OFFICE OF THE GOVERNOR
FY 2010-11 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, December 1, 2009
9:00 am – 10:30 am

9:00-9:10 INTRODUCTIONS AND OPENING COMMENTS

9:10-9:30 PROPOSAL TO REVISE GAMING FUNDS DISTRIBUTION

1. Please discuss the return on investment for programs in the Office of Economic Development and International Trade (OEDIT) funded by the Colorado Travel and Tourism Promotion Fund, New Jobs Incentives Fund, State Council on the Arts Fund, and Colorado Office of Film, Television, and Media Operational Account. What methodology is used for calculating return on investment?

The return on investment and related methodology varies by the specific industry being targeted and/or program objective; but in all cases, there is a strong ROI. Particularly in this economic climate, it is important to note that OEDIT works to retain jobs and create new jobs in Colorado—which are vital to decreasing unemployment (a clear cost to government) and having the economy turn in a positive direction for the long-term. Following are responses specific to each program:

Colorado Tourism Office (Travel and Tourism)

ROI based on $ Spent

According to Longwoods International, a national travel marketing research company, for every dollar the Colorado Tourism Office spent advertising the state, domestic visitors spent $193. In total, domestic visitors influenced by the CTO's advertising campaign spent $2.1 billion in 2007. For every dollar spent marketing the state, visitors contributed $13 in state and local taxes. In total, domestic visitors influenced by the CTO's advertising campaign contributed $139 million in state and local taxes in 2007. These figures do not include total overall visitor spending of those who visited Colorado in 2007 – it includes only those who were influenced by the CTO's domestic advertising campaign.

Methodology

Longwoods International's research approach relies upon a long-standing, trusted and proven methodology based on data gathered on the day and overnight travel patterns of a quantifiable representative sample of U.S. households, assembled through a syndicated TravelUSA® survey of the U.S. travel market.

Jobs and Public Revenue ROI

According to Dean Runyan, total direct travel spending in Colorado in 2008 was $15.3 billion, supporting 144,300 jobs with earnings of over $4.1 billion. Also according to

Dean Runyan's 2008 study, direct travel spending in Colorado generated $760 million in local and state taxes (not including property taxes).

Methodology

The estimates of the direct impacts associated with traveler spending in Colorado were produced using the Regional Travel Impact Model (RTIM) developed by Dean Runyan Associates. The input data used to detail the economic impacts of the Colorado travel industry were gathered from various local, state and federal sources. Travel impacts consist of estimates of travel spending and the employment, earnings and tax receipts generated by this spending. Included are the earnings (wage and salary disbursements, earned benefits and proprietor income) of employees and owners of businesses that receive travel expenditures. In addition, only the earnings attributable to travel expenditures are included; this typically is only a portion of all business receipts. Employment associated with the above earnings includes both full- and part-time positions of wage and salary workers and proprietors.

Tax receipts collected by counties and municipalities, as levied on applicable travel-related purchases, including lodging, food and beverage service, retail goods and motor fuel taxes. The local share of the state sales tax is also included in this category. Property taxes are not included. The state share of the state sales tax, state lodging and motor fuel taxes, auto rental taxes, modified business taxes, entertainment taxes and gaming taxes are included in state tax receipts.

New Jobs Incentives

ROI based on $ of Economic Impact

Based on similar projects funded by the Economic Development Commission, the Colorado Insight Model reflects an average total economic impact ROI for job incentives of $21.34 for every dollar of incentives. The full-time jobs created under the New Jobs Incentives' program are required to pay an average of 100% or 110% (the minimum percent is based on whether the employees are located in a distressed area of the state or not) of the county's average wage in order to qualify for incentives from this program. In addition, the qualifying companies have also reported that they provide strong benefit packages, which include insurance benefits.

Methodology

The Colorado Insight Model, an economic impact model developed by a major accounting firm a number of years ago, provides economic impact information that takes into account economic and fiscal impacts.

ROI based on Number of Net Jobs Created and Incentivized

This program has provided incentives to businesses that have directly created 2,074 net new jobs that pay at or above the average county wage rage as stated (plus the benefits provided as noted). The weighted average annual wages for the jobs created under this program is $84,369.

Methodology
The businesses have submitted documentation of the net new 2,074 jobs created and supporting wage information which OEDIT has reviewed prior to disbursing funds for such job creation results.

<u>State Council on the Arts</u>
ROI based on Revenue and Other Benefits to the State
Direct Revenue
The $1.6 million in state funds appropriated to the Council in FY09 supported 248 grants to arts organizations, municipal agencies and schools in 50 counties. Based on final reports from grantees, these state funds supported 1,100 full time jobs and 1,000 part time jobs in FY09. Based on payroll taxes from these jobs, plus grant revenue to the state from the National Endowment for the Arts, direct revenue back to the state from the Council's FY09 activities was over $3.9 million, or a 2.5-to-1 direct return on the state's investment.

Methodology
The methodology assumes an average wage rate of $19.30, a 40-hour full time work week and a 20-hour part time work week, an effective income tax rate of 3%, expenditures of 70% of payroll on taxable goods, an indirect sales tax rate of 2.9%, and an NEA grant of $733,000.

