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COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 STAFF FIGURE SETTING: DEPARTMENT OF STATE

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

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February 6, 2007**

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**FY 2007-08 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF STATE

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	Actual	Actual	Appropriation	Request	Recommendation

DEPARTMENT OF STATE
Secretary of State - Mike Coffman

(1) Administration

Primary Functions: administer election laws; administer public official, lobbyist and business entity filing laws; license notaries public and charitable solicitors; regulate bingo and raffles charitable gaming. Line items are cash funded from the Department of State Cash fund unless indicated otherwise.

Personal Services	4,191,266	4,183,239	4,255,740	4,332,466	4,267,479
FTE	<u>87.1</u>	<u>73.9</u>	<u>83.5</u>	<u>81.0</u>	<u>81.0</u>
Cash Funds	4,191,266	4,158,597	4,180,740	4,260,806	4,195,819
FTE	87.1	73.6	82.5	80.0	80.0
Cash Funds Exempt	0	24,642	75,000	71,660	71,660
FTE	0.0	0.3	1.0	1.0	1.0
Health, Life and Dental	<u>358,583</u>	<u>301,018</u>	<u>270,577</u>	<u>387,079</u>	<u>478,051</u>
Cash Funds	334,783	273,969	270,577	387,079	478,051
Cash Funds Exempt	23,800	27,049	0	0	0
Federal Funds	0	0	0	0	0
Short-term Disability	<u>9,961</u>	<u>7,845</u>	<u>6,159</u>	<u>6,784</u>	<u>6,764</u>
Cash Funds	9,149	7,059	6,159	6,784	6,764
Cash Funds Exempt	812	786	0	0	0
Federal Funds	0	0	0	0	0
Amortization Equalization Disbursement	<u>0</u>	<u>7,760</u>	<u>40,878</u>	<u>57,814</u>	<u>62,440</u>
Cash Funds	0	7,760	40,878	57,814	62,440
Cash Funds Exempt	0	0	0	0	0

S.B. 06-235 Supplemental Amortization Equalization

Disbursement	N.A.	N.A.	N.A.	N.A.	<u>13,008</u>
Cash Funds					13,008
Cash Funds Exempt					0
Salary Survey and Senior Executive Service	<u>112,906</u>	<u>161,258</u>	<u>152,584</u>	<u>207,072</u>	Pending
Cash Funds	112,906	151,935	152,584	184,692	
Cash Funds Exempt	0	9,323	0	22,380	
Federal Funds	0	0	0	0	
Performance-Based Pay Awards	<u>58,817</u>	<u>0</u>	<u>0</u>	<u>50,898</u>	Pending
Cash Funds	54,700	0	0	45,568	
Cash Funds Exempt	0	0	0	5,330	
Federal Funds	4,117	0	0	0	
Workers' Compensation	<u>3,779</u>	<u>7,717</u>	<u>7,630</u>	<u>8,779</u>	Pending
Cash Funds	3,779	6,786	7,630	8,112	
Cash Funds Exempt	0	931	0	667	
Operating Expenses	<u>448,792</u>	<u>549,659</u>	<u>680,386</u>	<u>680,386</u>	<u>680,386</u>
Cash Funds	448,792	549,659	675,386	680,386	680,386
Cash Funds Exempt	0	0	5,000	0	0
Legal Services	<u>242,670</u>	<u>108,350</u>	<u>116,903</u>	<u>176,903</u>	Pending
Cash Funds	242,670	108,350	116,903	176,903	
Cash Funds Exempt	0	0	0	0	
<i>Hours Equivalent</i>	<i>2,070</i>	<i>1,681</i>	<i>1,725</i>	<i>2,610</i>	<i>2,610</i>
Administrative Law Judge Services - CF	62,783	109,976	117,488	140,556	Pending
Purchase of Services from Computer Center - CF	1,216	818	829	437	Pending
Multiuse Network Payments - CF	63,044	53,136	52,746	1,757,699	Pending

Payments to Risk Management and Property Funds	<u>13,414</u>	<u>6,900</u>	<u>13,712</u>	<u>18,244</u>	Pending
Cash Funds	13,414	6,459	13,712	17,287	
Cash Funds Exempt	0	441	0	957	
Vehicle Lease Payments - CF	1,294	25	4,044	4,044	Pending
Leased Space	<u>765,397</u>	<u>782,033</u>	<u>627,774</u>	<u>621,469</u>	<u>621,469</u>
Cash Funds	765,397	782,033	554,382	621,469	621,469
Cash Funds Exempt	0	0	73,392	0	0
Indirect Cost Assessment	<u>112,520</u>	<u>114,860</u>	<u>122,083</u>	<u>165,717</u>	<u>165,717</u>
Cash Funds	112,520	114,860	111,320	116,675	116,675
Cash Funds Exempt	0	0	10,763	38,448	38,448
Federal Funds	0	0	0	10,594	10,594
Discretionary Fund - CF	5,000	5,000	5,000	5,000	5,000
TOTAL - ADMINISTRATION	6,451,442	6,399,594	6,474,533	8,621,347	6,287,306
FTE	<u>87.1</u>	<u>73.9</u>	<u>83.5</u>	<u>81.0</u>	<u>81.0</u>
Cash Funds	6,422,713	6,336,422	6,310,378	8,471,311	6,166,604
FTE	87.1	73.6	82.5	80.0	80.0
Cash Funds Exempt	24,612	63,172	164,155	139,442	110,108
FTE	0.0	0.3	1.0	1.0	1.0
Federal Funds	4,117	0	0	10,594	10,594

(2) Special Purpose

Primary Function: Implement the Help America Vote Act; reimburse counties for elections and ballot initiatives; help clerk and recorders in smaller counties develop electronic filing capabilities; administer the initiative and referendum laws; maintain the central ("master") lien index. Line items are cash funded from the Department of State Cash fund unless indicated otherwise.

