

# JOINT BUDGET COMMITTEE



## SUPPLEMENTAL BUDGET REQUESTS FY 2017-18

### OFFICE OF THE GOVERNOR

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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# OFFICE OF THE GOVERNOR

## DEPARTMENT OVERVIEW

The Office of the Governor includes the functions associated with the governorship (oversight of executive branch agencies, policy development, communications, and citizen support services), as well as the Office of the Lieutenant Governor, Office of State Planning and Budgeting, Office of Economic Development and International Trade, Office of Information Technology, and Colorado Energy Office. The Office's FY 2017-18 appropriation represents 1.2 percent of statewide operating total funds appropriations and 0.3 percent of statewide General Fund appropriations.

## SUMMARY: FY 2017-18 APPROPRIATION AND RECOMMENDATION

GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING: RECOMMENDED CHANGES FOR FY 2017-18						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2017-18 APPROPRIATION</b>						
SB 17-254 (Long Bill)	\$327,294,670	\$30,301,603	\$44,200,500	\$246,336,847	\$6,455,720	1,087.9
Other legislation	8,364,108	5,023,062	3,200,000	141,046	0	3.3
<b>CURRENT FY 2017-18 APPROPRIATION</b>	<b>\$335,658,778</b>	<b>\$35,324,665</b>	<b>\$47,400,500</b>	<b>\$246,477,893</b>	<b>\$6,455,720</b>	<b>1,091.2</b>
<b>RECOMMENDED CHANGES</b>						
Current FY 2017-18 Appropriation	\$335,658,778	35,324,665	\$47,400,500	\$246,477,893	\$6,455,720	1,091.2
S1 (OIT) CBMS/PEAK annual funding adjustment	3,865,373	0	0	3,865,373	0	0.0
S2 (OIT) HCPF security	278,356	0	0	278,356	0	0.0
S3 (OIT) Human Resources Information System	(5,379,651)	0	0	(5,379,651)	0	0.0
1331 Colorado Energy Office program administration	0	0	0	0	0	0.0
NP Annual fleet supplemental	2,918	0	0	2,918	0	0.0
<b>RECOMMENDED FY 2017-18 APPROPRIATION</b>	<b>\$334,425,774</b>	<b>\$35,324,665</b>	<b>\$47,400,500</b>	<b>\$245,244,889</b>	<b>\$6,455,720</b>	<b>1,091.2</b>
<b>RECOMMENDED INCREASE/(DECREASE)</b>	<b>(\$1,233,004)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,233,004)</b>	<b>\$0</b>	<b>0.0</b>
Percentage Change	(0.4%)	0.0%	0.0%	(0.5%)	0.0%	0.0%
<b>FY 2017-18 EXECUTIVE REQUEST</b>						
Request Above/(Below) Recommendation	\$3,100,000	\$3,100,000	\$0	\$0	\$0	0.0

\*Represents the requested appropriation change, not the staff recommendation. This request item will be addressed in a separate staff supplemental recommendations presentation for the Department of Personnel on January 18, 2018.

### REQUEST/RECOMMENDATION DESCRIPTIONS

**S1 (OIT) CBMS/PEAK ANNUAL FUNDING ADJUSTMENT:** The Governor's Office of Information Technology (OIT), in conjunction with the Departments of Health Care Policy and Financing (HCPF) and Human Services (CDHS), requests a series of changes to FY 2017-18 appropriations to address both substantive and technical issues. These changes result in an overall increase of \$4.6 million total

funds, including an increase of \$0.3 million General Fund. Staff recommends that the Committee approve the request. Note, the dollar amount shown in the table above only captures the funding change for OIT, \$3,865,373, not the full amount of the request across all three agencies.

**S2 (OIT) HCPF SECURITY:** The Governor’s Office of Information Technology (OIT) requests \$278,356 reappropriated funds for FY 2017-18 transferred from the Department of Health Care Policy and Financing (HCPF) to address security issues at HCPF. HCPF submits a companion supplemental request for \$278,356 total funds, including \$86,847 General Fund, to fund the OIT request for security upgrades. Staff recommends that the Committee approve the request.

**S3 (OIT) HUMAN RESOURCES INFORMATION SYSTEM:** The Governor’s Office of Information Technology (OIT) requests a reduction of \$5,379,651 reappropriated funds for FY 2017-18 due to anticipated lower ongoing maintenance and licensing costs resulting from a vendor change in the replacement of the time and leave tracking component of the Human Resources Information System (HRIS), now known as HRWorks. Staff recommends that the Committee take two actions related to this request:

- First, staff recommends that Committee approve the supplemental capital construction funding request for FY 2017-18. This request was first submitted in September 2017 and calls for funding to change the time and leave tracking component of HRWorks from a Kronos tool to a CGI tool. This recommendation requires a supplemental capital construction appropriation of \$2,888,529 General Fund / Capital Construction Fund for FY 2017-18.
- Second, and in conjunction with the first recommendation, staff recommends that the Committee approve the operating supplemental request to reduce OIT’s spending authority by \$5,379,651 reappropriated funds for FY 2017-18. This reduction is due to delays in the implementation of the time and leave tracking component of the HRWorks that postpones the need for full operations and maintenance funding, as well a decrease in operating costs associated with the CGI option versus the Kronos option.

