that elect to be covered. Rates and premiums are determined by the Department of Personnel and Administration.

Request: The Office of the Governor requests an appropriation of \$6,453,369 total funds (including \$538,575 General Fund) for FY 2012-13. The request represents a total funds decrease of 1.0 percent and a General Fund increase of 42.9 percent over the FY 2011-12 appropriation.

Recommendation: **Staff recommends, per prior Committee action, an appropriation of \$7,127,198 total funds for FY 2012-13.** The recommendation consists of \$594,814 General Fund, \$130,946 cash funds from various sources, \$6,078,274 reappropriated funds from direct billings by the Governor's Office of Information Technology and Statewide indirect cost collections from the Governor's Office of Information Technology, and \$323,164 federal funds.

Short-term Disability

Description: Short-term disability insurance coverage is available for all employees and paid by the State based on payroll that provides partial payment of an employee's salary if that individual becomes disabled and cannot perform his or her work duties. Any changes in the appropriation are based on Common Policy as approved by the Committee.

Request: The Office of the Governor requests an appropriation of \$129,810 (including \$11,617 General Fund) for FY 2012-13. The request represents a total funds increase of 10.7 percent and a General Fund increase of 48.6 percent over the FY 2011-12 appropriation.

Recommendation: **Per Committee action, staff recommends a total funds appropriation of \$114,077 total funds for FY 2012-13.** The recommendation consists of \$7,660 General Fund, \$1,439 cash funds from various sources, \$99,896 reappropriated funds from user fees paid by State agencies for the provision of information technology services by the Governor's Office of Information Technology, and \$5,082 federal funds.

S.B. 04-257 Amortization Equalization Disbursement

Description: The line item reflects an increase to the effective PERA contribution rates beginning January 1, 2006 to bring the Office of the Governor into compliance with Section 24-51-211, C.R.S.

Request: The Office of the Governor requests an appropriation of \$2,346,849 (including \$210,030 General Fund) for FY 2012-13. The request represents a total funds increase of 24.6 percent and a General Fund increase of 69.9 percent over the FY 2011-12 appropriation.

Recommendation: **Staff recommends, per prior Committee action, an appropriation of \$2,298,312 total funds for FY 2012-13.** The recommendation consists of \$203,685 General Fund, \$43,563 cash funds from various sources, \$1,959,187 reappropriated funds from direct billings by the Governor’s Office of Information Technology, and Statewide indirect cost collections from the Governor’s Office of Information Technology, the Governor’s Office, the Governor’s Energy Office, and the Department of Transportation, and \$91,877 federal funds.

S.B. 06-235 Supplemental Amortization Equalization Disbursement

Description: This appropriation reflects an increase to the effective PERA contribution rates beginning January 1, 2008 to bring the Office of the Governor into compliance with Section 24-51-211, C.R.S.

Request: The Office of the Governor requests an appropriation of \$2,016,824 (including \$180,495 General Fund) for FY 2012-13. The request represents a total funds increase of 32.8 percent and a General Fund increase of 81.7 percent over the FY 2011-12 appropriation.

Recommendation: **Per Committee action, staff recommends a total appropriation of \$1,974,275 total funds for FY 2012-13.** The recommendation, however, is not consistent with the General Fund appropriation for the Office of the Governor approved by the Committee. The approved level of reappropriated funds for the line item is greater than what is available to be collected by the Office of the Governor. As a result, staff’s recommendation consists of \$357,454 General Fund (\$183,249 higher than the approved General Fund appropriation), \$37,437 cash funds from various sources, \$1,500,427 reappropriated funds (\$183,249 lower than the approved reappropriated funds appropriation) from user fees paid by State agencies for the provision of information technology services by the Governor’s Office of Information Technology and Statewide indirect costs collected from the Department of Transportation, and \$78,957 federal funds. The table below summarizes the discrepancy between the reappropriated funds collected and the reappropriated funds needed necessitating a General Fund backfill.

SAED Calculations	
OIT Direct Billings	\$1,429,777
Statewide Indirect Cost Assessment (OIT)	0
Statewide Indirect Cost Assessment (Gov's Office)	0
Statewide Indirect Cost Assessment (GEO)	0
Statewide Indirect Cost Assessment (CDOT)	70,650
Total RF Collected	\$1,500,427
Total RF Need Per Committee Policy	\$1,683,676
Difference	\$183,249

Shift Differential

Description: This line item is used to pay for the adjustment to compensate employees for work performed outside of the regular Monday through Friday 8:00 a.m. to 5:00 p.m. work schedule. Employees eligible for shift differential in the Office of the Governor are assigned to the Governor’s Office of Information Technology.

Request: The Office of the Governor requests an appropriation of \$77,532 reappropriated funds for FY 2012-13. The request represents a decrease of 28.1 percent compared to the FY 2011-12 appropriation.

Recommendation: **Per Committee action, staff recommends a total appropriation of \$75,981 reappropriated funds for FY 2012-13.** The recommendation consists of reappropriated funds from fees collected from State agencies by the Governor’s Office of Information Technology for the provision of information technology services.

Workers' Compensation

Description: Workers’ compensation insurance for the entire state (excluding Department of Higher Education institutions) is carried by the Department of Personnel and Administration. Appropriations to departments covered by the insurance are provided through Committee Common Policy determined through actuarial calculations and three years of claims history. All changes in the Office of the Governor’s appropriation for workers’ compensation are the result of Committee common policy changes.

Request: The Office of the Governor requests an appropriation of \$405,515 total funds (\$49,473 General Fund) for FY 2012-13. The request represents a total funds increase of 70.2 percent and a General Fund increase of 70.2 percent over the FY 2011-12 appropriation.

Recommendation: **Staff's recommendation is pending the approval of the workers' compensation common policy by the Committee. Staff requests permission to adjust the line item after the Committee has determined the common policy.**

Legal Services

Description: Legal representation for all divisions in the Office of the Governor is provided by the Department of Law. This line item pays for those services. The appropriation is based on the blended hourly rate, as set by the Committee every year, and the number of hours an agency requires.

Budget Amendment: Legal Services Reduction
<p><i>Request:</i> Multiple parties filed suit against the State of Colorado, the Colorado Board of Education, the Commissioner of Education, and the Governor alleging that the current statutory scheme for funding public schools in Colorado violates three State constitutional provisions (Article IX, Section 2, Article IX, Section 15, and Article X, Section 3(1)(a)). Plaintiffs asked the court to declare the entire existing system of public school finance in Colorado unconstitutional. Additionally, plaintiffs are asked the court to enter interim and permanent injunctions compelling defendants to design, enact, fund, implement, and maintain a new system of public school finance.</p> <p>Per the Committee’s staff briefing on the Department of Law for FY 2012-13, the Denver district court issued a decision on December 9, 2011, concluding that the entire system of public school</p>

finance (including the Public School Finance Act, categorical programs, and capital construction funding) is not rationally related to the constitutional "thorough and uniform" mandate. On January 23, 2012, the Colorado Attorney General's Office filed an appeal to the State Supreme Court to overturn the Denver district judge's ruling.

For FY 2011-12, the Office the Governor received an appropriation of \$545,112 General Fund to purchase 7,200 hours of legal services from the Department of Law to represent the Governor in the court case. The FY 2012-13 budget amendment reduces the amount of legal service hours requested by 3,600, translating into a General Fund decrease of \$272,556.

***Recommendation:* Staff recommends the Committee approve the Office of the Governor's budget amendment for FY 2012-13.**

Request: For the Legal Services appropriation, the Office of the Governor requests continuation funding in the amount of \$382,412 total funds (including \$344,149 General Fund) to purchase 5,051 hours of legal services in FY 2012-13. The total hours consists of a continuation of 1,451 hours from the FY 2011-12 Long Bill appropriation and 3,600 hours for the appeals process associated with the Lobato v. State of Colorado court case as described in the budget amendment above.

***Recommendation:* Staff's recommends the Committee approve the Office of the Governor's request to purchase 5,051 hours of legal services from the Department of Law in FY 2012-13.** The dollar amount of staff's recommendation is pending the determination of the hourly rate for legal services by the Committee. **Staff requests permission to adjust the line item after the Committee has determined the hourly rate for legal services.**

Lobato Litigation Expenses

Description: The line item appropriates moneys for the defense and trial of the Lobato v. State of Colorado court case outside of the legal services purchased from the Department of Law. Costs included in the line item include expert witnesses, transcripts, and retention of contract attorneys to review and produce documents on a short timeline.

Request: The Office of the Governor requests an appropriation of \$50,000 General Fund for FY 2012-13. The request represents a decrease of 88.4 percent compared to the FY 2011-12 appropriation. The decrease is due to the conclusion of the Lobato v. State of Colorado court case (see previous line item for additional details on the Lobato v. State of Colorado court case). It is anticipated that the requested appropriation is needed to fund ongoing appeal expenses.

***Recommendation:* Staff recommends an appropriation of \$50,000 General Fund for FY 2012-13 for the ongoing legal expenses of the litigation outside of the purchase of legal services hours from the Department of Law.**

Purchase of Services from Computer Center

Description: The Office of the Governor's share of the use of the State's mainframe is funded by this appropriation. The Governor's Office of Information Technology bills agencies for the use of these services. Changes in the appropriation are based on department utilization and are adjusted through the common policy adopted by the Committee.

Request: The Office of the Governor requests an appropriation of \$2,111,753 total funds (including \$1,313,552 General Fund) for FY 2012-13. In prior years, the Office of the Governor was overbilled for this service based on estimated usage. As a result, the Office did not receive an appropriation for this service in FY 2011-12. The FY 2012-13 appropriation request represents the Office's estimated usage of the service in FY 2012-13.

Recommendation: **Staff's recommendation is pending the approval of the common policy by the Committee. Staff requests permission to adjust the line item after the Committee has determined the common policy.**

Multi-use Network Payments

Description: Per common policy, the multiuse network (MNT) payments appropriation provides funding for the Office of the Governor's payment to the Governor's Office of Information Technology to support the State's telecommunication infrastructure.

Request: The Office of the Governor requests an appropriation of \$153,693 total funds (including \$4,688 General Fund) for FY 2012-13. The request represents a total funds increase of 33.8 percent and a General Fund increase of 33.8 percent over the FY 2011-12 appropriation.

Recommendation: **Staff's recommendation is pending the approval of the common policy by the Committee. Staff requests permission to adjust the line item after the Committee has determined the common policy.**

Management and Administration of OIT

Description: The line item was added during the FY 2008-09 supplemental appropriation process to reimburse the Governor's Office of Information Technology for the Office of the Governor's share of the management and administration of the Governor's Office of Information Technology.

Request: The Office of the Governor is not requesting an appropriation for FY 2012-13 for this line item. In prior years, the Office of the Governor was overbilled for this service based on estimated usage. As a result, it is requested that the Office of the Governor not be billed for this service in FY 2012-13.

Recommendation: **Staff's recommendation is pending the approval of the common policy by the Committee. Staff requests permission to adjust the line item after the Committee has determined the common policy.**

Payment to Risk Management and Property Funds

Description: The Office of the Governor’s share of liability and property insurance carried by the Department of Personnel and Administration is appropriated through this line item. The State’s liability program is used to pay liability claims and expenses brought against the state. The Office of the Governor’s appropriation, and any changes to it, are driven by the common policies established by the Committee.

Request: The Office of the Governor requests an appropriation of \$155,663 total funds (including \$46,699 General Fund) for FY 2012-13. The request represents a total funds increase of 33.8 percent and a General Fund increase of 33.8 percent over the FY 2011-12 appropriation.

***Recommendation:* Staff's recommendation is pending the approval of the common policy by the Committee. Staff requests permission to adjust the line item after the Committee has determined the common policy.**

Vehicle Lease Payments

Description: This line funds the annual payment to the Department of Personnel and Administration for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles. No vehicles are assigned to the Governor’s Office, the Lieutenant Governor’s Office, the Office of Homeland Security, or the Office of State Planning and Budgeting. Leased vehicles for the Office of the Governor are used by staff in Governor’s Office of Information Technology and the Office of Economic Development and International Trade.

Request: The Office of the Governor requests an appropriation of \$91,010 reappropriated funds for FY 2012-13. The request represents a 7.6 percent decrease compared to the FY 2011-12 appropriation.

***Recommendation:* Staff's recommendation is pending the approval of the common policy by the Committee. Staff requests permission to adjust the line item after the Committee has determined the common policy.**

Leased Space

Description: The appropriation funds the leased space needs of OIT only. The majority of the leased space expenses for OIT are tied to a ten-year lease for 48,813 square feet (including 2,000 square feet of storage space) at Pearl Plaza (601 East 18th Avenue in Denver). The average price per square foot at Pearl Plaza is approximately \$18.00. The Committee approved the costs associated with consolidating staff at the facility through the FY 2009-10 figure setting process. The remaining OIT private leased space consists of a training and work room (6,047 square feet, \$16.21 per square foot) at 633 17th Avenue in Denver.

Decision Item #1: OIT Leased Space Expansion
<i>Request:</i> The FY 2012-13 budget request includes adjustments needed to expand the Governor's Office of Information Technology's current leased space footprint at Pearl Plaza to accommodate

needs of the Colorado Benefits Management System (CBMS) and other OIT consolidation projects. The Office of the Governor seeks an additional 10,300 square feet due to a lack of sufficient space for staff and contractors performing CBMS-related tasks. The Office of the Governor proposes reducing three operating line appropriations to offset the \$193,000 in expenses associated with the square-footage expansion. The table below outlines the net zero change in appropriations, as requested by the Office. Note, all funds currently appropriated for operating expenses and proposed for use for leased space expansion are derived from fees charged to State agencies by the Governor’s Office of Information Technology for the provision of information technology services.

OIT Leased Space Expansion Proposal	
Line Item	Reappropriated Funds
Leased Space	\$193,000
Computer Center Services, Operating Expenses	(101,250)
Network Services, Operating Expenses	(33,750)
CBMS Operating Expenses	(58,000)
Total	\$0

Recommendation: Staff recommends the Committee approve the Governor’s request. The request is budget neutral, while providing the Office with the necessary space to fulfill its tasks.

Request: The Office of the Governor requests an appropriation of \$2,371,521 reappropriated funds for FY 2012-13. The request represents an increase of 83.7 percent over the FY 2011-12 appropriation due to the phased in transfer of the eFort facility to Governor’s Office of Information Technology per S.B. 10-148 (White/Lambert) and the decision item described above.

Recommendation: Staff recommends an appropriation of \$2,371,521 reappropriated funds for FY 2012-13 from fees collected from State agencies by the Governor’s Office of Information Technology for the provision of information technology services.

Capitol Complex Leased Space

Description: The Capitol Complex Leased Space appropriation funds the Governor’s Office payment to the Department of Personnel and Administration for leased space within the Capitol Complex per Common Policy. All changes in the appropriation are a result of the rate increases charged by the Department of Personnel and Administration.

Request: The Office of the Governor requests a FY 2012-13 appropriation of \$513,730 total funds (including \$264,382 General Fund). The request represents a total funds increase of 11.0 percent and no change in General Fund over the FY 2011-12 appropriation.

Recommendation: Staff's recommendation is pending the approval of the common policy by the Committee. Staff requests permission to adjust the line item after the Committee has determined the common policy.

(C) Governor's Energy Office

Over the years, the Governor's Energy Office (GEO) has been funded with federal moneys associated with weatherization projects and petroleum violation escrow funds (PVE) that are earmarked for a narrow set of uses. PVE is a fixed source of funding, with a total allocation to Colorado of \$70.5 million. As of October 20, 2012, \$2.6 million remained in the PVE accounts. In preparation for the depletion of PVE funds (and due to the narrow scope with which the funds can be used), GEO, in conjunction with the legislature, migrated funding for its programs to alternative sources.

Decision Item #2: Energy Policy Development and Implementation

Request: In the last five years, alternative funding sources for GEO have included General Fund, limited gaming tax revenue, severance tax revenue, and one-time federal moneys provided through the passage of the American Recovery and Reinvestment Act of 2009 (ARRA). Each of these funding sources has been eliminated, or is scheduled to be eliminated.