Indirect Revenue
Based on the study "Colorado: State of the Art", $5 billion in payroll is attributed to the 186,000 jobs in the state's creative industries. The appropriation therefore provides an indirect return to the state of over $250 million in payroll taxes on these creative occupations. The Council plays an important role promoting and supporting this sector and its jobs through grants, conferences, workshops, consulting services, and industry networking. From November 2009 through January 2010, the Council is convening a Creative Economy Advisory Panel of over 60 creative industry leaders to recommend policies and initiatives that will grow our state's cultural and creative sector, with a goal of increasing revenue to the state.

Methodology
The methodology is again based on an effective income tax rate of 3%, expenditures of 70% of payroll on taxable goods, and an indirect sales tax rate of 2.9%.

Other Benefits
Investments made in the Council's results in significant additional tangible benefits, such as increased tourism, downtown revitalization and improved business retention and relocation. In addition, investing in the arts, and arts education, can result in social benefits such as bridging ethnic divides and ensuring today's students acquire 21st century creativity skills.

ROI based on Jobs
Direct Jobs Supported
Grantees report that the funds supported 1,100 full time jobs and 1,000 part time jobs in FY09. The job support attributed to grants is because the Council leverages state funds with federal funds from the National Endowment for the Arts and with grantee matching funds derived from local contributions and earned income. Annually, the state appropriation to the Council is leveraged approximately 12-to-1 by these outside funds, resulting in significant direct job support in communities across the state.

Indirect Jobs Supported
In 1967, the Council enabling statute declared that it is the policy of the state "to insure that the role of the arts and humanities in the life of our communities will continue to grow and to play an evermore significant part in the welfare and educational experience of our citizens." Statutory duties for the agency include stimulating, encouraging, and developing public interest and participation in the arts and humanities, as well as expanding the state's cultural resources.

The research study "Colorado: State of the Arts" confirms that this state investment in arts and culture has paid off, particularly in terms of expanding cultural resources and jobs. The creative industries, which include design, publishing and media in addition to museums and the performing and visual arts, now account for 8,000 enterprises and 186,000 jobs in Colorado, comprising the 5th largest employment sector in the state. Colorado has the fifth highest concentration of artists in the country. These creative occupations pay above average wages and the job growth in this sector is predicted to be higher than average over the next ten years.

<u>Film Incentives and Operations</u>
ROI based on Direct Revenues
This year, the Colorado Office of Film, Television & Media has already cultivated $13.4 million conservatively in new production for the state, creating 354 job equivalents. This is a 27.9-to-1 return on the state's $480,000 investment in the operations of the office. These results are based on data that was tracked for five major production areas in the state, with $395,678 collected in taxes by the state.

In addition, the Office is continuing to work with production inquires for productions that will occur between now and the end of the fiscal year. Based on the on-going nature of the production business, the Office anticipates additional taxable revenue being collected between now and the end of the fiscal year.

The Office is also working with production companies on two new incentive applications worth an additional $1.6M in production spending that will create over 40 new jobs in the state. This production will require an incentive investment of $160,000 by the office from funds that are allocated specifically for production incentives. The return on this investment is 10 to 1.

The office is currently working with several production companies looking to film feature films in the 2009-10 and the 2010-11 fiscal years with budgets of over $18 million in production spending in several regions around the state.

Methodology
The Office estimated the 354 jobs created using an average annual industry wage of $49,431, as determined by a 2008 University of Colorado Leeds School of Business report, $13.4 million in production, industry averages, 60% of Colorado production allocated to salaries and 40% allocated to taxable goods and services, and $8 million in Colorado wages. Assuming an effective tax rate of 3.0%, this would result in a net income tax of $240,615. Additionally, the reported $13.4 million would result in sales tax collections of $155,063 at the 2.9% state sales tax rate.

It is important to note that significant portions of the income generated by this industry takes place outside of the metro Denver area and significant portions of this activity take place in rural areas where infusion of cash from a production company can result in a significant impact over the same economic spending in a more metro area.

These production numbers do not include significant additional activity that takes place on private property and in studios that do not need a permit and therefore are not tracked by any jurisdiction.

ROI based on Indirect Revenues
The film industry is a large consumer of hotel room nights, car rental, truck rental, catering and other food services and a host of other services that generate indirect employment and spending throughout the state. Based on the earlier reported $13.4 million in direct spending, the total indirect spending by these productions will exceed $29M.

Methodology
The Office used the minimum economic multiplier of 2.18 that was determined to be appropriate for Colorado in the University of Colorado Leeds School of Business report.

Other Benefits
Beyond the direct infusion of new money into the Colorado economy from the aforementioned productions, benefits are also derived for years to follow successful commercial Colorado productions. Tourism generated from on-location of film, television, and commercials is termed “Film-Induced Tourism”. The Office recently launched its new marketing program “Filmed in Colorado”. There are a number of studies on the benefits of “film-induced tourism” around the globe showing a direct correlation between successful films and increased in tourism surrounding the locations featured in the film. The nation of New Zealand reported a 33% increase in tourism as a *country* because of the “Lord of the Rings” In the U.S., one of the most successful film/tourism movies is “Sideways”. Restaurants and hotels enjoyed off-the-charts increase in business because of this small independent – and very successful- film.

According to the Leeds Report production activity is currently taking place in 72% of Colorado counties with the potential to impact all 64 counties in the state.

