

JOINT BUDGET COMMITTEE



INTERIM SUPPLEMENTAL BUDGET REQUESTS FY 2017-18

DEPARTMENT OF STATE

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

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SEPTEMBER 20, 2017

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INTERIM SUPPLEMENTAL REQUESTS

OPEN PRIMARY MEDIA CAMPAIGN, DATABASE STORAGE AND SECURITY ENHANCEMENTS, AND REVAMPING THE BUSINESS SUITE WHILE TRANSITIONING THE DEPARTMENT TO A NEW MODEL FOR I.T. SERVICE DELIVERY

	REQUEST*	RECOMMENDATION*
TOTAL	\$0	\$0
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

*See body of text for detail of requested change

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

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **YES**
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made, specifically, that there would be no state-wide ballot question for November 2017.

DEPARTMENT REQUEST: The Department requests a total funds-neutral adjustment to its FY 2017-18 appropriation to accelerate several long-term strategic initiatives planned or already underway. The request comes as a reaction to no successful initiatives or referendum being filed asking ballot questions to the electors in November 2017. Thus, there exists no statutory duty for the Department to reimburse local governments for the costs associated with statewide ballot questions.

The request shifts \$2.4 million cash funds from the Local Election Reimbursement line item to three initiatives: (1) \$900,000 for an open primary public service media campaign; (2) \$1,180,000 for database security and storage enhancements for documents maintained for Colorado's business community and voter registration system; and (3) \$300,000 to accelerate the Department's transition to a new model for the provision of IT services, called DevOps.

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

STAFF ANALYSIS:

BACKGROUND AND EMERGENCY SUPPLEMENTAL CRITERIA

The Department of State is funded primarily by the Department of State (DOS) Cash Fund, created in Section 24-21-104(4), C.R.S. The DOS Cash Fund generates most of its revenue from business filing fees charged to Colorado business entities for the myriad filings each is required to make and maintain. Each year, based on the Department's total appropriated budget, the Department adjusts its fees to anticipate sufficient revenue is generated to fully fund appropriations made.

Section 1-5-505.5, C.R.S., requires the Department of State to reimburse counties for costs associated with conducting a statewide election, and dictates the rate per registered voter paid to each county. Since FY 2000-01, this appropriation has ranged from \$855,761 to \$1.7 million. A statewide election is guaranteed every two years, but odd-number years require the action of citizens or the General Assembly to commence a statewide election. In the last nine odd-number election years, this will only be the third time a statewide election is not required. The Colorado Constitution dictates that initiatives must be submitted to the Secretary three months prior to the general election and on that day this year, August 7, 2017, the Department concluded no reimbursement for statewide election would be required. Therefore, JBC staff agrees that the request comes as a result of data that was not available at the time the original appropriation was made.

OPPORTUNITY

Without the need to expend an estimated \$2.7 million on reimbursement to counties for expenses related to administering the election the Department wants to capitalize on the opportunity to expend \$2.4 million on several Department priorities the it expects will generate efficiencies in serving the business and not-for-profit communities, improve security of critical infrastructure, and increase public awareness about Colorado's new open primary.

During the 2016 legislative session, the Joint Budget Committee sponsored legislation, S.B. 16-089 (Dept. of State Cash Fund Alternative Max Reserve), implementing an alternative maximum reserve for the Department of State Cash Fund to avoid noncompliance with the reserve requirement if this situation were to occur. While the Department does not *need* to make any additional expenditures to stay in compliance, not targeting those funds on other projects results in the Department beginning FY 2018-19 with a cash fund balance \$2.7 million higher than anticipated. This, in turn, will inform fee-setting for FY 2018-19, and would likely result in reduced fees or a fee holiday for the entities paying fees to the Department of State.

The Department of State proposes accelerating several strategic initiatives to better serve Coloradoans. Specifically, the Department wishes to fund the following three priorities with appropriations that will otherwise be reverted:

- 1 Open primary media campaign for \$900,000 cash funds;
- 2 Database security and storage enhancements for \$1,180,000 cash funds; and
- 3 Transition to DevOps model of IT service provision for \$300,000.

The Department's proposed transfers of existing spending authority to the new proposals is summarized below:

REQUESTED FUNDING CHANGE BY LONG BILL GROUP AND LINE ITEM IN FY 2017-18

	TOTAL FUNDS	GENERAL FUND	CASH FUND	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Administration, Personal Services	\$300,000	\$0	\$300,000	\$0	\$0	0.0
Administration, Operating Expenses	600,000	0	600,000	0	0	0.0
IT Services, Asset Management	1,180,000	0	1,180,000	0	0	0.0
Elections, Personal Services	150,000	0	150,000	0	0	0.0
Elections, Local Election Reimbursement	(2,380,000)	0	(2,380,000)	0	0	0.0
Business and Licensing, Personal Services	150,000	0	150,000	0	0	0.0
Total Net Funding Impact	\$0	\$0	\$0	\$0	\$0	0.0