Federal Election Assistance Fund	<u>8,408,666</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Funds Exempt - State Contribution	1,371,270	0	0	0	0
Federal Funds	7,037,396	0	0	0	0

Help America Vote Act	5,497,564	3,032,976	8,750,000	3,810,214	a/	3,810,214
FTE	<u>8.6</u>	<u>15.0</u>	<u>11.0</u>	<u>9.5</u>		<u>9.5</u>
Cash Funds Exempt	5,497,564	2,924,037	8,750,000	3,710,214		3,710,214
Federal Funds	0	108,939	0	100,000		100,000
Local Election Reimbursement - CF	867,393	867,393	1,729,923	1,729,923		1,729,923
Electronic Filing Grants to Counties - CF	189,034	1,477,613	1,500,000	b/	0	0
Initiative and Referendum - CF	33,063	83,417	200,000		50,000	50,000
Master List Distribution Contract - CF	58,365	58,365	80,000		0	0
TOTAL - SPECIAL PURPOSE	15,054,085	5,519,764	12,259,923	5,590,137		5,590,137
FTE	<u>8.6</u>	<u>15.0</u>	<u>11.0</u>	<u>9.5</u>		<u>9.5</u>
Cash Funds	1,147,855	2,486,788	3,509,923	1,779,923		1,779,923
Cash Funds Exempt	6,868,834	2,924,037	8,750,000	3,710,214		3,710,214
FTE	8.6	15.0	11.0	9.5		9.5
Federal Funds	7,037,396	108,939	0	100,000		100,000

a/ These amounts are continuously appropriated from the Federal Election Assistance Fund by Section 1-1.5-106, C.R.S., and are shown for informational purposes only. They reflect the department's actual and anticipated expenditures from the fund.

b/ These amounts are from the Clerk and Recorder Electronic Filing Technology

(3) INFORMATION TECHNOLOGY SERVICES

Primary Function: Create and maintain an internet-oriented record system that allows public officials, lobbyists, businesses, charities, and other entities to file a variety of reports and documents online. Provide online access to many of these records. Line items are cash funded from the Department of State Cash fund unless indicated otherwise.

(A) Information Technology

Personal Services - CF	2,342,106	2,889,520	4,640,870	2,821,232		2,805,864
FTE	22.3	23.3	32.0	29.0		29.0

Operating Expenses	<u>543,777</u>	<u>2,626,827</u>	<u>1,404,776</u>	<u>588,323</u>	<u>588,323</u>
Cash Funds	543,777	2,626,827	1,393,934	588,323	588,323
Cash Funds Exempt	0	0	10,842	0	0
Hardware/Software Maintenance - CF	779,059	654,401	899,578	878,230	878,230
Information Technology Asset Management - CF	144,259	800,839	696,493	445,418	445,418
Data Center Replacement Costs	<u>1,930,812</u>	<u>348,650</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Funds	1,930,812	348,650	0	0	0
Cash Funds Exempt	0	0	0	0	0
(3) INFORMATION TECHNOLOGY SERVICES					
Subtotal - (A) Information Technology	5,740,013	7,320,237	7,641,717	4,733,203	4,717,835
FTE	<u>22.3</u>	<u>23.3</u>	<u>32.0</u>	<u>29.0</u>	<u>29.0</u>
Cash Funds	5,740,013	7,320,237	7,630,875	4,733,203	4,717,835
Cash Funds Exempt	0	0	10,842	0	0
(B) Statewide Disaster Recovery Center -- New Line Item Group					
Primary function: Maintain and operate the statewide disaster recovery center (known as the e-FORT ² facility)					
Personal Services - CF	N.A.	N.A.	N.A.	181,680	179,098
FTE				3.0	3.0
Leased Space - CF	N.A.	N.A.	N.A.	1,749,000	1,749,000
Operating Expenses - CF	N.A.	N.A.	N.A.	247,000	247,000
Hardware/Software Maintenance - CF	N.A.	N.A.	N.A.	47,000	47,000
(3) INFORMATION TECHNOLOGY SERVICES					
Subtotal - (B) Statewide Disaster Recovery Center	N.A.	N.A.	N.A.	2,224,680	2,222,098
FTE				<u>3.0</u>	<u>3.0</u>
Cash Funds				2,224,680	2,222,098
Cash Funds Exempt				0	0

