OFFICE OF THE GOVERNOR
FY 2013-14 JOINT BUDGET COMMITTEE HEARING AGENDA

Thursday, January 3, 2013
3:00 pm – 5:00 pm

3:00-3:15 INTRODUCTIONS AND OPENING COMMENTS

3:15-3:20 QUESTIONS COMMON TO ALL DEPARTMENTS

1. The JBC occasionally hears complaints that base personal services reductions to capture vacancy savings result in more vacancy savings as managers reduce staff to absorb the reduction and then still experience turnover. Some departments refer to this as the "death spiral." Has your department experienced this problem? How does your department attempt to minimize and avoid the "death spiral?"

3:20-4:10 OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

Leased Space

2. Requesting funds in a public forum for an anticipated increase in leased space costs provides the building owner with an advantage during negotiations. Please describe the strategies you plan to employ for balancing the need for a public hearing to request funds with the demands of private negotiations concerning the price per square foot for leased space.

Bioscience Discovery Evaluation Grant Program

3. Please provide an analysis of the bioscience industry that shows how State moneys invested in the industry have been leveraged to support economic development, including job growth.

4. Does the bioscience industry in Colorado have the capacity to expand if the Bioscience Discovery Evaluation Grant Program receives additional State funding in FY 2013-14?

Clean Technology Discovery Evaluation Grant Program

5. Please provide an analysis of the clean technology industry that shows how State moneys invested in the industry can be leveraged to support economic development, including job growth.

6. Please describe how the Clean Technology Discovery Evaluation Grant Program will be implemented. Include a list of potential research institutions and types of companies that would benefit from the Program.

Economic Development Commission New Jobs Incentives

7. Please provide a complete list of companies that have received new jobs incentives funding in FY 2011-12 and FY 2012-13 (to date). Include the name of the company, incentive provided, number of jobs created, and average annual wage of the jobs.

8. Does the Economic Development Commission have any requirements in the new jobs incentives program to incent companies to hire graduates from Colorado-based institutes of higher education?

9. Does the Economic Development Commission have any requirements in the new jobs incentives program to incent companies to hire Colorado residents?

Film Incentives

10. The film incentives program received an appropriation of $3.0 million for FY 2012-13. Has the Colorado Office of Film, Television, and Media invested any of these funds in the loan guarantee program?

11. Is it envisioned that the Colorado Office of Film, Television, and Media's loan guarantee program will eventually generate revenue for the Office to invest in film incentives?

Colorado Tourism Office

12. What level of State funding was invested in efforts to attract direct flights to Denver International Airport from Japan and Mexico?

13. How does the Colorado Tourism Office track the number of international residents traveling to Colorado as a result of direct flights?

14. Do data indicate that direct flights to international destinations are bringing as many international travelers to Colorado as those international destinations are receiving from Colorado?

4:10-5:00 GOVERNOR'S OFFICE OF INFORMATION TECHNOLOGY

Colorado Benefits Management System (CBMS)

15. As required by statute, the Governor's Office of Information Technology must provide the Committee with a quarterly report on the status of the Colorado Benefits Management System (CBMS) modernization project. The November 30, 2012 quarterly report indicates that six projects are currently flagged as "yellow," including one project that is over budget. Please briefly describe the status of each of the six "yellow" projects.

16. Please describe the CBMS modernization projects that are coming in ahead of schedule and under cost.

Google Apps for Government

17. Please describe the Office of Information Technology's implementation of Google Apps for Government (with an emphasis on email). Include challenges, user satisfaction, and anticipated cost savings.

Digital Trunked Radio System

18. Please provide an update on the Consolidated Communications System Authority. Include the membership roster and meetings conducted and scheduled for the future.

19. The Governor's FY 2013-14 budget request did not address the software, microwave infrastructure, and tower infrastructure needs cited in CDX Wireless, Inc.'s report to the Consolidated Communications System Authority. Please identify the Office of Information Technology's plan for addressing these system needs.

20. Does the Consolidated Communications System Authority have an opinion on the software, microwave infrastructure, and tower infrastructure needs of the system?

21. Is there a plan to eventually migrate the Digital Trunked Radio System from microwave technology to fiber optic lines or some other technology? If so, please identify the technologies discussed and the implementation timeframe.

22. Does the Digital Trunked Radio System currently leverage the Colorado Department of Transportation's fiber optic lines?

Medicaid Management Information System Reprocurement

23. Please describe the roles and responsibilities of the Department of Health Care Policy and Financing and the Governor's Office of Information Technology in the reprocurement of MMIS and the overall management of MMIS during the implementation and operational phases.

24. Do federal regulations and/or rules exist that would preclude the Governor's Office of Information Technology from participating in the reprocurement of MMIS and the overall management of MMIS during the implementation and operational phases? If so, please discuss the exact federal rules and regulations that govern the participation of agencies outside of the Department of Health Care Policy and Financing in MMIS implementation and operation.

