

This file contains the following documents:

1. January 5, 2015, JBC staff memo titled: "Capital Construction 1331 – Revised Recommendation".
2. January 5, 2015, JBC Staff document titled: "Interim Supplemental for FY 2014-15 Capital Construction".

MEMORANDUM

TO: Joint Budget Committee

FROM: Alfredo Kemm (303-866-4549)

SUBJECT: Capital Construction 1331 – Revised Recommendation

DATE: January 5, 2015

Staff's interim supplemental document was printed and released to the Committee on Friday morning. Regular supplemental requests and budget amendments for FY 2015-16 were submitted on Friday near the end of the day. Included was a Department of Personnel supplemental and budget amendment for additional CORE resources and restructuring of the Office of the State Controller.

The request identifies the need for an additional 3.0 FTE and \$171,377 in the Office of the State Controller for the Grant Management Functional Team. The request states: "This new team would take advantage of CORE's Grants Lifecycle Management module to introduce a standardized, statewide grants process."

Staff had concerns about the inclusion of the Grants Management module in the 1331 request due to its relative scale within that request and the short period of time available to review the specifics of the request. This budget amendment that commits additional resources to this module requires that staff be allowed to take additional time to analyze the merits of the module, the proposed funding, and the potential for identifying out-year operating efficiencies throughout the Executive Branch that should be expected from a more efficient grants management information system.

Staff recommends not funding the Grants Management module at this time. Staff recommends an additional Capital Construction Fund appropriation of \$3,065,488 and corresponding offset and \$616,962 cash funds.

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**INTERIM SUPPLEMENTAL FOR FY 2014-15
CAPITAL CONSTRUCTION**

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

**Prepared By:
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January 5, 2015**

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Interim Supplemental Requests

INTERIM SUPPLEMENTAL REQUEST #4 OIT (AND DEPARTMENT OF PERSONNEL), CORE ENHANCEMENTS AND ONGOING CONFIGURATION

	Request	Recommendation
Total	<u>\$5,080,604</u>	<u>\$616,962</u>
FTE	0.0	0.0
General Fund/Capital Construction Fund	4,463,642	0
Cash Funds	616,962	616,962
Federal Funds	0	0

<p>Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, 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.]</p>	Maybe
<p>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [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.]</p>	YES
<p>JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made. JBC staff is concerned that an <i>information technology budget request</i>, as defined in Section 2-3-1701 (2.5) (a), C.R.S., is not addressed in Section 24-75-111, C.R.S., and therefore does not meet the interim supplemental criteria. Information technology is specifically excluded from the definition of <i>capital asset</i> in Section 24-30-1301 (b), C.R.S. However, Joint Technology Committee oversight of information technology budget requests is defined pursuant to Joint Rule 45 in Section 2-3-1704 (11) (a), C.R.S. Joint Rule 45 (a) defines Joint Technology Committee oversight of information technology budget requests beginning with the 2015-16 fiscal year. This supplemental request is for FY 2014-15 and might therefore be properly addressed as a capital request as such was defined at the time of the initial FY 2014-15 appropriation and therefore satisfy interim supplemental criteria. While the Joint Technology Committee approved the request, and not the Capital Development Committee as required in Section 24-75-111 (1) (c) (III) (C), C.R.S., through the additional authority provided in Joint Rule 45 (b), the Capital Development Committee may refer the request to the Joint Technology Committee, and therefore this interim supplemental request may be considered to satisfy the interim supplemental criteria.</p>	

Department Request: The Office of Information Technology, along with the Department of Personnel, requests \$5,080,604 total funds, including \$4,463,642 General Fund and \$616,962 cash funds from the Supplier Database Cash Fund in the Department of Personnel for ongoing configuration of the Colorado Operations Resource Engine (CORE) system and the implementation of additional functionality or system modules.

Staff Recommendation: Staff recommends that the Committee approve this request, funding the General Fund portion with Capital Construction Fund through an equivalent offset in the Capital Construction Fund. It is staff's intention to recommend a transfer bill along with a supplemental bill to restore the amount of the offset to the Statewide Leave, Time Tracking, and Human Resource Management System Modernization (HRIS) line item in OIT and pay for the CORE interim supplemental in the capital budget.

The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves.

Staff Analysis: The request is for additional funding for the CORE system. Specifically, the request identifies five areas or module in need of additional configuration and nine modules that represent new areas of functionality for the CORE system. The following table outlines the modules and funding request by module.