- **General Fund:** The GEO Solar Incentives Program was appropriated \$1.0 million of General Fund moneys in FY 2008-09. The program assisted rural electric associations and municipal utilities in providing rebates to homeowners installing systems that comply with the State's renewable energy portfolio standard. Since FY 2008-09, GEO has not received a General Fund appropriation.
- **Severance Tax Revenue:** GEO receives appropriations from three cash funds that acquire moneys from the collection of severance taxes. First, \$6.5 million is scheduled to be transferred from the Operational Account of the Severance Tax Trust Fund to GEO's Low-Income Energy Assistance Fund for FY 2012-13 for weatherization program expenditures. Weatherization programs include:

Households eligible for the home energy efficiency program described above must be at or below one hundred percent of the area median income guidelines adjusted for family size based on the most recently published area median income limits established by the United States Department of Housing and Urban Development (HUD). GEO is legislatively bound to serve as many low-income households throughout the state as possible achieve the maximum lifetime energy savings per dollar expended, use competitive bidding procedures to hire contractors, and, whenever feasible, contract with Colorado accredited youth corps to provide labor.

The legislature eliminated the transfer in FY 2009-10 with the passage of S.B. 09-293 (Isgar/Curry), and eliminated the transfer in FY 2010-11 and FY 2011-12 with the passage of H.B. 10-1319 (Ferrandino/Tapia). The Fund is expected to receive a transfer of \$6.5 million in FY 2012-13. The FY 2012-13 transfer is the last to GEO's Low-Income Energy Assistance Fund contained in current statute. House Bill 12-1028 (Gerou/Steadman), however, continues the transfer through FY 2018-19.

Second, the Energy Outreach Colorado Low-Income Energy Assistance Fund, administered by GEO, receives moneys from the Operational Account of the Severance Tax Trust Fund. The moneys are passed through GEO to the non-profit organization Energy Outreach Colorado to provide energy assistance to individuals from May 1st through October 31st when the Colorado Low-income Energy Assistance Program (LEAP) does not offer assistance. Energy Outreach Colorado is projected to receive \$3.25 million in for FY 2012-13 from the Energy Outreach Colorado Low-Income Energy Assistance Fund. The FY 2012-13 transfer is the last to the Energy Outreach Colorado Low-Income Energy Assistance Fund contained in current statute. House Bill 12-1028 (Gerou/Steadman), however, continues the transfer through FY 2018-19.

Third, GEO expends moneys transferred to the Public School Energy Efficiency Fund from the generation of interest earned on the accelerated collection of oil and gas severance taxes. The Fund supports energy efficiency projects in public schools across the state. Specifically, the moneys are used to assist school districts in energy performance contracting for existing buildings and high performance building for new school facilities. Energy performance contracting is the term used to describe the process of using utility bill savings that result from the installation of new building systems (reducing energy use) to pay for the cost of a building renewal project. GEO is scheduled to receive approximately \$200,000 each fiscal year for this purpose in FY 2012-13.

- Limited Gaming Tax Revenue: GEO received a continuous appropriation of moneys from the Clean Energy Fund established in 2007. The principal of the Clean Energy Fund consisted of moneys transferred to it at the end of each State fiscal year from the Limited Gaming Fund. At the end of FY 2007-08, the Clean Energy Fund received a transfer of \$4.0 million for use by GEO in FY 2008-09. No transfer of moneys occurred at the end of FY 2008-09 or FY 2009-10 due to insufficient General Fund revenues for the State. Beginning at the end of FY 2010-11, transfers from limited gaming tax revenue to the Clean Energy Fund were eliminated via S.B. 11-159 (Steadman/Ferrandino).
- ARRA Moneys: The passage of ARRA provided GEO with increased funding for weatherization services, State Energy Program projects, Energy Efficiency and Conservation Block Grant projects, Energy Star Appliance Rebates for consumers, and energy assurance planning for the energy grid. Approximately \$143.7 in federal funds was awarded to GEO with the passage of ARRA for expenditure in the programmatic categories listed above. The Office indicated at its December 2011 hearing with the Committee that all ARRA funds will be expended before the end of FY 2011-12.

The Office of the Governor seeks \$3.1 million cash funds from limited gaming tax revenue and 20.7 FTE for FY 2012-13. Per the Governor's official request, the priority focus areas of the Governor's Energy Office for FY 2012-13 are to:

“Advance energy efficiency and the use of clean and renewable energy in Colorado, a spectrum of resources that include solar and wind energy, natural gas,

and clean coal technology among others. Advancing the Colorado electricity generation and transportation energy markets will enhance energy security, manage consumer costs, protect the environment, and create jobs.”

The table below outlines each of the four priority focus areas of the Governor’s Energy Office for FY 2012-13, as outlined in the agency’s funding request.

Governor’s Energy Office FY 2012-13 Priority Focus Areas			
Enhanced Energy Security Strategy	Consumer Cost Management	Job Creation	Environmental Protection
Colorado imports nearly 80 percent of its transportation fuel.	Coloradans spend more than \$17 million on energy.	10 percent of Colorado's economy is accounted for through the energy industry.	Energy consumption impacts the environment via emissions.
Relying on outside fuel sources decreases the security and reliability of Colorado's energy.	Energy efficiency decreases costs.	Potential for growth in the energy sector is large.	Diversified fuel sources and energy technologies can sustain environmental quality.
Increasing energy efficiency reduces the state's energy risks.	Reducing market barriers to diverse energy sources encourages market competition.	Industries in Colorado in both fuel needs and emission technologies.	
Colorado has an abundance of local energy sources.			

Decision Item #2 contains eight specific projects that tie directly to one or more of the four priority focus areas presented above. The following table outlines the projects, personal services costs, program costs, and FTE sought by the Office. Below the table, each of the eight projects outlined in the table is described in detail.

Governor's Energy Office FY 2012-13 Funding Request By Project					
Project Number	Project Type	Requested Personal Services	Requested Program Costs	Requested Total	Requested FTE
1	Facilitating Development of the Electric Power Market Towards a Balanced Energy Portfolio	\$247,792	\$175,104	\$422,896	2.7
2	Diversifying Colorado's Transportation Fuels Portfolio	198,069	0	198,069	2.1
3	Unlocking the Potential of Residential, Small Commercial, and Agriculture Energy	204,469	227,600	432,069	2.2

Governor's Energy Office FY 2012-13 Funding Request By Project					
Project Number	Project Type	Requested Personal Services	Requested Program Costs	Requested Total	Requested FTE
	Efficiency				
4	Developing Transmission for Internal and External Electricity Markets	63,360	3,789	67,149	0.5
5	Greening Government	118,016	0	118,016	1.3
6	Public Sector Resource Efficiency Energy Performance Contracting (EPC)	90,736	240,031	330,767	1.0
7	Economic Development Through Innovation in the Energy Market	300,064	0	300,064	3.1
8	Energy Policy Development	342,984	30,000	372,984	3.3
n/a	Overhead and Support	<u>365,788</u>	<u>451,351</u>	<u>817,139</u>	<u>4.5</u>
	Total	\$1,931,278	\$1,127,875	\$3,059,153	20.7

1. Facilitating Development of the Electric Power Market towards a Balanced Energy Portfolio: The request indicates that all actors within the electric power sector have a narrowly focused perspective and incentive structure which impacts the broad, long-term objectives of Colorado citizens. GEO's identified role includes the provision of a statewide view, with an emphasis on transparency, which uses its technical expertise to ensure a holistic approach is taken in determining the future of electricity generation.
2. Diversifying Colorado's Transportation Fuels Portfolio: The request indicates that transitioning away from imported oil requires consumers to have the fuel, the vehicles, and the fueling infrastructure to support any new transportation fuels. GEO's identified role includes acting as a convener and a central point of knowledge to coordinate private and public investments in fueling infrastructure, vehicle conversion and development, and fuel sources.
3. Unlocking the Potential of Residential, Small Commercial, and Agriculture Energy Efficiency: The request indicates that there is a lack of information and standardization about the long-term cost savings and environmental benefits to improving energy efficiency that results in upgrades made to a property not being fully incorporated into the market value of that property. GEO's identified role includes coordinating a program to educate appraisers, realtors, financiers, and property owners on how to monetize energy efficient upgrades into property values.
4. Developing Transmission for Internal and External Electricity Markets: The request indicates that a large barrier to renewable energy production projects is the lack of electricity transmission infrastructure or an electricity transmission plan. GEO's

identified role includes monitoring and reporting on transmission development (and the complexities of overlaying federal and state rules, regulated and unregulated utility companies, and land use concerns) to ensure that entities are planning, permitting, and paying for infrastructure investments in alignment with the interests of the people of Colorado in regards to reliability, consumer costs, and environmental issues.

5. **Greening Government:** The request indicates that lack of information is a barrier to improving energy efficiency in State agencies. GEO's identified role includes acting as an energy-use consultant to guide efficient energy outcomes.
6. **Public Sector Resource Efficiency Energy Performance Contracting (EPC):** The request indicates that energy efficient upgrades are prohibitively expensive causing organizations to put off investing in building retrofits that achieve long-term cost savings and energy conservation. GEO's identified role includes continued management of its program for local governments, K-12 schools, and institutions of higher education to use performance contracting as a financing mechanism to make capital improvements using anticipated energy bill savings generated from energy efficiencies.
7. **Economic Development through Innovation in the Energy Market:** The request indicates that Colorado has a strong network of research universities, national laboratories, and private sector research facilities, but a perceived weakness in migrating science into commercial products. GEO's identified role includes working with the Office of Economic Development and International Trade to promote the state's clean technology industry to local industry partners, potential investors, and international markets.
8. **Energy Policy Development:** The request indicates that states have different policies and regulations that can be leverage as best practices by Colorado. GEO's identified role includes leveraging the trained policy staff expertise that has been developed over the past few years to develop policies aimed at maintaining Colorado's place as an energy industry leader.

Limited gaming tax revenue is the Office of the Governor's requested funding source for the aforementioned project components of Decision Item #2. This funding source was selected by the Office based on historical context. For several years, GEO received limited gaming tax revenue transferred to the Clean Energy Fund. Senate Bill 11-159 (Steadman/Ferrandino), as mentioned above, discontinued this transfer. Decision Item #2 requires changes to statutory provisions addressing the distribution of the State's share of limited gaming tax revenue. Specifically, two changes must be made to fulfill the request.

1. The first \$19.2 million of the State share of limited gaming tax revenue is currently transferred to the state general fund. Decision Item #2 requires this amount to be reduced by \$3.1 million.
2. Decision Item #2 requires a new provision to be added to statute to transfer \$3.1 million to a new cash funded created for GEO.

Recommendation: The availability of funds to support the programs and initiatives administered by GEO is highly variable beginning in FY 2012-13. The Committee and the General Assembly need to determine the role of GEO in the post-ARRA funded environment beginning in FY 2012-13. The two options available to the Committee are:

1. Reduce GEO to a federally-funded, weatherization-only agency; or
2. Invest State moneys in GEO to provide the Governor with staff and resources to retool its programs and policies with a focus toward energy security, management of consumer costs, protection of the environment, and the creation of jobs.

It is staff's recommendation that the Committee fund GEO at the requested level of \$3.1 million and 20.7 FTE beginning in FY 2012-13. Colorado, due to its natural resources and prior monetary investments made by all sectors, is positioned as a leader in energy production and research in the country. The Governor's proposal to revamp GEO represents a comprehensive plan that develops highly skilled expertise in a complex policy area to ensure that energy development, and its associated industries, does not have unnecessary burdens to growing in a balanced manner consistent with the fiscal and environmental desires of Coloradans.

It is staff's recommendation that the fund source consist of General Fund moneys rather than the requested cash funds from limited gaming tax revenue. Much of the focus on programs receiving moneys from limited gaming tax revenue is on revenue projections and distributions governed by statute. This focus takes time and energy away from evaluating the programs to determine goals, success rates, modifications needed, and appropriate funding levels. By appropriating General Fund moneys to GEO for its stated purposes, the focus shifts away from the distribution of limited gaming tax revenue projections and to the performance-based goals of the agency.

Additionally, during the staff briefing presentation on the Office of the Governor on November 30, 2011, members inquired as to the availability of severance tax revenue for use by the Governor's Energy Office. One funding option available for the Committee to consider is eliminating or reducing the transfer of moneys from the Operational Account of the Severance Tax Trust Fund to GEO's Low-Income Energy Assistance Fund for weatherization purposes and instead transferring a portion of the moneys to GEO to implement the programs and achieve the goals outlined in the decision item request.

Program Administration

Description: The line item reflects the petroleum violation escrow funds, as well as other federal grants received by GEO, which are traditionally used to provide primary funding for the Office's programs.

Request: The Office of the Governor requests an appropriation of \$6,493,283 total funds (including \$2,993,283 cash funds that would otherwise be transferred to the General Fund) and 32.3 FTE for FY 2012-13. The Offices submittal includes the decision item detailed above.

Recommendation: Staff recommends that the Committee appropriate \$6,445,833 total funds and 32.3 FTE for the line item in FY 2012-13. The appropriation recommendation is comprised of \$2,962,915 General Fund and \$3,482,918 federal funds. The table below summarizes the calculations for staff's recommendation.

Office of the Governor, Governor's Energy Office, Program Administration						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$1,178,123	\$0	\$0	\$0	\$1,178,123	26.1
S.B. 11-076	(54,784)	0	0	0	(54,784)	0.0
Subtotal: FY 2011-12 Appropriation	1,123,339	0	0	0	1,123,339	26.1
Federal Funds Adjustment	2,321,877	0	0	0	2,321,877	(14.5)
Energy Policy Development and Implementation (DI #2)	2,993,283	2,993,283	0	0	0	20.7
Restore FY 2011-12 PERA Reduction	54,784	0	0	0	54,784	0.0
Two Percent Base Personal Services Reduction	(47,450)	(30,368)	0	0	(17,082)	0.0
Recommended FY 2012-13 Appropriation	\$6,445,833	\$2,962,915	\$0	\$0	\$3,482,918	32.3

Low-Income Energy Assistance

Description: Moneys from the Operational Account of the Severance Tax Trust Fund are transferred to GEO's Low-Income Energy Assistance Fund. Moneys in the Fund are continuously appropriated to GEO to provide home energy efficiency improvements for low-income households. GEO was appropriated \$6.5 million in FY 2008-09. The legislature eliminated the FY 2009-10, FY 2010-11, and FY 2011-12 appropriations for home energy efficiency improvements for low-income households. Under current statute, moneys are to be transferred to GEO's Low-Income Energy Assistance Fund in FY 2012-13. This transfer represents the final transfer to the fund authorized by statute.

Request: The Office of the Governor did not request funds for this line item for FY 2012-13.

Recommendation: Consistent with current law, staff recommends an informational purposes only appropriation of \$6.5 million for FY 2012-13.

Clean Energy

Description: The line item reflects the funds transferred to the Clean Energy Fund from the Limited Gaming Fund to support the advancement of energy efficiency and renewable energy in the state. A statutory transfer is made to the Clean Energy Fund from the Limited Gaming Fund at the end of each fiscal year, if state revenues support it. Section 24-75-1201 (2) (a), C.R.S.,

specifies that moneys in the Clean Energy Fund are continuously appropriated to GEO, so no appropriation of moneys from the fund is necessary.

Request: The Office of the Governor did not request funds for this line item for FY 2012-13.

Recommendation: **Staff recommends the Committee appropriate no moneys to this line item for FY 2012-13.** Current law indicates that the Clean Energy Fund will not receive a transfer of cash funds from the Limited Gaming Fund at the end of FY 2011-12 for use in FY 2012-13. The Committee sponsored S.B. 11-159 (Steadman/Ferrandino) to permanently eliminate the transfer from the Limited Gaming Fund to the Clean Energy Fund.

School Energy Efficiency

Description: House Bill 07-1309 (Weissmann/Tupa) required estimated tax payments and withholding for oil and gas severance taxes to be made on a monthly basis, rather than quarterly. The additional interest earned from collecting monthly payments is deposited into the Public School Energy Efficiency Fund, up to a maximum of \$1.5 million annually. Money in the fund is continuously appropriated to GEO for energy efficiency projects and programs in public schools. The amount shown for this line item reflects the estimated revenues that will be received, and is shown for informational purposes only.

Request: The Office of the Governor submitted, for informational purposes only, an appropriation request of \$207,975 cash funds and 2.0 FTE for FY 2012-13.

Recommendation: **Staff's recommends an appropriation of \$206,819 cash funds and 1.4 FTE from interest earned from collecting monthly tax payments and withholding for oil and gas severance for FY 2012-13.** Calculations are shown below for staff's recommendation.