25. Please explain the certification process. Is the current MMIS vendor certified? If so, what advantages does this bring to the process? If not, how does this detract from the process?

26. The State Controller reviews high risk contracts. Is the State Controller planning to review the MMIS contracts associated with the reprocurement?

27. Senate Bill 12-096 (Lambert/Levy) dictates that the Governor's Office of Information Technology has authority to review existing information technology contracts and negotiate contract amendments through June 30, 2014. Additionally, amendments to existing contracts are exempted from the requirements of the procurement code during that time period. Is the MMIS reprocurement eligible for review under this statutory authority?

28. The State Auditor's Office has several outstanding recommendations related to MMIS deficiencies. Will the MMIS reprocurement address the deficiencies?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. The Joint Budget Committee has recently reviewed the State Auditor's Office *Annual Report of Audit Recommendations Not Fully Implemented* (October 2012). If this report identifies any recommendations for the Department that have not yet been fully implemented and that fall within the following categories, please provide an update on the implementation status and the reason for any delay.

   a. Financial audit recommendations classified as material weaknesses or significant deficiencies;
   b. Financial, information technology, and performance audit recommendations that have been outstanding for three or more years.

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1. The JBC occasionally hears complaints that base personal services reductions to capture vacancy savings result in more vacancy savings as managers reduce staff to absorb the reduction and then still experience turnover. Some departments refer to this as the "death spiral." Has your department experienced this problem? How does your department attempt to minimize and avoid the "death spiral?"

   Response: The Governor's Office has not experienced the "death spiral" problem. We have not experienced more vacancies as a result of personal services reductions that have been applied to personal services appropriations.

3:20-4:10 OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

Leased Space

2. Requesting funds in a public forum for an anticipated increase in leased space costs provides the building owner with an advantage during negotiations. Please describe the strategies you plan to employ for balancing the need for a public hearing to request funds with the demands of private negotiations concerning the price per square foot for leased space.

   OEDIT Response: We agree that this is a potential problem. As a result, we moved quickly through lease negotiations so we could be in a position to finalize an amendment prior to public hearings. Our November 1 budget request represented initial figures from our landlord. However, we were successful in negotiating a better rate and thus our budget request for FY 2013-14 will be reduced. We will work with your staff to ensure that the correct amount is reflected during figure setting.

Bioscience Discovery Evaluation Grant Program

3. Please provide an analysis of the bioscience industry that shows how State moneys invested in the industry have been leveraged to support economic development, including job growth.

   OEDIT Response: A total of $24 million and 203 grants have been awarded under the program at the end of FY 2011-12. Program successes include the creation of 37 new Colorado companies and the direct creation of 309 jobs. In addition, leveraging matching funds for technology advancement has created an additional $95 million in capital investments.

4. Does the bioscience industry in Colorado have the capacity to expand if the Bioscience Discovery Evaluation Grant Program receives additional State funding in FY 2013-14?

   OEDIT Response: Yes, based on current demand, the bioscience community does have capacity to expand by using the additional S.B. 11-047 funding.

Clean Technology Discovery Evaluation Grant Program

5. Please provide an analysis of the clean technology industry that shows how State moneys invested in the industry can be leveraged to support economic development, including job growth.

   OEDIT Response: The program was approved in FY 2008-09, but has not been funded. It is our position that the legislation was passed based on industry need, and the industry is still one with significant growth potential that draws on the expertise and innovation coming out of Colorado research institutions.

   According to the Metro Denver EDC's 2012 *Resource Rich Colorado Report* the cleantech sector's five-year job growth rate in Colorado (2007-2012) was 40.3 percent, compared 13.8 percent nationwide. Additionally, the cleantech sector directly employed 21,950 people at 1,940 firms across the state in 2012.

   Much of the growth noted above comes from cleantech companies attracted to Colorado because of strengths within the state's research institutions. However, little of the noted job growth is based on commercialization of Colorado-based university intellectual property, which minimizes the returns available to the state. And, without these proof of concept, seed and infrastructure grants, Colorado is set up to lose valuable human capital when graduate students interested in starting companies based on their research are offered financial support from other states like California and Massachusetts.

   Colorado's research institutions already have existing although minimally funded tech transfer offices. Colorado's taxpayers are currently partially funding cleantech R & D but almost no funding goes into commercializing this into private sector companies. Therefore Colorado loses out on new potential start-up companies every year. For every dollar invested in R & D, less than half a cent goes towards commercialization. It is our strong belief that a fully funded Cleantech Grant Program will help leverage the existing tech transfer programs to continue to build upon the success in the cleantech sector by creating more companies and creating more innovative high paying jobs.

   Several recent in-depth studies have shown a lack of private/public funding (seed, angel, venture) for new technologies being developed in Colorado's research institutions including the 2011 *Colorado Blueprint Report* and the 2010 *Colorado Cleantech Action Plan*.

