

**DEPARTMENT OF STATE  
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Tuesday, January 12, 2016  
1:30 pm – 3:00 pm**

**1:30-1:45      INTRODUCTIONS AND OPENING COMMENTS**

**1:45-2:15      CASH FUND MANAGEMENT AND BUDGETING PROCESSES**

1. Please discuss:

- a. the Department's plans to implement recommendations from the Office of the State Auditor and ensure improved cash fund management and budgeting processes going forward; and

*The Department agrees with the budget process and cash fund management recommendations of the Office of the State Auditor (OSA) that were included in the November 2015 Performance Audit report. An objective third-party performance audit can be a useful resource for improving the efficiency and effectiveness of the Department's operations.*

*As noted in the November 2015 Performance Audit report, the Department has already achieved significant improvements in its cash fund management and budget processes. These improvements are directly attributable to the Department's efforts over the past year and a half to upgrade the capacity of its Finance Unit staff. There is an abundance of evidence of these improvements, including:*

- *In FY 2015 and in FY 2016 year-to-date, the Department's Cash Fund has been in compliance with the statutory reserve limit.*
- *More frequent and thorough reports to senior staff on the Department's actual and projected cash fund balance.*
- *As noted by OSA during the Performance Audit, the Department's FY 2015-16 budget request was fully supported and documented. The Department followed a similar procedure for preparing its FY 2016-17 budget request.*

*While the Department is proud of its progress in this area, it is committed to ongoing improvement and agrees with OSA's recommendation that formalizing its cash fund management and budget processes will help ensure that these improvements are lasting. As noted in its response to the Performance Audit report, the Department will document its budget procedures and cash fund management objectives by the start of FY 2017.*

- b. how the Department expects the formal documentation of processes and practices to affect outcomes.

*The Department has already improved its cash fund management and budget preparation outcomes. It is confident in the composition of its current Finance Unit team and in the existing budget and cash fund management processes. That said, the Department believes that it is both important and valuable to document its budget and cash fund management processes. Such documentation supports the consistent execution of procedures and, in the event of unplanned staff turnover, helps to ensure the continuity of operations.*

### Business Filing Fees and Fee Holidays

2. How do the business filing fees charged in Colorado compare to those charged by other states?

*Comparing Colorado's fees with other states is difficult because no state mirrors Colorado in terms of types of entities formed, annual reporting requirements, and online filing processes. However, when comparing Colorado's highest volume business filings to like filings nationally, Colorado business filing fees rank favorably.*

- *Of Colorado's top ten volume filings, nine fees rank in the top five lowest nationally.*
- *Of Colorado's top ten volume filings, three fees were the lowest nationally.*
- *The average cost for Colorado's top ten volume filings is \$30 and the national average excluding Colorado is \$80. This places Colorado's fees at 38 percent of the national average.*

3. What is the current Secretary of State's philosophy on setting fees, instituting fee holidays, and managing the Department of State Cash Fund?

*Secretary Williams believes that fees should be kept as low as possible to benefit Colorado businesses while maintaining consistency and complying with the law. Changes in business conditions and laws, as well as, in some years, uncertainty about local election reimbursement payments to counties make it impossible for the Department to predict its revenue and expenses with certainty. Thus, while current budget projections show the Department in compliance with the statutory maximum cash fund reserve, the option for fee holidays should be preserved as a method for complying with the statutory cap.*

4. What is the Department's position on changing statute to disallow fee holidays in the future, or to establish a price floor for business filing fees?

*While current budget projections show the Department in compliance with the statutory maximum cash fund reserve, the Department does not support disallowing fee holidays. The Department wants to meet but not exceed the statutory maximum cash fund reserve. In order to achieve this, the Department needs the tools and flexibility to cope with changes in the overall business climate.*

5. Is the Department aware of any other state agencies that use fee holidays to balance cash funds?

*On September 16, 2015, there was a one-day tax holiday on retail marijuana sales and excise taxes as a result of HB 15-1367. The Department is not aware of any other examples of fee or tax holidays. However, there are several agencies, including the Department of State, that have the statutory authority to reduce fees in order to comply with the statutory cash fund reserve limit.*

6. What is the Department's position on the proposal to allow local election reimbursement rates to be increased as a way to control the Department of State Cash Fund balance?

*Local election reimbursements are fluid depending on the election cycle and content of the statewide ballot. Increasing reimbursement rates would exacerbate the difficulties associated with projected revenue and expenses because it would increase the swing in expenses between years with a local election reimbursement and the years in which no such reimbursement occurs. Additionally, an increase in the reimbursement rate will necessitate a corresponding increase in business fees.*

7. How have fee holidays been received by the Department's customers?

*The Department has received decidedly positive feedback from customers regarding the fee holidays. For example:*

- Milila Howard wrote: "HOORAY!!!! It's about time we heard about a government office "giving back" to its citizens, I'm so happy to hear this. I came onto your site today to open a new business I want to start and was met with your notice about the "fee holiday" starting on July 1, 2014. I will now wait until July 1st to do so. Thanks again! :)"*
- Shauna Carter wrote, "Thank you for the \$1 registration. You really have no idea what a relief it was to pay a dollar. So many fees for small business has [sic] made me disheartened so that one dollar saved me thousands..... sincerely. Your friend, Shauna.*
- Josie Cale wrote: "This is great news only \$1.00 filing fee. Where can you get this type of deal these days? Josie"*

