State of COLORADO

HB22-1385
Colorado Operations Resource Engine Upgrade

Background

The Colorado Operations Resource Engine (CORE) is the State's accounting, procurement, and budgeting system which uses software that will have minimal support after June 30, 2024. The Department of Personnel & Administration requested Certificate of Participation (COP) funding for CORE Upgrade from the Joint Budget Committee with a strong recommendation from the Joint Technology Committee. Not all members of the JBC agreed with the advantages of COP financing and the upgrade was general funded in the long bill.

DPA and the JTC now seek the General Assembly's approval to enter into a COP agreement that would allow it to upgrade and continuously improve CORE. Financing the CORE upgrade using COPs will allow the State to reappropriate, and put to immediate use, the funds that would have paid for the upgrade in a lump sum.

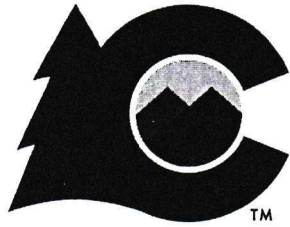### Tell us more about CORE.

CORE forms the backbone of the State's financial infrastructure. To put its critical nature in context, the CORE Operations team provides daily system and business support of:

- CORE, the State's enterprise financial system,
- infoAdvantage, the State's financial reporting system, and,
- ColoradoVSS, the State's Vendor Self Service system

CORE governance is focused on optimizing the CORE system through broad employee engagement and implementation of best practices using an enterprise-wide approach.

The State uses CORE to:

- Prepare financial reports, including the Annual Comprehensive Financial Report, Basic Financial Statements, TABOR Schedule of Computations, and federal reporting.
- Obtain reimbursements for grants from the federal government and other grantors.
- Register vendors and send solicitations for State procurements.
- Record and track compliance with the State's long bill, special bills, and supplemental bills.
- Maintain a secure database for the State's financial records.

What's a COP and how does it work?

A certificate of participation (COP) is a type of financing where an investor purchases a share of the lease revenues of a program. For CORE, the certificates of participation are secured by the software license for the system, which the State owns and has owned from COFRS, the software that CORE is based upon. For the implementation of CORE, the State used COPs to finance the original project and the bank used the software license as collateral for the COPs. Rather than paying for the upgrade upfront using general fund dollars, the State will make payments to investors on an annual basis as it has for the last eight years. The newly requested COP will be paid over nine years. Principal payments would begin in FY24.

Is a COP debt and how have COPs been used in the past?

A COP is not debt. According to a 2018 Issue Brief by Legislative Council Staff, "the Colorado Supreme Court has ruled on two occasions in the last few decades that COPs are not considered a form of long-term debt." According to the same article "the state has been issuing COPs to finance capital projects for almost 40 years." Between 1979 and 2002, the State used COPs eight times to finance critical projects. In addition to the original COPs for CORE, the State was making payments on at least nine other COPs in 2018 that included hospitals, schools, correctional facilities, transportation projects, agriculture projects, and investigative labs.

What is the State getting for the money?

The total COP amount includes the cost of the CORE upgrade to Advantage 4, a contingency fund, a contracted Program Manager, additional vendor support hours, Independent Verification and Validation (IV&V) and the cost of two new support modules - Debt Management which is needed to comply with GASB 87 that requires capitalization of most of the State's leases and Travel & Expense which will automate a paper reimbursement process.

Who supports the CORE upgrade and why?

House Bill 1385 is a priority of Governor Polis, the Office of the State Controller, Department of Personnel & Administration and the Office of Information Technology. The upgrade is supported by all users of CORE including controllers, procurement officials, and budget directors. The continuous security of the State's financial information and vendor service system is vital to the integrity of the State's operations including the State's relationship to thousands of businesses, with 83% of CORE-tracked contract dollars going to businesses in Colorado.

Please vote YES!