TOTAL - INFORMATION TECHNOLOGY SERVICES	5,740,013	7,320,237	7,641,717	6,957,883	6,939,933
FTE	<u>22.3</u>	<u>23.3</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>
Cash Funds	5,740,013	7,320,237	7,630,875	6,957,883	6,939,933
Cash Funds Exempt	0	0	10,842	0	0

DEPARTMENT OF STATE TOTALS	27,245,540	19,239,595	26,376,173	21,169,367	18,817,376
FTE	<u>118.0</u>	<u>112.2</u>	<u>126.5</u>	<u>122.5</u>	<u>122.5</u>
Cash Funds	13,310,581	16,143,447	17,451,176	17,209,117	14,886,460
FTE	109.4	96.9	114.5	112.0	112.0
Cash Funds Exempt	6,893,446	2,987,209	8,924,997	3,849,656	3,820,322
FTE	8.6	15.3	12.0	10.5	10.5
Federal Funds	7,041,513	108,939	0	110,594	110,594
FTE	0.0	0.0	0.0	0.0	0.0

Key:

N.A. -- Not Applicable

**DEPARTMENT OF STATE
FIGURE SETTING - FY 2007-08**

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

ADMINISTRATION DIVISION:

There are four sections within the Administration Division, each with quite different responsibilities.

The Administration Section provides general management supervision for the entire Department, including budgeting, accounting, and human resources services. It also arranges for administrative hearings and responds to inquiries from the public.

The Business Filings Section has two parts: (1) Business Organizations and Entities and (2) Uniform Commercial Code (UCC). The Business Organizations part collects, stores and provides public access to articles of incorporation, annual reports, and a variety of other documents filed by for-profit and not-for-profit entities under Colorado's Corporation and Association laws. The UCC part collects, stores and provides public access to a variety of UCC documents, including security interests, liens and other items that are of vital importance to lending institutions. The Business Filings section charges fees for many of the services that it provides. This creates the bulk of the revenue that flows into the Department of State Cash fund, which supports many of the activities of the Department.

The Licensing and Enforcement Section is responsible for:

- ▶ The Administrative Rules Code, a body of statutes governing the rule-making authority of many state agencies.
- ▶ Regulating bingo and raffles pursuant to Article XVIII, Section 2 of the State Constitution
- ▶ The Charitable Solicitations Act, which forbids fraudulent charitable solicitations.
- ▶ The Credit Services Organization Act, which protects the public from unfair or deceptive practices related to consumer credit.
- ▶ Regulating lobbyists pursuant to Sections 24-6-301 through 309, C.R.S.;
- ▶ Regulating notaries public pursuant to Sections 12-55-101 through 211, C.R.S.

The Elections Section is responsible for

- ▶ Supervision of primary, general, and congressional elections.
- ▶ Maintenance of the statewide voter registration system.
- ▶ Performance of official recounts for federal, state, and district elections.
- ▶ Administration of Colorado's Fair Campaign Practices Act.

The Secretary of State, as the state's chief elections officer, also supervises the 64 county clerks and recorders in the execution of their statutory responsibilities relating to voter registration and elections.

Administration Division Staffing Summary

The following table summarizes the staffing level, in FTE, of the four sections and the Division as a whole. Three of the four sections are requesting an increase in FTE, but this is offset by the reduction in the Business Filings section. Business Filings has emphasized e-filing in recent years, greatly reducing the number of paper forms which must be processed.

Staff Summary	FY 2005-6 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Administration	10.5	11.0	12.6	12.6
Business Filings	38.9	40.9	31.4	31.4
Licensing and Enforcement	21.8	21.6	22.5	22.5
Elections	13.0	11.0	14.5	14.5
Total	84.2	84.5	81.0	81.0

Administration Division Funding Sources

The Administration Division is funded by

1. Cash funds appropriations from the Department of State Cash Fund and, to a much smaller extent, from the Notary Administration Cash Fund.
2. Cash funds exempt appropriations from the Federal Elections Assistance Fund that support the Help America Vote Act (HAVA) program. The HAVA program pays an indirect cost assessment to the administration division and the resulting cash funds exempt appropriations appear on the Personal Services, Operating Expenses, and a small number of other lines.

All cash funds and cash funds exempt appropriations in the Administration Division come from these sources, unless the text indicates otherwise.

HAVA and Central Appropriations

Pursuant to statute [Section 1-1.5-106 (2) (b), C.R.S.], funds in the Federal Elections Assistance Fund are continuously appropriated and are controlled of the Secretary of State. The HAVA line item "appropriations" that appear in the Long Bill are actually projected spending levels that are included for informational purposes only. They do not limit the Department's spending.

During figure setting for the FY 2004-05 and FY 2005-06 Long Bills, staff recommended that the Long Bill include projected HAVA spending for Health, Life, and Dental, Short-term Disability, Amortization Equalization Disbursement, Salary Survey and Senior Executive Service, Performance-

Based Pay, and Workers' Compensation. These projections were included as cash funds exempt appropriations on the corresponding lines in the Administration Division. Last year, staff recommended, for several reasons, and the Committee approved, presenting the HAVA program in a more consolidated fashion. As a result of that, no cash funds exempt appropriation appeared on these lines for FY 2006-07.

Staff recommends that the HAVA program continue to be presented in this consolidated fashion.