8. Did recent fee holidays impact the number of filings received or the number of new businesses that moved to Colorado?

*The most recent fee holiday occurred from July 2014 through October 2014 when new business filing fees were reduced from \$50 to \$1. Although no definitive causation can be determined, the Department did see a correlated increase in new business filings during the same time period. In the third quarter (Q3) of calendar year (CY) 2014 there were 27,640 new entities formed and in Q3 of CY 2013 there were 20,912 new entities formed. This is a 32.2 percent increase year over year.*

*The Department does not track new businesses that relocate to Colorado and therefore cannot determine whether the fee holiday impacted this number.*

9. Please describe how recent fee holidays were marketed or publicized. Did all small business owners receive notice of the fee holidays? Include a record of any expenditures associated with the marketing of fee holidays.

*The Department did not incur expenses to market or publicize fee holidays. Notice was given universally through the Secretary of State website. Additionally notice was shared through program newsletters, Department stakeholder groups, media outlets, and outreach by employees and the Secretary.*

#### Exempting Local Election Reimbursement Costs from the Cash Fund Reserve

10. What is the Department's position on the recommendation to exempt the appropriation for local election reimbursement from the Department of State Cash Fund reserve limit? Is 16.5 percent the correct reserve limit for the Department of State Cash Fund?

*The Department fully supports the recommendation to exempt the appropriation for local election reimbursement from the Department of State Cash Fund reserve limit.*

*The Department agrees that the 16.5 percent reserve limit is too low for efficient cash fund management as a result of the uncertainty surrounding local election reimbursement payments to counties. For perspective, the Department's local election reimbursement appropriation for FY 2016 is \$2.5 million. This amount is almost 75 percent of the Department's FY 2015 year-end statutory target reserve of \$3.36 million. As a result, managing to the 16.5 percent reserve limit can be challenging, particularly in even fiscal years (which include odd calendar year elections) when there is some uncertainty as to whether there will be a statewide ballot issue that triggers the statutory local election reimbursement payments<sup>1</sup> to counties.*

*For reference, the Department has made local election reimbursements to counties in six of the last eight even fiscal years<sup>2</sup> (75.0 percent). Notably, the two even fiscal years without local election reimbursement payments fell "back-to-back," and the Department was out of compliance with the target cash fund reserve in both FY 2008 and FY 2010 (and would have been out of compliance in FY 2009 as well if not for the sweep of \$2.175 million as a result of SB 09-208).*

#### **2:15-2:30 BUSINESS INTELLIGENCE CENTER PROGRAM AND GO CODE COLORADO**

11. What is the Department's long-term vision for the Business Intelligence Center program? Will it always be part of state government or could it be a separate 501(c)(3) organization?

*The Business Intelligence Center's mission is to: Make business-relevant data accessible and useable for informed decision-making and promote economic growth and good governance; and create and nurture a vibrant environment where Colorado business challenges are addressed.*

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<sup>1</sup> CRS §1-5-505.5, et seq (2015)

<sup>2</sup> Reimbursements were made in FY 2002, 2004, 2006, 2012, 2014, and 2016; reimbursements were not made in FY 2008 and 2010.

*Currently, the primary way in which the program accomplishes this mission is to publish more public data to the state's open data platform—the Colorado Information Marketplace (CIM). In the current fiscal year, \$240,000 of the appropriated funds are dedicated to a contractor with technical expertise that assists agencies across state government with inventorying and publishing public data in a common and usable format.*

*In order to help demonstrate the demand for, and beneficial uses of, public data, the Business Intelligence Center launched the Go Code Colorado app challenge. Go Code Colorado allows the program to execute on goals of generating private-sector demand for public data while building a community of developers and entrepreneurs who see the value in using public data to help businesses make more-informed decisions.*

*The program is supported by many private sector organizations that see the value in making public data more easily accessible; however, the support from these organizations currently makes up a relatively small portion of program funds. It may be possible for a non-profit organization to take on some of the current functions of the program, but such an entity would need substantial support from the state, or a substantial increase in private sector support. The Department has always envisioned partnering with the private sector to meet the goals of the program and will continue seeking the right balance in this relationship going forward.*

12. What is the Business Intelligence Center (BIC) program's strategy for interacting or cooperating with other agencies, e.g. the Office of Economic Development (OEDIT) and the Office of Information Technology (OIT)? Why is the Department of State the lead department for the BIC program rather than OEDIT or OIT?