2. Does the Department believe that available return on investment figures are accurate for programs funded by the Colorado Travel and Tourism Promotion Fund, New Jobs Incentives Fund, State Council on the Arts Fund, and Colorado Office of Film, Television, and Media Operational Account? If so, what is Department's the rationale for decreasing current funding levels? If not, should state funding be eliminated for the programs supported by these funds?

Yes, OEDIT believes that the ROI numbers submitted are accurate and supportable. The methodologies utilized to calculate the various ROI numbers are based on reports prepared by reputable entities that conducted the referenced studies, comparable calculations and/or actual supporting data submitted to the program as applicable. The ROI for each program significantly exceeds the actual costs for the program and all of the programs target industries and businesses that are critical to creating and maintaining a diversified economy.

The proposed funding levels are based on recent budget projections and the fact that all program funding has been reviewed. While OEDIT believes that any decreases will impact its ability to create and support jobs and ROI that are extremely important to the state as a whole, OEDIT also recognizes the severity of the state's current budget situation and understands that it needs to be part of the shared budget solution.

State funding should definitely NOT be eliminated for the programs supported by these funds. In fact, the ROI demonstrated by these programs reflect a great, and necessary, investment for the state and its future.

3. Are there additional tangible or intangible costs to the state associated with generating revenue from investments made in economic development programs funded by gaming revenue? For example, do return on investment figures for programs supported by the Colorado Travel and Tourism Promotion Fund factor in costs incurred by the Department of Transportation to build and maintain roads to support additional travelers?

In some cases, there are costs associated with generating revenue from the investments made in economic development programs. However, taxes and fees are designed to cover these costs. These economic development programs provide the necessary support that is needed for industries, and therefore, jobs, to be retained, created and ultimately flourish. And specifically in this economic climate more than ever, it is important to provide jobs for as many of the unemployed citizens of Colorado as possible—clearly decreasing some of the direct and related unemployment costs.

In the example provided related to the CDOT costs of road building and maintenance attributable to travelers, there are specific fees and taxes that are designed to match the cost burden with the benefits received. Highway users, whether they are tourists, truckers, local residents, businesses, etc. contribute to roads via their payment of the state gasoline tax. In addition, other selective revenue sources such as surcharges and taxes on rental cars, further add to funding from travelers and tourists to maintain a transportation infrastructure needed for a vibrant tourism industry as well as a strong economic base for all industries.

At the local level, local sales taxes and lodging taxes provide revenues to fund the necessary public services of the community. Tourism, similar to the other industries described in this response, is a basic industry. It brings outside dollars into the state. All sectors of the economy require public services in terms of infrastructure, public safety, general government functions, etc. Basic industries, by bringing income and revenue to the state from national and international markets, contribute to the state's economy by providing jobs, income, and tax revenues. This is as true of tourism as it is of manufacturing, agriculture, professional services or any other basic industry.

In addition to what has been stated in the example above, the income taxes paid by employees and businesses are designed to pay for the services they require from the public sector.

Funds remaining to employers, employees and visitors after paying such taxes can be used to stabilize and grow the economy in other areas.

4. Why did the Department propose an increase in funds transferred to the New Jobs Incentives Fund while decreasing the transfer amounts to the Colorado Travel and Tourism Promotion Fund, State Council on the Arts Fund, and Colorado Office of Film, Television, and Media Operational Account?

The fact sheet on the "Proposal to Revise Gaming Funds Distribution in FY 2009-10 and FY 2010-11" includes a table showing requests for FY 2010-11. The request shows a decrease for Tourism, Arts, Film, Energy and an increase for New Jobs Incentives. The reason, as stated in the factsheet, is because the FY 2010-11 budget request is set at 50% of the FY 2008-09 appropriated levels. In the case of the New Jobs program, 50% is an increase over the FY 2009-10 appropriation.

5. Please describe the impact of eliminating the transfer of gaming revenue to the Clean Energy Fund on projects and grants administered by the Governor's Energy Office.

Because of the previous conditions on transfers which eliminated the transfer when the 6% appropriations limit was not reached, the Energy Office has budgeted to not receive this money over the next two years. During this period, the Energy Office expects to primarily use federal funding sources and grants. *(This limits the uses of the funding to those restrictions identified below in question 17.)*

The ARRA funding is allowing the Energy Office to roll out an array of incentives for energy efficiency and renewable energy while developing an infrastructure to address barriers faced by Coloradans when making these choices. Much of the information gained over the next eighteen months will inform the programs that the state will continue once the ARRA terms are expired, the economy has recovered and the gaming transfers are restored.

9:30 – 10:15 STATEWIDE INFORMATION TECHNOLOGY STAFF CONSOLIDATION

6. Please define state information technology resources that are eligible for consolidation into OIT. What technology resources are considered part of state agency management versus OIT management? For example, what state agency is responsible for the management of televisions used in agencies?

It is OIT's objective to impact all areas of technology spending within the Executive Branch. Dedicated IT staff resources, including the management and administrative functions that directly support the IT functions in agencies historically, will be transferred to OIT in accordance with the IT Staff Consolidation Decision Item beginning in FY 2010-11. However, OIT continues to implement and execute multiple controls (highlighted in greater detail in response #7 below) with the explicit goal of coordinating and impacting all technology activities and expenditures for the state. The outcome may be savings achieved as a result of collaborative purchasing, an ability to achieve efficiencies or to better leverage state funds by coordinating similar projects that involve multiple agencies, or any number of other potential benefits.

