

# JOINT BUDGET COMMITTEE



## INTERIM SUPPLEMENTAL BUDGET REQUESTS FY 2017-18

### CAPITAL CONSTRUCTION INFORMATION TECHNOLOGY PROJECTS

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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# INTERIM SUPPLEMENTAL REQUESTS

## HUMAN RESOURCES INFORMATION SYSTEM

TOTAL	REQUEST	RECOMMENDATION
FTE	0.0	0.0
General Fund / Capital Construction Fund	2,888,529	2,888,529
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

**Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.?** [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee or the Joint Technology Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.] **YES**

**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 Office of the Governor agree that this request meets the interim supplemental criteria of Section 24-75-111, C.R.S., and the request is the result of an unforeseen contingency.

**DEPARTMENT REQUEST:** The Governor's Office of Information Technology (OIT), in conjunction with the Department of Personnel, requests an emergency supplemental appropriation of \$2,888,529 General Fund / Capital Construction Fund for FY 2017-18 for the first phase of implementing the time and leave tracking component in the Human Resources Information System (HRIS). The time and leave tracking solution proposed with this request differs from the solution originally selected for this purpose.

**STAFF RECOMMENDATION:** Staff recommends that the Committee approve OIT's request to fund the beginning stages of implementing the revised time and leave tracking solution in HRIS. However, staff's recommendation differs from the request in three ways:

- Staff recommends that the Committee approve this request from the General Fund until a General Fund to Capital Construction Fund transfer can be made in the 2018 legislative session;
- Staff recommends that the Committee approve this request as a change to the most recent HRIS appropriation, which occurred in FY 2014-15, rather than FY 2017-18; and
- Staff recommends that it be noted by the Committee that the amount of the emergency supplemental, \$2,888,529, is available from the FY 2014-15 adjusted appropriation through June 30, 2017 to allow OIT to expend the money beyond the three year capital construction project limitation.

## STAFF ANALYSIS:

### *Project Background*

HRIS is an information system under development that will provide a single application for human resources management functions. HRIS has four main components:

- Statewide time and leave tracking;
- Payroll processing;
- Performance and personnel management; and
- Statewide database for employee and position information.

HRIS will replace the state's existing statewide leave, time tracking and human resources management system. OIT indicates 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 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 money appropriated to OIT is being 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 HRIS. 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'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 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 HRIS 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 determined that the state's Kronos configuration would not work with CGI's tools without significant customization by both vendors. OIT, in conjunction with the Department of Personnel, then identified alternative solutions to solve this integration issue. Three alternatives were considered. Note, all three options considered extend the go-live date for HRIS from May to October 2018.

- **Option 1:** Use Kronos tools for time and leave tracking and require CGI to modify its payroll processing tools.
- **Option 2:** Use Kronos tools for time and leave tracking and require Kronos to modify its tools to integrate with CGI payroll processing tools.
- **Option 3:** Use CGI tools for time and leave tracking. This option does not require any modification of the CGI payroll processing tools.

#### *Proposed Solution*

A business process and cost benefit analyses of all three options conducted. It was determined that the third option described above (halting the implementation of Kronos tools for statewide time and leave tracking and instead implement a CGI-based time and leave tracking solution) provides the most benefit to the state. This solution is deemed to reduce the technology risk of the project, increase the overall functionality and usability of HRIS, and improve the integration of HRIS with the state's financial system, CORE, which will benefit the monthly and annual closing processes.

#### *Proposed Budget Adjustments – Capital Construction*

The proposed solution impacts the capital construction and operating budget appropriations for this project. On the capital construction side, this solution requires an additional appropriation of \$10.3 million General Fund / Capital Construction Fund spread across FY 2017-18 and FY 2018-19. OIT requests an emergency supplemental appropriation of \$2.9 million for FY 2017-18 and indicates it will seek the remaining amount, \$7.4 million, through a FY 2018-19 budget request.

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

#### *Proposed Budget Adjustments – Operating*

On the operating budget side, the proposed solution yields a budgetary savings. The operating appropriations for the project can be reduced by \$5.4 million for FY 2017-18 as a result of the lower maintenance costs of the CGI option versus the Kronos option and an overall project delay in the build phase necessitated by the challenges of the time and leave tracking implementation. This savings will be realized through a combination of a FY 2017-18 supplemental adjustment submitted to the Joint Budget Committee in January 2018 and the true-up process for the information technology common policy for FY 2018-19. Additionally, the ongoing operating expenses for the proposed CGI time and leave tracking solution average \$240,789 annually for ten years from FY 2017-18 to FY 2026-27, while the previously desirable Kronos solution (labeled "current implementation" in the table below) would cost \$1,760,035 annually during the same time period.