*The Governor's Office, Office of Economic Development and International Trade (OEDIT), and Governor's Office of Information Technology (OIT) all support the Business Intelligence Center (BIC) and provide representatives that sit on the program's Advisory Board. Each of these offices have been important partners in the program's success to date. The Statewide Internet Portal Authority (SIPA) also provides a staff member to the program's Advisory Board meetings and assists the Department in meeting the program's goals.*

*The Department works closely with OIT on the technical aspect of assisting state agencies in publishing data to the Colorado Information Marketplace (CIM) and the promotion of the data available on the CIM. This includes working with OIT staff embedded at participating data-providing agencies as well as OIT staff involved with security and infrastructure to execute on moving data across firewalls and between servers as necessary to transform it into an acceptable format for publishing. OIT also supports the Go Code Colorado challenge by increasing awareness of the project through its public communications channels. State CIO Suma Nallapati has been an advocate, promoting the data-publishing work of the program throughout state agencies and serving as a Go Code Colorado challenge judge.*

*The Department also works closely with OEDIT. This relationship includes ongoing communication and collaboration regarding serving the needs of Colorado businesses. For example, this year, the Department distributed an OEDIT survey on business retention to a list of customers who had opted-in to receive email updates. OEDIT also included questions on the survey that helped the Department determine the business community's needs regarding public data. The Department plans to continue this open relationship, sharing*

information and collaborating with OEDIT toward the shared goal of better meeting the needs of current and future businesses in Colorado.

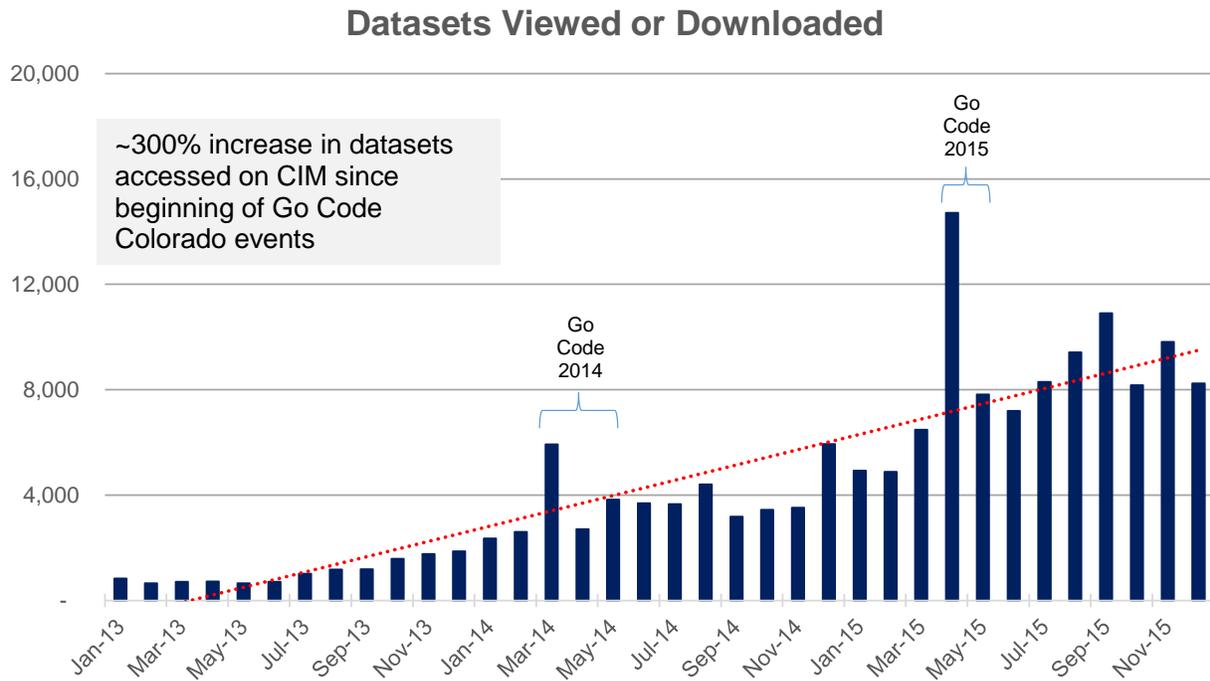
The Department of State is the lead department for BIC because it conceived of and launched the program. The Department's core mission of serving Colorado businesses and maintaining public data online were key factors in both its ability to see the need for a Business Intelligence Center, as well as its ability to execute on establishing and running the program. The Department's ability to fund the program from its cash fund is also an important factor.

13. Please provide data to address the following questions:

a. How many users are accessing Business Intelligence Center databases?

The software platform that runs the Colorado Information Marketplace (CIM) provides analytics to measure usage. The analytics function does not track individual users and does not allow for a breakdown of "tagged" datasets—the BIC program has tagged datasets it has published/quality reviewed as "Go Code Colorado" for easy use by challenge participants. Though the analytics are not broken down by tagged dataset, Figure 1 below shows that the accessing of data on the CIM has increased substantially during the Go Code Colorado challenge (March of 2014 and April of 2015) and overall use has trended upward and increased usage is sustained following the challenge.

Figure 1 shows the CIM metrics from January 1, 2013 (just before BIC began publishing data to the platform) through the end of calendar year 2015.



**Figure 1** The total number of times a dataset or filtered view has been viewed or downloaded on the Colorado Information Marketplace.

- b. How many apps created by Go Code Colorado participants are currently available for public use?

*Winning apps contract with the state for one year. One of the three apps from the 2014 challenge is still available for public use, following that one year period. All three of the 2015 winners built prototype applications for the purpose of the competition. Each is currently working on building the next iteration of their application for public launch.*

- c. How many users are accessing the available Go Code Colorado apps?