The Colorado Energy Research Collaboratory (formerly the Colorado Renewable Energy Collaboratory) has a phenomenal track record of leveraging public sector funds with private sector investment. In 2006, the Collaboratory received $6 million in funding ($2 million/yr for three years) and has leveraged this into $37.7 million in further private sector research funding.

6. Please describe how the Clean Technology Discovery Evaluation Grant Program will be implemented. Include a list of potential research institutions and types of companies that would benefit from the Program.

   OEDIT Response: The Clean Technology Discovery Evaluation Grant Program statutes read much like the Bioscience program, so it is anticipated that the program would run similarly. Section 24-48.5-111, C.R.S. dictates the grant program would be managed through OEDIT and provides at least 25% to university tech transfer offices, 25% to early stage companies with the remaining amounts to build and maintain infrastructure that supports cleantech commercialization.

   Potential, eligible research institutions are University of Colorado (CU), Colorado State University (CSU), Colorado School of Mines (Mines) and University of Denver (DU). The Colorado Energy Research Collaboratory would be a potential infrastructure grantee and already has existing sector specific centers housed in research institutions and a strong record of leveraging public investment with private sector opportunities. Existing companies that would fit program definitions include Ion Engineering (CU), OPX Biotechnologies (CU), Sundrop Fuels (CU), EcoVapor (Mines), a methane control company, Prieto Battery (CSU), an energy storage company, and Solix Biofuels (CSU).

<u>Economic Development Commission New Jobs Incentives</u>

7. Please provide a complete list of companies that have received new jobs incentives funding in FY 2011-12 and FY 2012-13 (to date). Include the name of the company, incentive provided, number of jobs created, and average annual wage of the jobs.

   OEDIT Response:

   Job Growth Tax Incentive Credit Program

   For the Job Growth Incentive Tax Incentive program, in FY 2011-12 and FY 2012-13, potential tax credits of $50,122,747 were conditionally approved by the Economic Development Commission. This amount is based on 5,302 projected jobs created for an average annual salary of $76,713. Final approval is based on a completed contract and tax credits are not granted until jobs are created and maintained for one year. Please see table below for specific companies receiving the conditional approval.

Job Growth Tax Incentive Credit Projects

Name	Maximum Conditional Tax Credit Amount	Projected Jobs Created	Projected Annual Average Wage
Community Power Corp	$ 432,328	45	$ 68,687
Surrey Satellite	$ 686,268	70	$ 110,737
Finish Line USA Inc.	$ 875,031	98	$ 74,899
Project Knowledge	$ 5,670,731	406	$ 104,903
Project FS	$ 5,385,600	550	$ 66,847
Data Logic	$ 4,095,798	322	$ 126,212
Charles Schwab - Douglas CO	$ 3,730,602	480	$ 68,756
Woodward	$ 7,262,943	971	$ 76,824
Raymond James	$ 296,268	24	$ 57,876
Digital Risk	$ 1,007,524	100	$ 65,030
IHS	$ 1,625,625	185	$ 85,000
Blockbuster	$ 2,452,461	150	$ 93,257
Advanced Circuits Inc.	$ 521,688	90	$ 47,272
Comcast Corporation	$ 466,371	28	$ 91,679
Cummins Rocky Mountain	$ 853,935	73	$ 67,206
PTI USA Manufacturing	$ 2,205,847	249	$ 46,321
Arrow Electronics	$ 11,417,912	1,250	$ 79,602
Bal Seal	$ 1,135,815	211	$ 49,725
Total	**$ 50,122,747**	**5,302**	**$ 76,713**

Strategic Fund Program

The Economic Development Council has conditionally approved $6,869,475 in cash incentives from The Strategic Fund in FY 2011-12 and FY 2012-13. This amount is based on creating 2,841 jobs at an aggregate average salary of $67,949. Final approval is granted based on a completed application and executed contract. Cash distributions are not made until jobs are created and maintained for at least one year. Please see table below for specific companies.

Strategic Fund Projects

Name	Maximum Conditional Amount	Project Jobs Created	Projected Annual Average Wage
On Deck Capital	$ 500,000	200	$ 63,228
Project Heat	$ 2,019,500	577	$ 89,931
Niagara Bottling	$ 38,000	38	$ 44,559

Name	Maximum Conditional Amount		Project Jobs Created	Projected Annual Average Wage	
WH Pacific	$	280,000	56	$	99,500
Win Wholesale	$	55,000	52	$	46,447
Hitachi	$	640,000	300	$	70,000
Avago	$	230,000	92	$	49,783
DaVita	$	119,209	58	$	58,257
Cooper Controls (Lighting)	$	321,000	321	$	41,272
Entegris, Inc.	$	109,266	63	$	36,098
The Coleman Company	$	370,000	74	$	118,000
JBS	$	1,000,000	200	$	70,682
Siemens	$	250,000	60	$	98,533
Sisters of Charity	$	937,500	750	$	65,000
Total	**$**	**6,869,475**	**2,841**	**$**	**67,949**

8. Does the Economic Development Commission have any requirements in the new jobs incentives program to incent companies to hire graduates from Colorado-based institutes of higher education?