Personal Services

The following table, which employs the Option 8 common policy approved by the Committee, summarizes Staff's calculation of the FY 2007-08 personal services recommendation for the Administration Division.

Personal Services - Option 8 Calculation for the Administration Division	Amount	FTE
FY 2005-06 Personal Services Long Bill Appropriation	4,281,855	84.5
+ Salary Survey for 2005-06	<u>152,584</u>	<u>0.0</u>
+ FY 2006-07 Impact of Specials Bills		
H.B. 06-1086 Bingo Raffle	(13,474)	(0.5)
S.B. 06-188 E-Filing	(52,229)	(2.0)
H.B. 04-1448 Tradenames	(36,270)	(1.0)
= Subtotal	<u>4,332,466</u>	<u>81.0</u>
- 1.5% base reduction	(64,987)	0.0
Staff Recommendation for 2006-07	4,267,479	81.0

Staff recommends an appropriation of \$4,267,479 and 81.0 FTE for the Administration division, consisting of \$4,195,879 cash funds and \$71,660 cash funds exempt.

Health, Life, and Dental

Staff recommends an appropriation of \$478,051 cash funds, for Health, Life, and Dental, pursuant to Committee-approved common policy.

Short-Term Disability

Staff recommends an appropriation of \$6,764 cash funds for Short-Term Disability, pursuant to Committee-approved common policy.

Amortization Equalization Disbursement

Staff recommends an appropriation of \$62,440 cash funds for Amortization Equalization Disbursement, pursuant to Committee-approved common policy.

Supplemental Amortization Equalization Disbursement

Staff recommends an appropriation of \$13,008 cash funds for Supplemental Amortization Equalization Disbursement, pursuant to Committee-approved common policy.

Salary Survey and Senior Executive Service

Staff recommendation is pending Committee approval of a common policy for Salary Survey and Senior Executive Service.

Performance-Based Pay Awards

Staff recommendation is pending Committee approval of a common policy for Performance-Based Pay Awards.

Workers' Compensation

Staff recommendation is pending committee approval of a common policy for Workers' Compensation.

Operating Expenses

The Department has requested a continuation funding level of \$680,386 for this line. For FY 2006-07, this appropriation included \$5,000 of cash funds exempt (from HAVA indirect cost assessments). At various points previously in this document, staff recommended that the HAVA portion of centralized expenses not be broken out. One of the reasons this recommendation was made last year, and continued this year, is the false sense of precision that such figures give. HAVA spending, and the expenses associated with it, fluctuate widely. Staff suggests that breaking out less than 1% of the operating expenses line and attributing that specifically to HAVA is just that sort of false precision.

The Department requests and staff recommends an appropriation of \$680,386 cash funds for this line.

Legal Services

The Department has requested 2,610 hours of legal services for FY 2007-08. This is 885 hours more than the 1,725 hours in the FY 2006-07 Long Bill, and the increase is Decision Item #1 submitted by the Department in this year's budget request

The following table summarizes the Long Bill appropriation, in dollars, and the Department's actual expenditures for legal services for the last four fiscal years (for FY 2006-07, the most recent estimate is given). The Department has consistently exceeded the initial appropriation, requiring annual supplemental requests. The exact causes of the increased costs have varied from year to year, but most have been related to the Secretary of State's role as the State's chief election officer. In FY 2003-04, two major cases were filed against the Secretary of State: one challenged the General Assembly's redistricting act (S.B. 03-352) and one challenged 2002's Amendment 27 campaign financing changes. In FY 2004-05, the Attorney General was running for a U.S. Senate seat and refused to represent the Secretary of State on election concerns, which required that the Department

hire outside counsel at much higher rates than those charged by the Department of Law. In the current fiscal year, the Secretary was named in a suit that sought to block the use of particular types of electronic voting machines in the State.

Fiscal Year	Long Bill Appropriation	Actual Expenditure
2003-04	\$103,343	\$358,302
2004-05	\$106,208	\$242,670
2005-06	\$121,617	\$201,539
2006-07	\$116,903	\$277,881*

*Most recent estimate from Department supplemental request.

The Department's role in these matters is as defendant, so the Department has relatively little control over the issues and litigation that may arise (e.g., legal challenges to election-related laws passed by the General Assembly). Election- and campaign-related bills continue to be introduced, so it seems unlikely that the legal cases that can result are going to fade away. At current per-hour rates, the Department's request would increase the appropriation from \$116,903 to roughly \$180,000.

Staff notes that this would not have been sufficient to meet the actual expenditure in any of the last four fiscal years, but staff is reluctant to recommend a larger increase than the Department is requesting at this time.

The Department requests and staff recommends 2,610 hours of legal services for the division. Staff requests permission to include the corresponding appropriation when the Committee approves a common-policy per-hour rate.

Administrative Law Judge Services

Staff recommendation is pending committee approval of a common policy for Administrative Law Judge Services.

Purchase of Services from Computer Center

Staff recommendation is pending committee approval of a common policy for Purchases from the Computer Center. For FY 2006-07, in a supplemental bill not yet law, the Committee approved reducing the appropriation for this line item from \$829 to zero.

Multiuse Network Payments

Staff recommendation is pending committee approval of a common policy for Multiuse Network Payments.