*During calendar year 2015, over 7,500 users accessed Beagle Score (beaglescore.com) generating over 10,000 sessions.*

## **2:30-2:50 INFORMATION TECHNOLOGY SERVICES PROJECTS**

- 14. Please provide an update on the implementation of the SCORE system and address the following:

- a. whether the Department has completed the transition to the SCORE system; and
- b. whether there are any current or ongoing security issues with the SCORE system.

*The SCORE system was fully deployed in 2008 and has served as the statewide voter registration and election management system since that time. As with many complex systems, changes and enhancements are a normal and expected part of maintaining the system. Statutory changes in 2013 (House Bill 13-1303) required significant modifications to the system to support voter service and polling centers and the implementation of same-day voter registration. The Department completed this project in two phases, with the final phase completed prior to the 2015 Coordinated Election.*

*Secretary Williams created the SCORE User Panel to directly seek input on the SCORE system from county users. The panel is made up of small, medium, and large county users who are experts in the conduct of elections and the SCORE voter registration system. The panel identified improvements for post-election reports and assisted in the development of the new Voter Service and Polling Center web poll book. The poll book worked perfectly in the 2015 election and the Department expects that the reporting improvements will be available for the 2016 election cycle. The SCORE User Panel will continue to provide valuable input on all SCORE system development.*

*Sustaining a secure system is of paramount importance. The Department devotes considerable resources to monitoring and preserving the security of the SCORE system, and—in cooperation with Colorado’s Chief Information Security Officer—providing guidance to county users of the system in maintaining the highest level of security for elections systems. There are no ongoing security issues with the SCORE system other than those that confront any critical network-based system.*

- 15. Please describe how SCORE interfaces with or accesses data from the Department of Revenue (DOR), and identify any challenges with the gateway between the information technology systems for DOR and the Department of State.

*The SCORE system receives daily updates of driver’s license transactions, both data and signature images, from the Department of Revenue (DOR). These transactions are*

*automatically received and processed over secure channels and are used to verify identity for voter registration transactions via online registrations, for “Motor Voter” registrations, and for paper-based registrations.*

*The two departments have supported this exchange of data without significant challenges for several years. DOR has allowed the Department of State to participate with them as significant DOR projects (such as the current DRIVES project, or the prior replacement of the secure credentialing system) that are underway. We are confident that this collaboration with the Department of Revenue will continue as the DRIVES project and other DOR projects move forward. One potential improvement currently under discussion would use the same address database for DOR and SCORE.*

16. Please provide an update on the Department's efforts to implement or improve electronic certification measures and explain how these measures benefit business and the state of Colorado in general.

*The Department has provided online Certificates of Good Standing since 2004. On October 20, 2015 the Department released its latest enhancement to online certifications. This enhancement allows customers to obtain the following certified documents:*

- *Certificate of Tradename*
- *Certificate of Existence*
- *Certified Copy of a Business Document*
- *Certified Copy of Complete Business Record*
- *Certificate of Notary*

*Customers can now obtain certificates 24/7 from any location without using mail or visiting the Secretary of State’s office. Customers benefit from reduced wait time, travel time, and reduced cost. Colorado was the first state in the nation to permit all of these documents to be provided online.*

*From October 20, 2015 to December 23, 2015 the office issued over 88,900 certificates online which equates to approximately 1,368 per day.*

## **2:50-3:00 OTHER ELECTIONS-RELATED INFORMATION**

17. Please provide a description of the signature verification process including data on how many signatures get filed for verification every year and an estimate of how many initiatives can be funded with the appropriation for even-year elections (i.e. \$250,000).

*As discussed in detail below, the number of initiatives that can be funded varies with the type of review that is required by law.*

### *Description of the Signature Review Process*

*To place a statewide initiative on the ballot, proponents need 98,492 valid signatures from registered electors in Colorado. When the Secretary of State’s office receives a completed petition, it contracts with Integrated Document Solutions (a division of the Department of Personnel and Administration) in Pueblo, which conducts the review under the Department’s supervision. By statute, the Department has 30 days from the date of submission to determine*

*whether the proponents have submitted enough valid signatures. The review process is outlined in CRS §1-40-116:*

- 1. Random-sample review: The Department first reviews a five percent random sample of signatures on the petition, and takes one of the following steps based on the outcome of the review:
  - a. If the random-sample review indicates that a full review would yield 110 percent or more of the total valid signature required (98,492), the Department declares the petition sufficient;*
  - b. If the random-sample review indicates that a full review would yield more than 90 percent but less than 110 percent of the total valid signatures required, the Department conducts a line-by-line review of all signatures on the petition; or*
  - c. If the random-sample review indicates that a full review would yield 90 percent or less than the total valid signatures required, the Department declares the petition insufficient.**
- 2. Line-by-line review: Proponents generally submit petitions containing between 125,000 and 150,000 signatures—which amounts to a random-sample review of between 6,250 and 7,500 signatures. If the Department is required to conduct a line-by-line review, it must review the remaining signatures (generally between 118,750 and 142,500) within the 30-day deadline.*

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Data on the Number of Signatures Filed for Verification

Table 1 below shows signature verification data for each proposed initiative submitted for review between 2001 and 2015.