   OEDIT Response: Colorado attracts a highly educated, professional global workforce which is a competitive advantage in attracting companies to our state. OEDIT works with Colorado-based institutions of higher education to ensure their students are trained to meet the needs of existing Colorado industries and that such students have access to jobs from Colorado-based companies.

9. Does the Economic Development Commission have any requirements in the new jobs incentives program to incent companies to hire Colorado residents?

   OEDIT Response: There are no requirements in the new job incentive programs to hire Colorado residents; however, companies that locate or expand in Colorado do create job opportunities for Colorado residents.

<u>Film Incentives</u>

10. The film incentives program received an appropriation of $3.0 million for FY 2012-13. Has the Colorado Office of Film, Television, and Media invested any of these funds in the loan guarantee program?

    OEDIT Response: The program began July 1, 2012 and to date, no loan guarantees have been granted. However, there are several companies we are currently working with who have expressed interest in the loan guarantee program. In addition to the loan guarantee, the Office of Film, Television, and Media (OFTM) offers a 20% rebate on authorized Colorado expenditures. To make Colorado competitive with other states, we are currently offering between 5 and 10% loan guarantees in addition to the 20% rebate. For example, New Mexico and Utah are offering a 25% rebate and Georgia is offering a 30% rebate.

11. Is it envisioned that the Colorado Office of Film, Television, and Media's loan guarantee program will eventually generate revenue for the Office to invest in film incentives?

    OEDIT Response: Yes, through fees collected, revenue will be generated.

Colorado Tourism Office

12. What level of State funding was invested in efforts to attract direct flights to Denver International Airport from Japan and Mexico?

    OEDIT Response: No money was provided to either Volaris or United for their recent direct flights. We offered All Nippon Air (ANA) $100,000 over two years to help them cover early marketing costs of their proposed flight, but at this time, given United's new flight, ANA is unlikely to bring a direct flight from Tokyo into Denver International Airport (DIA).

    United announced their flight without securing a commitment from OEDIT to assist in their marketing efforts, however, we are likely going to participate on some basis to help ensure that the flight is successful.

    Using the ANA example, a community incentive package for nonstop service to a new market could reach $2.65 million; where DIA pledged $1.5 million cash, Metro Denver Economic Development Corporation pledged $200,000 cash, and State of Colorado pledged $350,000 ($250,000 from the Economic Development Commission and $100,000 from Colorado Tourism Office). Non-cash pledges totaled $600K in the form of landing fee waivers ($500,000) and cooperative marketing dollars from Visit Denver ($100,000).

13. How does the Colorado Tourism Office track the number of international residents traveling to Colorado as a result of direct flights?

    OEDIT Response: We work with the airlines to determine actual passenger numbers. Icelandair is well above their original projections and have added two additional flights from four flights per week to six. Since Volaris and United are new no information is yet available on their passenger loads.

14. Do data indicate that direct flights to international destinations are bringing as many international travelers to Colorado as those international destinations are receiving from Colorado?

OEDIT Response: Icelandair has indicated that they are experiencing far more traffic from their European destinations into Colorado than traffic going from Colorado to Europe. We anticipate that Volaris and United will be the same, no data is yet available.

4:10-5:00 GOVERNOR'S OFFICE OF INFORMATION TECHNOLOGY

Colorado Benefits Management System (CBMS)

15. As required by statute, the Governor's Office of Information Technology must provide the Committee with a quarterly report on the status of the Colorado Benefits Management System (CBMS) modernization project. The November 30, 2012 quarterly report indicates that six projects are currently flagged as "yellow," including one project that is over budget. Please briefly describe the status of each of the six "yellow" projects.

OIT Response:

Project	Status
Project 1538 - CBMS CDHS TOP Interface Modifications, Priority 66	Overall status was reported as green, but the scope was reported as yellow. A Change Request (CHG00194) was created to address the increase. The project and its change request were all moved into production successfully on December 16. The current status of this project is blue (complete).
Project 2548 - CBMS 6 Month Period of Eligibility POE, Priority 61	Overall status was reported as green, but the scope was reported as yellow due to a budget overrun. The additional cost has been addressed using Colorado Department of Human Services and OIT Pool Hours under priorities 25 and 27. This project is on track and scheduled to be delivered to production in June 2013.
Project 2682 - CBMS Prevent Old Dates and Information from Being Added to Current Notices, Priority 58	Overall status was reported as yellow due to continued post implementation corrections. This project was implemented as part of the 8/26/2012 release. The deployment did not meet all of our customer's needs, and post production analysis is currently taking place. The vendor is researching solutions and working with the customer to identify post production fixes.
Project 3209 - CBMS Corrections Required for Denial/Approval Combination Notices, Priority 57	Overall status was reported as yellow due to continued post implementation corrections. This project was implemented as part of the 8/26/2012 release. The deployment did not meet all of our customer's needs, and post production analysis is currently taking place. The vendor is researching solutions and working with the customer to identify post production fixes.