Based on FY 2006-07 statewide supplemental request recently approved, staff believes that a large increase relative to the appropriation in last year's Long Bill will be necessary. MNT costs are

allocated by the Department of Personnel and Administration (DPA) to the various departments in the state government based on the total bandwidth and facilities that each department uses. Two factors have caused the difference in the portion of total MNT costs that are allocated to the Department of State.

The first factor is the creation of the statewide IT disaster recovery facility, the e-FOR³T, whose infrastructure costs are funded by the Department. In order to fulfill its role, the disaster recovery facility requires a very large "pipe" connecting it to the MNT. In a worst-case scenario, equipment housed in the facility would be expected to provide continuing operations of for a wide variety of State services dependent on the MNT: examples include CBMS eligibility determination, business registrations, and online access to unemployment application and benefit information. In the worst case, all of the data traffic that is now spread over a number of facilities operated by different departments would be concentrated on the single disaster recovery facility. The connection to the MNT must be sized to carry that load.

The second factor is the HAVA requirement for a single statewide voter registration database to be used in federal elections. This database must be accessible from every polling place in the state (the requirements included in the recent rebid of the contract for the registration system assumes the need for 5,000 simultaneous sessions). Access to the database will be provided over the MNT, so the network must be physically extended to each of those polling places. The Department's request is based on an estimate made by DPA. The Department believes that DPA's estimate is based on obsolete information and is too high. The information was collected during the first (failed) effort to build the statewide voter registration system. The Department has made extensive HAVA grants to the counties since that information was collected, and believes that some counties have used a portion of their grant money to establish the needed MNT connectivity. Better information will be available as the current registration system effort proceeds; it may or may not be available in time to make adjustments during the current legislative session.

Payment to Risk Management and Property Funds

Staff recommendation is pending committee approval of a common policy for Payment to Risk Management and Property Funds.

Vehicle Lease Payments

Staff recommendation is pending committee approval of a common policy for Vehicle Lease Payments.

Leased Space

Two years ago, the Department signed a ten-year lease and moved its offices from the Denver Post Building to the second and third floors of 1700 Broadway. Last year, the Committee approved a request that allowed the Department to expand its lease to include the remainder of the third floor in order to expand required on-site storage capabilities and provide for additional meeting space. Because of the depressed state of the downtown Denver market for office space, the Department was able to lease these new facilities for substantially less than the cost of its old space.

The Department requests and staff recommends an appropriation of \$621,469 cash funds for the leased space line item.

Indirect Cost Assessment

The Department requests and Staff recommends a statewide indirect cost assessment of \$165,717, to consist of \$116,675 cash funds, \$38,448 cash funds exempt, and \$10,594 federal funds, which corresponds to Committee-approved common policy.

Discretionary Fund

Section 24-9-105, C.R.S., specifies that the Secretary of State receive \$5,000 each year for discretionary use, subject to appropriation by the General Assembly. **The Department requests and Staff recommends \$5,000 cash funds for this line item.**

SPECIAL PURPOSE:

The Special Purpose group of lines covers a variety of specific functions provided by the Department of State. The largest of these is the Help America Vote Act program, whose details are worth some special attention.

Help America Vote Act Program

The Help America Vote Act program is continuously appropriated and is controlled of the Secretary of State. The HAVA "appropriations" that appear in the Long Bill are actually projected spending levels that are included for informational purposes only. They do not limit the Department's spending. However, staff believes that it may be useful to understand some of the history of how HAVA has affected the details of the Department's budget.

The Federal Help America Vote Act of 2002 (HAVA) required the state to improve the administration of federal elections by replacing outdated voting technology, improving voter education, improving accessibility for disabled voters, and instituting a statewide voter registration system. The federal government initially gave Colorado \$41.6 million to support these goals. Subsequently the state received another \$436,000 of federal grants to improve access to polling places by disabled voters. These accessibility grants are basically pass-through grants to counties. Another \$125,000 of accessibility grants were received this year. House Bill 03-1356, which launched the state's HAVA program, established the Federal Elections Assistance Fund to receive the federal HAVA moneys and appropriated \$1.3 million into the fund from the Department of State Cash Fund as the state's matching contribution. Under the provisions of Section 1-1.5-106, C.R.S., expenditures from the Federal Elections Assistance Fund are continuously appropriated cash funds exempt and are included in the Long Bill for informational purposes only.

During figure setting for the FY 2004-05 and FY 2005-06 Long Bills, staff recommended that the Long Bill include projected HAVA spending for Health, Life, and Dental, Short-term Disability, Amortization Equalization Disbursement, Salary Survey and Senior Executive Service, Performance-

Based Pay, and Workers' Compensation. These projections were included as cash funds exempt appropriations on the corresponding lines in the Administration Division. Staff also recommended that some projected direct HAVA expenditures, such as those for legal services, appear in the Administration Division. Finally, Staff recommended that all remaining HAVA spending be included in a single line labeled "Help America Vote Act Program" in the Long Bill.