**1331 COLORADO ENERGY OFFICE PROGRAM ADMINISTRATION:** Through a June 2017 emergency supplemental request, the Colorado Energy Office (CEO) sought up to \$3.1 million General Fund for FY 2017-18 to continue its statutorily-mandated responsibilities, and continue delivering energy services to consumers and the energy industry. The Committee rejected this emergency supplemental during its June 20, 2017 meeting by a vote of 3-3. Subsequently, the Colorado Energy Office worked with its federal partners at the U.S. Department of Energy to secure \$3.1 million federal funds for FY 2017-18 to cover the costs of the Office in the absence of state funding. No further action is requested or required of the Committee for FY 2017-18.

**NP ANNUAL FLEET SUPPLEMENTAL:** The request includes an increase of \$2,918 reappropriated funds for FY 2017-18 for an adjustment to the Office’s share of expenses related to leasing fleet vehicles through the Department of Personnel. This request item will be addressed in a separate staff supplemental recommendations presentation for the Department of Personnel on January 18, 2017. Staff will incorporate the Committee’s action into the supplemental bill. Note, the dollar amounts in the previous table represent the requested appropriation change.

## PRIORITIZED SUPPLEMENTAL REQUESTS

### S1 (OIT) CBMS/PEAK ANNUAL FUNDING ADJUSTMENT

	REQUEST	RECOMMENDATION
<b>TOTAL*</b>	<b>\$4,640,373</b>	<b>\$4,640,373</b>
FTE	0.0	0.0
General Fund (CDHS/HCPF)	329,698	329,698
Cash Funds (CDHS/HCPF)	500,988	500,988
Reappropriated Funds (OIT/HCPF)	3,898,271	3,898,271
Federal Funds (HCPF)	3,776,789	3,776,789

\*Represents the total appropriation changes requested and recommended for the Department of Health Care Policy and Financing and the Governor's Office of Information Technology. The total does not include the reappropriated funds transferred from the Departments of Health Care Policy and Financing and Human Services to the Governor's Office of Information Technology (increase of \$3,865,373) to avoid double counting the requested and recommended funds.

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

**DEPARTMENT REQUEST:** The Governor's Office of Information Technology (OIT), in conjunction with the Departments of Health Care Policy and Financing (HCPF) and Human Services (CDHS), requests a series of changes for FY 2017-18 appropriations to address both substantive and technical issues. These changes result in an overall increase of \$4.6 million total funds, including an increase of \$0.3 million General Fund.

**STAFF RECOMMENDATION:** Staff recommends that the Committee approve the request.

#### STAFF ANALYSIS:

##### *Background*

CBMS is the computer system used to determine a citizen's eligibility for public assistance programs like Medicaid, the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Old Age Pension (OAP), and many others. CBMS is developed and maintained by the State for use by county social service organizations and various medical assistance sites throughout the state. Funding for the system is annually appropriated to the Department of Health Care Policy and Financing (HCPF) and the Department of Human Services (CDHS). Appropriations are subsequently transferred to the Governor's Office of Information Technology (OIT) to pay for the employees and operating expenses supporting CBMS.

For FY 2017-18, CDHS, HCPF, and OIT put forth a series of five supplemental changes to address both technical and substantive issues. These changes result in an overall increase of \$4.6 million total funds, including an increase of \$0.3 million General Fund.

*Proposed Technical Solutions (two)*

Random Moment Sampling / Pool Hour Refinancing (\$0)

The federally-approved mechanism by which agencies measure and document the activities of direct service staff for the purpose of allocating time and effort between public assistance programs is known as Random Moment Sampling (RMS). The results of RMS studies form the statistical basis for claiming federal reimbursement. Appropriations provided to HCPF and CDHS to pay OIT for the ongoing operation and maintenance of CBMS are based on these RMS studies. RMS is used to determine the amount of General Fund, cash funds (e.g. Hospital Provider Fee Cash Fund, Old Age Pension Fund), reappropriated funds (e.g. funds transferred within an agency), and federal funds (e.g. Medicaid and SNAP) needed to fund the administration of CBMS. Recent RMS data show that the current appropriations provided to HCPF and CDHS to pay OIT for CBMS are not in alignment with the current cost allocation trends or federal financial participation rates applicable for certain CBMS costs.

Additionally, the request seeks to refinance appropriations for contract pool hours used by HCPF, CDHS, OIT, and counties to address the volume of projects that must be completed annually based on compliance requirements, federal mandates, and technical infrastructure needs.

Staff recommends that the Committee approve these technical requests. The table below summarizes the requested and recommended supplemental changes to appropriations for FY 2017-18.

FY 2017-18 CBMS RMS AND POOL HOUR REFINANCING					
Agency	TF	GF	CF	RF	FF
HCPF	\$3,134,867	\$303,099	*\$235,914	***\$26,709	\$2,569,145
CDHS	(3,134,867)	(1,402,598)	** (101,605)	0	(1,630,664)
<b>Total</b>	<b>\$0</b>	<b>(\$1,099,499)</b>	<b>\$134,309</b>	<b>\$26,709</b>	<b>\$938,481</b>

\*Money comes from the Hospital Provider Fee Cash Fund.

\*\*Money comes from the Old Age Pension Fund.

\*\*\* Money comes from the Old Age Pension State Medical Program line item within HCPF.

