Joint Budget Committee

Supplemental Budget Requests FY2021-22, FY 2022-23, and FY 2024-25

Information Technology Projects

(IT Capital)

Prepared by:
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January 21, 2025

Contents

Overview of Department

The Information Technology Projects (IT Capital) section of the Long Bill includes funding appropriated to state departments and institutions of higher education for information technology capital projects. Capital construction appropriations are primarily supported by General Fund transferred to the Information Technology Capital Account (IT Capital Account) within the Capital Construction Fund. The Joint Technology Committee reviews all IT capital requests and makes IT capital funding recommendations to the Joint Budget Committee.

On January 8, 2025, the Joint Technology Committee approved the three supplemental IT Capital requests submitted by OSPB, approving all on a 6 – 0 vote. Their letter to the Joint Budget Committee can be found attached as an appendix to this document.

Summary of Staff Recommendations

Information Technology Projects - IT Capital: Recommended Changes for FY 2024-25					
	Total Funds	Cap'l Const'n Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2024-25 Appropriation					
FY 2024-25 Long Bill (HB 24-1430)	$158,354,132	$86,836,669	$14,255,934	$0	$57,261,529
TOTAL	$158,354,132	$86,836,669	$14,255,934	$0	$57,261,529
Current FY 2024-25 Appropriation	$158,354,132	$86,836,669	$14,255,934	$0	$57,261,529
OSPB S1 CDLE DVR Case management	1,296,188	0	0	276,088	1,020,100
OSPB S2 DOC Pharmacy system replacement	0	0	0	0	0
OSPB S3 HCPF Rural connectivity extension	0	0	0	0	0
Recommended FY 2024-25 Appropriation	$159,650,320	$86,836,669	$14,255,934	$276,088	$58,281,629
Recommended Increase/-Decrease from 2024-25	$1,296,188	$0	$0	$276,088	$1,020,100
Percentage Change	0.8%	0.0%	0.0%	n/a	1.8%
FY 2024-25 Executive Request	$1,296,188	$0	$0	$276,088	$1,020,100
Staff Rec. Above/-Below Request	0.8%	0.0%	0.0%	n/a	1.8%

FY 2024-25 Description of Incremental Changes

OSPB S1 Labor and Employment, Division of Vocational Rehabilitation Case management: The request includes an increase of $276,088 reappropriated funds and $1,020,100 federal funds for the final implementation of a commercial-off-the-shelf case management system for Division of Vocational Rehabilitation (DVR). The source of reappropriated funds is from the State's Share of Total District Funding line item in the Department of Education appropriated in FY 2024-25. The Joint Technology Committee recommended approving the requested change. The recommendation is to approve the request.

OSPB S2 Corrections, Pharmacy system replacement [requires legislation]: The request includes redirecting $1.4 million General Fund appropriated to the Pharmaceuticals line item in the Department of Corrections to the IT Capital Account to fund replacement of several systems the Department utilizes for different pharmacy-related functions. The Department intends to leverage cost savings from its participation in the federal 340B Drug Pricing Program in FY 2024-25 to fund this effort. DOC states that this request is strictly for the implementation phase and subsequent funding for ongoing software fees, maintenance and equipment fees are requested in the department's FY 2025-26 operating decision items. The Joint Technology Committee recommended approving the requested change. The recommendation is to approve the request.

OSPB S3 Health Care Policy and Financing, Rural connectivity extension: The request includes the addition of a footnote to two prior year appropriations made to the Office of e-Health Initiatives to "roll-forward" the appropriation until FY 2027-28. The total amount appropriated in FYs 2021-22 and 2022-23 is $17.5 million including $6.5 million that originated as General Fund, of which $8.9 million total funds remain unspent. The Joint Technology Committee recommended approving the requested change. The recommendation is to approve the request. JBC Staff notes this item makes changes to appropriations made in FY 2021-22 and FY 2022-23.

Prioritized Supplemental Requests

OSPB S1 Labor and Employment, Division of Vocational Rehabilitation Case management

Item	Total Funds	Cap'l Const'n Fund	Cash Funds	Reapprop. Funds	Federal Funds
Request	$1,296,188	$0	$0	$276,088	$1,020,100
Recommendation	1,296,188	0	0	276,088	1,020,100
Staff Recommendation Higher/-Lower than Request	$0	$0	$0	$0	$0

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 the amount of matching funds it needed to supply to maximize the drawdown of federal funds available.

Request

The Department requests an increase of $1,296,188 total funds in FY 2024-25 for the second phase implementing its Vocational Rehabilitation Case management system. The reappropriated funds are from the State Share of Total District Funding in the Department of Education from funds already allocated to the Division of Vocational Rehabilitation.

Recommendation

The Joint Technology Committee recommended approving the Department request. Thus the Staff recommendation is that the Committee approve the requested change. While the exact funding mechanism for this project is not straight forward, JBC Staff has been assured by the Department of Labor and Employment it does not impact or alter the current funding allocations made in the Department of Education's FY 2024-25 budget.