As the consolidation moves forward, entire programs with a significant IT footprint may ultimately be transferred from agencies to OIT and in some cases once consolidation projects mature and move toward completion the annual appropriations that supported these projects in agencies will be consolidated into the OIT budget (i.e. data center consolidation, help desk consolidation, etc). Additionally, OIT will continue to require and coordinate the development of department IT plans for each participating executive branch agency annually in order to justify the technology base budget, but also to identify collaboration or consolidation opportunities and other potential efficiencies.

With regard to specific technology resources and expenditures that should be managed by OIT, these are defined in statute in Section 24-37.5-102 (2) C.R.S 2009. Specific language is included below:

24-37.5-102. Definitions.
As used in this article, unless the context otherwise requires:

(2) "Information technology" means information technology and computer-based equipment and related services designed for the storage, manipulation, and retrieval of data by electronic or mechanical means, or both. The term includes but is not limited to:

(a) Central processing units, servers for all functions, network routers, personal computers, laptop computers, hand-held processors, and all related peripheral devices

configurable to such equipment, such as data storage devices, document scanners, data entry equipment, specialized end-user terminal equipment, and equipment and systems supporting communications networks;

(b) All related services, including feasibility studies, systems design, software development, system testing, external off-site storage, and network services, whether provided by state employees or by others;

(c) The systems, programs, routines, and processes used to employ and control the capabilities of data processing hardware, including operating systems, compilers, assemblers, utilities, library routines, maintenance routines, applications, application testing capabilities, storage system software, hand-held device operating systems, and computer networking programs; and

(d) The application of electronic information processing hardware, software, or telecommunications to support state government business processes.

7. Please describe the controls the Department proposes to implement to eliminate the possibility of individual agencies expending moneys for information technology resources without consulting OIT.

OIT Controls Program

In order to lay the basis for sound fiscal management across the entire state information technology enterprise, it is necessary to develop and implement a sound controls program. OIT has developed and implemented controls to ensure IT budgets are being spent and managed in a strategic fashion and projects are of the highest quality. The OIT controls program is supported by existing statutory authority and includes the following components:

Information Technology Planning

Each state department has a specific mission to accomplish and information technology enables the accomplishment of those missions. However, each department historically planned and budgeted for individual solutions to address business needs rather than collaborating with other departments to accomplish common goals, even though common IT infrastructure runs through all departments.

Departments are often unable to collaborate because planning does not occur in advance of the budget and procurement cycles. In order to address this problem, OIT implemented an annual planning process to identify ongoing support requirements and future IT needs of the departments.

Prior to the annual budget cycle, OIT works with departments to compile their annual department IT plans. These plans include a combination of information ranging from the preliminary justification of IT spend for the upcoming budget year as well as mission critical needs to be addressed.

This planning process is the opportunity OIT has to understand the business needs of departments and to initiate a collaborative plan to help departments achieve those business needs while still insuring IT budgets are spent in the most economical, collaborative and efficient manner possible.

The annual planning process is intended to provide an enterprise overview that ensures initiatives do not overlap, neutralize, or impede each other. This planning process allows for the identification of latent demand, multi-agency collaboration opportunities, and new avenues for leveraging resources that may not have been previously identified.

<u>Budgetary Controls</u>
OIT reviews all IT related budget change requests prior to the plans being submitted to OSPB for consideration. This review allows OIT to determine if there are consolidation/collaboration opportunities and to validate that the request(s) supports the strategic direction of IT in the state while still supporting the business needs of the department(s). Once reviewed with the department(s) and if approved, OIT forwards the request to OSPB.

<u>Procurement Controls</u>
IT procurements are not currently handled by one organization. OIT does not have sufficient staffing to direct all of the approximately $300 million spent annually on IT purchases; therefore, we must rely on a separate control to ensure all procurements are initiated with OIT approval. All proposed expenditures of $10,000 or more require OIT approval before proceeding and each department procurement office is responsible for submitting these expenditure requests to OIT for review. OIT studies each request to determine whether the expenditure is part of an approved budget, adheres to existing standards, and uses the enterprise infrastructure effectively, if collaboration exists, etc., prior to being approved.

With approximately 24 months of data available, OIT has started analyzing the purchasing trends and target spend categories and created enterprise level agreements with specific vendors. Enterprise level agreements will afford the state cost savings and cost avoidance for commodities and services.

<u>Contracting Controls</u>
All contracts with an IT component require the signature of the State Chief Information Officer. This is another means for OIT to ensure that a significant expenditure does not slip past controls and ensures OIT review prior to execution.

Just as the IT technology is decentralized (but will ultimately be full consolidated across the enterprise per SB08-155), so too are contracts. There are literally hundreds of IT related contracts active across state government. Many of these contracts are for the same service or commodity. There is a tremendous amount of resources wasted through the State's current siloed IT procurement process, and significant savings will be realized if they are combined.

As the consolidation proceeds, OIT will be consolidating existing contracts and will become the sole contract point for IT products and services. The start of this process has already shown significant financial savings.