Office of the Governor, Governor's Energy Office, School Energy Efficiency						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$207,975	\$0	\$207,975	\$0	\$0	2.0
S.B. 11-076	(3,375)	0	(3,375)	0	0	0.0
Subtotal: FY 2011-12 Appropriation	204,600	0	204,600	0	0	2.0
Restore FY 2011-12 PERA Reduction	3,375	0	3,375	0	0	0.0
FTE Reduction	0	0	0	0	0	(0.6)
Two Percent Base Personal Services Reduction	(1,156)	0	(1,156)	0	0	0.0
Recommended FY 2012-13 Appropriation	\$206,819	\$0	\$206,819	\$0	\$0	1.4

Legal Services

Description: The Legal Services appropriation provides funding for the cost of purchasing legal services from the Department of Law based on GEO's number of legal services hours needed and the hourly rate per Common Policy. These hours have traditionally been federally funded, and represent anticipated legal services costs for GEO.

Request: The Office of the Governor requests a continuation funding level of \$17,413 federal funds to purchase 230 hours of legal services and an additional \$65,868 cash funds to purchase an additional 870 hours of legal services per the decision item detailed above. The total request represents \$83,281 total funds to purchase 1,100 hours of legal services from the Department of Law.

Recommendation: **Staff recommends funding sufficient to purchase a continuation level of 230 hours of legal services and, consistent with staff's recommendation, an additional 870 hours per the decision item detailed above.** The dollar amount of staff's recommendation is pending the determination of the hourly rate for legal services by the Committee.

Indirect Cost Assessment

Description: The line item appropriates funds for GEO's share of assessed Statewide indirect cost recoveries.

Request: The Office of the Governor requests an appropriation of \$54,574 total funds for FY 2012-13.

Recommendation: **Staff recommends an appropriation of \$7,484 cash funds, consistent with the Committee's action on the common policy for FY 2012-13.**

(D) Other Programs and Grants

Program Administration

Description: The line item provides funds for the disabled parking and education program established via H.B. 10-1019 (Frangas/Williams).

Request: The Office of the Governor requests a continuation appropriation of \$26,158 cash funds for FY 2012-13.

Recommendation: **Staff recommends an appropriation of \$1,000 cash funds for FY 2012-13 from the Disabled Parking Education and Enforcement Fund per H.B. 10-1019.**

(E) Office of Homeland Security

The Office of Homeland Security was created by Executive Order D003 08, issued on February 8, 2008. The purpose of the Office is to provide oversight and coordination of expenditures of federal grants at the State level. The Office is funded entirely with federal grants. On October

18, 2011, Governor Hickenlooper issued Executive Order D 2011-030 sending the Governor's Office of Homeland Security to the Colorado Department of Public Safety.

To add legislative authority and direction to the Governor's executive order, H.B. 1283 (Barker/Giron) was introduced with the following provisions:

- Consolidates homeland security functions under the Department of Public Safety and renames the Office of Preparedness, Security, and Fire Safety the Division of Homeland Security. The new division is comprised of:
 - The Division of Fire Safety, which is renamed the Office of Fire Safety;
 - The Office of Anti-terrorism Planning and Training, which is renamed the Office of Prevention and Security; and
 - The new Office of Preparedness, charged with improving homeland security-related communication, identifying opportunities for training efficiencies, coordinating planning efforts, and administering federal grants for homeland security activities.
- Creates the Homeland Security and All-hazards Senior Advisory Committee;
- Transfers the duties to develop a resource database and a statewide resource mobilization plan from the Department of Public Safety to the Division of Emergency Management within the Department of Local Affairs. The scopes of the database and the plan are expanded to:
 - Include all types of hazards, rather than fires alone; and
 - Add participation from tribal entities and private sector organizations.

House Bill 12-1283, as introduced, does not include an appropriations clause. It is assumed that the bill will be referred to the House and/or Senate Appropriations Committee as it proceeds through the legislative process. At that juncture, staff recommends the addition of an appropriations clause to amend the FY 2012-13 Long Bill to transfer funds from the Office of the Governor to the Department of Public Safety.

Program Administration

Description: This appropriation is the primary funding line for the Governor's Office of Homeland Security. This line covers operating expenses including office supplies and materials, telecommunications, travel, training, printing, information technology updates and equipment maintenance and replacement. Funding for this office is entirely from federal grants. The appropriation is an estimate of federal funds to be received by the office. Federal requirements dictate that no more than 5.0 percent of the total grant amounts be used for administrative purposes.

Request: The Office of the Governor requests an appropriation of \$958,532 federal funds and 10.0 FTE for FY 2012-13.

Recommendation: **Staff recommends that the Committee appropriate \$942,532 federal funds and 10.0 FTE for the line item in FY 2012-13.** The table below summarizes the calculations for staff's recommendation.

Office of the Governor, Office of Homeland Security, Program Administration						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	958,532	\$0	\$0	\$0	\$958,532	10.0
S.B. 11-076	(20,800)	0	0	0	(20,800)	0.0
Subtotal: FY 2011-12 Appropriation	937,732	0	0	0	937,732	10.0
Restore FY 2011-12 PERA Reduction	20,800	0	0	0	20,800	0.0
Two Percent Base Personal Services Reduction	(16,000)	0	0	0	(16,000)	0.0
Recommended FY 2012-13 Appropriation	\$942,532	\$0	\$0	\$0	\$942,532	10.0

Grants and Training

Description: This line item appropriates moneys for the grant funds received by the Office of Homeland Security distributed to cities, counties and other public entities throughout Colorado for homeland security planning and training. Funds are entirely from federal grants. The appropriation is an estimate of federal funds to be received by the office, and is shown for informational purposes only.

Request: The Office of the Governor requests a continuation level appropriation of \$18,761,187 federal funds for FY 2012-13.

Recommendation: **Staff recommends the Committee approve a continuation level appropriation of \$18,761,187 federal funds for FY 2012-13.** The appropriation is provided for informational purposes only.

(2) OFFICE OF THE LIEUTENANT GOVERNOR

This section of the Long Bill provides funding for the administration of the Lieutenant Governor's Office, including statutory duties associated with the Commission of Indian Affairs.

Administration

Description: The Administration appropriation provides funding for personal services and operating expenses in the Lieutenant Governor's office.

Staffing Summary - Administration				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Lt. Governor	1.0	1.0	1.0	1.0
Administrative Assistant	1.0	1.0	1.0	1.0
General Professional	<u>1.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Total	3.7	2.7	2.7	2.7

Request: The Office of the Governor requests an appropriation of \$221,233 General Fund and 2.7 FTE for FY 2012-13. The request represents an increase of 2.8 percent over the FY 2011-12 appropriation. The increase is due to the restoration of the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA) pursuant to S.B. 11-076.

Recommendation: Staff recommends that the Committee appropriate \$217,453 General Fund and 2.7 FTE for the line item in FY 2012-13. The table below summarizes the calculations for staff's recommendation.

Office of the Lieutenant Governor, Administration						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$298,267	\$221,233	\$0	\$77,034	\$0	3.7
S.B. 11-076	(6,114)	(6,114)	0	0	0	0.0
S.B. 11-247	(77,034)	0	0	(77,034)	0	(1.0)
Subtotal: FY 2011-12 Appropriation	215,119	215,1190	0	0	0	2.7
Restore FY 2011-12 PERA Reduction	6,114	6,114	0	0	0	0.0
Two Percent Base Personal Services Reduction	(3,780)	(3,780)	0	0	0	0.0
Recommended FY 2012-13 Appropriation	\$217,453	\$217,453	\$0	\$0	\$0	2.7

Discretionary Fund

Description: The line item funds discretionary funding for the Lieutenant Governor's Office. Pursuant to Section 24-9-105, C.R.S., elected officials may be provided specified amounts to expend as each elected official sees fit. The specified maximum amount for the Lieutenant Governor is \$5,000, and is subject to appropriation by the General Assembly. Traditionally the fund has been used to purchase items like flowers for funerals of dignitaries, cards, official photos and other items not covered in the Administration line item of the Lieutenant Governor's Office.

Request: The Office of the Governor requests a continuation appropriation of \$2,875 General Fund for FY 2012-13.

Recommendation: Staff recommends an appropriation of \$2,875 General Fund for FY 2012-13.

Commission of Indian Affairs

Description: The Commission acts as a liaison between Native Americans and the State government, with the goal of providing easy access to government. It focuses on Indian health, child welfare, water rights, economic development, and other issues identified by Colorado's Native American population.

Request: The Office of the Governor requests an appropriation of \$78,086 (including \$76,902 General Fund) and 2.3 FTE for FY 2012-13. The request represents an increase of 2.4 percent over the FY 2011-12 appropriation for both total funds and General Fund. The increase is due to the restoration of the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA) pursuant to S.B. 11-076.

Recommendation: Staff recommends that the Committee appropriate \$77,037 total funds General Fund and 2.7 FTE for the line item in FY 2012-13. The recommendation consists of \$75,853 General Fund and \$1,184 cash funds from private donations. The table below summarizes the calculations for staff's recommendation.

Office of the Lieutenant Governor, Commission of Indian Affairs						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$78,086	\$76,902	\$1,184	0	0	2.3
S.B. 11-076	(1,830)	(1,830)	0	0	0	0.0
Subtotal: FY 2011-12 Appropriation	76,256	75,072	1,184	0	0	2.3
Restore FY 2011-12 PERA Reduction	1,830	1,830	0	0	0	0.0
Two Percent Base Personal Services Reduction	(1,049)	(1,049)	0	0	0	0.0
Recommended FY 2012-13 Appropriation	\$77,037	\$75,853	\$1,184	\$0	\$0	2.3

(3) OFFICE OF STATE PLANNING AND BUDGETING

This office is responsible for program, policy, and budgetary planning, including economic and state revenue forecasting. The source of the reappropriated funds for the Office State Planning and Budgeting (OSPB) is Statewide indirect cost recoveries.

Personal Services

Description: The line item provides an appropriation for the personal services costs for the FTE allocated to the Office.

Staffing Summary - Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Division Director	1.0	1.0	1.0	1.0
Administrative Assistant	1.0	1.0	1.0	1.0
Budget Analyst	17.0	17.0	17.0	17.0
Accountant	0.5	0.5	0.5	0.5
Total	19.5	19.5	19.5	19.5

Request: The Office of the Governor requests an appropriation of \$1,403,975 reappropriated funds and 19.5 FTE for FY 2012-13. The request represents an increase of 2.4 percent over the FY 2011-12 appropriation. The increase is due to the restoration of the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA) pursuant to S.B. 11-076.

Recommendation: Staff recommends that the Committee appropriate \$1,377,062 reappropriated funds and 19.5 FTE for the line item in FY 2012-13. The recommendation consists of funds from Statewide indirect costs collected from the Colorado Department of Transportation. The table below summarizes the calculations for staff's recommendation.

Office of State Planning and Budgeting, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$1,403,975	\$0	\$0	\$1,403,975	\$0	19.5
S.B. 11-076	(32,365)	0	0	(32,365)	0	0.0
Subtotal: FY 2011-12 Appropriation	1,371,610	0	0	1,371,610	0	19.5
Restore FY 2011-12 PERA Reduction	32,365	0	0	32,365	0	0.0
Two Percent Base Personal Services Reduction	(26,913)	0	0	(26,913)	0	0.0
Recommended FY 2012-13 Appropriation	\$1,377,062	\$0	\$0	\$1,377,062	\$0	19.5

Operating Expenses

Description: The line item appropriation provides funding for all operating costs for OSPB.

Request: The Office of the Governor requests a continuation appropriation of \$50,944 reappropriated funds for FY 2012-13.

Recommendation: Staff recommends an appropriation of \$50,944 reappropriated funds for FY 2012-13. The recommendation consists of funds from Statewide indirect costs collected from the Colorado Department of Transportation.

Economic Forecasting Subscriptions

Description: The line item is intended to fund the purchase of economic models, subscriptions, and software used for revenue and economic forecasting. When possible, OSPB shares expenses for subscriptions and software with the Legislative Council staff.

Request: The Office of the Governor requests a continuation level appropriation of \$16,362 reappropriated funds for FY 2012-13.

Recommendation: **Staff recommends a continuation level appropriation of \$16,362 reappropriated funds for FY 2012-13.** The recommendation consists of funds from Statewide indirect costs collected from the Colorado Department of Transportation.

(4) ECONOMIC DEVELOPMENT PROGRAMS

On January 11, 2011, Governor Hickenlooper issued an executive order (D 2011-003) entitled Implementing a Statewide Economic Development Strategy. The order called for Coloradans across the state to meet and identify the needs, priorities, vision, strengths, and weaknesses of each of the state's counties, and incorporate them into 64 economic development plans, tailored to each county. The six core objectives identified through the process are to:

1. **Build a Business-Friendly Environment:** Coloradans deserve a government that is responsive to their concerns and priorities, is frugal with their tax dollars and promotes economic development. That means knowing when to regulate, how to regulate, and when to get out of the way. This is one of the important roles of government. To this end, the Hickenlooper Administration is focused on the Three E's of good government: efficiency, effectiveness and elegance.
2. **Retain, Grow and Recruit Companies:** Colorado is a great place to do business and grow a company. Through a more analytical understanding of and focus on our key industry clusters, as well as increased coordination within the economic development community, Colorado is poised for economic growth. It is also important to focus on aligning infrastructure improvements with economic development priorities to ensure economic vitality in communities from every corner of Colorado.
3. **Increase Access to Capital:** Every county and region expressed the need for capital formation and increased access to capital, whether that takes the form of debt financing, equity investment or access to grants – and often all three. The state is expanding current venture and angel capital programs, while also designing a new cash collateral program to support companies trying to get loans to grow and expand.
4. **Create and Market a Stronger Colorado Brand:** Colorado is one of the best states to live in or visit, being a premier place to work, play, explore and conduct business. Together, people across Colorado can define a vision for how we preserve and enhance the Colorado Advantage. A common brand and vision for all of Colorado will provide a

strong foundation for increasing Colorado’s market share in direct investment, overnight visitors and relocating companies—both on a national and global level.

5. **Educate and Train the Workforce of the Future:** One of Colorado’s key economic drivers is a highly-educated population and world-class institutions of higher education. To maintain and grow this globally competitive talent, we need to align the resources of a strong and coordinated education system with economic development and workforce development stakeholders, leveraging the boot-strapping “can-do” attitude of all Coloradans.

6. **Cultivate Innovation and Technology:** There is a strong spirit of innovation found around Colorado, with bright and adventurous people making discoveries and working to make new ideas thrive. It is the administration’s vision to foster Colorado’s community of innovators, entrepreneurs and creative thinkers through the creation of an Innovation Network. It is also recognized that most regions of the state require improved communications technologies, including broadband, as a foundation of local and regional economic development and innovation.

The plans developed by each county (and the six core objectives identified through the solicitation process) formed the basis of 14 regional plans that form the foundation of the comprehensive, statewide economic development plan implemented with the assistance of the Office of Economic Development and International Trade.

Administration

Description: The line item provides funding for the centralized administration for the Office of Economic Development and International Trade (OEDIT). The appropriation includes funds for the Director of OEDIT, accounting, budget, procurement, personnel, information technology administration, and other administrative functions.

Staffing Summary - Administration				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
General Professionals	1.4	1.4	1.2	1.2
Controller	1.0	1.0	1.0	1.0
Accounting Technician	1.0	1.0	1.0	1.0
Accountant	1.0	1.0	1.0	1.0
Executive Assistant	1.0	1.0	1.0	1.0
Administrative Assistant	0.6	0.6	0.8	0.8
Total	6.0	6.0	6.0	6.0

Request: The Office of the Governor requests an appropriation of \$597,994 total funds (including \$548,267 General Fund) and 6.0 FTE for FY 2012-13. The request represents an increase of 1.8 percent total funds and 2.0 percent General Fund over the FY 2011-12 appropriation. The increase is due to the restoration of the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA) pursuant to S.B. 11-076.

Recommendation: Staff recommends that the Committee appropriate \$588,021 total funds and 6.0 FTE for the line item in FY 2012-13. The recommendation consists of \$575,952 General Fund, \$2,435 cash funds from various sources, \$7,484 reappropriated funds from Statewide indirect costs collected within the Division, and \$2,150 federal funds. The table below summarizes the calculations for staff's recommendation.