Calendar Year	Amendment Number	Initiative Caption (Unofficial)	Number of Signatures Submitted	Random Sample	Line By Line Review	Cure Submission	Total # Entries Checked
2001	26	Fixed Guideway (Monorail) System	115,046	5,752	Y	N/A	115,046
<b>2001 Totals</b>			<b>115,046</b>				<b>115,046</b>
2002	27	Concerning Campaign Finance	130,748	6,537	N	N/A	6,537
2002	28	Mail-In Ballots	117,787	5,889	N	N/A	5,889
2002	29	Election Reform	130,797	6,539	N	N/A	6,539
2002	30	Election Day Voter Registration	132,543	6,627	N	N/A	6,627
2002	31	English Language Education	138,678	6,933	N	N/A	6,933
<b>2002 Totals</b>			<b>650,553</b>				<b>32,525</b>
2003	32	Residential Property Tax	104,573	5,229	N	N/A	5,229
2003	33	Tourism Promotion	115,936	5,797	N	N/A	5,797
<b>2003 Totals</b>			<b>220,509</b>				<b>11,026</b>
2004	Insufficient	Student Achievement Testing	12,485	N/A	N	N/A	N/A
2004	Ref 4A	RTD FasTracks	64,087	4,000	N	N/A	4,000
2004	34	Property Owner's Rights	103,298	5,165	N	N/A	5,165
2004	35	Tobacco Tax Increase for Health Related Purposes	111,994	5,600	N	N/A	5,600
2004	36	Selection of Presidential Electors	134,821	6,742	N	N/A	6,742
2004	37	Renewable Energy Standard	115,396	5,770	N	N/A	5,770
<b>2004 Totals</b>			<b>542,081</b>				<b>27,277</b>
<b>2005 Totals</b>			<b>0</b>				<b>0</b>
2006	38	Petitions	121,317	6,066	N	N/A	6,066
2006	39	School District Expenditures for Education	104,568	5,299	Y	N/A	104,568
2006	40	Term Limits on Court of Appeals & Supreme Court Judges	109,426	5,472	N	N/A	5,472
2006	41	Ethics in Government	110,119	5,506	N	N/A	5,506
2006	42	Colorado Minimum Wage	128,335	6,417	N	N/A	6,417
2006	43	Marriage	133,908	6,696	N	N/A	6,696
2006	44	Marijuana Possession	130,815	6,541	N	N/A	6,541
2006	45	Domestic Partnerships	141,642	7,083	N	N/A	7,083
<b>2006 Totals</b>			<b>980,130</b>				<b>148,349</b>
<b>2007 Totals</b>			<b>0</b>				<b>0</b>
2008	46	Prohibition on Discrimination & Preferential Treatment by Colorado Government	128,044	6,403	N	N/A	6,403
2008	47	Prohibition on Certain Conditions of Employment	136,608	6,831	N	N/A	6,831
2008	48	Definition of Person	130,050	6,503	N	N/A	6,503
2008	49	Limitation on Public Payroll Deductions	126,874	6,344	N	N/A	6,344
2008	50	Limited Gaming	133,401	6,671	N	N/A	6,671
2008	51	State Sales Tax for Services for Individuals with Developmental Disabilities	133,606	6,681	N	N/A	6,681
2008	52	Severance Tax - Transportation	137,341	6,868	N	N/A	6,868
2008	53	Liability of Business Entities & Their Executive Officials - Criminal Liability	124,127	6,207	N	N/A	6,207
2008	54	Restrictions on Campaign Contributions from Government Sole-Source Contractors	125,196	6,260	N	N/A	6,260
2008	55	Just Cause for Employee Discharge or Suspension	131,140	6,558	N	N/A	6,558
2008	56	Employer Responsibility for Health Insurance	171,331	8,567	N	N/A	8,567
2008	57	Safe Workplace	151,133	7,557	N	N/A	7,557
2008	58	Severance Tax	136,760	6,839	N	N/A	6,839
2008	Proposed Init. # 82	Discrimination/Preferential Treatment by Colorado Governments	117,871	5,889	Y	N/A	117,871
2008	59	Education Funding	171,746	8,588	N	N/A	8,588
<b>2008 Totals</b>			<b>2,055,228</b>				<b>214,748</b>
<b>2009 Totals</b>			<b>0</b>				<b>0</b>
2010	Prop 101	Motor Vehicle, Income, & Tele Comm. Taxes & Fees	142,680	7,134	N	N/A	7,134
2010	Prop 102	Criteria for Setting Bail & Type of Bond	127,474	6,374	N	N/A	6,374
2010	60	Property Taxes	139,960	6,998	N	N/A	6,998
2010	61	State and Local Debt Limitations	138,867	6,944	N	N/A	6,944
2010	62	Definition of Person	79,648	4,000	N	47,114	51,114
2010	63	Health Care Choice	135,029	6,752	N	N/A	6,752
<b>2010 Totals</b>			<b>763,658</b>				<b>85,316</b>
2011	Prop 103	State Taxes	142,824	7,142	N	N/A	7,142
<b>2011 Totals</b>			<b>142,824</b>				<b>7,142</b>
2012	64	Use & Regulation of Marijuana	163,632	8,180	Y	14,151	177,783
2012	Insufficient	Application of the Term Person	106,119	5,306	Y	N/A	106,119
2012	65	Colorado Congressional Delegation to Support CPF Lim	182,113	9,105	Y	N/A	182,113
<b>2012 Totals</b>			<b>451,864</b>				<b>466,015</b>
2013	66	Funding for Public Schools	165,710	8,286	Y	N/A	165,710
<b>2013 Totals</b>			<b>165,710</b>				<b>165,710</b>
2014	67	Definition of Person and Child	140,049	7,003	N	N/A	7,003
2014	68	Horse Racetrack Limited Gaming Proceeds for K-12 Education	136,800	6,840	N	N/A	6,840
2014	Prop 104	School Board Open Meetings	129,850	6,493	N	N/A	6,493
2014	Prop 105	Labeling Genetically Modified Food	171,387	8,569	N	N/A	8,569
<b>2014 Totals</b>			<b>578,086</b>				<b>28,905</b>
2015		State Health Care System	158,831	7,942	N	N/A	7,942
<b>2015 Totals</b>			<b>158,831</b>				<b>7,942</b>
<b>Grand Total</b>			<b>6,824,520</b>				<b>1,310,001</b>
<b>Average Per Year</b>			<b>454,968</b>				<b>87,333</b>