For the FY 2006-07 Long Bill, staff continued to recommend that projected aggregate HAVA spending be presented on a single Long Bill line, but became convinced that very few other HAVA items should be presented separately. The principle concern was that these apparently detailed breakouts add a false sense of precision to the Long Bill. Actual HAVA spending has proven to be extremely difficult to forecast. Staff also became aware of some federally-supported programs in other Departments, such as the Division of Civil Rights in the Department of Regulatory Affairs, that did not include their Health, Life, Dental, Short-term Disability, etc. appropriations among the centrally appropriated items in the administration division. Finally, staff believed that combining HAVA expenditures with other Departmental appropriations blurs the distinctions between them and may reduce Committee control over other parts of the Department's budget.

The Department requests and Staff recommends an informational appropriation of \$3,810,214, consisting of \$3,710,214 cash funds exempt and \$100,000 federal funds, and 9.5 FTE for the Help America Vote Act Program, which equals the department's estimate of HAVA-program spending next year. The fund source is the Federal Elections Assistance Fund. Historically, there has been considerable uncertainty in predicting the actual level of expenditures. A large portion of these expenditures – some \$3.4 million according to information recently submitted by the Department – will be for the completion of the statewide voter registration system.

Local Election Reimbursement

In years when voters must decide a statewide ballot measure, Section 1-5-505.5, C.R.S., requires the Secretary of State to reimburse counties for some of the related costs. Statute does not provide for reimbursement of other county election costs. Ballot-measure reimbursements are generally governed by formula: 45¢ per active registered voter in counties with less than 10,000 voters, 35¢ per active registered voter in larger counties. Last year's Long Bill appropriated \$915,389 for this line item. S.B. 06-170 made several changes to election law and appropriated another \$814,534 to this line.

The Department requests and staff recommends an appropriation of \$1,729,923 for this line, a continuation of last year's total appropriation. The fund source is the Department of State Cash Fund.

Electronic Filing Grants to Counties

House Bill 02-1119 required county clerks and recorders to impose a \$1 surcharge on all documents received for recording or filing; counties retained half the surcharge and remitted the other half to the state for deposit in the Clerk and Recorder Electronic Filing Technology Fund. Clerks and Recorders use their share of the surcharge to help pay the costs of implementing electronic filing technology. Senate Bill 04-219 directed Clerks and Recorders to keep the entire dollar, removing the

source of revenue for the Electronic Filing Technology Fund. Under the provisions of Sections 30-10-422 and 423, C.R.S., the authority to make grants from the fund expires on July 1, 2008. The Department anticipates expending the remaining fund balance during FY 2006-07: the balance in the fund at the end of FY 2006-07 is anticipated to be \$10,000 or less.

The Department requests and staff recommends that no appropriation be made for this line.

Initiative and Referendum

This appropriation funds petition verification, the activities of the Ballot Title Setting Board, and the cost of translating the ballot information booklet (the "Blue Book") into Spanish. A substantial part of the expenditure is for temporary workers and for legal services. Expenditures fluctuate widely with the number of ballot initiatives. It is difficult to predict costs precisely prior to an election; variables influencing spending include:

- ▶ The number of valid signatures required for petitions,
- ▶ The number of petitions eligible for random sampling verification (5 percent),
- ▶ The number of contested petitions, and
- ▶ Recounts and litigation expenses.

The Department requests and staff recommends a \$50,000 appropriation for this line from the Department of State Cash Fund.

Master List Distribution Contract

The Federal Food Security Act of 1985 requires states to maintain central databases in which agricultural-product security interests are recorded. Before such databases existed, a lender who loaned money to a farmer and acquired a resulting security interest in that farmer's agricultural products had to notify all potential buyers that a security interest existed in order to protect the interest. When a grain elevator or a livestock yard purchased an agricultural product from a debtor farmer, it first paid off the lender and then paid the farmer. To bring the state into compliance with federal law, Colorado enacted Section 4-9.5-102, C.R.S., which requires the Secretary of State to maintain "Master Lists" of security interests. Lenders file "effective financing statements" that notify the Secretary of State of security interests. Historically, the Department employed a vendor to prepare monthly lists of security interests based on those filings. The lists are specialized, one for wheat, another for cattle, and so forth. The vendor then distributed the lists to private-sector subscribers on CD-ROM. The "Master List Distribution Contract" line reflected the cost of the contract with the vendor. Money to support the appropriation came from the annual fees paid by list subscribers and the fees paid by lenders who file effective financing statements.

The vendor-provided lists were subject to a large error rate, which the Department believed were the result of aging software. The vendor had acquired its software from another firm, and was unwilling to update that software. With the vendor's contract scheduled to expire, last year the Legislature approved an appropriation to allow the Department to have new software developed and the Master

List distribution function brought in-house. As a result of this undertaking, no separate appropriation for the Master List distribution is required.

The Department did not request an appropriation for this line. Staff recommends that no appropriation be made.

INFORMATION TECHNOLOGY (IT) SERVICES:

The Department has submitted a budget amendment to its FY 2007-08 request that would substantially change the line-item structure for the Information Technology Services Division. Staff will address this subject first.