PROPOSED HRIS OPERATING FUNDING			
	Current Implementation	CGI Option	Difference
FY 2017-18	\$1,760,035	\$1,127,466	(\$632,569)
FY 2018-19	1,760,035	330,000	(1,430,035)
FY 2019-20	1,760,035	118,803	(1,641,232)
FY 2020-21	1,760,035	118,803	(1,641,232)
FY 2021-22	1,760,035	118,803	(1,641,232)
FY 2022-23	1,760,035	118,803	(1,641,232)
FY 2023-24	1,760,035	118,803	(1,641,232)
FY 2024-25	1,760,035	118,803	(1,641,232)
FY 2025-26	1,760,035	118,803	(1,641,232)
FY 2026-27	1,760,035	118,803	(1,641,232)
<b>Total</b>	<b>\$17,600,350</b>	<b>\$2,407,890</b>	<b>(\$15,192,460)</b>

*Proposed Budget Adjustments – Summary of Capital Construction and Operating Budgetary Impacts*

Over the next ten fiscal years from FY 2017-18 through FY 2026-27, the CGI option for time and leave tracking that is proposed by OIT represents a savings of \$8.2 million General Fund / Capital Construction Fund compared to the current implementation of Kronos. Note, staff's table below assumes that OIT would submit a FY 2017-18 capital construction supplemental in the amount of \$3.3 million General Fund / Capital Construction Fund if the current implementation were chosen due to modifications to Kronos and/or CGI tools needed for integration.

PROPOSED HRIS FUNDING SUMMARY CAPITAL CONSTRUCTION AND OPERATING							
	Current Implementation			CGI Option			
	Additional Capital Construction	Operating Costs	Total	Additional Capital Construction	Operating Costs	Total	Difference
FY 2017-18	\$3,346,827	\$1,760,035	\$5,106,862	\$2,888,529	\$1,127,466*	\$4,015,995	(\$1,090,867)
FY 2018-19	0	1,760,035	1,760,035	7,414,260	330,000	7,744,260	5,984,225
FY 2019-20	0	1,760,035	1,760,035	0	118,803	118,803	(1,641,232)
FY 2020-21	0	1,760,035	1,760,035	0	118,803	118,803	(1,641,232)
FY 2021-22	0	1,760,035	1,760,035	0	118,803	118,803	(1,641,232)
FY 2022-23	0	1,760,035	1,760,035	0	118,803	118,803	(1,641,232)
FY 2023-24	0	1,760,035	1,760,035	0	118,803	118,803	(1,641,232)
FY 2024-25	0	1,760,035	1,760,035	0	118,803	118,803	(1,641,232)
FY 2025-26	0	1,760,035	1,760,035	0	118,803	118,803	(1,641,232)
FY 2026-27	0	1,760,035	1,760,035	0	118,803	118,803	(1,641,232)
<b>Total</b>	<b>\$3,346,827</b>	<b>\$17,600,350</b>	<b>\$20,947,177</b>	<b>\$10,302,789</b>	<b>\$2,407,890</b>	<b>\$12,710,679</b>	<b>(\$8,236,498)</b>

\*The operating costs for FY 2017-18 shown under the CGI option do not include the savings associated with the delayed timeline of implementation of the time and leave tracking solution which pushed non-time and leave tracking operating expenses (e.g. statewide database for employee and position information) of HRIS into future years. These costs will not be required until the build phase is complete for the entire project, thus they do not impact the total cost of the time and leave tracking component and are not shown in this table.

*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 HRIS project for 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 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 before determining that a technology solution is not usable should be unacceptable to taxpayers, the executive branch, and the General Assembly. At best, this expenditure is an expensive means for gaining “lessons learned” experience. At worst, this expenditure is an ill-advised use of funds that could have been spent on other state priorities, such as education, transportation, public safety, or public assistance programs. Regardless of the merit (or lack thereof) of prior expenditures, the General Assembly is now asked to authorize additional state funding to complete this project with a solution, that to its credit, has lower ongoing maintenance costs than the original solution.

The Joint Technology Committee (JTC) reviewed OIT’s FY 2017-18 emergency supplemental request for \$2,888,529 Capital Construction Fund and voted 4 to 2 on September 13<sup>th</sup> in favor of authorizing the funds. Though not without concern that prior fiscal performance on this project may predict future fiscal performance, staff recommends that the Joint Budget Committee follow the JTC’s lead and approve the request, as well. The majority of the JTC members agree that the technology approach presented by OIT and its partner (Department of Personnel) will accomplish the goal of incorporating time and leave tracking into HRIS. Staff has no evidence to suggest otherwise, thus it is recommended that the funds be authorized, but in a slightly different manner than was requested. Specifically, staff recommends that:

- The Committee approve this request from the General Fund until a General Fund to Capital Construction Fund transfer can be made in the 2018 legislative session. This interim supplemental was submitted as a FY 2017-18 request for Capital Construction Fund. All money available in the Capital Construction Fund has been appropriated for FY 2017-18. Staff proposes funding the FY 2017-18 interim supplemental request with General Fund with the intention of introducing a corresponding supplemental bill and General Fund transfer to the Capital Construction Fund bill in the 2018 legislative session, which will fund this project from the Capital Construction Fund, as requested.
- The Committee approve this request as a change to the most recent HRIS appropriation, which occurred in FY 2014-15, rather than FY 2017-18. The FY 2017-18 appropriation does not include a line item appropriation for HRIS. Per Section 24-75-111 (1), C.R.S, the controller may only allow an expenditure in excess of the amount authorized by an item of appropriation for such fiscal year.
- The Committee note that the amount of the emergency supplemental, \$2,888,529, is available from the FY 2014-15 adjusted appropriation through June 30, 2018 to allow OIT to encumber the money beyond the three year capital construction project limitation that is defined in the Long Bill headnotes.