**Table 1** The table shows signature verification data for each proposed initiative submitted for review between calendar year 2001 and 2015.

### Estimate of How Many Initiatives Can Be Funded with the Even-Year Appropriation

*Integrated Document Solutions charges for petition review using an hourly rate for its staff. There are several factors that affect cost for each petition review, including the total number of signatures submitted, whether the petition includes many invalid signatures, whether the petition circulators properly executed their sworn affidavits on each petition section, etc. However, the single greatest driver of cost is whether a petition is sufficient after the random-sample review.*

- *For recent petitions, the cost of reviewing a petition that is sufficient after the random sample is between \$20,000 and \$30,000. Based on this rate, the even-year appropriation would allow the Department to review between eight and twelve petitions.*
- *The recent cost of line-by-line reviews has been between \$90,000 and \$100,000. Based on this rate, the Department could fully review two petitions using the even-year appropriation.*

### **ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED**

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list.

*The Department continues to meet all legislative requirements.*

2. Please provide a detailed description of all program hotlines administered by the Department, including:

*The Department administers a service center for its customers and the SCORE Help Desk (which includes afterhours support to counties), but its understanding is that these two service numbers do not meet the definition of a hotline.*

3. Describe the Department's experience with the implementation of the new CORE accounting system.
  - a. How has the implementation improved business processes in the Department?

*It has not. Ongoing business process improvement is a key element of the Department's culture. Throughout the often difficult CORE transition, the Department's Finance Unit has prioritized the continuity of daily operations and the availability of financial information necessary for management decision-making. Consequently, the implementation of the CORE system has thus far had a negligible direct impact on process improvement. As the CORE system transition progresses and outstanding issues with the system are addressed at the State level, the Department anticipates that it may see some improvements in business processes directly attributable to CORE.*

- b. What challenges has the Department experienced since implementation and how have they been resolved (i.e. training, processes, reports, payroll)?

*The CORE transition has been challenging for all state agencies. Over the past year, substantial progress has been made, particularly in the area of reporting; however, in the view of the Department two priority issues remain outstanding: payroll and training.*

*The interfacing of payroll data into the CORE system has been significantly delayed since*

*CORE launched in July 2014. As of December 31<sup>st</sup>, July and August are the only FY 2016 monthly payrolls that have been loaded into the system. As a result, expenses are significantly understated on the InfoAdvantage reports and cash fund balance is significantly overstated. The Department has coped with this by manually adjusting the InfoAdvantage reports using payroll data from CPPS. This solution has been effective for providing critical financial information to management, however, it is time consuming to prepare these reports and the manual process is more vulnerable to error than an automated report.*

*Since the launch of CORE, there have not been any statewide training opportunities for new CORE users and the CORE training environment is not available to all state agencies. For a small agency, the absence of centralized new user training is disproportionately burdensome as most training needs to be done on a one-on-one or one-on-two basis. In addition, the lack of access to a CORE training environment means that users are being trained in the live system. As a result, far greater care must be taken in training new employees to ensure that they do not unintentionally compromise anything in the live system. While it is likely that there are resource and technical constraints at the state level of which the Department is not fully aware, it would seem that it would be more efficient for the state as a whole to allocate resources to a CORE user training program.*

- c. What impact have these challenges had on the Department's access to funding streams?

*There has been no impact on the Department's access to funding streams.*

- d. How has the implementation of CORE affected staff workload?