In June 2004, the Department of State suffered the "zinc whiskers" disaster, which interrupted many of the Department's e-government operations for a period of nearly 30 days. The problems that such an episode could cause have only increased in scope since that time; for example, in some cases the Department is allowed and/or required to mandate electronic filing of certain forms, which would be impossible in the case of a catastrophic failure. During the recovery process from the zinc whiskers episode, the Department built a case for developing a physically-separate disaster recovery facility. The Department's case was absorbed into a larger assessment of the state's overall disaster preparedness. In 2005, the Department received an appropriation of \$3.6 million to establish a state-wide disaster recovery facility for computer operations. An additional \$2.5 million in continuation program funding was also appropriated.

This project was eventually named the "Enterprise Facility for Response/Readiness/Recovery and Transition Services", or e-FOR³T for short. The facility was developed as a public/private partnership under contract with ViaWest, Inc., and opened for operation in June 2006. The facility provides properly-conditioned space, power, and communications services for all participating state agencies at no cost to them (each agency must, of course, pay for its own computers, software, etc.). Other state agencies have begun to make use of the disaster recovery facility, including the Departments of Public Safety, of Personnel and Administration, and of Regulatory Agencies.

The costs associated with the e-FOR³T facility make up almost 30% of the budget for the Information Technology Services Division. The expenses for this large activity, which is quite different from the traditional role of the Division, are difficult to track. The costs are allocated quite differently than other costs within the Division. For example, the lease with ViaWest includes many services such as operation of the specialized environmental and power systems that would normally fall into categories other than "leased space" in the budget. This creates additional difficulties in describing the overall budget. These difficulties would be significantly reduced if the e-FOR³T expenses were tracked separately.

The Department requests and staff recommends separation of expenses associated with the e-FOR³T project into a separate line item group. The budget recommendations for this Division

presented in the remainder of this document assume the separation of the e-FOR³T expenses. Staff recommends dividing the Division's budget into two sections. The first, to be titled "Information Technology", would cover the traditional functions provided by the Division. The second, to be titled "Statewide Disaster Recovery Facility", would cover the costs associated with e-FOR³T. Creation of the second titled section is necessary in order to avoid confusion regarding the Personal Services, Operating Expenses, and Hardware/Software Maintenance lines which appear in both. The following table shows the before-and-after version of the budget (summing to the total of all appropriations) for the Division for FY 2006-07 with respect to this change.

Line Item	FY 2006-07 Appropriation		FY 2007-08 Department Request	
	Before	After	Before	After
Information Technology				
Personal Services	4,640,870	3,283,124	4,186,810	2,821,232
Operating Expenses	1,404,776	632,692	1,405,091	588,323
Hardware/Software Maintenance	899,578	862,640	920,564	878,230
IT Asset Management	696,493	696,493	445,418	445,418
Sub-total	\$7,641,717	\$5,474,949	\$6,957,883	\$4,733,203
Statewide Disaster Recovery Center				
Personal Services	0	173,028	0	181,680
Leased Space	0	1,699,740	0	1,749,000
Operating Expenses	0	247,000	0	247,000
Hardware/Software Maintenance	0	47,000	0	47,000
Sub-total	\$0	\$2,166,768	\$0	\$2,224,680
Total	\$7,641,717	\$7,641,717	\$6,957,883	\$6,957,883

Because the Committee has decided on a two-tiered base-reduction approach this year, and because the number of FTE in the two different personal services lines fall above and below the dividing point for base reductions, staff has computed the Personal Services recommendations for the divided Division in the following fashion. First, staff computed a Personal Services total using option 8 for the Division as a whole. Included in that calculation is the personal services reduction that occurs when the e-FOR³T expenses are properly identified. Staff then allocated that total across the two different lines, using the same proportions as assumed by the Department in its budget amendment. The option 8 calculation for the Division as a whole is summarized in the following table.

Personal Services - Entire IT Services Division	Amount	FTE
FY 2005-06 Long Bill Personal Services Appropriation	3,934,853	<u>31.0</u>
+ Specials Bills		
H.B. 06-1086	43,500	0.5
H.B. 06-1086 (contract programming)	170,600	0.0
S.B. 06-188	66,183	0.5
= Subtotal	4,215,136	32.0
- Adjustment for e-FOR ³ T lease arrangements	(1,184,718)	0.0
= Adjusted subtotal	3,030,418	32.0
- 1.5 percent base reduction	(45,456)	0.0
= Staff Recommendation	\$2,984,962	32.0

The Department estimates a 94/6 split for personal services expenses, and 3.0 FTE for the disaster recovery facility. Applying this leads to a split of \$2,805,864 and 29.0 FTE for the traditional information technology line, and \$179,098 and 3.0 FTE for the e-FOR³T line.

INFORMATION TECHNOLOGY

Personal Services

Staff recommends a \$2,805,864 appropriation and 29.0 FTE for personal services in the IT Division Information Technology line item. The appropriation is cash funds. The details of the calculation appear above.

Operating Expenses

The following table summarizes the IT Division's total operating expense calculation.

Operating Expenses - IT	
FY 2005-06 Long Bill Operating Expenses	1,400,621
+ FY 2005-06 impact of specials bills	4,470
Department Request	1,405,091
- Continuing level for e-FOR ³ T	(247,000)
- "Transfer" to e-FOR ³ T leased space line	(569,768)
Staff Recommendation	\$588,323

The Department requests and Staff recommends an \$588,323 cash funds appropriation for IT operating expenses.