CORE Module 1331 Request			
	General Fund	Cash Funds	Total Funds
Ongoing Configuration			
General Accounting	\$423,077	\$0	\$423,077
Security and Workflow	278,481	0	278,481
Procurement	0	616,962	616,962
Technical Support	165,291	0	165,291
LDC/CLAS (labor allocation)	<u>278,481</u>	<u>0</u>	<u>278,481</u>
Subtotal - Ongoing Configuration	\$1,145,330	\$616,962	\$1,762,292
New Projects			
Accounts Receivable	\$614,103	\$0	\$614,103
Grants Management	1,398,154	0	1,398,154
Interface Support	282,051	0	282,051
Business Intelligence	211,538	0	211,538
Training Environment	246,026	0	246,026
Network Enhancement	10,000	0	10,000
Project Management	289,163	0	289,163
Invoice Numbers	25,000	0	25,000
General Support	<u>242,277</u>	<u>0</u>	<u>242,277</u>
Subtotal - New Projects	\$3,318,312	\$0	\$3,318,312
Total Request	\$4,463,642	\$616,962	\$5,080,604

While the request is for funding for a system currently located in the Governor's Office of Information Technology (OIT), the business process owner is the Office of the State Controller in the Department of Personnel, and staff follow-up on this request has been coordinated through the Department of Personnel (Department).

1331 Justification

The Department states that the reason this request was submitted as an interim supplemental in December 2014, rather than a regular supplemental on January 2nd, is that CGI, the project developer, will reassign its project personnel to other projects around the country if funding is not continued in January. Funding through a regular supplemental would not be available until late February.

Staff is concerned that new projects should not be funded through an emergency interim supplemental. However, based on discussions with the State Controller and the acting Executive Director of the Department, staff was reassured that including the entire basket of ongoing and new projects was necessary in order to keep the CGI project development staff in place to ensure that enough developer support was available to complete these projects by the end of the current fiscal year. Statements by the State Controller suggest that there are critical elements in this system build-out for statewide reports necessary for the State's consolidated annual financial reporting due in September.

Technical Issues

As described in the supplemental criteria box, the interim supplemental statute does not address information technology budget requests. However, it is staff's opinion that it was not the General Assembly's intent to exclude information technology budget requests from the interim supplemental statute and was an oversight in the changes made in last year's legislation. Additionally, FY 2014-15 appropriations were made under prior statutory definitions in which information technology budget requests were considered to be capital requests. This interim supplemental is consistent with the FY 2014-15 capital budget item definition.

The OIT and Department request, as approved by OSPB and the Joint Technology Committee (JTC), does not specify a line item in which this additional funding should be placed. Department budget staff state that it was expected to be placed in the Capital Construction section of the budget in the Governor's Office of Information Technology's, COFRS Modernization line item. However, the request is for predominantly General Fund and the Capital Construction section of the budget does not include General Fund. A General Fund appropriation or allowed overexpenditure can only be made in the operating section of the budget based on the headnotes provided in the Long Bill.

While a General Fund appropriation could be made to the Capital Construction Fund for the purpose of funding this request with General Fund, there is currently no line item in the budget for this purpose through an interim supplemental. Because the interim supplemental statute requires that the request be approved in whole or in part as approved by OSPB, and because a line item was not specified in the request document, staff suggested to the Department placing the allowed overexpenditure of General Fund in the Office of the State Controller's, Operating Expenses line item in the operating section of the budget. This suggestion was made since it is also staff's understanding that OIT is generally restricted from receiving General Fund. The Department was concerned about OIT's management of the contracts with CGI and the need to transfer those funds to OIT for this purpose.

The Department also stated that it is OSPB's opinion that since this is not an actual appropriation, but only a request for overexpenditure, the request for General Fund in a Capital Construction line item should not be an issue. However, it is staff's opinion that there is no way to reflect this overexpenditure of General Fund in the Capital Construction budget without an appropriation or a transfer to the Capital Construction Fund which are not possible in the interim supplemental process.

Regarding the line item which would be used to restrict against in the following year, if necessary, the Acting Executive Director of the Department stated at the JTC hearing that the Department had identified the Statewide Leave, Time Tracking, and Human Resource Management System Modernization (HRIS) line item in OIT's capital construction section of the budget. That line item includes a Capital Construction Fund appropriation of \$16.1 million and was one of the capital construction contingency projects funded with General Fund surplus.

The intention of the request (although not specified in the request) includes:

- Placing the funding in the OIT capital budget in the COFRS Modernization line item; and
- Identifying the HRIS line item in the OIT capital budget as the line item which would be restricted, if necessary.