Project	Status
Project 3245 - CBMS New Rules Engine (HCPF) MAGI, Priority 21	Overall status was reported as yellow because of issues related to schedule and scope. We have had delays with developing requirements, which has impacted the schedule. Work continues in this area. In terms of scope, we continue to work to identify active projects that will be absorbed into the rules rewrite and establish associated limits to the scope changes associated with the rewrite. The vendor has proposed a revised version of the CBMS Work Plan, which has been accepted by the CBMS customer base.
Project 4040 - CBMS Supplemental County Testers (Denver), Priority 23	Overall status was reported as yellow, and the schedule was reported as red due to delays in contract negotiation between the State and Denver. The original plan was to have testers on board by early September; however, staff members targeted to participate in this project have been assigned to other duties and are no longer available to the State. We continue to work through this issue.

16. Please describe the CBMS modernization projects that are coming in ahead of schedule and under cost.

    OIT Response: The majority of the CBMS modernization projects are coming in on-time and on-budget or vary slightly from original cost estimates. There are, however, four projects that are most likely going to be under budget. Two of these projects are related to worker productivity enhancements and two other projects are related to overall system improvements. It is premature to provide final costs on these four projects because additional work may be necessary.

<u>Google Apps for Government</u>

17. Please describe the Office of Information Technology's implementation of Google Apps for Government (with an emphasis on email). Include challenges, user satisfaction, and anticipated cost savings.

    OIT Response: On October 8, 2012, the State of Colorado Executive Branch consolidated 15 siloed and disparate email systems. The consolidation of email services across the Executive Branch has been discussed and contemplated for many years. The benefits are clear; however, this decision was made at this time for the following reasons:

    a. The legacy infrastructure was unintegrated, complex, outdated and costly to maintain. For example, in October 2011, many state employees lost email capability for a total of three business days and some state email systems were running "EOL" (End of Life), unsupported versions of the software.

b. The existing systems lacked additional levels of encryption and security that is necessary in today's business world.
c. Using modern and available technology solutions will help to enable state employee productivity through the use of shared documents, chat and other tools that are already embedded in the Google suite of products.

While cost was not the primary driver of this decision and understanding that many times organizations need to invest money upfront in order to save it over the long run, we do anticipate that over the life of this system and the related suite of office productivity tools, we will be able to realize cost avoidance on behalf of the state. Additionally, by moving to a "cloud" or usage based service, we will be able to better plan for and forecast email costs going forward. In terms of specific dollars avoided, we are still working through Year 1 and ongoing costs based on several factors, such as mailbox count and other additional services that agencies may require to meet their unique business needs.

This was a statewide rollout of significant scope, scale, and complexity, and with any large-scale change, there is always a learning curve for users. User satisfaction to date appears to be in alignment with expectations for an enterprise deployment of this caliber. That said, OIT is measuring the success of the implementation based on the number of tickets reported and the customer satisfaction scores we receive. We will trend this over time and expect to see a downward trend in tickets and upward trend in customer satisfaction as users become increasingly familiar with the new system.

Digital Trunked Radio System

18. Please provide an update on the Consolidated Communications System Authority. Include the membership roster and meetings conducted and scheduled for the future.

OIT Response: The Consolidated Communications System Authority (CCSA) kickoff meeting was held October 19, 2012. Election of officers took place with the following results: Bob Ricketts with El Paso County was elected Chair; Kurt Schlegel, Elbert County Commissioner, was elected Vice-Chair; and Chuck Hildebrand with CDOT was elected Secretary. Subsequent meetings were held on November 1, 2012, and on December 6, 2012. The next meeting is scheduled for January 10, 2013. It should be noted that the CCSA is an independent authority, which is not governed by a specific state agency. OIT participates as a member. Below is the complete membership roster:

Region / Agency	Member
South East All Hazards Region	Tandy Hasser, Undersheriff
North Central All Hazards Region	Dave Hayes, Deputy Chief, Boulder Police Department
San Luis Valley All Hazards Region	Jeff Babcock, Coordinator, Homeland Security
South Central All Hazards Region	Robert Ricketts, Radio System Admin, El Paso County Sheriff's Office

Region / Agency	Member
North West All Hazards Region	William Pessemier, PhD, Director, Summit County Communications Center
South West All Hazards Region–(MAC)	Sky Walters, Undersheriff, San Miguel County Sheriff's Office
North Central All Hazards Region (Zone Switch 1)	Kurt C. Schlegel
North East All Hazards Region (Zone Switch 3)	Brian McCracken, Morgan County Board of County Commissioners
Department of Transportation	Darrell S. Lingk, Director, Office of Transportation Safety
Department of Corrections	Chuck Hildebrand, Manager, DOC Office of Emergency Management
Department of Natural Resources	Eric Harper, Criminal Investigator
Office of Information Technology	Peter Bangas, Manager, Public Safety Communications Network
Department of Public Safety	Donald M. Naccarato, Director of Communications
Department of Local Affairs	Dianne R. Rogers
County Sheriffs of Colorado	Chris Olson, Executive Director
Colorado Association of Chiefs of Police	Paula Creasy, Comm Center Project Mgr., Grand Junction Police Department
State Emergency Medical and Trauma Services Advisory Council	Ray Jennings
Colorado Fire Chiefs Association	John Staley, Chief, Thornton Fire Department
Southern Ute Tribe	To be determined
Ute Mountain Ute Tribe	To be determined