Hardware/Software Maintenance

This line item funds hardware and software maintenance contracts and repairs as well as software purchases. The line differs from the Information Technology Asset Management line, which follows in the Long Bill, in that no computer equipment is purchased with this appropriation. However, expenditures for this line are closely tied to expenditures for the IT Asset Management line. For example, when the Department purchases a new piece of computer equipment, the unit will almost always be covered by some sort of warranty and may even be covered by a maintenance arrangements that provides adequate support. The manufacturer might promise to repair or replace the unit within, say, 24 hours of failure. When the warranty period ends, the Department would typically contract with a vendor who promises to provide some continuing level of support. An expensive maintenance contract might require the vendor to respond within two hours, 24 hours per day, 7 days per week, for example, while a less expensive contract might require six hour response, but only on weekdays.

The Department requests and Staff recommends an \$878,230 cash funds appropriation for Hardware/Software Maintenance. This represents a 1.8% increase in the costs associated with maintenance support arrangements.

Information Technology Asset Management

This line item was created in FY 2001-02 to fund replacement of the Department's IT assets on a predictable schedule. The useful life of an IT asset is determined at the time that the asset is placed in service and the asset is retired when it reaches the end of that useful life. For example, the Department utilizes a useful life of 4 years for networking equipment and 5 years for servers. This year's asset management request is thus a consequence of decision items and special bills approved by the General Assembly over the last five years. When properly implemented, such strategies can increase asset reliability, reduce maintenance costs, and create a more predictable stream of IT expenses, which makes it easier for the Department to set fees.

The zinc whiskers disaster in 2004 also dramatically altered the Department's asset management schedule by accelerating the replacement of the affected equipment. As a consequence, the Department's asset Management request continues to be lower than in years before that event.

The Department requests and Staff recommends an appropriation of \$445,418 for Information Technology Asset Management. The appropriation is cash funds.

STATEWIDE DISASTER RECOVERY FACILITY

Personal Services

Staff recommends an appropriation of \$179,098 and 3.0 FTE for the personal services line for the disaster recovery facility. The appropriation is cash funds. The calculation of this amount, based on option 8 and the appropriate split between the Information Technology and Statewide Disaster Recovery Facility line items is detailed above.

Leased Space

The Department requests and staff recommends an appropriation of \$1,749,000 for the leased space line for the disaster recovery facility. The appropriation is cash funds. This line covers the cost of the lease with ViaWest. A variety of services beyond a simple lease on the unimproved space are included in this amount, as has been discussed previously.

Operating Expenses

The Department requests and staff recommends an appropriation of \$247,000 for operating expenses associated with the disaster recovery facility. The appropriations is cash funds. This amount represents a continuation level of funding.

Hardware/Software Maintenance

The Department requests and staff recommends an appropriation of \$47,000 for hardware/software maintenance expenses associated with the disaster recovery facility. The appropriation is cash funds. This amount represents a continuation level of funding.

FOOTNOTES

The FY 2006-07 Long Bill contains the following general footnote [italics added]:

- 2 All Departments, Totals -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly. *Until such time as the Secretary of State publishes the code of Colorado regulations and the Colorado register in electronic form pursuant to section 24-4-103 (11) (b), C.R.S., each principal department of the state is requested to produce its rules in an electronic format that is suitable for public access through electronic means. Such rules in such format should be submitted to the Office of Legislative Legal Services for publishing on the Internet. Alternatively, the Office of Legislative Legal Services may provide links on its internet web site to such rules. It is the intent of the General Assembly that this be done within existing resources.*

Section 24-4-103 (11) (b), C.R.S., requires the Secretary of State to publish the code of Colorado regulations and the Colorado register in electronic form. Beginning in January 2007, the Secretary of State's Web site provides access to both the Code of Colorado Regulations and to new issues of the Colorado Register. The Office of Legislative Legal Services has removed the set of links that were previously maintained on its Web site. In consideration of this development, staff recommends that this footnote be shortened to read as follows.

- 2 All Departments, Totals -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly.

The FY 2006-07 Long Bill contained no footnotes specific to the Department of State and staff recommends none for the FY 2007-08 Long Bill.

MEMORANDUM

TO: Joint Budget Committee

FROM: Michael Cain, Joint Budget Committee Staff

SUBJECT: Staff Come-back, Department of State Figure Setting

DATE: March 12, 2007

Staff made errors in the option 8 calculation for three lines in the Department of State budget. Corrected values are shown in the following table. The new values represent two changes: the previously recommended value was based on the Committee's initial policy for a 1.5% base reduction (which would have been recalculated in any case), and the option 8 correction. The option 8 correction accounts for about \$6,000 of the total difference. **Staff recommends the Committee approve the corrected calculations for personal services lines in the Department of State for FY 2007-08.**

Line Item	Department Request	Previous Recommend.	New Recommend.
(1) Administration Personal Services	4,332,466	4,267,479	4,311,146
(3) Information Technology Services (A) Information Technology Personal Services	2,821,232	2,805,864	2,807,126
(3) Information Technology Services (B) Statewide Disaster Recovery Center Personal Services	181,680	179,098	180,772