Economic Development Programs, Administration						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$597,994	\$548,267	\$2,435	\$45,142	\$2,150	6.0
S.B. 11-076	(10,525)	(10,525)	0	0	0	0.0
Subtotal: FY 2011-12 Appropriation	587,469	537,742	2,435	45,142	2,150	6.0
Restore FY 2011-12 PERA Reduction	10,525	10,525	0	0	0	0.0
Statewide Indirect Cost Adjustment	0	37,658	0	(37,658)	0	0.0
Two Percent Base Personal Services Reduction	(9,973)	(9,973)	0	0	0	0.0
Recommended FY 2012-13 Appropriation	\$588,021	\$575,952	\$2,435	\$7,484	\$2,150	6.0

Vehicle Lease Payments

Description: This line item is used to pay for motor vehicles that are acquired through the Department of Personnel and Administration pursuant to Section 24-30-1117, C.R.S.

Request: The Office of the Governor requests a continuation appropriation of \$15,161 General Fund for FY 2012-13.

Recommendation: Staff's recommendation is pending the approval of the common policy by the Committee. Staff requests permission to adjust the line item after the Committee has determined the Common Policy.

Leased Space

Description: The Office currently has 14,337 square feet of leased space in the World Trade Center at 1625 Broadway in Denver. This line item provides the appropriation for the lease.

Request: The Office of the Governor requests a continuation level appropriation of \$231,540 General Fund moneys for FY 2012-13.

Recommendation: Staff recommends the continuation appropriation request of \$231,540 General Fund for FY 2012-13.

Global Business Development

Description: The line item provides for the expenses of the former Business Development, Grand Junction Satellite Office, International Trade, and Minority Business Office line items.

Staffing Summary - Global Business Development				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
General Professionals	15.0	16.9	19.7	16.9
Administrative Assistant	0.7	0.7	0.7	0.7
Total	15.7	17.6	20.4	17.6

Decision Item #4: Global Business Development Initiative

Request: The FY 2012-13 budget request seeks an appropriation of \$250,000 General Fund and 2.8 FTE in the Office of Economic Development and International Trade's Global Business Development unit to be more proactive in efforts to retain target cluster industries in Colorado. The requested staff will be responsible for developing relationships with existing Colorado businesses in targeted clusters to identify the positive attributes of doing business in the state, as well as the barriers that businesses in specific clusters face in the state.

FY 2012-13 Request		
Cost Component	FTE	Cost
Personnel	2.8	\$223,700
Operating	n/a	16,959
Software Customization	n/a	9,341
Total	2.8	\$250,000

Recommendation: There are currently three bills in the legislative process seeking to accomplish the initiatives set forth in this decision item funding request. Senate bill 12-005 (Newell/Massey) instructs the Office of Economic Development and International Trade to develop a business retention and expansion program that:

- Develops stronger relationships between state economic development partners;
- serves as a clearinghouse of resources that assist Colorado business retention and expansion;
- facilitates communications between local governments, partners and businesses; and
- identifies opportunities to retain and expand Colorado businesses in a quick and effective manner.

Senate Bill 12-144 (Heath & Scheffel/Summers & Ryden), instructs the Office of Economic Development and International Trade to develop a strategy to grow key industries located in the state. Specifically, the bill requires the Office to:

- Collaborate with key industry network working groups to develop a strategy to assist in the fostering of job creation and competitiveness of key industries;

- align the key industries strategy with the Colorado Blueprint and with state, regional, and local economic development programs;
- identify potential members for each key industry network working group;
- help develop and implement the key industry business plans;
- review each key industry business plan and identify potential policy proposals to foster economic growth;
- assist and meet with the key industry network working groups; and
- provide a report on the key industries strategy and each key industry business plan in the Office's annual report to the General Assembly.

House Bill 12-1154 (Coram & Hamner/Jahn & White) requires the Office of Economic Development and International Trade to assist regional stakeholders to develop and support a comprehensive and inclusive regional economic development partnership. Specifically, the bill tasks the Office with facilitating economic development through partnerships in each of 14 regions in the state.

The fiscal notes for all three bills indicate that approximately one-third of the total Decision Item #4 request (total equals \$250,000 and 2.8 FTE) will be used to support each of the bills.

Fiscal Notes		
S.B. 12-005		
Cost Component	FTE	Cost
Personnel	0.9	\$74,567
Operating	n/a	5,652
Software Customization	<u>n/a</u>	<u>3,114</u>
Total S.B. 12-005	0.9	\$83,333
S.B. 12-144		
Cost Component	FTE	Cost
Personnel	0.9	\$74,567
Operating	n/a	5,652
Software Customization	<u>n/a</u>	<u>3,114</u>
Total S.B. 12-005	0.9	\$83,333
H.B. 12-1154		
Cost Component	FTE	Cost
Personnel	0.9	\$74,567
Operating	n/a	5,652
Software Customization	<u>n/a</u>	<u>3,114</u>
Total H.B. 12-1154	0.9	\$83,333
Total all bills	2.7	\$249,999

Each of the fiscal notes puts forth that if Decision Item #4 is approved as part of the FY 2012-13 Long Bill, no further appropriation is necessary to pay for the three bills. Conversely, an appropriation will be required for each of the bills in FY 2012-13 if Decision Item #4 is not fully funded through the Long Bill.

As a result of the pending legislation, staff recommends that the Committee not fund the request through the FY 2012-13 Long Bill. If S.B. 12-005, S.B. 12-144, and H.B. 12-1154 proceed through the legislative process on their merits, **staff recommends that an appropriation clause be added to each bill to appropriate moneys and FTE as outlined by the Legislative Council fiscal notes for each bill.**

Decision Item #6: Global Business Development Increase in Cash Funds

Request: The FY 2012-13 budget request seeks to raise the spending authority from the Minority Business Development Cash Fund to extend the Global Business Development unit's outreach efforts to raise awareness of opportunities available to minority owned businesses in Colorado. The moneys, \$20,050, will be raised by the Minority Business Office Director from businesses. The funds are paid by businesses sponsoring activities coordinated by the Minority Business Office and through table rentals at the activities.

Recommendation: **Staff recommends the Committee approve the Office's request to appropriate \$20,050 additional cash funds from the Minority Business Fund.**

Request: The Department requests an appropriation of \$2,315,853 total funds (including \$1,717,716 General Fund) and 20.4 FTE for FY 2012-13. The request represents an increase of 14.5 percent total funds and a 19.0 percent General Fund over the FY 2011-12 appropriation. The increase is due to the restoration of the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA) pursuant to S.B. 11-076 and to the two decision items detailed above.

Recommendation: **Staff recommends that the Committee appropriate \$2,044,249 total funds and 17.6 FTE for the line item in FY 2012-13.** The recommendation consists of \$1,446,112 General Fund, \$240,000 cash funds from fees collected by participants in activities conducted by the Office and the Minority Business Fund, and \$358,137 federal funds. The table below summarizes the calculations for staff's recommendation.

Economic Development Programs, Global Business Development						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$2,045,803	\$1,467,716	\$219,950	\$0	\$358,137	17.6
S.B. 11-076	(23,868)	(23,868)	0	0	0	0.0
Subtotal: FY 2011-12 Appropriation	2,021,935	1,443,848	219,950	0	358,137	17.6
Restore FY 2011-12 PERA Reduction	23,868	23,868	0	0	0	0.0
Global Business Development Increase in Cash Funds (DI #6)	20,050	0	20,050	0	0	0.0

Economic Development Programs, Global Business Development						
	Total	GF	CF	RF	FF	FTE
Two Percent Base Personal Services Reduction	(21,604)	(21,604)	0	0	0	0.0
Recommended FY 2012-13 Appropriation	\$2,044,249	\$1,446,112	\$240,000	\$0	\$358,137	17.6

Business Development

Description: The office provides research support and technical assistance to local economic development programs, coordinates efforts to market the State's economic development programs statewide and nationwide, recommends requests for funding to the Economic Development Commission, and selects companies to be recipients of Colorado First and Existing Industries job training funds.

Request: The line item was consolidated into the Global Business Development line item during the FY 2010-11 Long Bill process. Consequently, the Office of the Governor requested money for this function in the Global Business Development line item.

***Recommendation:* Staff recommends that appropriations for this function be appropriated to the Global Business Development line item in FY 2012-13.**

Grand Junction Satellite Office

Description: The appropriation funds the coordination of business development and outreach in western Colorado.

Request: The line item was consolidated into the Global Business Development line item during the FY 2010-11 Long Bill process. Consequently, the Office of the Governor requested money for this function in the Global Business Development line item.

***Recommendation:* Staff recommends that appropriations for this function be appropriated to the Global Business Development line item in FY 2012-13.**

Minority Business Office

Description: The appropriation funds promotion of the development of existing and new minority businesses, and increasing minority participation in public and private sector contracting.

Request: The line item was consolidated into the Global Business Development line item during the FY 2010-11 Long Bill process. Consequently, the Office of the Governor requested money for this function in the Global Business Development line item.

***Recommendation:* Staff recommends that appropriations for this function be appropriated to the Global Business Development line item in FY 2012-13.**

Leading Edge Program Grants

Description: The Leading Edge Program provides entrepreneurial training at Small Business Development Centers. Trainees receive 35-45 hours of business planning assistance for their planned, new, or existing businesses. All of the funds in this appropriation support the direct cost of training. Administrative costs are absorbed within the Small Business Development Centers appropriation.

Decision Item #7: Leading Edge Grants Increase in Cash Funds
<p><i>Request:</i> The FY 2012-13 request includes a letternote change to include language in the Long Bill that allows for the cash fund revenue sources for the program to include fees generated by activities conducted by the state's Small Business Development Centers. The moneys would be used to support additional leading edge classes.</p> <p><i>Recommendation:</i> Staff recommends that the Committee approve the Office of the Governor's request to include letternote language in the FY 2012-13 Long Bill to allow cash fund revenue sources for the program to include fees generated by activities conducted by the state's Small Business Development Centers.</p>

Request: The Office of the Governor requests a continuation level appropriation of \$126,407 total funds (\$50,976 General Fund moneys) for FY 2012-13.

Recommendation: **Staff recommends a continuation level appropriation of \$126,407 total funds for FY 2012-13.** The recommended appropriation is comprised of \$50,976 of General Fund moneys and \$75,431 cash funds from various fees collected from participants in activities conducted by the Office.

Small Business Development Centers

Description: The line item funds a program that oversees a network of ten college and university-based centers, five community-based centers, and three satellite offices that provide training and counseling to new business ventures in conjunction with the federal Small Business Administration.

Staffing Summary – Small Business Development Centers				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
General Professionals	2.5	3.0	3.0	3.0
Administrative Assistant	1.0	1.0	1.0	1.0
Total	3.5	4.0	4.0	4.0

Request: The Office of the Governor requests an appropriation of \$1,295,168 (including \$84,522 General Fund) and 4.0 FTE for FY 2012-13. The request includes the restoration of the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA).

Recommendation: Staff recommends an appropriation of \$1,290,450 total funds (including \$83,343 General Fund) and 4.0 FTE for FY 2012-13. Calculations for staff's recommendation are found in the table below.

Economic Development Programs, Small Business Development Centers						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$1,295,168	\$84,522	\$0	\$0	\$1,210,646	4.0
S.B. 11-076	(4,892)	(1,027)	0	0	(3,865)	0.0
Subtotal: FY 2011-12 Appropriation	1,290,276	83,495	0	0	1,206,781	4.0
Restore FY 2011-12 PERA Reduction	4,892	1,027	0	0	3,865	0.0
Two Percent Base Personal Services Reduction	(4,718)	(1,179)	0	0	(3,539)	0.0
Recommended FY 2012-13 Appropriation	\$1,290,450	\$83,343	\$0	\$0	\$1,207,107	4.0

International Trade Office

Description: The International Trade Office (ITO) is responsible for promoting exports of Colorado goods and services (except agricultural products), and for attracting foreign investment in Colorado. The ITO provides individual counseling to businesses, conducts seminars, assembles trade missions abroad, and contracts for foreign field offices to promote Colorado's goods and services.

Request: The line item was consolidated into the Global Business Development line item during the FY 2010-11 Long Bill process. Consequently, the Office of the Governor requested money for this function in the Global Business Development line item.

Recommendation: Staff recommends that appropriations for this function be appropriated to the Global Business Development line item in FY 2012-13.

Colorado Office of Film, Television, and Media

Description: The Colorado Office of Film, Television, and Media is legislatively tasked with promoting Colorado as a location for making feature films, television shows, television commercials, still photography, music videos, and emerging mass media projects and providing financial incentives to do so.

Decision Item #5: Performance-based Film Incentives Funding
<i>Request:</i> Per its statutory authority (Section 24-48.5-311, C.R.S.) the Office of Film, Television, and Media allows production companies to claim a performance-based incentive if the company employs a workforce for any in-state production activities made up of at least twenty-five

percent Colorado residents. The amount of the incentive is based up on the origination location of the film production:

- For a production company that originates the film production in Colorado, an amount equal to ten percent of the total amount of the production company's qualified local expenditures if the total of such expenditures equals or exceeds one hundred thousand dollars; and
- For a production company that does not originate the film production activities in Colorado, an amount equal to ten percent of the total amount of the production company's qualified local expenditures if the total of such expenditures equals or exceeds two hundred fifty thousand dollars.

In order for a production company to claim a performance-based incentive for film production activities in Colorado, it must first apply to the Office prior to beginning production activities in the state. The application must include a statement of intent by the production company to produce a film in Colorado and documentation necessary to demonstrate the production company's projected qualified local expenditures. At this time, if the application is approved, a conditional written approval is provided to the production company indicating that it will be eligible to receive a performance-based incentive. The conditional approval communication also estimates the amount of the incentive that will be due to the production company.

Following the completion of production activities in Colorado, the production company that obtained conditional written approval for a performance-based incentive from the Office of Film, Media, and Television submits financial documents to the Office that detail the expenses incurred in the course of the film production activities in Colorado, along with a signed affidavit stating that the financial documents are an accurate accounting of the production company's qualified local expenditures. If the production company has met its qualified local expenditures' obligations, it receives an incentive payment from the Office.

The Office of Film, Television, and Media receives a percentage of limited gaming tax revenue for the operation of the Office and performance-based film incentives. Per Section 12-47.1-701, C.R.S., the Office receives one percent of the State share of limited gaming tax revenue that is greater than \$19.2 million and less than \$48.5 million. For use in FY 2011-12, the Office received an appropriation of \$240,054 cash funds and 4.5 FTE. For FY 2012-13 and FY 2013-14, the Office is projected to receive \$188,404 and 189,932 cash funds, respectively.

The Governor's funding request indicates that the state will be able to attract production companies that will create approximately 600 jobs for a variety of film-related professions and skilled laborers at the current ten percent incentive rate. Additionally, at that rate, the requested funding will generate \$30.0 million in new production expenditures and \$3.6 million in additional tax revenue in Colorado. During the Office's Committee hearing, however, the Office indicated that this statement is somewhat misleading as "it assumes that Colorado will attract out-of-state productions with the current incentive structure – which Colorado has not been able to do. It would be true that the existing incentive program would generate this type of expenditures/jobs if in fact production companies were interested in spending \$30.0 million in

production at the current ten percent incentive rate – which has simply not proven to be the case.” In addition to the funding request, the Office of Film, Television, and Media seeks to amend statute to raise the allowable incentive from 10 percent to 20 percent of the total amount of the production company's qualified local expenditures to 20 percent and create a gap loan program to provide up to 20 percent of a production's costs in the form of a low-interest bank loan that is guaranteed by the State.

In its hearing with the Committee, the Office also indicated that, coupled with the \$1.0 million that is currently available for the existing performance-based film incentive program, the requested \$3.0 million and a 20.0 percent incentive rate can create \$30.0 million in new production expenditures. The calculations are based on the October 2011 Colorado Film Incentives: Economic and Fiscal Impact Analysis of Actual Film Budget Scenario on Colorado report published by the Leeds School of Business at the University of Colorado Boulder that concludes that each \$1.0 million spent on production in Colorado will result in \$1.93 million in economic benefit and create 20 jobs. The figures presented in the October 2011 study, however, are based on the actual budget and production expenditures for only one film produced in New Mexico in 2008.