Staff Development Center Funding Change (\$0)

The Health Care and Economic Security Staff Development Center (SDC) is the training connection between CDHS, HCPF, and OIT to the 64 county departments of social/human services. Training is provided to county staff working with families who are accessing medical and other types of public assistance, such as SNAP, Medicaid, CHP+, Aging and Adult Services, and TANF. Funding for the SDC is appropriated directly to CDHS and HCPF and managed by the SDC Governance Board. The current appropriation for the SDC is spread across five line items in CDHS (2), HCPF (2), and OIT (1). This budget neutral request component moves the appropriations into two line items in CDHS (1) and HCPF (1) to mirror appropriations with program delivery. Staff recommends that the Committee approve this technical request.

*Proposed Substantive Solutions (three)*

Client Correspondence (\$2,265,639)

Appropriations for client correspondence include money to meet the printing and mailing costs for required client notifications. OIT indicates that the existing base budget of \$6,963,274 is not sufficient to meet the volume of program noticing requirements. OIT, in conjunction with the Department of Personnel's Integrated Document Solutions unit, indicates that it requires a budget of \$9,228,913 to

support the mailings (a difference of \$2,265,639) and requests a supplemental for FY 2017-18 to meet the need.

The demand is driven by HCPF a number of policy and operational changes as part of the implementation of the Affordable Care Act, which included the Shared Eligibility System (SES) with Connect for Health Colorado. In addition, recent state law enacted through Senate Bill 17-121 (Improve Medicaid Client Correspondence) requires HCPF to ensure that client correspondence is written using person-first, plain language. To achieve this requirement, based on client and stakeholder feedback, in certain situations, letters may need to incorporate additional explanatory language, more white space, or a different layout to improve readability.

Staff recommends approving this component of the request to cover client correspondence requests. The table below summarizes the requested and recommended supplemental changes to appropriations.

FY 2017-18 CBMS CLIENT CORRESPONDENCE INCREASE					
Agency	TF	GF	CF	RF	FF
HCPF	\$941,500	\$292,410	*\$176,347	***\$3,022	\$469,721
CDHS	1,324,139	544,045	**47,767	0	732,327
<b>Total</b>	<b>\$2,265,639</b>	<b>\$836,455</b>	<b>\$224,114</b>	<b>\$3,022</b>	<b>\$1,202,048</b>

\*Money comes from the Hospital Provider Fee Cash Fund.

\*\*Money comes from the Old Age Pension Fund.

\*\*\* Money comes from the Old Age Pension State Medical Program line item within HCPF.

Infrastructure (\$711,997)

This component of the request supports increases in software licensing, maintenance and support resulting from capacity, performance, and caseload driven factors. For FY 2017-18, OIT requests an additional \$711,997 to meet increased infrastructure costs associated with increasing data storage requirements and increases in licensing costs for software.

Staff recommends approving this component of the request to cover infrastructure costs. The table below summarizes the requested and recommended supplemental changes to appropriations.

FY 2017-18 CBMS INFRASTRUCTURE INCREASE					
Agency	TF	GF	CF	RF	FF
HCPF	\$295,875	\$45,947	*\$27,733	***\$950	\$221,245
CDHS	416,122	170,971	**15,011	0	230,140
<b>Total</b>	<b>\$711,997</b>	<b>\$216,918</b>	<b>\$42,744</b>	<b>\$950</b>	<b>\$451,385</b>

\*Money comes from the Hospital Provider Fee Cash Fund.

\*\*Money comes from the Old Age Pension Fund.

\*\*\* Money comes from the Old Age Pension State Medical Program line item within HCPF.

Security/Compliance (\$1,662,737)

OIT requests additional funding for FY 2017-18 to manage vulnerabilities that present risks to CBMS and to ensure compliance with federal and state requirements. While all high risk security gaps were remediated for CBMS and PEAK, there are currently 74 open medium and low risk security items that must be remediated. The requested funds, \$1,662,737, will allow OIT to address these security risks.

Staff recommends approving this component of the request to cover infrastructure costs. The table below summarizes the requested and recommended supplemental changes to appropriations.

FY 2017-18 CBMS SECURITY AND COMPLIANCE INCREASE					
Agency	TF	GF	CF	RF	FF
HCPF	\$690,962	\$107,301	*\$64,766	***\$2,217	516,678
CDHS	971,775	268,523	**35,055	0	668,197
<b>Total</b>	<b>\$711,997</b>	<b>\$216,918</b>	<b>\$42,744</b>	<b>\$950</b>	<b>\$451,385</b>

\*Money comes from the Hospital Provider Fee Cash Fund.

\*\*Money comes from the Old Age Pension Fund.

\*\*\* Money comes from the Old Age Pension State Medical Program line item within HCPF.



## S2 (OIT) HCPF SECURITY

	REQUEST	RECOMMENDATION
<b>TOTAL*</b>	<b>\$278,356</b>	<b>\$278,356</b>
FTE	0.0	0.0
General Fund (HCPF)	86,847	86,847
Cash Funds (HCPF)	52,331	52,331
Reappropriated Funds (OIT)	278,356	278,356
Federal Funds (HCPF)	139,178	139,178

\*Represents the total appropriation changes requested and recommended for the Department of Health Care Policy and Financing and the Governor's Office of Information Technology. The total does not include the reappropriated funds transferred from the Department of Health Care Policy and Financing to the Governor's Office of Information Technology to avoid double counting the requested and recommended funds.