19. The Governor's FY 2013-14 budget request did not address the software, microwave infrastructure, and tower infrastructure needs cited in CDX Wireless, Inc.'s report to the Consolidated Communications System Authority. Please identify the Office of Information Technology's plan for addressing these system needs.

    OIT Response: OIT is currently working with the Office of State Planning and Budgeting to evaluate and address the funding needs of the DTR system. This is a priority for our office and all of the users of the Public Safety Communications Network, and we want to ensure that we take a thoughtful approach to this very complex issue.

20. Does the Consolidated Communications System Authority have an opinion on the software, microwave infrastructure, and tower infrastructure needs of the system?

    OIT Response: CCSA is interested in maintaining the long-term viability of the system's overall infrastructure. Recently, CDX Wireless gave a brief presentation to the CCSA on their recently completed report on the system's current and long-term needs. However, as mentioned previously, CCSA is an independent authority. OIT is a member of CCSA but does not govern its activities.

21. Is there a plan to eventually migrate the Digital Trunked Radio System from microwave technology to fiber optic lines or some other technology? If so, please identify the technologies discussed and the implementation timeframe.

    OIT Response: The migration from the current DTR system to an alternative technology is a topic of review. There are many angles to consider when suggesting a migration to incorporate a land-based technology. At this time, microwave provides an alternate path for communication, allowing for critical redundancy needed in emergency situations. While the cost of phased replacement of the existing microwave technology is significant, the cost of laying fiber optic lines to all current DTR/microwave sites would be cost prohibitive considering many of the sites are on granite mountain tops, as well as in very remote rural areas of the state.

22. Does the Digital Trunked Radio System currently leverage the Colorado Department of Transportation's fiber optic lines?

    OIT Response: The DTR system does utilize CDOT fiber optic lines when and where the lines are in a location that will provide service for the radio network. Currently, the DTR system uses CDOT fiber from Golden to the Eisenhower Tunnel for connectivity for those particular sites.

<u>Medicaid Management Information System Reprocurement</u>

23. Please describe the roles and responsibilities of the Department of Health Care Policy and Financing and the Governor's Office of Information Technology in the reprocurement of MMIS and the overall management of MMIS during the implementation and operational phases.

    OIT Response: OIT does not have oversight or management responsibilities related to MMIS. Our Service Level Commitment with HCPF states: "The parties to the agreement agree and acknowledge that the Agency [HCPF] has retained responsibility, funding and staffing required to develop, maintain and operate the Medicaid Management Information System ("MMIS") as required by the Centers for Medicare and Medicaid Services. The Agency has designated a Division Director of Claims Systems and Operations ("Director CS&O") who will collaborate with OIT to promote enterprise efficiencies and interoperability where appropriate." OIT believes that this agreement defines the roles of the two state agencies involved with MMIS. The questions in the remainder of this section (24 through 28) relate to the management of the system. Therefore, the Department of Health Care Policy and Financing has provided responses.

    HCPF Response: The Department collaborates with OIT on many Information Technology (IT) projects, including service contracts that use supporting IT systems such as the upcoming new MMIS and Fiscal Agent Services contract. In fact, IT Security personnel from OIT were involved in writing the cyber security requirements for the MMIS and Fiscal Agent Services solicitation and have been asked to review two drafts of the solicitation. Also, the Department has requested for OIT to provide staff to join the Evaluation Committee for this solicitation. Furthermore, reprocurement staff at the Department regularly participate in the OIT Project Managers Users Group and provide monthly updates on the MMIS reprocurement project to OIT's Executive Governance Committee and respond to their questions. Lastly, the Department and the MMIS and Fiscal Agent Operations Services vendor will work with OIT as required to ensure successful interfacing of the MMIS with necessary systems maintained by OIT such as CBMS.

Besides collaborating with OIT on the project, the Department is also soliciting an Independent Verification and Validation (IV&V) vendor, which is essentially an IT project "auditor" that will follow well-defined standards for scrutinizing the organizational, management, and technical IT aspects of the MMIS and Fiscal Agent Services reprocurement. The IV&V vendor will be independent of both the Department and the MMIS and Fiscal Agent Services vendor and will verify adherence to industry standards and best practices, identify risks, and make recommendations for corrective action when appropriate. The Centers for Medicare and Medicaid Services (CMS) requires an IV&V vendor for the reprocurement and has emphasized to the Department the value that such a vendor will bring to the project.