Recommendation: There is a bill introduced in the legislature that seeks to accomplish the provisions of Decision Item #5. House Bill 12-1286 (Massey & Ferrandino/Newell & White), as introduced, accomplishes the following:

- Adds television show to the definition of film;
- clarifies that sound recording is included in allowable payments for qualified local expenditures;
- reduces the payments allowed for each employee or contractor from \$3.0 million to \$1.0 million;
- creates a loan guarantee program for production activities;
- requires in-state production activities to be made up of at least 50.0 percent Colorado residents in order to claim a performance-based incentive for film production in Colorado instead of the previous 25.0 percent requirement;
- increases the amount of the incentive from 10.0 percent to 20.0 percent of the total amount of the production company's qualified local expenditures; and
- except for television commercials, increases the amount of qualified local expenditures for a production company that does not originate the film production activities in Colorado from \$250,000 to \$1.0 million.

The bill includes a clause appropriating \$3.0 million from the General Funds to the Colorado Office of Film, Television, and Media for the performance-based film incentives program. Additionally, the clause indicates that the moneys will be transferred to a cash fund (also created in the bill) called the Colorado Office of Film, Television, and Media Operational Account Cash Fund. The bill states that moneys in the Fund that are unexpended at the end of the fiscal year do not revert to the General Fund, but remain in the Fund instead.

As a result of the pending legislation, staff recommends that the Committee not fund the request through the FY 2012-13 Long Bill, sponsor legislation to amend gaming statute, or sponsor legislation to create a loan program. If H.B. 12-1286 proceeds through the legislative process on its merits, an appropriation clause will not be needed since it is already included in the bill.

If the Committee chooses to consider funding Decision Item #5 through the FY 2012-13 Long Bill process, staff recommends against funding the request. Colorado offers much to out-of-state film production companies including unparalleled scenery, proximity to Los Angeles and daily non-stop flights, a skilled workforce, available hotel space, film-friendly communities, and a reasonable cost of living. Beginning in 2002, however, states introduced large film incentives to induce employment gains and provide economic stimulus. Colorado has not kept pace in providing performance-based incentives. Currently, New Mexico, Louisiana, Georgia, Utah, and a handful of other states all offer much larger incentives than does Colorado. As a result, Colorado is not competitive in growing its small share of the market.

In its 2009 report, Summary of the Impact of Film Incentives on the Colorado Economy and on Public Revenues, the Leeds School of Business at the University of Colorado Boulder indicated Colorado's current status in the film production industry:

“Despite growth in the national film industry, Colorado's film industry is in a state of decline, caused by the lack of competitive incentives similar to those in other states, as well as a small and centralized infrastructure.”

Staff recommends that the Committee determine if investing funds to attract out-of-state film productions to Colorado and grow an industry from a relatively small base is a priority use of State moneys. Due to Colorado's lack of recent competitiveness in attracting out-of-state film productions, coupled with the downturn in State financial resources, it is **staff's recommendation that the Committee reject the Governor's request to provide an appropriation of \$3.0 million cash funds from limited gaming tax revenue in FY 2012-13 and beyond to the Colorado Office of Film, Television, and Media for performance-based film incentives.**

Request: The Office of the Governor requested an appropriation of \$3,293,000 cash funds from limited gaming tax revenue and 4.5 FTE for FY 2012-13. This amount equals the base appropriation of cash funds per current law (\$293,000) plus the amount of the decision item detailed above (\$3,000,000).

Recommendation: **Staff recommends that the Committee appropriate \$187,426 cash funds and 4.5 FTE for this line item in the FY 2012-13 Long Bill, consistent with current law and application of the two percent personal services base reduction.**

Colorado Promotion - Colorado Welcome Centers

Description: The line item funds the State-operated highway-based welcome centers, which have operated for more than two decades to promote tourism and provide vacation guides, maps and

other basic guidance and limited services to road travelers. Eight centers are currently in operation at the major highway entrances to the state, receiving nearly 1,000,000 visitors annually.

Request: The Office of the Governor requests an appropriation of \$500,000 cash funds and 3.3 FTE for FY 2012-13. The requested funds are appropriated from moneys originating in the Limited Gaming Fund and transferred to the Colorado Travel and Tourism Promotion Fund at the end of FY 2011-12 for use in FY 2012-13.

***Recommendation:* Staff recommends the Committee appropriate \$496,710 cash funds and 3.3 FTE for this line item, consistent with current law and application of the two percent personal services base reduction.**

Colorado Promotion - Other Program Costs

Description: The line item funds the Colorado Tourism Office and staff support for its board. The Office promotes Colorado as a vacation destination by developing and implementing marketing and promotional strategies, materials and programs that, in concert with private sector promotional activities, portray a consistent, unified brand image of Colorado in the tourism marketplace. The major expenses are a contract with an ad agency to develop campaigns, and a fulfillment center to handle day-to-day inquiries, the 800-number, and vacation guide distribution.

Request: Revenue for the line item consists of a statutory transfer from the Limited Gaming Cash Fund to the Colorado Travel and Tourism Promotion Fund at the end of each fiscal year for use in the following fiscal year. The Office of the Governor requests an appropriation of \$14,150,000 cash funds and 4.0 FTE for FY 2012-13.

***Recommendation:* Staff recommends the Committee appropriate \$9,153,729 cash funds and 4.0 FTE for this line item, consistent with current law and application of the two percent personal services base reduction.**

It is important to note that Senate Bill 11-159 (Steadman/Ferrandino), which established the distribution of gaming revenue for statutory programs, assumed that \$48.5 million would be available for transfer to the “State share” at the end of each fiscal year. Under this assumption, the Colorado Tourism Office was to receive approximately \$14.6 million cash funds for its programs each year as its distribution. Due to a decrease in the forecasted level of funds available from limited gaming revenue, the distribution to the Office has declined to \$12.0 million, \$9.7 million, and \$10.1 million for use in FY 2011-12, FY 2012-13, and FY 2013-14, respectively.

Economic Development Commission - General Economic Incentives and Marketing

Description: The legislature created the Colorado Economic Development Commission (EDC) to promote economic development in Colorado. The Governor, President of the Senate, and Speaker of the House appoint the members of the Commission. The EDC approves loans and grants from the Economic Development Fund to public and private entities in Colorado to help

existing businesses expand and new companies locate to the state. It also supports marketing programs and special activities to promote Colorado nationally and internationally. The EDC shares responsibility for oversight of the state's Enterprise Zone program. The nine Commission members make all policy and funding decisions.

Decision Item #3: Economic Development Commission General Fund Increase

Request: The Commission has oversight authority for several financing programs, incentives, and tax credits designed to support businesses and economic development in the state.

- Strategic Fund – the Commission provides funding incentives to businesses that create and maintain net new jobs. The incentive amount is based on a cost per job calculation that considers annual average wage rate (county level), as well as whether the business is located in an enterprise zone;
- Job Growth Incentive Tax Credit – per H.B. 09-1001 (Rice/Heath), the Commission provides a State income tax credit to businesses undertaking job creation projects that would not occur in Colorado without a financial incentive. To qualify, businesses have to create at least 20 net new jobs (or five net new jobs if within an enhanced enterprise zone) in the state during the credit period (defined as 60 consecutive months where the business may qualify for an annual tax credit) with an average yearly wage of at least 110 percent of the county average wage rate based on where the business is located. All net new jobs must be maintained for at least one year after the positions are filled to qualify for tax credits. The maximum tax credit the EDC can authorize is calculated by taking 50 percent of the Federal Insurance Contributions Act (FICA) tax paid by the business on the net job growth for each year in the credit period;
- Regional Tourism Act Program – per S.B. 09-173 (Veiga/Rice), the Commission reviews and renders a ruling on applications put forth by local government entities to pursue tourism-related capital improvement projects using State sales tax increment financing. The Commission is limited to approving two projects that would lead to a dedication of up to (but not over) \$50 million in State sales tax revenue per year.

Recently, media attention has been garnered by the City of Aurora and City and County of Denver's ongoing discussions concerning the application for regional tourism authority funds to assist with the development of a new home for the National Western Stock Show and Rodeo, hotel, and convention center complex located near the Denver International Airport;

- Colorado Enterprise Zone Program – the Commission designates Enterprise Zone status to areas with high unemployment, low per capita income, and / or slower population growth. Businesses and projects within the zones are provided tax incentives to encourage businesses to locate and expand in designated economically distressed areas of the state. There are 16 Enterprise Zones and 2 sub-zones in Colorado.

The EDC received a General Fund appropriation of \$1.0 million for use in FY 2011-12 to support economic development efforts in Colorado. Additionally, the EDC received a one-time \$13 million allocation of Federal Funds from the Jobs & Growth Tax Relief Reconciliation Act and gaming funds for a total of 5 years that sunset January 2011. These funds have now been depleted. The table below highlights the expenditures made by EDC to attract and retain jobs with the federal funds and General Fund moneys:

Recent EDC Job Creation and Job Retention Projects			
EDC 2011 Projects	Number of Jobs	Average Wage	Incentive
Parelli	25	\$37,180	\$125,000
SMA	500	30,749	1,000,000
Vestas	1,750	37,131	1,000,000
Siemens Energy	60	98,553	250,000
PrimeStar Solar	84	<u>72,012</u>	<u>168,000</u>
Total	2,419	\$38,547	\$2,543,000
EDC 2010 Projects			
Arrow Electronics	439	\$84,086	\$1,097,000
Baird	14	128,964	14,000
Scottrade	285	52,500	259,759
Space Foundation	70	90,284	350,000
Spirae	30	93,833	150,000
Leprino	400	<u>44,950</u>	<u>1,200,000</u>
Total	1,238	\$65,264	\$3,070,759
EDC 2009 Projects			
Charles Schwab	500	\$75,245	\$1,000,000
Corinthian Colleges, Inc.	600	41,363	1,200,000
Dot Hill	100	108,800	250,000
CREED/NREL	<u>123</u>	<u>84,307</u>	<u>615,000</u>
Total	1,323	\$63,258	\$3,065,000

The Office of the Governor requests an increase in its annual General Fund appropriation from \$1.0 million to \$6.8 million, an increase of \$5.75 million, to support the Economic Development Commission (EDC) in FY 2012-13. The EDC will use the funds to provide incentives to businesses interested to expand in or relocate to Colorado. The Department will use \$70,772 of the requested funding for costs associated with a new 0.9 FTE, annualizing to 1.0 FTE in FY 2013-14.

The Governor's funding request indicates that 2,319 new jobs in Colorado will be created if the \$5.75 million General Fund appropriation request is included in the enacted FY 2012-13 budget. The table below summarizes the relationship between jobs created and funding provided from 2008 through 2011.

Jobs Created and Annual Wage					
Year	Jobs Created	Annual Average Wage	Total Incentive Funding Provided	Cost Per Job Created	Weighted Average Annual Wage
2008	648	\$66,808	\$1,470,000	\$2,269	\$7,692
2009	1,323	63,258	3,065,000	2,317	14,870
2010	1,238	65,264	3,070,759	2,480	14,356
2011	<u>2,419</u>	<u>38,547</u>	<u>2,543,000</u>	<u>1,051</u>	<u>16,568</u>
Total	5,628	\$58,469	\$10,148,759	\$1,803	\$53,487

Based on past use of funds and related outcomes, the Office projects the creation of 2,319 new jobs in Colorado with an additional \$5,750,000. At an average annual wage rate of \$53,487, this results in additional income of \$123,982,866 to Coloradans. The State would receive \$4,900,000 of this annually in direct tax revenue. Thus, the request indicates that funding will generate full pay-back to the State in a little over one year. Beyond job creation and tax revenue to the State, the additional funding could spur capital expenditures that have an undeterminable effect on the economy.

Recommendation: Colorado is not known as a state that provides rich incentives to businesses located in the state or businesses contemplating a move to the state. Colorado is known as a state that uses its funding to target industries that are attracted to Colorado based on a number of factors including:

- Transportation networks (air, freight, and rail);
- Tax structure (corporate, property, and individual);
- Skilled labor force;
- Housing prices;
- Utilities;
- Water; and
- Colleges, universities, and research institutions.

Industries that are drawn to Colorado due to the factors listed above (and others) include bioscience, aerospace, energy and natural resources, agriculture, information technology, tourism and recreation, and health and wellness.

Most states (approximately 30) make a form of discretionary economic development funds available to state officials to attract targeted industries. The Office of Economic Development and International Trade has identified several states that Colorado typically competes with for job-creating opportunities. Discretionary incentives made available by several states (including neighboring states) are summarized below.

Job Incentive Moneys By State	
State	Moneys
Texas	\$280 million
Kansas	\$6 million for new jobs, \$1.2 for job retention
Arizona	\$25 million in FY 2011
Missouri (proposed)	\$141 million by 2014
North Carolina	\$10 million /year
Virginia	\$10 million/year
Florida	\$26.4 million
New York	\$35 million
Georgia	\$25 million

It is obvious from the figures above that Colorado does not appropriate moneys for financial incentives at a level that can compete with other states solely on a dollar-for-dollar basis. Instead, the Economic Development Commission works closely with staffers from the Office of Economic Development and International Trade to target industries (see above) that are attracted to Colorado based on the qualities that the state has to offer (see above). The moneys appropriated to the Economic Development Commission are not used to compete with other states, rather they are used to affirm the State's commitment to investing in economic development in the state.

Staff recommends that the Committee appropriate \$5,750,000 General Fund and 0.9 FTE to the Economic Development Commission in FY 2012-13 for job-creation incentives. While Colorado cannot compete with other states on a dollar-for-dollar incentive basis, it is imperative in today's economic development environment that states make some incentive funding available to prospective companies considering Colorado as a location for their new or expanded facility. Currently, the Economic Development Commission is at a disadvantage financially because it does not have the funding resources needed to enter into conversations with companies seeking to create jobs. The funding request represents providing the Commission with funds needed to compete at a base level to meet the demand of companies well-suited to locate or expand in Colorado.

As indicated in the table above, the Office and the Commission have been successful at using the funds given to attract businesses to Colorado and aid in efforts to retain and grow existing businesses. The prior successes of the Office and the Commission, coupled with the programmatic rules dictating that the Office and the Commission do not disburse incentive funds until the business has created the required net new jobs and met other requirements, give staff confidence that the requested and recommended funds will be used in a beneficial manner.

Request: The Office of the Governor requests an appropriation of \$6,842,280 total funds (including \$6,763,764 General Fund) and 4.9 FTE for FY 2012-13.

Recommendation: Staff recommends an appropriation of \$6,841,722 totals funds and 4.9 FTE for FY 2012-13. The recommended appropriation is comprised of \$6,763,206 General Fund moneys and \$78,516 cash funds from the Colorado Innovation Investment Tax Credit Cash Fund. Staff's calculations for the recommendation are included in the table below.

Economic Development Programs, Economic Development Commission - General Economic Incentives and Marketing						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$1,056,882	\$1,013,764	\$43,118	\$0	\$0	3.5
S.B. 11-076	(2,770)	(2,770)	0	0	0	0.0
H.B. 11-1045	35,398	0	35,398	0	0	0.5
Subtotal: FY 2011-12 Appropriation	1,089,510	1,010,994	78,516	0	0	4.0
Economic Development Commission General Fund Increase (DI #3)	5,750,000	5,750,000	0	0	0	0.9
Restore FY 2011-12 PERA Reduction	2,770	2,770	0	0	0	0.0
Two Percent Personal Services Base Reduction	(558)	(558)	0	0	0	0.0
Recommended FY 2012-13 Appropriation	\$6,841,722	\$6,763,206	\$78,516	\$0	\$0	4.9

Colorado First Customized Job Training

Description: The line item funds grants to companies that are relocating to Colorado or existing companies that are undertaking a major expansion. The grants are used to provide job training assistance. Companies receiving assistance must provide a partial funding match. The Office determines which companies will receive this assistance and then transfers funding to the Community Colleges of Colorado to develop and provide the training programs. The grant may be used to provide:

- Instructor's wages;
- Curriculum development; and/or
- The purchase of consumable training supplies.

According to the Office, grant applications must meet the following criteria:

- Maximum grant award of \$800 per employee;
- Training must be for permanent, full-time, non-seasonal, non-retail positions in the state of Colorado, which have significant career opportunities and require substantive instruction;
- Meet a sustainable wage threshold: in urban areas, employers must pay an average wage of at least \$10.46/hour; average wages in rural areas must be at least \$8.21/hour;

- Training must be customized to meet the company's specific needs;
- Applicant companies must pay for a minimum of 40% of the total training costs; and
- An on-site visit of the applicant company is required.

All of the funds in this appropriation support the direct cost of training. Administrative costs are absorbed by the Business Development appropriation within OEDIT. The funds appropriated to this line item are transferred to the Division of Occupational Education in the Department of Higher Education where they appear as reappropriated funds.