Analysis

The Colorado Department of Labor and Employment's Division of Vocational Rehabilitation (DVR) promotes a thriving employment environment with opportunity for every Coloradan with a disability to live independently and prosper. DVR provides a variety of employment related services to meet the needs of students with disabilities and eligible individuals with disabilities. This includes training and career-preparation programs to assist individuals with disabilities in reaching their employment goals.

DVR uses the current case management system to record the case progression of individuals participating in multiple programs, such as vocational rehabilitation and potentially eligible students with disabilities, and supports its counselors using the system, while using managed vendor services for hosting and updates to meet changing grant requirements. The system adheres to federal and state policies and procedures that change frequently, and handles nearly all federal and state grant reporting requirements and modifications, which is a needed requirement.

The case management system is a vendor-managed Software-as-a-Service (SaaS) system architected more than a decade ago and was first implemented in Colorado in 2011. The current system is aging and has been substantially the same since implementation. Changes necessary for DVR to respond to the dynamic environment in which it operates require direct involvement from the vendor and are both costly and slow. DVR's current system does not allow for online collaboration and does not work on mobile devices. While it meets minimum federal grant reporting requirements, it does not support efficient business processes or collaboration between DVR, providers, partners, or people with disabilities receiving services from DVR. DVR needs a current, cloud based platform that is easily configured, maintained, enhanced, and able to respond to the ever-changing environment.

While DVR's current vendor has led the market for years and was considered a sole source provider in the past, new vendors have entered the market. Newer products have introduced the opportunity for person-centric, flexible, and compliant solutions that streamline processes, take advantage of self-service portals, and measure results for continuous improvement.

OSPB S2 Corrections, Pharmacy system replacement, Changes in IT Capital Budget

Item	Total Funds	Cap'l Const'n Fund	Cash Funds	Reapprop. Funds	Federal Funds
Request	$0	$1,400,000	$0	$0	$0
Recommendation	0	1,400,000	0	0	0
Staff Recommendation Higher/-Lower than Request	$0	$0	$0	$0	$0

Changes to DOC Operating Budget

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Request	$0	-$1,400,000	$0	$0	$0
Recommendation	0	-1,400,000	0	0	0
Staff Recommendation Higher/-Lower than Request	$0	$0	$0	$0	$0

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 the savings realized by the Department's participation in the 340B drug pricing.

Request

The Department requests utilizing $1.4 million from a General Fund appropriation in the Department's FY 2024-25 operating budget appropriated for operating its pharmacy services in order to replace its legacy pharmacy records system with an off-the-shelf institutional pharmacy system. The Department request the pharmacy system replacement project is funded with a transfer from the Pharmaceuticals line to the IT capital account to spend on the project. The Department intends to leverage cost savings from its participation in the federal 340B Drug Pricing Program in FY 2024-25 to fund this effort.

Recommendation

The Joint Technology Committee recommended approving the Department request. Thus the Staff recommendation is that the Committee approve the requested change. In order to make an appropriation from the IT Capital Account of the Capital Construction Fund for this project, the Joint Budget Committee will need to include a bill to transfer the $1.4 million General Fund from the appropriation reduced in the Department of Corrections. Thus taking Staff recommendation will authorize the supplemental change and the transfer bill being sent to draft.

Analysis

The Department of Corrections (DOC) anticipates the pharmacy system replacement project will cost $1.4 million. The department intends to leverage cost savings from its participation in the federal 340B Drug Pricing Program in FY 2024-25 to fund this effort. According to DOC, elimination of the electronic pharmacy system would likely result in the need to cease pharmacy operations internally and the need to contract those services out to a pharmaceutical distribution company. In addition, continuing the use of the existing legacy pharmacy solution would require costly maintenance of the legacy system indefinitely. DOC states that this request is strictly for the implementation phase and subsequent funding for ongoing software fees, maintenance and equipment fees are requested in the department's FY 2025-26 operating decision items.

The new system will integrate with existing DOC systems and tools, including the electronic Offender Management Information System (eOMIS).

The Department states that it contracted with an outside vendor, Marquis Software Development, in 2015, for the purpose of replacing and upgrading legacy offender data management and information processing software systems. DOC further states that this project included subcontracting a pharmacy solution through a third-party vendor, and the subcontractor was unable to fulfill its obligations and could not provide a solution that met State Board of Pharmacy requirements and disengaged from the project. As a result, DOC needs to find an acceptable solution that would meet operational and regulatory requirements and could be implemented before legacy system failure.

DOC states that currently, it is at risk of non-compliance with controlled substance federal and state pharmacy reporting and monitoring requirements without implementation of this solution. According to DOC, further efforts to participate in the 340B Prescription Drug Pricing Program depend on the capabilities and efficiencies of a modern pharmacy system. The department included success criteria and improved performance outcomes in their request, including to ensure compliance with current pharmacy board standards and laws.

The department assumes that it will be able to purchase a commercial off-the-shelf (COTS) system from an outside software vendor specializing in institutional pharmacy management systems. According to the department, a comprehensive review of the existing legacy functionality and necessary new systems was completed. DOC states that OIT is, and will continue to be, involved in this process.