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

**DEPARTMENT REQUEST:** The Governor's Office of Information Technology (OIT) requests \$278,356 reappropriated funds for FY 2017-18 transferred from the Department of Health Care Policy and Financing (HCPF) to address security issues at HCPF. HCPF submits a companion supplemental request for \$278,356 total funds, including \$86,847 General Fund, to fund the OIT request for security upgrades.

**STAFF RECOMMENDATION:** Staff recommends that the Committee approve the request.

### STAFF ANALYSIS:

#### *Background*

HCPF experienced a phishing attack on April 18, 2017. Phishing is an attempt made by an attacker disguised as a trustworthy entity in an electronic communication to obtain sensitive information such as usernames, passwords, and credit card details (and money), often for malicious reasons. In the April HCPF incident, over 150 staff clicked a link and provided information. While employees clicked on the link in the phishing emails and provided credentials, there were no substantial repercussions and no data was lost. Still, this type of episode highlights the fact that unauthorized access to personal health data is a critical security risk for both the Department and the state as a whole. This phishing incident prompted OIT, as the agency responsible for ensuring the security of data for HCPF and its customers, and HCPF to identify security gaps and develop a plan for preventing attacks.

#### *Proposed Solution*

To implement this plan, the two agencies put forth a five-pronged supplemental funding request for FY 2017-18 requiring an appropriation of \$278,356 total funds, including \$86,847 General Fund. The five components, focused on increasing system hardening, include:

#### Firewall Migration (\$136,000)

A firewall is a part of a computer system or network that is designed to block unauthorized access while permitting outward communication. HCPF currently relies on legacy firewalls, exposing their

network to unnecessary risk. The plan calls for a one-time appropriation of \$136,000 to pay for the migration from HCPF legacy firewalls to the OIT-administered enterprise firewall. This allows for centralized and consistent management through OIT, which includes constant threat monitoring and real-time response to incidents.

Security Architect Support (\$49,800)

Security architecture is a unified security design that addresses the necessities and potential risks involved in a certain scenario or environment. It also specifies when and where to apply security controls. Additional security architecture resources are needed to support HCPF due to the complexities associated with the systems, data, and interoperability requirements that support and drive the agency's operations. While OIT is covering day-to-day security needs, large systems, especially those containing personal health information, often require a dedicated security management and oversight related to, which cannot be funded within OIT's current appropriations. Thus, the plan calls for an appropriation of \$49,800 for FY 2017-18 and \$129,480 in FY 2018-19 and future fiscal years to add contract security architecture services focused on reviewing all data movement and ensuring the most secure way of conducting business.

Note, the FY 2018-19 request is included in OIT's "R5 Department of Health Care Policy and Financing security" decision item that will be considered by the Committee during the figure setting process in February.

Two Factor Authentication (\$17,589)

Two Factor Authentication is a two-step verification process that adds an extra layer of security by requiring not only a password and username, but also something that only a user should know or have immediately on-hand (e.g. a text message sent to the user with a unique PIN). HCPF does not currently rely on two factor authentication, thus the possibility of a security breach that would expose citizens' private data to malicious entities is increased, as was witnessed during the April phishing incident. The plan calls for an appropriation of \$17,589 for FY 2017-18 and future fiscal years to implement two factor authentication at both the email and at the network access layer to protect against malicious attacks on HCPF systems and data.

Note, the FY 2018-19 request is included in OIT's "R5 Department of Health Care Policy and Financing security" decision item that will be considered by the Committee during the figure setting process in February.

Centralized and Automated Provisioning and Auditing (\$27,734)

Provisioning involves an interaction between information technology staff and human resources staff to give users access to networks, systems and data based on a unique user identity appropriate for their use of hardware resources, such as computers and mobile phones. The majority of provisioning for HCPF systems is done manually. This increases the possibility of errors and makes auditing difficult. Manual auditing requires staff to review all different systems and attempt to compare access of individuals across those systems to identify errors or discrepancies. The plan calls for a one-time appropriation of \$27,734 to pay for the implementation of an automated system to ensure that all accounts are accurate, in sync with one another, and that as an employee leaves, all of their account access is terminated automatically, reducing the risk of having individuals with unauthorized access.

Encryption (\$47,233)

Email encryption involves disguising the content of email messages in order to protect potentially sensitive information from being read by anyone other than intended recipients. For numerous business reasons, HCPF does not use the standard OIT email service, thus the agency does not use the standard encryption services provided by OIT. An update to the HCPF encryption solution is necessary because the previous encryption solution was proven to be user unfriendly at times with its short message timeout limitations and cumbersome interface. The plan calls for an appropriation of \$47,233 for FY 2017-18 and future fiscal years to update HCPF's encryption services to protect emails from unauthorized access in a manner that is more user friendly.

Note, the FY 2018-19 request is included in OIT's "R5 Department of Health Care Policy and Financing security" decision item that will be considered by the Committee during the figure setting process in February.

*Staff Recommendation*

Staff recommends approving the request put forth by OIT and HCPF. At a relatively low cost, the agencies will be able to fill critical security gaps that were highlighted by the April phishing incident and the subsequent analysis of HCPF's systems and data.