Request: The Office of the Governor requests a continuation level of funding of \$2,725,022 General Fund for FY 2012-13.

***Recommendation:* Staff recommends the request for a continuation appropriation of \$2,725,022 General Fund for FY 2012-13.**

CAPCO Administration

Description: The Certified Capital Companies Program (CAPCO) was legislatively created with the goal of making venture capital funds available to new or expanding small businesses throughout Colorado. The State of Colorado provided \$100 million for this program in the form of premium tax credits. The \$100 million in premium tax credits were given to insurance companies in exchange for the insurance companies giving \$100 million in cash to the CAPCOs. The CAPCOs then use these funds to invest in qualifying Colorado businesses.

Request: The Office of the Governor requests an appropriation of \$80,281 reappropriated funds and 2.0 FTE for FY 2012-13. The source of the moneys is the Division of Insurance Cash Fund in the Department of Regulatory Agencies.

***Recommendation:* Staff recommends an appropriation of \$78,746 reappropriated funds and 2.0 FTE for FY 2012-13.** Staff's calculations for the recommendation are found in the table below.

Economic Development Programs, CAPCO Administration						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-076)	80,281	\$0	\$0	80,281	\$0	2.0
S.B. 11-076	(1,719)	0	0	(1,719)	0	0.0
Subtotal: FY 2011-12 Appropriation	78,562	0	0	78,562	0	2.0
Restore FY 2011-12 PERA Reduction	1,719	0	0	1,719	0	0.0
Two Percent Personal Services Base Reduction	(1,535)	0	0	(1,535)	0	0.0
Recommended FY 2012-13 Appropriation	\$78,746	\$0	\$0	\$78,746	\$0	2.0

Council on Creative Industries

Description: The Creative Industries Council promotes the cultural, educational, and economic growth of Colorado through development of its arts and cultural heritage. The Council administers grants and provides services that make the arts more accessible to all Colorado citizens, expand arts education opportunities for youth, support tourism and other economic development strategies, preserve and promote our cultural heritage, and stimulate and encourage the development of artists and arts organizations. State funding for this line item is from the Creative Industries Cash Fund. Revenues for the fund originate from a transfer from the Limited Gaming Cash Fund at the end of each fiscal year.

Request: Revenue for the line item consists of a statutory transfer from the Limited Gaming Cash Fund to the Creative Industries Cash Fund at the end of each fiscal year for use in the following fiscal year and federal funds. The Office of the Governor requested an appropriation of \$1,936,397 total funds and 3.0 FTE for FY 2012-13.

Recommendation: **Staff recommends the Committee appropriate \$1,535,627 total funds, including \$771,230 cash funds (consistent with current law and the application of the two percent personal services base reduction) and \$764,397 federal funds for this line item for FY 2012-13.**

New Jobs Incentives

Description: The line item funds the provision of an incentive payment to qualifying companies that have created new jobs paying above average wages. Its purpose is designed to support and encourage new business development, business expansions and relocations that have generated new jobs throughout the State. The appropriation reflects the annual transfer from the Limited Gaming Fund to the New Jobs Incentives Cash Fund at the end of each fiscal year for use in the following fiscal year.

Request: The Office of the Governor did not request an appropriation for FY 2012-13.

Recommendation: **Staff recommends that the Committee make no appropriation for this line item for FY 2012-13, consistent with current law.** Current statute indicates that the New Jobs Incentives program is discontinued as of January 1, 2011. Statute indicates that any moneys slated for transfer to programs that have been statutorily repealed or discontinued shall instead be transferred to the General Fund. Thus, \$1.5 million is transferred to the General Fund at the end of FY 2011-12 that would otherwise be transferred to the New Jobs Incentives program, barring legislation continuing the program.

Bioscience Discovery Evaluation

Description: The Bioscience Discovery Evaluation Grant Program was created by the legislature for the purpose of improving and expanding the evaluation of new bioscience discoveries as research institutions with the intent of accelerating the development of new products and services.

Request: The Bioscience Discovery Evaluation Cash Fund receives transfers from the Limited Gaming Fund, pursuant to Section 12-47.1-701, C.R.S. The moneys are continuously appropriated to OEDIT for the implementation of the Bioscience Discovery Evaluation Grant Program. The Office of the Governor requests an appropriation of \$5,274,000 cash funds and 0.6 FTE for FY 2012-13, shown for informational purposes only.

Recommendation: **Staff recommends the Committee appropriate \$3,475,734 cash funds and 0.6 FTE for this line item, consistent with current law and the application of the Committee-approved two percent personal services base reduction.**

Indirect Cost Assessment

Description: The appropriation provides funds for the assessed Statewide indirect cost recoveries for the Division.

Request: The Department requests an appropriation of \$29,370 total funds for FY 2012-13.

Recommendation: **Staff recommends an appropriation of \$7,484 cash funds for FY 2012-13, consistent with the Committee's action on the Statewide indirect costs common policy.**

(5) OFFICE OF INFORMATION TECHNOLOGY

In May of 2007, the Governor issued Executive Order D 016 067 to begin centralizing the management of State agency IT resources in the Governor's Office of Information Technology (OIT) to address infrastructure, purchasing, project planning and delivery, asset management, and strategic leadership needs. During the 2008 legislative session, the General Assembly passed and the Governor signed S.B. 08-155 (Cadman/Kerr, A.). The legislation consolidated the responsibility for information technology oversight of most of the State's executive branch in OIT.

Specifically, S.B. 08-155 transferred several IT functions and staff positions from various state agencies to OIT on July 1, 2008. The largest single agency transfer involved moving the Division of Information Technology from the Department of Personnel and Administration to OIT. The Division of Information Technology transfer included the General Government Computer Center (GGCC), telecommunications coordination, and Statewide IT management and support functions. S.B. 08-155 also allowed for the transfer of other information technology employees from State agencies to OIT between July 1, 2008 and July 1, 2012.

Per statutory authority, the State Chief Information Officer, Department Executive Directors, and Department Chief Information Officers jointly identified the additional positions and functions affiliated with the management and administration of each agency's IT resources and enterprises to be transferred to OIT. Beginning July 1, 2010, 756.3 FTE and \$66,569,718 total funds were transferred to OIT from executive branch agencies. The Department bills participating agencies for the services it provides. For more information on IT Common Policy recoverable costs and agency allocations, see staff's figure setting document "Information Technology Common Policies."

(A) Management and Administration of OIT

The Management and Administration of OIT sub-division provides the agency with the policy and management functions of an executive director's office. In the original appropriation for FY 2008-09, this sub-division was funded primarily with General Fund. The Committee approved a FY 2008-09 supplemental request to refinance the sub-division using reappropriated funds, with the expenses allocated to various departments in proportion to the level of services purchased from OIT.

Personal Services

Description: This line item, and the associated appropriations of FTE and personal services funding, support the OIT Administration staff and management functions.

Staffing Summary - Management and Administration of OIT, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Chief of Staff	0.3	0.0	0.0	0.0
Agency Director	0.4	1.0	1.0	1.0
Program Administrator	1.1	2.0	2.0	2.0
Program Director	0.3	1.0	1.0	1.0
Executive Assistant	0.3	1.0	1.0	1.0
IT Professionals	0.5	0.0	0.0	0.0
General Professionals	1.6	5.0	5.0	5.0
Management	3.6	2.0	2.0	2.0
Controller	1.0	0.0	0.0	0.0
Budget/Policy Analyst	1.0	1.0	1.0	1.0
Total	10.1	13.0	13.0	13.0

Request: The Office of the Governor requests an appropriation of \$1,127,581 reappropriated funds and 13.0 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment.

Recommendation: Staff recommends an appropriation of \$1,106,502 reappropriated funds from fees charged to State agencies for information technology services provided by OIT and 13.0 FTE for FY 2012-13. Staff's calculations are shown in the table below.

Office of Information Technology, Management and Administration of OIT, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$1,127,581	\$0	\$0	\$1,127,581	\$0	13.0
S.B. 11-076	(37,318)	0	0	(37,318)	0	0.0
Subtotal: FY 2011-12 Appropriation	1,090,263	0	0	1,090,263	0	13.0

Office of Information Technology, Management and Administration of OIT, Personal Services						
	Total	GF	CF	RF	FF	FTE
Restore FY 2011-12 PERA Reduction	37,318	0	0	37,318	0	0.0
Two Percent Personal Services Base Reduction	(21,079)	0	0	(21,079)	0	0.0
Recommended FY 2012-13 Appropriation	\$1,106,502	\$0	\$0	\$1,106,502	\$0	13.0

Operating Expenses

Description: The line item supports the programmatic operating expenses associated with OIT Administration.

Decision Item #10 – COFRAC Funding Request
<p><i>Request:</i> The FY 2012-13 budget request seeks an ongoing base increase of \$408,549 reappropriated funds to support the Colorado First Responder Authentication Credential (COFRAC). The moneys would be used for hardware, software, maintenance, and hosting costs associated with the development of a system to electronically validate the identity and attributes of individuals responding to emergency incidents.</p> <p><i>Recommendation:</i> Beginning in 2007, the Governor’s Office of Information Technology facilitated a statewide credentialing workgroup comprised of local, regional, and State agencies. The goal of the workgroup was to provide first responders with a solution for the problem of medical professionals, firefighters, and other public safety professionals deploying from other jurisdictions and not having interoperable credentials to validate their identity and qualifications. The workgroup determined that using the federal standard and smart card technology proved the most efficient, effective, and scalable solution to manage identities.</p> <p>Colorado tested the technology solution in 2009 as part of Federal Emergency Management Agency (FEMA) exercise. During this exercise, COFRAC was successful in providing interoperable identity management with State agencies, local agencies, and federal agencies, including the Department of Defense. According to the head of the Office of Emergency Management at Buckley Air Force Base:</p> <p>“Credentials provide a strong a trust model. On more than one occasion our emergency responders have augmented and have been augmented by off-base responders both real world and exercise events. Prior to the COFRAC card we did not have a system in place with high reliability by which we could vet responders.”</p> <p>Further, during the 2011 Operation Mountain Guardian exercise in Denver, COFRAC was used to track all personnel at the Park Meadows Mall site. The system worked as designed, and the intentional degradation of services caused no failures. Real-time incident data was pushed to a</p>

secure website, and shared to multiple emergency operations centers and to mobile phones with web browsers.

To date, much of the costs the Governor’s Office of Information Technology incurs in maintaining COFRAC have been covered by grants. Grant moneys are no longer available to support the system at the level required for hardware, software, maintenance, and hosting costs. As a result, the Office, in conjunction with COFRAC partners, has developed a plan to bill local agency and State agency COFRAC users for the needed costs. The table below summarizes the billing plan.

COFRAC Billing Plan		
Agency	Credentials	Allocation
Douglas County (Sheriff and Fire)	105	\$25,474
Adams County/Commerce City	99	24,018
Adams County/NW Fire	67	16,255
Adams County/Reg	2	485
Adams County SM Fire	2	485
Arapahoe County/Glendale	55	13,343
Arapahoe County/Aurora	9	2,183
Clear Creek County	89	21,592
Boulder County	967	234,600
City/County of Denver	2	485
Buckley Air Force Base	141	34,207
South Metro Fire	2	485
State Agencies	144	34,935
Total	1,684	\$408,547

Staff recommends the Committee approve the Office of the Governor’s request and appropriate \$408,549 reappropriated funds collected from local agencies and State agencies to support COFRAC’s annual hardware, software, maintenance, and hosting costs. State agencies and local entities have invested millions of dollars to develop an identity management and credentialing system that meets federal standards, local needs, and provides flexibility to expand to other uses in the future.

Request: The Office of the Governor requests an appropriation of \$558,817 reappropriated funds for FY 2012-13. The request consists of \$150,268 reappropriated funds as a continuation appropriation from FY 2011-12 and \$408,549 for the decision item detailed above.

Recommendation: **Staff recommends and appropriation of \$558,817 reappropriated funds.**

Statewide IT Management

Description: As a result of the information technology consolidation implemented pursuant to S.B. 08–155, OIT required an adequate support staff to facilitate effective implementation of the legislation and central management of the enterprise including oversight, control and management associated with procurement, accounting, budgeting, project management, human resources and other necessary oversight and back-office functions. This Statewide IT

management function directly supports the State CIO and State agencies, and is supported through allocated billings to state agencies. The appropriation for this line item includes both personal services and operating expenses.

Staffing Summary - Management and Administration of OIT, Statewide IT Management				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Unit Director	1.4	1.0	1.0	1.0
Program Administrator	0.2	1.0	1.0	1.0
Help Desk Coordinator	0.3	0.0	0.0	0.0
Director Computer Center	1.0	1.0	1.0	1.0
Administrative Assistant	4.5	5.0	5.0	5.0
Application Programmer	1.0	1.0	1.0	1.0
IT Professionals	15.4	19.0	19.0	19.0
Technicians	3.7	6.0	6.0	6.0
Program Assistants	6.2	7.0	7.0	7.0
General Professionals	14.2	21.9	21.9	21.9
Management	0.9	0.0	0.0	0.0
Accountants	2.2	2.0	2.0	2.0
Controller	0.0	1.0	1.0	1.0
Budget/Policy Analyst	4.0	3.0	3.0	3.0
Total	55.0	68.9	68.9	68.9

Request: The Office of the Governor requests an appropriation of \$5,233,061 reappropriated funds and 68.9 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment.

Recommendation: Staff recommends an appropriation of \$5,133,551 reappropriated funds and 68.9 FTE for FY 2012-13. Calculations for the recommendation are found in the table below.

Office of Information Technology, Management and Administration of OIT, Statewide IT Management						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$5,233,061	\$0	\$0	\$5,233,061	\$0	68.9
S.B. 11-076	(141,708)	0	0	(141,708)	0	0.0
Subtotal: FY 2011-12 Appropriation	5,091,353	0	0	5,091,353	0	68.9
Restore FY 2011-12 PERA Reduction	141,708	0	0	141,708	0	0.0
Two Percent Personal Services Base Reduction	(99,510)	0	0	(99,510)	0	0.0
Recommended FY 2012-13 Appropriation	\$5,133,551	\$0	\$0	\$5,133,551	\$0	68.9

Legal Services

Description: Legal representation for OIT is provided by the Department of Law. This line item pays for those services. The appropriation is based on the blended hourly rate, as set by the Committee every year, and the number of hours a department requires.

Decision Item #8 – OIT Legal Services Spending Authority Increase

Request: The FY 2012-13 budget request seeks 463 additional hours of legal services from the Department of Law to align appropriations with actual expenditures occurring in FY 2009-10 and FY 2010-11.

Recommendation: Given the size and complexity associated with the consolidation of State information technology resources, **staff recommends that the Office's legal services request be funded for FY 2012-13.**

Request: The Office of the Governor requests funding in the amount of \$37,022 reappropriated funds to purchase legal services from the Department of Law. The request consists of \$1,968 reappropriated funds to purchase 26 hours of legal services as a continuation from FY 2011-12 and \$35,054 reappropriated funds to purchase 463 hours of legal services as detailed in the decision item above.

Recommendation: **Staff recommends the purchase of 489 hours of legal services from the Department of Law for FY 2012-13.** Staff requests permission to adjust the dollar amount of the line item after the Committee has determined the hourly rate for legal services.

Indirect Cost Assessment

Description: The appropriation provides funds for the unit's portion of Statewide indirect cost collections.

Request: The Office of the Governor requests an appropriation of \$80,935 reappropriated funds for FY 2012-13. Note, the FY 2011-12 Statewide indirect cost plan approved by the Committee allowed the unit to collect \$12,373 in recoverable indirect costs.

Recommendation: **Staff recommends an appropriation of \$80,935 reappropriated funds for FY 2012-13.** Staff's recommendation is consistent with the Committee's action on the Statewide indirect cost allocation common policy.

(B) Computer Center Services

(1) Computer Services

The Computing Services Unit is responsible for management and delivery of computing infrastructure to participating customer agencies through the operation of the state's central data

center (sometimes known as the General Government Computer Center or GGCC). The computing infrastructure includes database, application and web servers for several departments, as well as the state's general mainframe computer and tape, disk and printing resources for mainframe and server environments. Computing Services also manages the operating system, transaction processing scheduling and systems management software associated with these resources.

Personal Services

Description: The line item, and the associated appropriations of FTE and personal services funding, support staff and management functions.