While the Department is utilizing the expertise and assistance of OIT and an IV&V vendor for this reprocurement, due to the federal guidance discussed in response to Question #24, the Department is ultimately responsible for drafting the solicitation and contract for the MMIS and Fiscal Agent Operations Services vendor. Also, during the implementation and operational phases of the contract, the Department is held solely responsible by CMS for the overall management of the MMIS and its related systems.

The Department does not view the MMIS and Fiscal Agent Services contract as an IT contract, but rather as a service contract with an IT infrastructure that the vendor brings under the contract to support that service. The MMIS and Fiscal Agent Operations Services solicitation does not contain system specifications or IT language, but rather describes a service needed to administer the Medicaid program. The vendor will propose a solution that will assist in providing that service. A majority of the annual operating expenses under the contract is for Fiscal Agent Operations Services, which includes claims processing and provider support services. In this context, claims processing is defined as support of the Department's claims receipt, entry, and reporting processes and the use of industry standard and Department-specific claim forms. Provider support services for the Colorado Medical Assistance Provider community include, but are not limited to, communication on Medical Assistance program, training, and provider management services.

24. Do federal regulations and/or rules exist that would preclude the Governor's Office of Information Technology from participating in the reprocurement of MMIS and the overall management of MMIS during the implementation and operational phases? If so, please

discuss the exact federal rules and regulations that govern the participation of agencies outside of the Department of Health Care Policy and Financing in MMIS implementation and operation.

HCPF Response: The Department often consults with OIT regarding IT matters, however, CMS regulations and guidance have made clear that the Department, as the single state agency for the Medicaid program (see section 25.5-4-104 (1), C.R.S. (2012)), must oversee the MMIS and Fiscal Agent Services contract. As the single state agency, the Department *"…must not be impaired if any of its rules, regulations, or decisions are subject to review, clearance, or similar action by other offices or agencies of the state"* (42 C.F.R. §431.10 (e)(2)). In guidance from CMS dated January 15, 2009 (attached), CMS states that the MMIS must be "…under the direct control of the single state Medicaid agency and the state Medicaid Director" or else the enhanced federal funding (90% federal financial participation for MMIS development work and 75% federal financial participation for operations) is not available. Therefore, based on the position of CMS, the MMIS and related Medicaid systems and their operations remain under the control of the Department.

25. Please explain the certification process. Is the current MMIS vendor certified? If so, what advantages does this bring to the process? If not, how does this detract from the process?

HCPF Response: CMS completes an MMIS certification review process defined in detail in Section 11240 of the State Medicaid Manual (SMM) for a new MMIS. This process includes a preliminary evaluation by CMS of system documentation, an onsite observation of ongoing operations, and a post-site visit evaluation report. Per 42 CFR §433, Subpart C, successful completion of the CMS certification review process (and any periodic reviews after the initial one) is required for the MMIS to continuously receive enhanced federal funding rates. Due to the significant cost of operating an MMIS, the enhanced federal funding rates are a key advantage to having a certified system.

The Department's current MMIS has been certified by CMS; CMS certifies a state's MMIS, and does not certify the vendor that operates the system. Through the RFP process, all proposed solutions will be required to meet CMS certification requirements within twelve (12) months of implementation in order to maintain enhanced federal funding. However, not all vendors who will respond to the solicitation will provide a solution that is currently certified by CMS, and the Department is not requiring proposed solutions to be currently CMS certified. This approach does not distract from the process and instead allows for more competition and a better product once in production.

There are several advantages to the Department by not requiring that the vendor's proposed solution be a currently certified system. The Department's approach allows for a flexible solution that maximizes the use of industry-related and application-ready commercial off-the-shelf technologies that support the existing health benefit programs under the direction of the State Medicaid Director and that can be expanded to support future health benefit programs in a cost-effective and timely manner. The Department encourages vendors to propose creative, innovative solutions for a suite of applications or components to serve as a “best of breed” MMIS.

The proposed solution will need to provide the Department the ability to administer and modernize the Medical Assistance program without changes to the underlying technology and coding that take significant time to complete. To create a modern program that delivers cost-effective health care services that are population specific, the Department will continue to adapt and make progress on how services to clients are delivered and how payments to providers are paid. In addition, the Department will need to modify payments (or rates) to providers and adapt payment methodologies that encourage quality services and healthy outcomes. The solution cannot serve as a cost, time, or resource constraint to implementing these evolving delivery systems and provider payments.

Where practical, proposed solutions will leverage existing components and/or components that can be transferred from an existing, CMS certified system. In addition, the Department expects vendors to propose a solution that leverages technology and resources across states to reduce implementation and operating costs. The proposed solution should provide a benefit to the Department and other states as future changes in technology and federal regulations can be shared across all partners. Further, the proposed solution should include technology refreshes that allow the system and operations to remain up-to-date.

As a result, the solicitation is focused on objectives, outcomes, achieving CMS certification criteria, and performance measurements rather than dictating the exact IT technology requirements or specification that the vendor offer a currently “certified” system.