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## S3 (OIT) HUMAN RESOURCES INFORMATION SYSTEM

	REQUEST	RECOMMENDATION
<b>TOTAL</b>	<b>(\$5,379,651)</b>	<b>(\$5,379,651)</b>
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	(5,379,651)	(5,379,651)
Federal Funds	0	0

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

**DEPARTMENT REQUEST:** The Governor's Office of Information Technology (OIT) requests an operating budget reduction of \$5,379,651 reappropriated funds for FY 2017-18 due to anticipated lower ongoing maintenance and licensing costs resulting from a vendor change in the replacement of the time and leave tracking component of the Human Resources Information System (HRIS), now known as HRWorks.

**STAFF RECOMMENDATION:** Staff recommends that the Committee take two actions related to this request:

- First, staff recommends that Committee approve the supplemental capital construction supplemental funding request for FY 2017-18. This request was first submitted in September 2017 and calls for funding to change solutions for the time and leave tracking component of HRWorks from a Kronos tool to a CGI tool. This recommendation requires a capital construction appropriation of \$2,888,529 General Fund / Capital Construction Fund for FY 2017-18.
- Second, and in conjunction with the first recommendation, staff recommends that the Committee approve the operating supplemental request to reduce OIT's spending authority by \$5,379,651 reappropriated funds for FY 2017-18. This reduction is due to anticipated lower ongoing maintenance and licensing costs resulting from the vendor change in the replacement of the time and leave tracking component.

## STAFF ANALYSIS:

*Background*

HRWorks is an information system owned by the Department of Personnel (DPA) and implemented by OIT that is currently under development that will provide a single application for human resources management functions. HRWorks has four main components:

- Statewide time and leave tracking;
- Payroll processing;
- Performance and personnel management; and

- Statewide database for employee and position information.

HRWorks will replace the state's existing statewide leave, time tracking and human resources management system. OIT/DPA indicate that human resources functions are currently fragmented across the state agencies and are performed on paper or in a number of legacy systems. It is estimated that there are approximately 80 different applications used by executive branch agencies to perform the critical business functions of human resources.

This system replacement project received an initial capital construction information technology projects appropriation of \$16.1 million General Fund / Capital Construction Fund in FY 2014-15 and was later augmented by a supplemental appropriation of \$15.2 million General Fund / Capital Construction Fund during the 2015 legislative session. The total appropriation for the capital construction project is currently \$31.3 million General Fund / Capital Construction Fund. The appropriated funds are used to contract with four primary vendors to undertake each component of the project:

- Kronos – Statewide time and leave tracking
- CGI – Payroll processing;
- Workday – Performance and personnel management; and
- Lexmark – Statewide database for employee and position information.

Additionally, the FY 2017-18 operating budget includes \$8.0 million total funds for the ongoing costs associated with maintaining HRWorks. This cost is spread across state agencies through direct appropriations made in the Payments to OIT line items within each agency. OIT has spending authority for \$8.0 million in the form of an appropriation of reappropriated funds that are transferred from state agencies from their Payments to OIT line item appropriations from a variety of sources (General Fund, cash funds, reappropriated funds, and federal funds) for this purpose.

#### *Issue*

A contract for the statewide time and leave tracking component of the project was initially awarded to Kronos. In addition to Kronos submitting a bid fulfilling OIT/DPA's requirements, and Kronos generally being considered the industry leader in timekeeping systems, most state agencies also use some version of the vendor's tools for timekeeping functions. OIT/DPA spent \$9.1 million of its \$31.3 million capital construction appropriation across three fiscal years (FY 2014-15, FY 2015-16, and FY 2016-17) for a master agreement to license the most current Kronos tools for agencies to implement prior to the launch of HRIS and to integrate the most current Kronos tools with the payroll processing component of HRWorks under development by CGI.

After CGI and Kronos began to integrate the statewide time and leave tracking component of the project with the payroll processing component of project in January 2017, OIT/DPA determined that the state's Kronos configuration would not work with CGI's tools without significant customization by both vendors. OIT/DPA then opted to halt the implementation of Kronos tools for statewide time and leave tracking and instead implement a CGI-based time and leave tracking solution. This solution is deemed to reduce the technology risk of the project, increase the overall functionality and usability of HRWorks, and improve the integration of HRWorks with the state's financial system, CORE, which will benefit the monthly and annual closing processes.

*Fiscal Impact of Proposed Change from Kronos to CGI for Time and Leave Tracking*

In September 2017, OIT/DPA submitted an emergency supplemental capital construction funding request seeking \$2,888,529 General Fund / Capital Construction Fund for FY 2017-18 to build out the CGI solution for time and leave tracking. Additionally, the agencies' FY 2018-19 capital construction funding request includes \$7,414,260 General Fund / Capital Construction Fund to complete this work. The capital construction costs associated with the CGI solution are \$1,049,646 higher than those associated with the Kronos solution.

The following table summarizes current and requested capital construction appropriations for this project.

HRWORKS CAPITAL CONSTRUCTION FUNDING	
	GF / CCF
Existing FY 2014-15 Appropriation	\$31,288,801
FY 2017-18 Emergency Supplemental Request for Timekeeping	2,888,529
FY 2018-19 Request for Timekeeping	7,414,260
<b>Total</b>	<b>\$41,591,590</b>

On the operating budget side, the CGI solution put forth by OIT/DPA is less expensive in the long-term. The CGI option has annual operating cost of \$226,803 versus an annual operating cost of \$936,746 for the Kronos option. Across ten years, this results in the operating costs associated with the CGI solution coming in \$7,553,036 lower than the Kronos solution.