Staffing Summary - Computer Center Services, Computer Services, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Senior IT Associate	0.3	1.0	1.0	1.0
Assistant Deputy Director	0.0	1.0	1.0	1.0
Help Desk Coordinator	0.8	1.0	1.0	1.0
Technicians	1.0	1.0	1.0	1.0
Materials Handler	1.0	1.0	1.0	1.0
Computer Operator	13.9	13.0	13.0	13.0
Customer Support	28.3	27.0	27.0	27.0
Administrative Assistant	0.5	1.0	1.0	1.0
Application Programmer	5.0	5.0	5.0	5.0
IT Professionals	471.1	502.3	502.3	502.3
Program Assistants	3.0	1.0	1.0	1.0
General Professionals	13.3	12.0	12.0	12.0
Management	1.2	0.0	0.0	0.0
Budget Analyst	1.0	0.0	0.0	0.0
Scientist	0.9	1.0	1.0	1.0
Electronics Specialist	2.0	1.0	1.0	1.0
Total	543.3	568.3	568.3	568.3

Request: The Office of the Governor requests an appropriation \$44,424,962 reappropriated funds and 568.3 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment, as well as numerous other annualizations of prior year legislation.

Recommendation: **Staff recommends an appropriation of \$43,577,059** reappropriated funds and 568.3 FTE for FY 2012-13. Staff's calculations for the recommendation are found in the table below.

Office of Information Technology, Computer Center Services, Computer Center, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$44,270,197	\$0	\$0	\$44,270,197	\$0	566.3

Office of Information Technology, Computer Center Services, Computer Center, Personal Services						
	Total	GF	CF	RF	FF	FTE
S.B. 11-037	2,960	0	0	2,960	0	0.0
S.B. 11-076	(985,764)	0	0	(985,764)	0	0.0
S.B. 11-102	29,600	0	0	29,600	0	0.0
S.B. 11-109	29,600	0	0	29,600	0	0.0
S.B. 11-169	23,680	0	0	23,680	0	0.0
S.B. 11-176	122,613	0	0	122,613	0	2.0
S.B. 11-184	20,720	0	0	20,720	0	0.0
S.B. 11-197	2,960	0	0	2,960	0	0.0
H.B. 11-1002	54,538	0	0	54,538	0	0.0
H.B. 11-1004	22,200	0	0	22,200	0	0.0
H.B. 11-1043	7,696	0	0	7,696	0	0.0
H.B. 11-1071	29,600	0	0	29,600	0	0.0
H.B. 11-1097	29,600	0	0	29,600	0	0.0
H.B. 11-1157	592	0	0	592	0	0.0
H.B. 11-1163	740	0	0	740	0	0.0
H.B. 11-1166	2,960	0	0	2,960	0	0.0
H.B. 11-1216	2,960	0	0	2,960	0	0.0
H.B. 11-1234	10,952	0	0	10,952	0	0.0
H.B. 11-1295	29,600	0	0	29,600	0	0.0
H.B. 11-1298	2,960	0	0	2,960	0	0.0
H.B. 11-1316	6,660	0	0	6,660	0	0.0
Subtotal: FY 2011-12 Appropriation	43,717,624	0	0	43,717,624	0	568.3
Restore FY 2011-12 PERA Reduction	985,764	0	0	985,764	0	0.0
Two Percent Personal Services Base Reduction	(847,903)	0	0	(847,903)	0	0.0
Annualize Prior Year Legislation	(278,426)	0	0	(278,426)	0	0.0
Recommended FY 2012-13 Appropriation	\$43,577,059	\$0	\$0	\$43,577,059	\$0	568.3

Operating Expenses

Description: The appropriation supports the operating expenses associated with the Computer Services unit.

Decision Item #1 - OIT Leased Space Expansion

The analysis for Decision Item #1 is found in the Governor's Office section of this document.

Decision Item #9 – OIT and DPA Electronic Data Warehouse Transfer

Request: The FY 2012-13 budget request includes a budget neutral action to transfer the appropriations and costs associated with the ongoing licensing, maintenance, and support of the Electronic Data Warehouse from the Department of Personnel and Administration to the Governor's Office of Information Technology. The request increases appropriations in the Governor's Office of Information Technology by \$94,922 reappropriated funds and decreases appropriations in the Department of Personnel and Administration by \$94,922 reappropriated funds

Recommendation: The Governor's Office of Information Technology has captured the enterprise costs associated with the Electronic Data Warehouse as part of its common policy billing structure. The software license and maintenance costs, however, remained in the Department of Personnel and Administration. If the request is not funded, the Department of Personnel and Administration would be required to continue to pay the software license and maintenance costs even though the service provision and all other costs associated with the Electronic Data Warehouse are provided by the Governor's Office of Information Technology. Staff recommends the Committee appropriate \$94,922 reappropriated funds to the Governor's Office of Information Technology for FY 2012-13 and reduce the Department of Personnel and Administration's FY 2012-13 appropriation by \$94,922 reappropriated funds.

Request: The Office of the Governor requests an appropriation of \$5,754,871 total funds for FY 2011-12. The request consists of \$2,328 cash funds paid by various local governments and \$5,752,543 reappropriated funds. The request includes the two decision items detailed above.

Recommendation: **Staff recommends an appropriation of \$6,254,871 total funds for FY 2012-13.** Staff's recommendation consists of \$2,328 cash funds and \$6,252,543 reappropriated funds. Staff's recommendation includes \$500,000 reappropriated funds added during the FY 2011-12 supplemental process to correct a staff technical error contained in the FY 2011-12 Long Bill appropriation.

Rental, Lease, or Lease/Purchase of Central Processing Unit

Description: This line item funds the mainframe computer located at 690 Kipling Street in Lakewood.

Request: The Office of the Governor requests continuation level funding of \$336,034 reappropriated funds for FY 2011-12.

Recommendation: Staff recommends the Committee provide an appropriation for continuation level of funding of \$336,034 reappropriated funds for FY 2012-13.

Indirect Cost Assessment

Description: This line item reflects the Statewide indirect cost assessment plan prepared by the State Controller's Office and approved by the Committee.

Request: The Office of the Governor requests a continuation appropriation of \$165,321 reappropriated funds for FY 2012-13. Note, the FY 2011-12 Statewide indirect cost plan approved by the Committee allowed the unit to collect \$1,096,776 in recoverable indirect costs.

Recommendation: Staff recommends an appropriation of \$165,321 reappropriated funds for FY 2012-13, consistent with the Committee's action on the Statewide indirect costs common policy.

(2) Statewide Information Technology Services Administration

This program coordinates the administrative functions associated with supporting the delivery of services to State agencies, including business analysis, rate setting, and operational strategy.

Personal Services

Description: This line item, and the associated appropriations of FTE and personal services funding, support staff and management functions for the Statewide Information Technology Services Administration unit.

Staffing Summary - Computer Center Services, Statewide Information Technology Services Administration Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Administrative Assistants	1.6	1.0	1.0	1.0
IT Professionals	2.0	1.0	1.0	1.0
Technicians	0.3	0.0	0.0	0.0
General Professionals	0.8	1.0	1.0	1.0
Management	0.3	0.0	0.0	0.0
Accountants	1.9	2.0	2.0	2.0
Total	6.9	5.0	5.0	5.0

Request: The Office of the Governor requests an appropriation of \$444,303 reappropriated funds and 5.0 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment

Recommendation: Staff recommends the Committee appropriate \$436,981 reappropriated funds and 5.0 FTE for FY 2011-12. Staff's calculations for the recommendation are shown in the table below.

Office of Information Technology, Computer Center Services, Statewide Information Technology Services Administration, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$444,303	\$0	\$0	\$444,303	\$0	5.0
S.B. 11-076	(7,465)	0	0	(7,465)	0	0.0
Subtotal: FY 2011-12 Appropriation	436,838	0	0	436,838	0	5.0
Restore FY 2011-12 PERA Reduction	7,465	0	0	7,465	0	0.0
Two Percent Personal Services Base Reduction	(7,322)	0	0	(7,322)	0	0.0
Recommended FY 2012-13 Appropriation	\$436,981	\$0	\$0	\$436,981	\$0	5.0

Operating Expenses

Description: This line item supports the operating expenses associated with the Administration unit.

Request: The Office of the Governor requests a continuation level appropriation of \$6,450 reappropriated funds for FY 2012-13.

Recommendation: **Staff recommends a continuation level of funding of \$6,450 reappropriated funds for FY 2012-13.**

(3) Customer Service

The Customer Services section functions as an advocate for OIT's network and computing services customers, and its purpose is to ensure the smooth delivery of information services to the customer in a timely manner. A service center function allows this unit to interface directly with the customer to resolve issues with the State's network, mainframe operations, application servers at the data center, and other services offered by OIT.

Personal Services

Description: This line item, and the associated appropriations of FTE and personal services funding, support staff and management functions for the Customer Services section.

Staffing Summary - Computer Center Services, Customer Service, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Computer Operators	1.0	1.0	1.0	1.0
Customer Support	8.0	7.0	7.0	7.0
IT Professionals	2.7	2.0	2.0	2.0
General Professionals	1.0	1.0	1.0	1.0
Total	12.7	11.0	11.0	11.0

Request: The Department requests a FY 2012-13 appropriation of \$840,574 reappropriated funds and 11.0 FTE. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment

Recommendation: **Staff recommends an appropriation of \$824,636 reappropriated funds and 11.0 FTE for FY 2011-12.** The calculations for the recommendation are found in the table below.

Office of Information Technology, Computer Center Services, Customer Service, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$840,574	\$0	\$0	\$840,574	\$0	11.0
S.B. 11-076	(19,145)	0	0	(19,145)	0	0.0
Subtotal: FY 2011-12 Appropriation	821,429	0	0	821,429	0	11.0
Restore FY 2011-12 PERA Reduction	19,145	0	0	19,145	0	0.0
Two Percent Personal Services Base Reduction	(15,938)	0	0	(15,938)	0	0.0
Recommended FY 2012-13 Appropriation	\$824,636	\$0	\$0	\$824,636	\$0	11.0

Operating Expenses

Description: This line item supports the operating expenses associated with the Customer Services section.

Request: The Office of the Governor requests a continuation level of funding appropriation of \$14,625 reappropriated funds for FY 2012-13.

Recommendation: **Staff recommends a continuation level of funding appropriation of \$14,625 reappropriated funds for FY 2012-13.**

(4) Technology Management Unit

The mission of the Technology Management Unit (TMU) is to provide application development and ongoing software support for the State's cross-departmental administrative systems. These applications include the Colorado Financial Reporting System (COFRS), the statewide Financial Data Warehouse (FDW), the statewide timekeeping system (Kronos), and human resource systems including the Applicant Data System (ADS), and the Colorado Payroll and Personnel System (CPPS).

Personal Services

Description: This line item, and associated FTE appropriations and personal services funds, support staff and management functions for the Technology Management Unit.

Staffing Summary - Computer Center Services, Technology Management Unit, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Customer Support	1.0	1.0	1.0	1.0
IT Professionals	28.9	29.5	29.5	29.5
Controller	0.6	2.0	2.0	2.0
Total	30.5	32.5	32.5	32.5

Request: The Office of the Governor requests an appropriation of \$2,886,684 reappropriated funds and 32.5 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment.

Recommendation: **Staff recommends an appropriation \$2,831,519 reappropriated funds and 32.5 FTE for FY 2012-13.** The calculations for the recommendation are found in the table below.

Office of Information Technology, Computer Center Services, Technology Management Unit, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (H.B. 11-209)	\$2,886,684	\$0	\$0	\$2,886,684	\$0	32.5
S.B. 11-076	(57,025)	0	0	(57,025)	0	0.0
Subtotal: FY 2011-12 Appropriation	2,829,659	0	0	2,829,659	0	32.5
Restore FY 2011-12 PERA Reduction	57,025	0	0	57,025	0	0.0
Two Percent Personal Services Base Reduction	(55,165)	0	0	(55,165)	0	0.0
Recommended FY 2012-13 Appropriation	\$2,831,519	\$0	\$0	\$2,831,519	\$0	32.5

Operating Expenses

Description: This line item supports the operating expenses associated with the Technology Management Unit.

Request: The Office of the Governor requests a continuation level appropriation of \$364,371 reappropriated funds in FY 2012-13.

Recommendation: **Staff recommends a continuation level appropriation of \$364,371 reappropriated funds in FY 2012-13.**

(C) Network Services

(1) Network Services

Network Services plans, coordinates, integrates and provides cost effective and efficient telecommunication capabilities to meet the business needs of its customers. Network Services provides a voice and data communication infrastructure, including the Multi-use Network (MNT), frame relay and ATM services. In addition, this work unit provides much of the voice communication needs for State agencies and a long distance contract that is utilized by all departments. The program is funded by user fees from State agencies and non-State agencies associated with billings for MNT and other telecommunications services.

Personal Services

Description: This line item, and the associated appropriations of FTE and personal services funding, support staff and management functions for Network Services.

Staffing Summary - Network Services, Network Services, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Senior IT Professionals	0.3	0.0	0.0	0.0
Program Administrators	0.8	2.0	2.0	2.0
Customer Support	1.0	0.0	0.0	0.0
Computer Operator	1.0	0.0	0.0	0.0
IT Technicians	6.9	7.0	7.0	7.0
IT Professionals	75.6	75.6	75.6	75.6
General Professionals	3.0	3.0	3.0	3.0
Management	0.7	0.0	0.0	0.0
Accountants	1.0	1.0	1.0	1.0
Electronics Engineer	1.0	1.0	1.0	1.0
Electronics Specialists	0.0	1.0	1.0	1.0
Total	91.3	90.6	90.6	90.6

Request: The Office of the Governor requests an appropriation of \$7,590,673 reappropriated funds and 90.6 FTE for FY 2011-12. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment.

Recommendation: Staff recommends an appropriation of \$7,445,539 reappropriated funds and 90.6 FTE for FY 2011-12. Calculations for the recommendation are found in the table below.

Office of Information Technology, Network Services, Network Services, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$7,590,673	\$0	\$0	\$7,590,673	\$0	90.6

Office of Information Technology, Network Services, Network Services, Personal Services						
	Total	GF	CF	RF	FF	FTE
S.B. 11-076	(134,855)	0	0	(134,855)	0	0.0
Subtotal: FY 2011-12 Appropriation	7,455,818	0	0	7,455,818	0	90.6
Restore FY 2011-12 PERA Reduction	134,855	0	0	134,855	0	0.0
Two Percent Personal Services Base Reduction	(145,134)	0	0	(145,134)	0	0.0
Recommended FY 2012-13 Appropriation	\$7,445,539	\$0	\$0	\$7,445,539	\$0	90.6

Operating Expenses

Description: The appropriation supports the operating expenses associated with the provision of network and telecommunications services, including MNT.

Decision Item #1 - OIT Leased Space Expansion
The analysis for Decision Item #1 is found in the Governor's Office section of this document.

Request: The Office of the Governor requests an appropriation of \$16,166,621 total funds for FY 2012-13. The request consists of \$1,200,000 cash funds from user fees paid by non-State agencies and \$14,966,621 reappropriated funds. The request includes a reduction of \$33,750 reappropriated funds per Decision Item #1.

Recommendation: **Staff recommends an appropriation of \$16,166,621 total funds for FY 2011-12.** The recommendation is comprised of \$1,200,000 cash funds and \$14,966,621 reappropriated funds.

Toll-free Telephone Access to Members of the General Assembly

Description: This line item funds toll-free access by citizens outside of the Denver metropolitan area to the General Assembly. The line is funded by General Fund dollars transferred from the legislative branch.

Request: The Office of the Governor requests a continuation level appropriation of \$25,000 reappropriated funds for FY 2012-13.

Recommendation: **Staff recommends a continuation level appropriation of \$25,000 reappropriated funds for FY 2012-13.**

Indirect Cost Assessment

Description: The appropriation reflects the statewide indirect cost assessment plan prepared by the State Controller's Office and approved by the Committee.

Request: The Office of the Governor requests an appropriation of \$15,637 reappropriated funds for FY 2012-13. Note, the FY 2011-12 Statewide indirect cost plan approved by the Committee allowed the unit to collect \$267,245 in recoverable indirect costs.