*Early in the CORE transition, there was a significant increase to workload of the Department's entire Finance Unit. The Department would like to acknowledge the efforts of its Finance Unit team to pick up this additional workload and to ensure the timely processing of transactions.*

*A year and a half into the CORE transition, in many respects, Finance Unit staff workloads have returned to levels similar to using the COFRS system. The lone exception is in the preparation of financial reports. The delays and problems in the import of payroll data into CORE mean that meaningful, complete financial reports must be manually prepared by staff members with 1) access to CPPS data dumps, 2) knowledge of the up-to-the-minute status of the payroll interface process (in order to allow for the appropriate adjustments), and 3) sufficient Excel skills to combine the two data sources into a consolidated report. As a result, members of management who previously were able to pull their own reporting from the Financial Data Warehouse (FDW) are now entirely dependent on the Finance Unit for all reporting. The result has been an ongoing increase in the workload of the Department's Controller/Budget Director and Accountant.*

- e. Do you anticipate that CORE implementation will result in the need for a permanent increase in staff? If so, indicate whether the Department is requesting additional funding for FY 2016-17 to address it.

*The Department views the statewide CORE transition as a still evolving work in progress. At this time, it presumes that the remaining issues will be addressed and therefore does*

*not believe there will be a need for a permanent increase in staff and has not requested additional funding for FY 2016-17 to address the CORE implementation.*

4. If the Department receives federal funds of any type, please provide a detailed description of any federal sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2015-16.

*The Department has not been sanctioned by the Federal Government and does not anticipate any sanctions in Federal FY 2015-16.*

5. Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?

[http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/\\$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf)

*No, the Department does not have any outstanding high priority recommendations identified in the "Annual Report of Audit Recommendations Not Fully Implemented."*

6. Is the department spending money on public awareness campaigns related to marijuana? How is the department working with other state departments to coordinate the campaigns?

*No, the Department is not spending any money on public awareness campaigns related to marijuana.*

7. Based on the Department's most recent available record, what is the FTE vacancy rate by department and by division? What is the date of the report?

*At FY 2015 year-end, the Department's vacancy rates by division are shown in Table 2 below.*

<b>Division</b>	<b>Long Bill FTE</b>	<b>Actual FTE</b>	<b>Vacant FTE</b>	<b>Vacancy Rate</b>
Administration	19.0	19.4	(0.4)	(2.3%)
IT Services	36.0	37.3	(1.3)	(3.5%)
Elections	34.2	27.1	7.1	20.9%
Business & Licensing	48.0	40.0	8.0	16.6%
<b>Overall</b>	<b>137.2</b>	<b>123.8</b>	<b>13.39</b>	<b>9.8%</b>

**Table 2** The table shows FY 2015 vacancy rates for each of the Department's four divisions.

8. For FY 2014-15, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2015-16? If yes, in which programs and line items do you anticipate this reversions occurring? How much and in which fund sources do you anticipate the reversion being?

*Table 3 below presents the appropriations for which the Department had reversions in FY 2014-15. It should be noted that for some of these appropriations, the percentage of the reversion is very small.*

<b>Division</b>	<b>Appropriation</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Reason<sup>3</sup></b>
Administration	Personal Services	\$199,047	Cash	Vacancy savings, less usage of contractors than anticipated
Administration	Health, Life, and Dental	\$215,614	Cash	Vacancy savings across all divisions <sup>4</sup>
Administration	Amortization Equalization Disbursement	\$56,748	Cash	Vacancy savings across all divisions
Administration	Supplemental Amortization Equalization Disbursement	\$36,638	Cash	Vacancy savings across all divisions
Administration	Operating Expenses	\$143,610	Cash	Lower than anticipated operating expenses
Administration	Legal Services	\$247,224	Cash	Fewer than anticipated lawsuits, cooperation with the Department of Law to control legal services expenses
Administration	Leased Space	\$2,862	Cash	Lower than anticipated lease costs
Administration	Discretionary Fund	\$120	Cash	Appropriation is by statute and was slightly underspent
IT Services	Personal Services	\$5,840	Cash	Vacancy savings, less usage of Contractors than anticipated
IT Services	Operating Expenses	\$12,512	Cash	Lower than anticipated operating expenses

<sup>3</sup> The information provided in this column highlights the key reason(s) for the reversion. It is not intended to provide an exhaustive listing of all of the reasons for the savings.

<sup>4</sup> The Long Bill appropriates all POTS line items to the Department's Administration Division. The POTS funding is then distributed to divisions based on approximate needs.

Division	Appropriation	Amount	Fund Source	Reason
IT Services	Hardware/Software Maintenance	\$502,041	Cash	One-time savings due to change in accounting practices <sup>5</sup>
IT Services	Asset Management	\$4,149	Cash	Lower than anticipated costs
Elections	Personal Services	\$133,722	Cash	Vacancy savings
Elections	Operating Expenses	\$18,092	Cash	Lower than anticipated postage costs
Elections	Initiative and Referendum	\$167,604	Cash	Fewer than anticipated petitions received
Business & Licensing	Personal Services	\$15,749	Cash	Vacancy savings
Business & Licensing	Operating Expenses	\$91,257	Cash	Lower than anticipated operating expenses

**Table 3** The table shows reversions by division and by appropriation for FY 2014-15.

*Based on information currently available, the Department anticipates it will have reversions on at least two line items in FY 2015-16 as indicated in the Table 4 below. It is likely that the Department will have some savings in Personal Services on the POTS line items as a result of vacancy savings, but, at this time, there are too many unknowns to project this amount with certainty.*

Division	Appropriation	Estimated Reversion Amount	Fund Source
Administration	Legal Services	\$200,000.00	Cash
Elections	Local Election Reimbursement	\$100,000.00	Cash

**Table 4** The table shows estimated reversion amounts by division and by appropriation for FY 2015-16.

9. Are you expecting an increase in federal funding with the passage of the FFY 2015-16 federal budget? If yes, in which programs and what is the match requirement for each of the programs?