Accounting and Reporting Improvements and Controls

Key to this control is the fact that the state wide financial reporting system of record (COFRS) does not historically allow for IT spending to be captured (whether for auditing, analysis or other purposes) without multiple detailed data extracts, manual analyses by OIT, and validation by agencies. Even then, the level of detail associated with individual transactions in COFRS makes independent analysis difficult and time consuming. OIT and the State Controller's Office have both been working diligently in the past year to develop the best historic and current reporting structure possible in the short term. This may not be a control in and of itself, but consistent with the findings of other entities who have previously implemented IT consolidation efforts, OIT has found that agencies do not necessarily fully understand the extent to which they spend on information technology. Further, agencies are often unaware of the inefficiency with which this spending is sometimes executed and what opportunities exist to maximize this historic spending. Additionally agencies have lacked a mechanism to consider IT spending from an enterprise perspective; therefore, opportunities to collaborate activities and resources among multiple state agencies has continued to be ignored, which further limited the optimal utilization of state IT resources and associated service delivery. OIT has been and will continue to work with agency CIO's and budget and financial officers to ensure that this key data is provided to and reviewed with the appropriate senior level management in agencies to facilitate better management of state IT funds.

Project Management Controls

Once an expenditure is approved and a contract established, the IT product or service is implemented. In order to ensure that these products and services are implemented in the most successful manner possible, OIT has established project management procedures at different levels. Large scale projects, greater than $5M or with a high risk level, are assigned to one of seven Executive Governance Committees (ECGs) made up of a combination of business and IT leaders. Operational projects internal to OIT are tracked by the Project Management Office (PMO). OIT is establishing procedures to track all projects state wide through the PMO. This ensures a proper level of oversight of these important projects and that the maximum amount of collaboration and coordination is occurring with these IT projects.

Standards Setting

Central to the entire controls program being implemented is the establishment of enterprise standards. Currently, state agencies utilize one version of nearly every hardware and software platform available because the state lacks hardware and software standards; this issue contributes to the proliferation of multiple platforms servicing the same needs across multiple departments. The lack of standardization makes it difficult to ensure there are any adequate staffing levels to service all hardware and software platforms. OIT is actively working to establish enterprise standards to ensure the state gets the most of its buying power and staffing levels.

Is summary, OIT is in various stages of implementation of the controls program. Much work remains to be completed as there are still two and a half years left in the IT consolidation effort per SB09-155, but this framework will allow OIT to effectively plan for and implement IT spend across the enterprise.

8. Please describe the Department's plan for addressing transferred information technology staff resources that are no longer needed for fulfilling programmatic initiatives. For example, what is the Department's plan to address a surplus of FTE with a given skillset?

Once the budgetary consolidation of IT staff resources in OIT is implemented at the beginning of FY 2010-11, it is anticipated that further realignment of specific IT positions in the OIT functional organizational structure will be necessary. The initial implementation and budgetary alignment of IT staff is based on current and historical functional requirements of each existing position to be transferred (including a review of primary, secondary and any additional job duties). This information was gathered during a comprehensive skills assessment completed by IT staff during FY 2008-09 that was further refined in the first quarter of the current fiscal year in collaboration with agency CIO's.

Based on the above, the OIT staff consolidation decision item for FY 2010-11 was able to capture agency IT staff budgetarily in the appropriate program(s) in OIT and to further align agency funding to pay staff costs from IT Common Policy service appropriations (i.e. GGCC, MNT/Network, OIT Management & Administration) rather than agency personal services line items.

Within this structure and context, and once the staff consolidation is implemented and put into operation, consolidation efficiencies will be realized that will allow OIT to redistribute or realign staff from areas/programs with a surplus of staff resources to those IT functions that are under-staffed throughout the enterprise. In some cases the realignment will occur within a program/IT Common Policy and other cases will shift resources from one program to another. For example, the current GGCC (Data Center) program includes more than two dozen individual services utilized in agencies, and FTE may be moved from a case where they were historically dedicated to one function within the "suite" of GGCC service offerings to another within the same program. In this scenario, rather than a particular FTE being fully dedicated to mainframe services which might realize consolidation efficiencies that result in a surplus of resources, the FTE may be moved to server hosting or another service that is understaffed. This example would not require significant budgetary adjustments since it occurs within the same program, but in some cases "surplus" FTE may be moved between programs (i.e. from

GGCC to MNT/Network) to address a shortfall in a program. To the extent that this is the case, OIT will capture these changes in revised agency Common Policy allocations or other budget change requests annually.

The key premise is that this strategy allows OIT the flexibility to respond to changes in customer demand or a change in state wide technology priorities quickly for the benefit of the entire enterprise within existing resources. This is one of the most critical opportunities that results from an IT Consolidation of this scope.

9. Please describe the Department's methodology for tracking FTE activity and expenses in relation to funding sources. How does the Department propose to report this information at the detailed level required for expending federal funds? How does the Department plan to address FTE activity and expenses funded with cash fund sources?

OIT utilizes a timekeeping system for tracking and allocating staff time to OIT service offerings. The information in the timekeeping system is then used in the process of calculating personal services recoverable costs by service and allocating service costs to departments. The timekeeping information will be one component of the OIT services billing to each department. Because OIT is not responsible for the funding source each department utilizes for paying its OIT bill for services, it is still incumbent on the department to track expenses to the fund source level and to allocate technology costs and billings from OIT to the appropriate level of granularity in the department. It is the individual department's responsibility to allocate technology and other costs appropriately in their own agency whether at the level of division, program, or at a more finite level.