The following table summarizes the price difference for the two solutions over a ten year period, including capital construction and operating costs.

COMPARING COSTS: KRONOS VS. CGI			
Cost Item	Kronos	CGI	Difference
Capital Construction	\$6,411,783	\$7,461,429	\$1,049,646
Operating	9,367,460	1,814,424	(7,553,036)
<b>Total</b>	<b>\$15,779,243</b>	<b>\$9,275,853</b>	<b>(\$6,503,390)</b>

*Status of the 1331 Capital Construction Request to Move from Kronos to CGI*

The Joint Technology Committee (JTC) reviewed OIT's FY 2017-18 emergency supplemental capital construction funding request for \$2,888,529 General Fund / Capital Construction Fund to build out the CGI solution for time and leave tracking and voted 4 to 2 on September 13<sup>th</sup> in favor of authorizing the funds. On September 20, 2017, the Joint Budget Committee (JBC) met and considered this emergency supplemental request and asked that the JTC review this funding solicitation a second time to study concerns brought forth by members of the JBC. On October 3, 2017, the JTC studied the request a second time and subsequently voted 2 to 4 on a motion to approve the emergency supplemental. Following the JTC's vote, the JBC opted to table a decision on funding the request. At OIT/DPA's request, the JTC analyzed the request a third time on December 19, 2017 and voted 3 to 3 on a motion to approve the emergency supplemental.

On January 5, 2018, OIT/DPA requested that the JBC consider the emergency supplemental capital construction funding request again. Specifically, the letter to the Committee reads:

“As set forth in the emergency supplemental request, OIT, in partnership with DPA, seeks \$2,888,529 in FY 2017-18 and \$7,414,260 for FY 2018-19 to complete...HRWorks. HRWorks includes three components: time and leave, payroll/Colorado Personnel Payroll System (CPPS) replacement and human capital management. We respectfully request that the JBC act on the request for the emergency supplemental as soon as possible to save the state money, provide an integrated solution, and reduce risk... OIT and DPA respectfully request a meeting with the Joint Budget Committee on the HRWorks emergency supplemental.”

The letter also indicates that OIT/DPA have continued to implement HRWorks with both Workday and CGI to complete the project by its October 2018 deadline. If the emergency supplemental is not approved, the state will be forced to stop full implementation due to lack of funding, the agencies state. The consequences of a halted project include sunk costs of at least \$20 million General Fund / Capital Construction Fund, the time and leave tracking, payroll replacement, and human capital management components of HRWorks will not be implemented, and the Colorado Personnel Payroll System (CPPS), a COBOL-based system that is no longer supported by the vendor, will continue to be used for payroll functions.

The JBC met with OIT/DPA on January 8, 2018, reviewed the emergency supplemental request, and did not take action. Given that the JBC did not meet again prior to the commencement of the 2018 legislative session on January 10, 2018, this emergency supplemental capital construction emergency funding request is no longer considered an emergency supplemental request, but rather a regular, supplemental capital construction funding request. Note, JBC staff is scheduled to present recommendations on supplemental capital construction funding requests on January 25, 2018. Unless the JBC takes action on the supplemental capital construction portion of the HRWorks request prior to January 25<sup>th</sup>, staff will be presenting it again on that date.

#### *Operating Supplemental Request*

In hopes that the General Assembly will approve its supplemental capital construction funding request for FY 2017-18, OIT/DPA submit a supplemental operating reduction of \$5.4 million reappropriated funds for FY 2017-18. This reduction is due to two factors: first, given the delays associated with the time and leave tracking component of HRWorks, OIT does not need the same level of spending authority to meet operations and maintenance costs as was assumed when the original appropriation was made and the time and leave tracking component of HRWorks was thought to be on schedule. Second, the operating costs for FY 2017-18 are lower with the CGI solution than the Kronos option. Together, these two factors allow OIT to request an operating reduction of \$5.4 million reappropriated funds for FY 2017-18.

Note, while OIT requests a supplemental operating reduction in reappropriated funds spending authority for FY 2017-18, the actual budgetary savings will be realized through the true-up process for the information technology common policy for FY 2018-19 when agencies receive a reduction in appropriations in their operating Payments to OIT line items totaling \$5.4 million statewide.

#### *Interaction of the Capital Construction Supplemental and the Operating Supplemental*

The supplemental operating reduction requested here for FY 2017-18 is directly tied to the supplemental capital construction funding request for FY 2017-18.

- If the Committee approves the supplemental capital construction funding request for FY 2017-18, the Committee should approve the supplemental operating funding request for FY 2017-18.
- If the Committee rejects the supplemental capital construction funding request for FY 2017-18, the Committee should reject the supplemental operating funding request for FY 2017-18.
- If the Committee tables the supplemental capital construction funding request for FY 2017-18 until a later date, the Committee should table the supplemental operating funding request for FY 2017-18 until a later date.

*Staff Recommendation*

It is unfortunate that \$9.1 million General Fund / Capital Construction Fund was expended on the statewide time and leave tracking component of the HRWorks project for Kronos technology that will not be part of the final product. Staff will continue to work with the Joint Technology Committee to identify policy and/or procurement process changes that can be implemented to ensure that opportunities for such expenditures are eliminated in the future. Spending \$9.1 million of state money and then determining that a technology solution is not the right one to address business process needs should be unacceptable to taxpayers, the executive branch, and the General Assembly.