OPEN PRIMARY EDUCATION

In November 2016, Colorado electors asked the state to create a semi-open primary when they approved Proposition 108. Implemented in S.B. 17-305 (Primary Election Clean-Up), the new primary will open to unaffiliated voters the opportunity to vote in one party’s primary election. Unaffiliated voters account for 37.1 percent of the 3.74 million voters registered in Colorado in November 2017. As the next election approaches, unaffiliated voters will either indicate in advance which party primary they wish to participate or each will receive all major party ballots. Advance notification may be made on the Secretary of State’s website or on any of the other voter registration applications, such as at the Division of Motor Vehicles or with a county clerk. If an unaffiliated voter were to submit more than one party’s primary ballot, each of the voter’s ballots will be voided. Public education for unaffiliated voters will likely reduce the rate of unintended ballot spoilation and any resulting public outcry.

If an unaffiliated voter does not make an election for which primary to participate in, the voter’s county clerk is required to issue a ballot for each major political party. Clearly this alternative is less desirable for everyone involved in the transaction. It increases printing and mailing costs, results in an immense number of unused ballots, and increases the likelihood of voter error like that identified above.

Therefore, the Department proposes utilizing \$900,000 for an open media campaign for public education regarding the new primary process. The campaign will target unaffiliated voters of all demographic types throughout Colorado using a mix of various medias. The Department expects this initiative will maximize voter participation, minimize county costs, and reduce demands on state and county personnel with election related inquiries.

DATABASE STORAGE AND SECURITY ENHANCEMENTS

The Department often earns praise for its innovative use of technology across its administrative functions. The Department maintains databases and related storage that approaches 50 terabytes (TB), consisting of 35 TB devoted to annual business applications and filings and 15 TB devoted to the statewide voter database. As the Department continues to improve access to data and tools available to business users, maintaining security aimed at defeating innovative malicious actors is a persistent need for the Department.

At the same time, protecting the integrity of elections and the election-related databases continues to be a critical task for the Department. The U.S. Department of Homeland Security (DHS) has designated elections systems as “Critical Infrastructure” and though DHS has not development best practices for elections management, constant threat assessment is warranted. The Department identifies several areas of improvement which it will address if the change request is approved:

- Adding a centralized risk management platform to protect, monitor, and report access to the state voter registration system;
- Upgrading the Department’s existing web application firewalls with industry-leading solutions that add database auditing and real-time threat intelligence feeds, to protect the state voter registration system;
- Adding integrated Distributed Denial of Service (DDoS) protection to minimize the potential impact of such attacks; and
- Adding integrated data identification and masking tools to provide defense-in-depth for voter registration and elections data.

The Department assured JBC staff it was investigating the use of blockchain technologies as a means of protecting access to secured data, however, its assessment is not very mature at this time.

TRANSITION TO NEW IT SERVICE DELIVERY MODEL

The final piece of the Department’s request is additional resources to accelerate its transition to a new model for the provision of IT services, know colloquially as DevOps. A clipped compound of “development” and “operations”, DevOps supports software development and delivery by establishing a culture and environment where building, testing, and releasing software can happen rapidly, frequently, and more reliably.

The Wikipedia page for DevOps describes the major aspects as follows:

- 1 **Code:** code development and review, source code management tools, code merging;
- 2 **Build:** continuous integration tools, build status;
- 3 **Test:** continuous testing tools that provide feedback on business risks;
- 4 **Package:** artifact repository, application pre-deployment staging;
- 5 **Release:** change management, release approvals, release automation;
- 6 **Configure:** infrastructure configuration and management, Infrastructure as Code tools; and
- 7 **Monitor:** applications performance monitoring, end–user experience.

This request is a preview for a FY 2018-19 budget request the Department expects to submit in November 2017. While the Department did not request any FTE related to this request, it is important to note the request includes funding for four additional staff persons. The Department did not request FTE associated with those positions because it currently has sufficient vacant FTE to accommodate additional staff, but not spending authority. JBC staff intends to work with the Department to more closely approximate the actual FTE funded during the 2018 legislative session.

If approved, the Department will add two additional analyst positions to the Business and Licensing Division and two others in the Elections Division. Together, the positions will support more frequent testing and development cycles, assist with some daily operations and projects, and support the Department’s ongoing cybersecurity defense strategies.

Continuously improving the business filing system ensures continuity of online filings, searches, and certifications. Updating the system will also result in conversion of more paper filings being converted to digital filings reducing in-person staff time required by customers.

CONCLUSION

The Department has sufficient revenue to fund several Department priorities because it no longer is obligated to reimburse counties for costs related to elections administration. If the Department reverts the entire \$2.7 million it is appropriated, it will begin FY 2018-19 with \$2.7 million more than it needs. This balance will result in the Department of State reducing its fees for one year to spend down the balance. Due to the business communities' general desire for consistency, JBC staff agrees that widely differing fees year-to-year are not ideal. The proposals made by the Department appear to be reasonable and therefore, JBC staff recommends the Committee approve the Department request.