To help with this task, OIT has been proactively working with departments to determine each department's specific needs for time tracking and reporting. OIT will then customize its timekeeping system based on the needs of the department.

Finally, it is important to note that incorporating the additional IT staff in agencies into the OIT billing and allocation models is not problematic given that the current allocation models have been active for several years and have been reviewed annually by the federal Division of Cost Allocation during this interim. Additionally OIT already had preliminary discussions with the DCA one year ago about the methods that OIT would use to track and allocate IT staff resources after the budgetary consolidation.

10. Please describe the proposed chain of command relationship between agency executive director, agency CIO, and agency information technology professional. For example, what process would be followed for an agency executive director to request a change the delivery of information technology services within his/her agency, such as the creation of a new report from an existing information system?

The department level CIO's are the "go to" representatives for all service issues/requests which occur during the year and complement the controls outlined in question #7. The department CIO's report to the Agency Services Director whose sole responsibility is to ensure service levels are met and department needs are addressed.

11. Does the ten percent reduction in personal services outlined in the consolidation proposal include savings as a result of the consolidation of actual information technology resources or is it simply a budgetary ten percent reduction?

OIT believes that the 10% reduction in personal services expenditures is achievable through attrition and vacancy savings during the course of this reorganization. If economic times were different, this 10% of personal services savings would be re-deployed to ensure enterprise IT needs were met; however, OIT believes this reduction can instead be used to address state wide budget gaps while still ensuring adequate support levels.

12. Please describe any changes in points of contact for the Colorado Benefits Management System (CBMS) between counties and the current information technology staff aligned with CBMS as a result of the consolidation proposal.

There will be no changes in points of contact for CBMS as a direct result of this IT Staff Consolidation Decision Item proposal. Counties should continue to deal with the same resources using the same processes that they always have, and it should be a seamless "transition" from the perspective of the counties. Additionally, since technology staff resources currently dedicated to CBMS are not being relocated as a result of the consolidation, even contact phone numbers and locations of staff should not change as a direct result of the proposal.

13. Is the long-range consolidation plan to centralize purchases of equipment and software for all state agencies within OIT? If so, when will this shift occur?

This is indeed part of the consolidation plan and OIT has made strides in this area. The statutory authority granted by SB08-155 provided OIT with the opportunities to fully leverage the state's purchasing power by executing coordinated and collaborative procurements and to create enterprise level contracts and agreements that can be utilized by multiple agencies. These and other strategic sourcing actions represent some of the largest potential for the state to realize materially significant savings from the IT consolidation. This will be done in coordination with the controls outlined in the response to question #7 above.

14. Is the Department of Higher Education exempted from the statewide information technology consolidation? If so, why?

By statute, the institutions of higher education funded by state funds are exempted from the consolidation. Only "state agencies" are included in the consolidation, and Section

24-37.5-102(4), C.R.S., defines “state agency” as “all of the departments, divisions, commissions, boards, bureaus, and institutions in the executive branch of the state government. "State agency" does not include the legislative or judicial department, the department of law, the department of state, the department of the treasury, or state-supported institutions of higher education.” However, the Department of Higher Education is not statutorily exempted from the IT consolidation.

15. Is the Department of Education exempted from the statewide information technology consolidation? If so, why?

See response to question #14. CDE is not statutorily exempted from the IT consolidation.

10:15-10:30 MISCELLANEOUS

16. How many vehicles are assigned to the Department? For what purpose are each of these vehicles used?

No vehicles are assigned to the Governor’s Office, the Lt. Governor’s Office, the Office of Homeland Security, or the Office of State Planning and Budgeting. Please see the Department of Personnel and Administration for vehicle assignments related to OIT, the Office of Economic Development and International Trade, and the Governor’s Energy Office. With regard to vehicles outside of the state fleet, OIT Communications Services maintains a small fleet of 10 Sno-Cats, which are used to access telecommunications and microwave towers, and Digital Trunked Radio (DTR) sites that are part of the state’s public safety communications network that are generally located in areas with difficult and mountainous terrain throughout the state and often must be accessed in poor weather conditions.

The Governor’s Energy Office also owns a 2006 Toyota Prius which is used for office staff for field visits and for meetings held outside the office.

17. Please describe the restrictions (if any) on expenditures using ARRA moneys for existing programs within the Governor’s Energy Office. Specifically, can ARRA funds be used to supplant state spending or only to supplement state spending?

ARRA Funding in general has a provision stating that the funds can be used to supplement, but not supplant existing funding. Additionally, pursuant to federal statute, ARRA funds may not be used for gambling establishments, aquariums, zoos, golf courses or swimming pools.

Specific program ARRA funding has various restrictions based on the federal authorization language for the funding program and the funding opportunity announcements for each program. There are four primary funding programs:

weatherization, state energy program, energy efficiency and conservation block grants, and Energy Star rebate program.

Weatherization

ARRA Funding can only be applied as the federal weatherization program specifies. Qualifying families must be at 200% of the federal poverty level. Average spending per home cannot exceed $6,500 and measures must be "cost effective" – defined as recouping the cost of the measure through energy savings.