*The Department does not anticipate receiving any additional federal funding.*

10. For FY 2014-15, did your department exercise a transfer between lines that is allowable under state statute? If yes, between which line items and programs did this transfer occur? What is the amount of each transfer by fund source between programs and/or line items? Do you anticipate transfers between line items and programs for FY 2015-16? If yes, between which line items/programs and for how much (by fund source)?

*The Department did not exercise a transfer between lines in FY 2014-15.*

<sup>5</sup> In FY 2015, the Department began correctly accounting for pre-paid expenditures as specified in the Fiscal Procedures Manual. The result was a one-time savings in the hardware/software maintenance appropriation. The Department does not anticipate a reversion of this magnitude in future fiscal years.

**DEPARTMENT OF STATE  
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Tuesday, January 12, 2016  
1:30 pm – 3:00 pm**

**1:30-1:45      INTRODUCTIONS AND OPENING COMMENTS**

**1:45-2:15      CASH FUND MANAGEMENT AND BUDGETING PROCESSES**

1. Please discuss:
  - a. the Department's plans to implement recommendations from the Office of the State Auditor and ensure improved cash fund management and budgeting processes going forward; and
  - b. how the Department expects the formal documentation of processes and practices to affect outcomes.

Business Filing Fees and Fee Holidays

2. How do the business filing fees charged in Colorado compare to those charged by other states?
3. What is the current Secretary of State's philosophy on setting fees, instituting fee holidays, and managing the Department of State Cash Fund?
4. What is the Department's position on changing statute to disallow fee holidays in the future, or to establish a price floor for business filing fees?
5. Is the Department aware of any other state agencies that use fee holidays to balance cash funds?
6. What is the Department's position on the proposal to allow local election reimbursement rates to be increased as a way to control the Department of State Cash Fund balance?
7. How have fee holidays been received by the Department's customers?
8. Did recent fee holidays impact the number of filings received or the number of new businesses that moved to Colorado?
9. Please describe how recent fee holidays were marketed or publicized. Did all small business owners receive notice of the fee holidays? Include a record of any expenditures associated with the marketing of fee holidays.

Exempting Local Election Reimbursement Costs from the Cash Fund Reserve

10. What is the Department's position on the recommendation to exempt the appropriation for local election reimbursement from the Department of State Cash Fund reserve limit? Is 16.5 percent the correct reserve limit for the Department of State Cash Fund?

**2:15-2:30 BUSINESS INTELLIGENCE CENTER PROGRAM AND GO CODE COLORADO**

11. What is the Department's long-term vision for the Business Intelligence Center program? Will it always be part of state government or could it be a separate 501(c)(3) organization?
12. What is the Business Intelligence Center (BIC) program's strategy for interacting or cooperating with other agencies, e.g. the Office of Economic Development (OEDIT) and the Office of Information Technology (OIT)? Why is the Department of State the lead department for the BIC program rather than OEDIT or OIT?
13. Please provide data to address the following questions:
  - a. How many users are accessing Business Intelligence Center databases?
  - b. How many apps created by Go Code Colorado participants are currently available for public use?
  - c. How many users are accessing the available Go Code Colorado apps?

**2:30-2:50 INFORMATION TECHNOLOGY SERVICES PROJECTS**

14. Please provide an update on the implementation of the SCORE system and address the following:
  - a. whether the Department has completed the transition to the SCORE system; and
  - b. whether there are any current or ongoing security issues with the SCORE system.
15. Please describe how SCORE interfaces with or accesses data from the Department of Revenue (DOR), and identify any challenges with the gateway between the information technology systems for DOR and the Department of State.
16. Please provide an update on the Department's efforts to implement or improve electronic certification measures and explain how these measures benefit business and the state of Colorado in general.

**2:50-3:00 OTHER ELECTIONS-RELATED INFORMATION**

17. Please provide a description of the signature verification process including data on how many signatures get filed for verification every year and an estimate of how many initiatives can be funded with the appropriation for even-year elections (i.e. \$250,000).

**ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED**

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list.
2. Please provide a detailed description of all program hotlines administered by the Department, including:
  - a. The purpose of the hotline;
  - b. Number of FTE allocated to the hotline;
  - c. The line item through which the hotline is funded; and
  - d. All outcome data used to determine the effectiveness of the hotline.
3. Describe the Department's experience with the implementation of the new CORE accounting system.
  - a. How has the implementation improved business processes in the Department?
  - b. What challenges has the Department experienced since implementation and how have they been resolved (i.e. training, processes, reports, payroll)?
  - c. What impact have these challenges had on the Department's access to funding streams?
  - d. How has the implementation of CORE affected staff workload?
  - e. Do you anticipate that CORE implementation will result in the need for a permanent increase in staff? If so, indicate whether the Department is requesting additional funding for FY 2016-17 to address it.
4. If the Department receives federal funds of any type, please provide a detailed description of any federal sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2015-16.
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