Regardless of the merit (or lack thereof) of prior expenditures, the General Assembly has previously been asked to authorize additional capital construction state funding to complete this project with a solution, that to its credit, has lower ongoing maintenance costs than the original solution and will cost less over the life of the system than the original solution. The technologies outlined by OIT/DPA on January 8, 2018 are the same as that proposed in September 2017; only the cost estimates associated with Kronos-based solution and the CGI-based solution have changed based on further information gathered by OIT/DPA in consultation with the two vendors. Even with these revised cost estimates, the CGI-based solution for time and leave tracking remains the most cost-effective solution, with an estimated decrease in costs of \$6.5 million compared to the Kronos option. Thus, staff's opinion on the HRWorks supplemental capital construction request has not changed since it was recommended for approval in September 2017. Therefore, factoring in the operating supplemental for FY 2017-18, staff recommends that the Committee take two actions on January 11<sup>th</sup>:

- First, staff recommends that Committee approve the supplemental capital construction funding request for FY 2017-18. This request was first submitted in September 2017 and calls for funding to change the time and leave tracking component of HRWorks from a Kronos tool to a CGI tool. This recommendation requires a supplemental capital construction appropriation of \$2,888,529 General Fund / Capital Construction Fund for FY 2017-18.
- Second, and in conjunction with the first recommendation, staff recommends that the Committee approve the operating supplemental request to reduce OIT's spending authority by \$5,379,651 reappropriated funds for FY 2017-18. This reduction is due to delays in the implementation of the time and leave tracking component of the HRWorks that postpones the need for full operations and maintenance funding, as well a decrease in operating costs associated with the CGI option versus the Kronos option.



## NON-PRIORITIZED SUPPLEMENTAL REQUESTS

### PREVIOUSLY REJECTED INTERIM SUPPLEMENTAL REQUEST 1331 COLORADO ENERGY OFFICE PROGRAM ADMINISTRATION

	REQUEST	APPROVED
<b>TOTAL</b>	<b>\$3,100,000</b>	<b>\$0</b>
FTE	0.0	0.0
General Fund	3,100,000	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

**DEPARTMENT REQUEST:** Through a June 2017 emergency supplemental request, the Colorado Energy Office (CEO) sought up to \$3.1 million General Fund for FY 2017-18 to continue its statutorily-mandated responsibilities, and continue delivering energy services to consumers and the energy industry.

**SUMMARY:** Following the defeat of S.B. 17-301 (Energy-related Statutes) and H.B. 17-1373 (Gen Fund Transfers For CO Energy Ofc Cash Funds) during the legislative session which would have funded CEO's operations, the Office requested up to \$3.1 million General Fund for FY 2017-18 to continue its statutorily-mandated responsibilities, and continue delivering energy services to consumers and the energy industry.

**COMMITTEE ACTION:** The Committee rejected this emergency supplemental during its June 20, 2017 meeting by a vote of 3-3. Subsequently, the Colorado Energy Office worked with its federal partners at the U.S. Department of Energy to secure \$3.1 million federal funds for FY 2017-18 to cover the costs of the Office in the absence of state funding. This money is available to Colorado from a previously awarded grant from the federal American Recovery and Reinvestment Act of 2009 (ARRA) that the Office received permission to repurpose. This funding allowed the Office to avoid staff layoffs and restructure programmatic functions to ready itself for an uncertain funding future. No further action is requested or required of the Committee for FY 2017-18.

For FY 2018-19, the Office requests a General Fund appropriation of \$3.1 million General Fund. This request will presented to the Committee during the figure setting process in February.

## STATEWIDE COMMON POLICY SUPPLEMENTAL REQUESTS

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

DEPARTMENT'S PORTION OF STATEWIDE SUPPLEMENTAL REQUEST	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS	FTE
NP Annual Fleet Supplemental	\$2,918	\$0	\$0	\$2,918	\$0	0.0

**STAFF RECOMMENDATION:** The staff recommendation for these requests is pending Committee action on common policy supplementals. Staff asks permission to include the corresponding appropriations in the Office's supplemental bill when the Committee acts on common policy supplementals. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee at a later date to present the relevant analysis.

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*JBC Staff Supplemental Recommendations - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

**Appendix A: Number Pages**

	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2017-18 Requested Change	FY 2017-18 Rec'd Change	FY 2017-18 Total w/Rec'd Change
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**GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING**

**John Hickenlooper, Governor**

**S1 (OIT) CBMS/PEAK Annual Funding Adjustment**

**(5) OFFICE OF INFORMATION TECHNOLOGY**

**(E) Applications**

Colorado Benefits Management System	<u>46,447,805</u>	<u>56,877,851</u>	<u>3,865,373</u>	<u>3,865,373</u>	<u>60,743,224</u>
FTE	44.3	49.5	0.0	0.0	49.5
Reappropriated Funds	46,447,805	56,877,851	3,865,373	3,865,373	60,743,224

<b>Total for S1 (OIT) CBMS/PEAK Annual Funding Adjustment</b>	46,447,805	56,877,851	3,865,373	3,865,373	60,743,224
FTE	<u>44.3</u>	<u>49.5</u>	<u>0.0</u>	<u>0.0</u>	<u>49.5</u>
Reappropriated Funds	46,447,805	56,877,851	3,865,373	3,865,373	60,743,224