Staff recommends funding the General Fund portion of the request with Capital Construction Fund and including an equivalent offset in the HRIS line item for the purpose of this interim supplemental request. It is staff's intention to recommend a transfer bill along with the supplemental bill and a staff recommendation to restore the offset in the HRIS line item and fund the CORE request as a part of the supplemental bill recommendation in order to address this technical issue in the request.

Additional Staff Concerns with the Request as Submitted

Staff's primary concern with the request as submitted is its funding with General Fund. The COFRS Modernization line item in department budgets is intended to pay for the system as a proportional allocation to ensure that cash funds pay their share of the cost of CORE. This CORE build-out, existing and new modules, should likewise be paid through a proportional allocation, with the following exceptions: Just as the procurement module is to be paid with cash funds from the Supplier Database Cash Fund, the Security and Workflow module and the Grants Management module should be paid for by the departments that either requested or will primarily benefit from them.

At the JTC hearing, the State Controller stated that the Security and Workflow module was a request from Judicial and the Department of Law for additional security functionality. The State Controller stated that the existing security controls in CORE should be sufficient even for their needs. However, they insisted on the additional level of security and the State Controller included this module enhancement as a part of this request based on their insistence. On that basis, the Security and Workflow enhancements should be paid by those departments.

Cost accounting for grants is currently handled in CORE. The Grants Management module will provide an "incoming grants" aspect that will provide information on grants that are available and an "outgoing grants" aspect that will provide an electronic interface that will eliminate paper

processes for state agency grantors and grant applicants and grantees. This module will be available to all departments. However, this module will likely be used and provide benefits and operating efficiencies for the outgoing grants aspect and those agencies involved in grant-making. On this basis, this module should be paid for by those departments. As an aside, while this module appears on the surface to be more of a want than a need, it is staff's understanding that the State Controller is seeking consistency in how grants management by state agencies is addressed within or through CORE and state fiscal rules. Again, this need for accounting consistency primarily applies to those agencies involved in grants management and should be paid for by those departments.

Recommendation

Staff recommends that the Committee approve the request, funding the General Fund portion with Capital Construction Fund through an equivalent offset in the Capital Construction Fund. It is staff's intention to recommend a transfer bill along with a supplemental bill to restore the amount of the offset to the HRIS line item and pay for the CORE interim supplemental in the capital budget.

However, staff will likely propose additional staff-recommended adjustments to this request for the supplemental bill that will include the following:

- The General Fund/Capital Construction Fund appropriation should instead be proportional allocations to state agencies in departments', COFRS Modernization line items, with an equivalent increase in the reappropriated funds for OIT's, COFRS Modernization line item in the capital budget. This will ensure that cash funds pay their share of this CORE build-out.
 - The Security and Workflow module should be paid by Judicial and Law, since those departments insisted on further security enhancements for their purposes despite the State Controller's position that those enhancements are unnecessary.
 - The Grants Management module should be paid by the departments that will be primarily using this module for "outgoing grants" management.
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	FY 2013-14	FY 2014-15	Fiscal Year 2014-15 Interim Supplemental		
	Appropriation	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
CAPITAL CONSTRUCTION					
Interim Supplemental #4 - OIT (and Department of Personnel), CORE Enhancements and Ongoing Configuration					
<i>(3) Governor - Lieutenant Governor - State Planning and Budgeting</i>					
<i>(A) Office of Information Technology</i>					
COFRS Modernization	7,113,670	8,566,515	5,080,604	5,080,604	13,647,119
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Capital Construction Fund	0	0	4,463,642	4,463,642	4,463,642
Cash Funds	0	0	616,962	616,962	616,962
Reappropriated Funds	7,113,670	8,566,515	0	0	8,566,515
Federal Funds	0	0	0	0	0
Statewide Leave, Time Tracking, and Human Resource Management System Modernization	N/A	16,070,000	0	(4,463,642)	11,606,358
FTE		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Capital Construction Fund		16,070,000	0	(4,463,642)	11,606,358
Cash Funds		0	0	0	0
Reappropriated Funds		0	0	0	0
Federal Funds		0	0	0	0
Totals					
CAPITAL CONSTRUCTION					
TOTALS for ALL Departmental line items	283,748,966	492,833,491	5,080,604	616,962	493,450,453
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Capital Construction Fund	188,069,493	364,420,213	4,463,642	0	364,420,213
Cash Funds	86,298,813	116,124,738	616,962	616,962	116,741,700
Reappropriated Funds	7,113,670	8,566,515	0	0	8,566,515
Federal Funds	2,266,990	3,722,025	0	0	3,722,025

Key: "N.A." = Not Applicable or Not Available