26. The State Controller reviews high risk contracts. Is the State Controller planning to review the MMIS contracts associated with the reprocurement?

    HCPF Response: Yes, the Office of the State Controller will review the resulting contract from this solicitation. The Department has already consulted with the Office of the State Controller to clarify contract language that will be included with the solicitation so vendor concerns are addressed prior to submitting their responses to the solicitation. This approach will decrease the effort and time to negotiate the final contract.

27. Senate Bill 12-096 (Lambert/Levy) dictates that the Governor’s Office of Information Technology has authority to review existing information technology contracts and negotiate contract amendments through June 30, 2014. Additionally, amendments to existing contracts are exempted from the requirements of the procurement code during that time period. Is the MMIS reprocurement eligible for review under this statutory authority?

    HCPF Response: No, the MMIS reprocurement is not exempt from the procurement code through this statute. CMS requires a competitive procurement process every eight to ten years and CMS requires MMIS contracts to be competitively bid and procured (SMM Section 2080.4), meaning the Department must reprocure the MMIS by the end of the current contract to maintain federal approval and FFP. The state must follow either its procurement code or the federal government procurement code during the process. In addition, the Department believes it would be inappropriate to issue a service contract of this magnitude without a competitive procurement process. To date, the Department has held a vendor fair, performed a best practices and market research study, released two drafts of the solicitation, and held two pre-bidder vendor meetings to discuss comments directly from the vendors. The Department has received several comments from vendors that our procurement process has been the most inclusive and transparent they have been involved with and as a result will encourage vendors to submit bids. Traditionally states have not followed a process of releasing draft solicitations and openly responded to vendor comments, which has caused numerous failed procurements.

28. The State Auditor's Office has several outstanding recommendations related to MMIS deficiencies. Will the MMIS reprocurement address the deficiencies?

    HCPF Response: The Department believes that full compliance with the outstanding audit recommendations will be achieved with the implementation of the replacement MMIS system in 2016. While the replacement MMIS and Fiscal Agent Operations Services is expected to be operational by July 2016, the Department's implementation of the Affordable Care Act (ACA) Provider Screening Rules needs to be completed by March 2016 under federal regulations. The MMIS and Fiscal Agent Operations Services contractor is expected to work with the Department to implement ACA Provider Screening Rules as a top priority under the RFP.

    Several initiatives are underway to improve compliance in advance of the replacement MMIS:

    a. The Department is implementing changes to the provider enrollment application and process which will improve its compliance with current federal regulations. These changes are expected to be completed by June 2013.
    b. The Department is working with the Departments of Public Health and Environment (DPHE) and of Regulatory Agencies (DORA) to improve and automate the collection of license information provided by these Departments.

    For example, a number of processes are already in place to ensure that ineligible providers are not enrolled and are terminated if they become ineligible after enrollment. Many of these processes rely on manual validation of provider eligibility information. As a result, a key component of the RFP for the replacement MMIS is to allow the systematic validation of provider credentials via implementation of an online provider enrollment tool. The contractor who will build the replacement MMIS will be required to work with the Department to implement ACA Provider Screening Rules, such that all providers must perform the re-validation by March 2016.

    The Department is working with CMS regarding the ACA Provider Screening Rules in order to amend the State Plan in a way that is satisfactory to CMS during the period between now and the implementation of the replacement MMIS.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. The Joint Budget Committee has recently reviewed the State Auditor's Office *Annual Report of Audit Recommendations Not Fully Implemented* (October 2012). If this report identifies any recommendations for the Department that have not yet been fully implemented and that fall within the following categories, please provide an update on the implementation status and the reason for any delay.

   a. Financial audit recommendations classified as material weaknesses or significant deficiencies;
   b. Financial, information technology, and performance audit recommendations that have been outstanding for three or more years.

   Response: The recent State Auditor's Office Annual Report of Audit Recommendations Not Fully Implemented contained seven recommendations. Six were in the Office of Information Technology and one in the Colorado Energy Office.

   Of those in the OIT, five recommendations were considered significant deficiencies and one recommendation that has been outstanding for four years. All of the significant deficiency recommendations are related to the KRONOS timekeeping system. OIT is working diligently to implement the audit recommendations related to Kronos. The efforts have taken longer than anticipated due to limitations of the software and the necessary coordination between multiple user agencies. OIT estimates that all of the outstanding audit recommendations in this area will be implemented by June 2013.

   The one audit recommendation that has been outstanding for four years is related to disabling mainframe access via telnet. At this point, telnet cannot be disabled because several legacy systems still require its use. Instead, OIT has put in place compensating controls such as monitoring, training, and application layer security to protect the confidentiality and integrity of COFRS. As such, we believe this recommendation has been implemented.

   The remaining recommendation is related to the Weatherization Assistance Program within the Colorado Energy Office. This stems from a 2010 audit related to the segregation of duties for federal reporting. This recommendation is scheduled to be implemented in January 2013.