*JBC Staff Supplemental Recommendations - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2017-18 Requested Change	FY 2017-18 Rec'd Change	FY 2017-18 Total w/Rec'd Change
<b>S2 (OIT) HCPF Security</b>					
<b>(5) OFFICE OF INFORMATION TECHNOLOGY</b>					
<b>(B) IT Infrastructure</b>					
Server Management	<u>11,352,390</u>	<u>14,777,428</u>	<u>47,233</u>	<u>47,233</u>	<u>14,824,661</u>
FTE	62.0	72.0	0.0	0.0	72.0
Reappropriated Funds	11,352,390	14,777,428	47,233	47,233	14,824,661
<b>(5) OFFICE OF INFORMATION TECHNOLOGY</b>					
<b>(D) Information Security</b>					
Security Governance	<u>5,976,945</u>	<u>6,956,474</u>	<u>203,389</u>	<u>203,389</u>	<u>7,159,863</u>
FTE	8.3	6.0	0.0	0.0	6.0
Reappropriated Funds	5,976,945	6,956,474	203,389	203,389	7,159,863
Security Operations	<u>2,312,655</u>	<u>5,663,109</u>	<u>27,734</u>	<u>27,734</u>	<u>5,690,843</u>
FTE	24.6	38.0	0.0	0.0	38.0
Reappropriated Funds	2,312,655	5,663,109	27,734	27,734	5,690,843
<b>Total for S2 (OIT) HCPF Security</b>	19,641,990	27,397,011	278,356	278,356	27,675,367
FTE	<u>94.9</u>	<u>116.0</u>	<u>0.0</u>	<u>0.0</u>	<u>116.0</u>
Reappropriated Funds	19,641,990	27,397,011	278,356	278,356	27,675,367

*JBC Staff Supplemental Recommendations - FY 2017-18*  
*Staff Working Document - Does Not Represent Committee Decision*

	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2017-18 Requested Change	FY 2017-18 Rec'd Change	FY 2017-18 Total w/Rec'd Change
<b>S3 (OIT) Human Resources Information System</b>					
<b>(5) OFFICE OF INFORMATION TECHNOLOGY</b>					
<b>(E) Applications</b>					
Shared Services	<u>0</u>	<u>15,847,045</u>	<u>(2,679,651)</u>	<u>(2,679,651)</u>	<u>13,167,394</u>
FTE	0.0	114.0	0.0	0.0	114.0
Reappropriated Funds	0	15,847,045	(2,679,651)	(2,679,651)	13,167,394
Agency Services	<u>0</u>	<u>22,742,146</u>	<u>(2,700,000)</u>	<u>(2,700,000)</u>	<u>20,042,146</u>
FTE	0.0	176.0	0.0	0.0	176.0
Reappropriated Funds	0	22,742,146	(2,700,000)	(2,700,000)	20,042,146
<b>Total for S3 (OIT) Human Resources Information System</b>					
<b>System</b>	0	38,589,191	(5,379,651)	(5,379,651)	33,209,540
FTE	<u>0.0</u>	<u>290.0</u>	<u>0.0</u>	<u>0.0</u>	<u>290.0</u>
Reappropriated Funds	0	38,589,191	(5,379,651)	(5,379,651)	33,209,540

*JBC Staff Supplemental Recommendations - FY 2017-18  
Staff Working Document - Does Not Represent Committee Decision*

	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2017-18 Requested Change	FY 2017-18 Rec'd Change	FY 2017-18 Total w/Rec'd Change
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**1331 Colorado Energy Office program administration**

**(1) OFFICE OF THE GOVERNOR**

**(C) Colorado Energy Office**

Program Administration	<u>13,784,219</u>	<u>3,623,542</u>	<u>3,100,000</u>	<u>0</u>	<u>3,623,542</u>
FTE	8.3	8.3	0.0	0.0	8.3
General Fund	0	70,000	3,100,000	0	70,000
Cash Funds	8,026,979	0	0	0	0
Federal Funds	5,757,240	3,553,542	0	0	3,553,542

<b>Total for 1331 Colorado Energy Office program administration</b>	13,784,219	3,623,542	3,100,000	0	3,623,542
<i>FTE</i>	<u>8.3</u>	<u>8.3</u>	<u>0.0</u>	<u>0.0</u>	<u>8.3</u>
General Fund	0	70,000	3,100,000	0	70,000
Cash Funds	8,026,979	0	0	0	0
Federal Funds	5,757,240	3,553,542	0	0	3,553,542

<b>Totals Excluding Pending Items</b>					
<b>GOVERNOR</b>					
<b>TOTALS for ALL Departmental line items</b>	293,881,348	335,658,778	1,864,078	(1,235,922)	334,422,856
<i>FTE</i>	<u>995.0</u>	<u>1,091.2</u>	<u>0.0</u>	<u>0.0</u>	<u>1,091.2</u>
General Fund	33,798,569	35,324,665	3,100,000	0	35,324,665
Cash Funds	42,008,150	47,400,500	0	0	47,400,500
Reappropriated Funds	208,821,321	246,477,893	(1,235,922)	(1,235,922)	245,241,971
Federal Funds	9,253,308	6,455,720	0	0	6,455,720