State Energy Program

In addition to required approval by the Department of Energy, the state energy program funding under ARRA has the following restrictions:

9.7A Prohibitions**:**

States are prohibited from using SEP financial assistance:

i. for construction, such as construction of mass transit systems and exclusive bus lanes, or for the construction or repair of buildings or structures;
ii. to purchase land, a building or structure or any interest therein;
iii. to subsidize fares for public transportation;
iv. to subsidize utility rate demonstrations or State tax credits for energy conservation or renewable energy measures; or
v. to conduct or purchase equipment to conduct research, development or demonstration of energy efficiency or renewable energy techniques and technologies not commercially available.

SEP Limitations**:**

- No more than 20 percent of the financial assistance awarded to the State for this program shall be used to purchase office supplies, library materials, or other equipment whose purchase is not otherwise prohibited.
- Demonstrations of commercially-available energy efficiency or renewable energy techniques and technologies are permitted and are not subject to the construction prohibition or the 20 percent on equipment and direct purchase limitations.
- A State may use regular or revolving loan mechanisms to fund SEP services that are consistent with the SEP rule and that are included in the approved State Plan. Loan repayments and interest on loan funds may be used only for activities which are consistent with the rule and are included in the State's approved plan.
- A State may use funds for the purchase and installation of equipment and materials for energy efficiency measures and renewable energy measures, subject to the following:
- such use must be included in the State's approved plan (and if PVE funds are used, the use must be consistent with any judicial or administrative terms and conditions imposed upon State use of such funds).
- such use is limited to no more than 50 percent of all funds allocated by the state to SEP in any given year, regardless of source, except that this limitation shall not

include regular and revolving loan programs funded with PVE funds. States may request a waiver of the 50 percent limit from DOE for good cause.

- Funds may be used to supplement and no funds may be used to supplant weatherization activities under the Weatherization Assistance Program for Low-Income Persons.

Energy Efficiency Conservation Block Grants

FUNDING RESTRICTIONS

- Cost Principles Costs must be allowable in accordance with the applicable Federal cost principles referenced in 10 CFR part 600.

LIMITATIONS ON THE USE OF FUNDS ALL APPLICANTS

- In accordance with EISA Sec. 548(b), EECBG funds shall supplement (and not supplant) other Federal funding provided under the State Energy Program or the Weatherization Assistance Program.

STATES AND TERRITORIES

- States must subgrant at least 60 percent of their allocation to units of local government in the State that are not eligible for direct grants.
- State applicants may expend for payment of reasonable administrative and planning costs not more than 10 percent of amounts provided under the program including the cost of reporting.

Energy Star Rebate Program

Any energy star rated appliances may be included in a state's submitted plan. Electronics are not eligible.

18. Please describe how the Governor's Energy Office is coordinating discussions on biomass technologies with the Department of Agriculture and the Department of Forestry. Is there a coordinating board?

The Governor's Energy Office serves on the Forest Health Advisory Council along with representatives from the Departments of Agriculture and Natural Resources – the FHAC serves as the coordinating board.

19. Should the Office of Information Technology (OIT) reside in its own department rather than as a division within the Governor's Office?

In order to achieve positive consolidation results it was determined in 2008 that the optimal solution was to have OIT remain in the Governor's Office since there was already a structure and foundation in place for the office.

20. Does OIT receive procurement policy exemptions as a division within the Governor's Office? Does OIT use the exemptions? If so, how are the exemptions used?

OIT does not utilize this exemption and it fully adheres to the state procurement code.

21. Does OIT consider the payroll, income, and corporate tax benefits of contracting with in-state vendors compared to out-of-state vendors?

These considerations are part of every cost comparison completed.

22. Is OIT considering migrating existing desktop-based applications to web-based applications? Is there a cost benefit in doing so?

OIT is considering and evaluating the benefits of technology related to web based applications (cloud computing). Certainly there are cost benefits but there are other considerations to contemplate prior to making a decision to migrate to web based applications. Additionally, analysis of any such migration would include an offset to any savings based on historical sunk investments and existing obligations related to current desktop applications that would continue to be incurred even as a migration to a web based suite of applications would occur.

23. How many departments currently use e-FORT? Is there a strategy for transitioning the oversight of e-FORT from the Secretary of State to the Department?

The Secretary of State's Office is collecting e-FORT utilization by agencies. In terms of the strategy for potentially transferring e-FORT to OIT, the Office has been in contact with the Secretary of State on this issue, fully supports the transition and the strategic four year transition plan discussed by Secretary Buescher and the Committee recently. Additionally the e-Fort User's Group has been aware for at least the past two years that such a solution was likely to be considered and that a transition could begin soon, especially given the current timing fits well within the scope, context and timelines of OIT's data center consolidation project.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

Please provide:
24. Organizational charts for your department, showing divisions and subdivisions (with geographic locations).

This was provided in our November 6, 2009 Budget Request, as described in the OSPB Budget Instructions published on May 29, 2009.

25. Definitions of the roles and missions of your department, its divisions and subdivisions.

This is a part of the Department's Strategic Plan which was submitted in our November 6, 2009 Budget Request, as described in the OSPB Budget Instructions published on May 29, 2009.

26. The number of current personnel and the number of assigned FTE by division and subdivision (with geographic locations), including all government employees and on-site contractors.

The Position and Object Code Detail Report was included in the November 6, 2009 Budget Request as Schedule 14. This is the information that is available on FTE at this time.

27. A specific list of names, salaries, and positions by division and subdivision of any salaried officer or employee making over $95,000 per year in FY 2009-10.

See Appendix A.