Recommendation: **Staff recommends an appropriation of \$15,637 reappropriated funds for FY 2012-13, consistent with the Committee's action on the common policy for Statewide indirect costs.**

(2) Order Billing

Order Billing staff process requests for voice, video, and data services for State and local government entities including, but not limited to providing business functions for service requests ranging from the purchase of State cell phones to the purchase of circuits and routers for State operations and are responsible for the collection of user charges for telecommunication services provided by OIT. In addition, staff provides the accounts payable and receivable functions for all activities associated with the management of the Telecommunications Revolving Fund

Personal Services

Description: This line item, and the associated appropriations of FTE and personal services funding, support staff and management functions for the Order Billing unit.

Staffing Summary - Network Services, Order Billing, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Business Dvpt Rep.	1.0	1.0	1.0	1.0
IT Professionals	2.0	2.0	2.0	2.0
Technicians	1.4	1.0	1.0	1.0
General Professionals	1.0	2.0	2.0	2.0
Accountants/Techs	1.0	1.0	1.0	1.0
Electronics Specialist	2.0	2.0	2.0	2.0
Total	8.4	9.0	9.0	9.0

Request: The Office of the Governor requests an appropriation of \$620,946 reappropriated funds and 9.0 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment.

Recommendation: **Staff recommends an appropriation of \$609,355 reappropriated funds and 9.0 FTE for FY 2012-13.** Calculations for the recommendation are found in the table below.

Office of Information Technology, Network Services, Order Billing, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$620,946	\$0	\$0	\$620,946	\$0	9.0
S.B. 11-076	(13,524)	0	0	(13,524)	0	0.0
Subtotal: FY 2011-12 Appropriation	607,422	0	0	607,422	0	9.0
Restore FY 2011-12 PERA Reduction	13,524	0	0	13,524	0	0.0
Two Percent Personal Services Base Reduction	(11,591)	0	0	(11,591)	0	0.0
Recommended FY 2012-13 Appropriation	\$609,355	\$0	\$0	\$609,355	\$0	9.0

Operating Expenses

Description: This line item supports the operating expenses associated with the Customer Services section.

Request: The Office of the Governor requests a continuation level appropriation of \$10,750 reappropriated funds for FY 2012-13.

Recommendation: Staff recommends a continuation level appropriation of \$10,750 reappropriated funds for FY 2012-13.

(D) Communication Services

Communications Services plans, coordinates, integrates and provides effective and efficient Statewide Public Safety networks for the Departments of Public Safety, Transportation, Corrections, Natural Resources and many other State and local government agencies. The unit also provides engineering and design services to State and local governments using land based, mobile and microwave technologies. The primary sources of funding for this unit are user charges associated with the Communications Services Common Policy and annual transfers per Long Bill annotation from the Public Safety Communications Trust fund.

Personal Services

Description: This line item and the associated appropriations of FTE and personal services funding support staff and management functions for the state's Digital Trunked Radio System (DTRS).

Staffing Summary - Communication Services, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Operations Manager	0.0	1.0	1.0	1.0
IT Professionals	5.0	5.0	5.0	5.0
Budget/Policy Analyst	1.0	1.0	1.0	1.0
Electronics Engineer	9.1	9.0	9.0	9.0
Electronics Specialist	26.3	30.0	30.0	30.0
Total	41.4	46.0	46.0	46.0

Request: The Department requests an appropriation of \$3,685,808 total funds and 46.0 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment.

Recommendation: **Staff recommends a total appropriation of 3,571,144 reappropriated funds and 46.0 FTE for FY 2012-13.** Calculations for the recommendation are shown in the table below.

Office of Information Technology, Communication Services, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$3,685,808	\$0	0	\$3,685,808	\$0	46.0
S.B. 11-076	(77,426)	0	0	(77,426)	0	0.0
Subtotal: FY 2011-12 Appropriation	3,608,382	0	0	3,608,382	0	46.0
Restore FY 2011-12 PERA Reduction	77,426	0	0	77,426	0	0.0
Two Percent Personal Services Base Reduction	(66,064)	0	0	(66,064)	0	0.0
Technical Correction	(48,600)	0	0	(48,600)	0	0.0
Recommended FY 2012-13 Appropriation	\$3,571,144	\$0	\$0	\$3,571,144	\$0	46.0

Operating Expenses

Description: This line item supports the operating expenses associated with the Communications Services section.

Request: The Office of the Governor requests a continuation level appropriation of \$183,231 total funds for FY 2012-13.

Recommendation: **Staff recommends a continuation level appropriation of \$183,231 total funds for FY 2012-13, including \$48,600 cash funds and \$134,631 reappropriated funds.** Staff's recommendation includes \$48,600 cash funds to capture moneys earned by OIT for services provided to Automated Weather Observation Systems, the Regional Transportation

District (RTD), the United States Bureau of Reclamation, and the Federal Aviation Administration.

Training

Description: The appropriation is for the on-going training of telecommunications staff and to comply with federal safety and occupational hazard regulations.

Request: The Office of the Governor requests a continuation level appropriation of \$22,000 reappropriated funds for FY 2012-13.

Recommendation: **Staff recommends a continuation level appropriation of \$22,000 reappropriated funds for FY 2012-13.**

Utilities

Description: The appropriation supports utilities costs associated with the provision of communications services to state agencies.

Request: The Office of the Governor requests a continuation level appropriation of \$165,002 reappropriated funds for FY 2012-13.

Recommendation: **Staff recommends a continuation level appropriation of \$165,002 reappropriated funds for FY 2012-13.**

Local Systems Development

Description: The appropriation supports preventative maintenance needs for local governments, state agencies, and the federal government associated with legacy radio systems, digital trunked radio, and microwave communication towers. The appropriation has been at a continuation level of \$121,000 (all federal funds) in recent fiscal years with the federal funds received from the National Oceanic and Atmospheric Administration (NOAA).

Request: The Office of the Governor requests a continuation funding level of appropriation of \$121,000 federal funds for FY 2012-13.

Recommendation: **Staff recommends continuation level appropriation of \$121,000 federal funds, shown for informational purposes only, for FY 2012-13.**

Indirect Cost Assessment

Description: The appropriation provides funds for Statewide indirect cost recoveries.

Request: The Office of the Governor requests an appropriation of \$52,596 reappropriated funds for FY 2012-13. Note, the FY 2011-12 Statewide indirect cost plan approved by the Committee allowed the unit to collect \$715,020 in recoverable indirect costs.

Recommendation: **Staff recommends an appropriation of \$52,596 reappropriated funds for FY 2012-13, consistent with the Committee's action on the common policy.**

(E) Colorado Benefits Management System

The Colorado Benefits Management System (CBMS) line item was added to OIT in FY 2010-11 to provide funding for the personal services, operating, and contract expenses associated with the technical operation of CBMS that is transferred from the Department of Human Services and the Department of Health Care Policy and Financing to OIT as part of the consolidation of Statewide information technology personnel in OIT.

CBMS is a collaborative effort between the Department of Human Services, the Department of Health Care Policy and Financing, and OIT to provide a tool to users to perform eligibility determination and benefits calculation across multiple public assistance and welfare programs. CBMS replaced several older, disparate information technology systems that supported State-funded social services programs.

CBMS provides services to the following DHS and HCPF funded initiatives:

- Aid To The Blind (AB);
- Aid To The Needy Disabled (AND);
- Adult Protective Services (APS);
- Colorado Works (CO Works);
- Food Assistance (SNAP);
- Old Age Pension (OAP);
- Child Health Plan Plus (CHP+);
- Colorado Indigent Care Program (CICP); and
- Medicaid.

Traditionally, the appropriation request for all cost components of CBMS has been considered during the staff figure setting presentation for the Department of Human Services’ Office of Information Technology Services. Due to the large appropriation impact that CBMS has on OIT, staff has included placeholder recommendations for the Committee to review during this staff figure setting presentation. The appropriation request and staff recommendations will be discussed in great detail during staff’s figure setting presentation for the Department of Human Services’ Office of Information Technology Services scheduled for March 15, 2012.

Personal Services

Description: The line item and associated appropriations of funding and FTE support staff and management functions for CBMS. Prior to FY 2011-12, the appropriation for personal services for CBMS was combined into one line item with CBMS operating expenses and contract costs. Beginning in FY 2011-12, the line item was separated from the CBMS operating expenses and contract costs to provide the legislature with greater oversight of the cost components of CBMS.

Staffing Summary - Colorado Benefits Management System, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
Program Administrator	1.0	1.0	1.0	1.0
Customer Support	5.0	5.0	5.0	5.0

Staffing Summary - Colorado Benefits Management System, Personal Services				
Position	FY 2010-11 Actual	FY 2011-12 Appropriated	FY 2012-13 Requested	FY 2012-13 Rec'd
IT Professionals	24.4	25.5	25.5	25.5
General Professionals	22.5	27.0	27.0	27.0
Total	52.9	58.5	58.5	58.5

Request: The Office of the Governor requests an appropriation of \$4,592,223 reappropriated funds and 58.5 FTE for FY 2012-13. The request includes the restoration of the 2.5 percent reduction in personal services due to the Public Employees Retirement Association (PERA) adjustment.

Recommendation: Staff recommends a placeholder appropriation of \$4,504,411 reappropriated funds transferred from the Department of Human Services and the Department of Health Care Policy and Financing and 58.5 FTE for FY 2012-13. As discussed above, all appropriation requests related to CBMS will be considered during staff's figure setting presentation for the Department of Human Services' Office of Information Technology Services scheduled for March 15, 2012. Calculations for the placeholder recommendation are shown in the table below.

Office of Information Technology, Colorado Benefits Management System, Personal Services						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$4,592,223	\$0	0	\$4,592,223	\$0	58.5
S.B. 11-076	(91,706)	0	0	(91,706)	0	0.0
Subtotal: FY 2011-12 Appropriation	4,500,517	0	0	4,500,517	0	58.5
Restore FY 2011-12 PERA Reduction	91,706	0	0	91,706	0	0.0
Two Percent Personal Services Base Reduction	(87,812)	0	0	(87,812)	0	0.0
Recommended FY 2012-13 Appropriation	\$4,504,411	\$0	\$0	\$4,504,411	\$0	58.5

Operating and Contract Expenses

Description: The line item provides funding for the operating expenses and contract costs associated with the operation of CBMS. Prior to FY 2011-12, the appropriation for operating expenses and contract costs for CBMS was combined into one line item with CBMS personal services costs. Beginning in FY 2011-12, the line item was separated from the CBMS personal services costs to provide the legislature with greater oversight of the cost components of CBMS.

Request: The Office of the Governor requests an appropriation of \$20,340,928 reappropriated funds transferred from the Department of Human Services and the Department of Health Care

Policy and Financing for FY 2012-13. The request represents a decrease of \$132,841 over the FY 2011-12 appropriation.

Recommendation: Staff recommends a placeholder appropriation of \$20,340,928 reappropriated funds transferred from the Department of Human Services and the Department of Health Care Policy and Financing for FY 2012-13. As discussed above, all appropriation requests related to CBMS will be considered during staff's figure setting presentation for the Department of Human Services' Office of Information Technology Services scheduled for March 15, 2012.

Office of Information Technology, Colorado Benefits Management System, Operating Expenses and Contract Costs						
	Total	GF	CF	RF	FF	FTE
FY 2011-12 Long Bill Appropriation (S.B. 11-209)	\$19,007,729	\$0	0	\$19,007,729	\$0	0.0
FY 2011-12 Supplemental Adjustments (H.B. 12-1183)	1,466,040	0	0	1,466,040	0	0.0
Subtotal: FY 2011-12 Appropriation	20,473,769	0	0	20,473,769	0	0.0
CBMS Electronic Document Management System (NPI)	1,257,600	0	0	1,257,600	0	0.0
S.B. 10-061 (Medicaid Payments for Inpatient Care)	402,480	0	0	402,480	0	0.0
S.B. 11-008 (Medicaid Eligibility for Children)	69,440	0	0	69,440	0	0.0
S.B. 11-250 (Eligibility for Pregnant Women)	69,440	0	0	69,440	0	0.0
Restoration of Five Percent Operating Expenses Reduction	58,227	0	0	58,227	0	0.0
CBMS Hospital Provider Fee Admin True-up (NPI)	14,040	0	0	14,040	0	0.0
Annualization of FY 2011-12 Supplemental Adjustments	(1,466,040)	0	0	(1,466,040)	0	0.0
H.B. 09-1293 (Hospital Provider Fee)	(224,756)	0	0	(224,756)	0	0.0
Annualization of Compliance Decision Item from 2011	(214,920)	0	0	(214,920)	0	0.0
OIT Leased Space Expansion (DI #1)	(58,000)	0	0	(58,000)	0	0.0
Annualization of CHP+ Program Reductions Decision Item from 2011	(40,352)	0	0	(40,352)	0	0.0

Office of Information Technology, Colorado Benefits Management System, Operating Expenses and Contract Costs						
	Total	GF	CF	RF	FF	FTE
Recommended FY 2012-13 Appropriation	\$20,340,928	\$0	\$0	\$20,340,928	\$0	0.0

(F) Office of the Chief Information Security Officer

The Office of the Chief Information Security Officer (CISOs), often referred to as the Office of Cyber Security (OCS), was created in 2006 via H.B. 06-1157 (Coleman/May R.), and is tasked with enterprise-wide information technology related cyber security functions including assessment, monitoring and process implementation. In addition, the OCS develops information security policies, standards, and guidelines for public agencies and deploys risk mitigation strategies, processes and procedures.

Program Costs

Description: This line item supports both the personal services and operating needs of the Office of Cyber Security.

Request: The Office of the Governor did not request funds for this line item for FY 2012-13 consistent with the FY 2011-12 Long Bill appropriation. The line item traditionally received an appropriation of \$2.4 million reappropriated funds each fiscal year, however, OIT never billed agencies for this amount. Instead, OIT has used federal flexible funds and absorbed the costs of the Program through other common policy billings due to a decrease in overall State revenue. For several years, the line item contained an empty appropriation. OIT had spending authority for the program, but did not have a revenue source.

Recommendation: Staff recommended eliminating the line item, and its “empty” spending authority in FY 2011-12. As a result, staff recommends the Committee not fund this line item in FY 2012-13.

**FY 2012-13 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE
JBC Working Document: Decisions Subject to Change**

OFFICE OF THE GOVERNOR

Long Bill Footnotes

Staff recommends the following footnote be continued.

Governor - Lieutenant Governor - State Planning and Budgeting, Office of Information Technology, Colorado Benefits Management System -- It is the intent of the General Assembly that any system changes to the Colorado Benefits Management System that result from legislation enacted to reduce State expenditures be prioritized to ensure that the State savings noted in the Legislative Council Staff Fiscal Note can be achieved within the time frames specified, to the extent possible.

Requests for Information

Staff recommends that the following request be added.

Governor - Lieutenant Governor - State Planning and Budgeting, Economic Development Programs, Colorado Office of Film, Television, and Media – The Department is requested to submit an annual report to the Joint Budget Committee by October 15 of each year. At a minimum, the report shall specify the following information with regard to the performance-based incentives provided to entities under the program during the preceding and current fiscal year: (1) name of entity receiving (or scheduled to receive) a performance-based incentive; (2) dollar amount of incentive received by entity (or scheduled to be received); and (3) an estimate of the total direct taxes, total indirect taxes, and any other fee-based revenue, such as loan guarantee program fees, generated from the provision of each performance-based incentive (or scheduled provision of a performance-based incentive).

Staff recommends that the following request be continued.

Governor - Lieutenant Governor - State Planning and Budgeting, Office of the Governor, Governor's Energy Office -- Senate Bill 07-246 requires a post-enactment review be conducted to determine the Department's efficacy in implementing the desired result and benefit of the act to advance energy efficiency and renewable energy throughout the state. The Department is requested to submit an annual report by November 1 of each year to the Joint Budget Committee on the status of the Department's efficacy in implementing the desired result and benefit of the provisions of S.B. 07-246. At a minimum, the report should include a narrative overview of the programs implemented with descriptions of each and should itemize how the moneys appropriated

have been applied, by program, to advance energy efficiency and renewable energy throughout the state.

Staff recommends that the following request be continued.

Governor - Lieutenant Governor - State Planning and Budgeting, Economic Development Programs, Bioscience Discovery Evaluation -- The Department is requested to submit an annual report to the Joint Budget Committee by November 1 of each year. At a minimum, the report shall specify the following information with regard to the bioscience research projects that received funding under the program during the preceding fiscal year: (1) the amount of funding distributed to each bioscience research project and a description of each bioscience research project; (2) the manner in which each bioscience research project applied the funding received under the program; and (3) the results achieved by each bioscience research project, including identifiable monetary returns to the grantee and others since the receipt of the grant.