28. A specific list of names, bonuses, and positions by division and subdivision of any salaried officer or employee making over $95,000 per year who received any bonuses in FY 2008-09.

No employee in any of the Governor's offices, earning over $95,000 per year, received a bonus in FY2008-09.

29. Numbers and locations of any buildings owned or rented by any division or subdivision (by location) and the annual energy costs of all buildings.

The Governor's Office, Lt. Governor's Office and the Office of State Planning and Budgeting all reside in the State Capitol. The energy costs are not separated from the lease costs for these offices. The Office of Homeland Security leases office space from DEM located on 9195 E. Mineral Avenue, Centennial, CO 80112. Energy costs are not separated from the lease. The Governor's Energy Office leases office space at 1140 Logan St., Suite 100 Denver, CO 80203. Energy costs are paid by the landlord and included in the lease. The Office of Economic Development and International Trade leases space at 1625 Broadway, Suite 2700, Denver, CO 80203. Energy costs are included in the lease.

The table below reflects the buildings rented by OIT. The first two locations are private leases, both of which have utilities included in the lease. The final three locations are paid from the annual appropriations for the Capitol Complex Leased Space, and again, utilities costs are not paid separately by OIT as the tenant and are included in the rental rate.

Locations	
OIT Headquarters - Pearl Plaza - 601 East 18th Avenue, Denver	Private Lease
OIT Training Room & Work Room - 633 17th Street Avenue, Denver	Private Lease
690 Kipling Street, Lakewood, Colorado	Capitol Complex Lease
2000 Sq Foot Telecomm Room, North Campus	Capitol Complex Lease
MNT/Network Room, Grand Junction State Office Building	Capitol Complex Lease

30. Any real property or land owned, managed, or rented by any division or subdivision (by geographic location).

The Governor's Office, Lt. Governor's Office, Office of State Planning and Budgeting, the Office of Homeland Security and the Office of Economic Development and International Trade (OEDIT) do not own, manage or rent any real property or land. OIT does not manage or own any real property or land, but does rent land technically for the areas and locations throughout the state and the four corners region where OIT and the state pay public and private entities and individuals for a collocation fee for the use of land to locate DTR towers and for unlimited access to the site.

Locations
Board of Land Commission (Cupola Site)
Board of Land Commission (Reiradon Hill Site)
Board of Land Commission (Boyero Site)
Ramah / Wilson Creek Site
Sunlight Peak Site
Castle Peak Ranch Site
Cheyenne Mountain Site
Haswell Site
Wasatch Rd, Longmont Site
Storm King Site
Anton Site
Durango Site
San Antonia Mountain Site
Abajo Site
US Forest Service - special use fee for Radio Tower sites
Glenwood Springs State Office Building Garage/Shop

31. List essential computer systems and databases used by the department, its divisions and subdivisions, with their actual FY 2008-09 expenditures.

The Governor's Office of Information Technology is responding to this question from the Committee on behalf of all executive branch agencies. The annual IT planning process, defined in the response to question #7 above, results in the collection of information that addresses this question by agency. Please refer to Appendix B for a summary of systems, applications, databases and projects by agency for the current fiscal year with projected personal services and operating costs.

32. Any actual FY 2008-09 expenditures over $100,000 total from the department or from its divisions and subdivisions to any private contractor, identifying the contract, the project, and whether the contracts were sole-source or competitive bid.

The Governor has determined that this request is administratively burdensome and is best accessed through the State Controller. Please contact the State Controller for a report with this information.

33. The amount of actual FY 2008-09 expenditures for any lobbying, public relations, gifts, public advertising, or publications including:

a. expenditures for lobbying by public employees, contract lobbyists, or "think tanks;"

b. expenditures for lobbying purposes at other levels of government;

c. expenditures for lobbying purposes from grants, gifts, scholarships, or tuition;

d. expenditures for publications or media used for lobbying purposes;

e. expenditures for gratuities, tickets, entertainment, receptions or travel for purposes of lobbying elected officials; or

f. expenditures for any public advertising. Include all advertising campaigns, including those that are not for public relations.

The Governor's Office collected the information outlined in this question (a. through f.) and submitted it to the LCS in September 2009. Please contact LCS to request the information.

34. List of all boards, commissions, and study groups, including actual FY 2008-09 expenditures, travel, per diem budgets and assigned FTEs.

The Governor's Office collected the requested information and gave it to the JBC in August 2009. The Governor has determined that the remainder of this request is administratively burdensome as the operating budget is not appropriated or expended according to specific FTE.

35. Suggest budget and staff reductions, including reductions in FTE and hours, by division and subdivision, that will reduce your department's total FY 2010-11 General Fund expenditures by 12.5% relative to FY 2009-10 appropriations before any adjustments that have been announced since the end of the 2009 session.

Please see the Governor's November 6, 2009 Budget Request for budget balancing proposals for FY 2010-11, and his December 1, 2009 Budget Balancing package for FY 2009-10.

36. Suggest budget and staff reductions, including reductions in FTE and hours, by division and subdivision, that will reduce your department's total FY 2010-11 General Fund expenditures by 25.0% relative to FY 2009-10 appropriations before any adjustments that have been announced since the end of the 2009 session.

Please see the Governor's November 6, 2009 Budget Request for budget balancing proposals for FY 2010 -11, and his December 1, 2009 Budget Balancing package for FY 2009-10.