OSPB S3 Health Care Policy and Financing, Rural connectivity extension

Item	Total Funds	Cap'l Const'n Fund	Cash Funds	Reapprop. Funds	Federal Funds
Request	$0	$0	$0	$0	$0
Recommendation	0	0	0	0	0
Staff Recommendation Higher/-Lower than Request	$0	$0	$0	$0	$0

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, specifically that the Department would qualify for a 90 percent match from the federal government for the project.

Request

The Department of Healthcare Policy and Financing requests a three-year extension to its cash and federal funds spending authority for the project, which is currently set to expire June 30, 2025. The project received $6.5 million in state and federal funds in FY 2021-22 and $11.0 million in state and federal funds in FY 2022-23. The Department requests a three-year extension on the spending authority to continue implementation efforts and issue grants to rural providers to use towards modernizing their information technology (IT) infrastructure to enable affordability solutions and innovations in patient care with rollforward authority.

Recommendation

The Joint Technology Committee recommended approving the Department request. Thus the Staff recommendation is that the Committee approve the requested change. JBC Staff does have some concerns that despite the initial appropriations being made in FY 2021-22 and FY 2022-23 ($17.5 million), the Department reports only $8.8 million has been spent through FY 2023-24. Regardless, JBC Staff finds value in pursuing the supplemental because it leverages federal funds with state matching funds accounting for only 90 percent of the total cost. JBC Staff believe this higher match rate is allowing the Department to stretch the original appropriation further than initially planned.

Analysis

The Department and the Office of e-Health Initiatives (OeHI) established the Rural Connectivity Program to address gaps in the network by providing affordable and effective technical connectivity options for the rural critical access hospitals and certified rural health clinics. For the baseline survey assessment and metrics, OeHI established that all 60 independent rural clinics, and 49 of 84 total rural safety-net facilities (critical access hospitals and certified rural health centers), were not connected to the network and lacked technical work force and access to analytics due to affordability of these solutions, tight budgets, and workforce capacity. Based

on provider readiness and degree of impact, OeHI prioritized the rural safety-net facilities to be part of the Rural Connectivity Program.

Currently, the Department is not requesting any new FTE or operational funding. This project sets up rural safety net providers for sustainability. This sustainability planning and transition is underway, and future operational support costs may be incorporated in a future budget request.

Since the initial project funding was approved, OeHI has been able to leverage 90 percent federal funding for all work versus the estimated 50 percent because the work focused entirely on the Medicaid population. Remaining funding will continue to be used as a one-time investment to onboard all rural independent providers (primary care, behavioral health, and social programs) to the state's health information exchange network and toward solving shared technology problems, based on demonstrated need.

According to the Department, failure to approve the request would result in rural communities continuing to fall further behind on overall care management, affordability, accessibility, and economic recovery. These funds allow all rural providers an opportunity to partake in state affordability and transformative technology and payment efforts such as the state's prescriber tool, e-consult, and value-based payment models; they are also in alignment with health cabinet goals such as the behavioral health administration efforts to increase tele-behavioral health and the integration of systems and data to support care coordination.

The project's prior appropriations are summarized in the following table.

Prior Appropriations for the Project			
	FY 2021-22 Appropriated	FY 2022-23 Appropriated	FY 2023-24 Appropriated	Project Total
Total Funds	$6,498,000	$10,978,007	$0	$17,476,007
GF/CCF	1,081,800	5,489,004	0	6,570,804
Cash Funds	0	0	0	0
Reappropriated Funds	0	0	0	0
Federal Funds	5,416,200	5,489,003	0	10,905,203

Finally, a summary of the project's expenditures thus far is below.

Reported Project Expenditures			
	FY 2021-22 Expended	FY 2022-23 Expended	FY 2023-24 Expended	Project Total
Expended	$341,400	$3,352,922	$4,873,942	$8,568,264
Remaining Appropriation	$6,156,600	$13,781,685	$8,907,743	$8,907,743

Rep. Brianna Titone, Chair
Rep. Amy Paschal
Rep. Ron Weinberg

Sen. Janice Marchman, Vice-Chair
Sen. Mark Baisley
Sen. Chris Hansen

Joint Technology Committee

State Capitol Building, Room 029
Denver, Colorado 80203-1784
(303) 866-3521

January 9, 2025

Senator Jeff Bridges
Chair, Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, Colorado 80203

Dear Senator Bridges,

On January 8, 2025, the Joint Technology Committee (JTC) considered three supplemental budget requests. The JTC recommended funding the following requests on a 6-0 vote:

- Department of Labor and Employment Vocational Rehabilitation Case Management Modernization;
- Department of Corrections Pharmacy System Upgrade with the stipulation the department provides quarterly updates to the JTC; and
- Department of Health Care Policy and Financing Rural Connectivity.

Descriptions of the recommended request are attached.

If you have any questions or concerns about the JTC's recommendations, please call Samantha Falco, Legislative Council Staff, at 303-866-4794.

Sincerely,

Representative Brianna Titone, Chair

cc: Joint Budget Committee Members
        Joint Technology Committee Members
        Joint Technology Committee Staff
        Craig Harper, Joint Budget Committee Staff
        Alfredo Kemm, Joint Budget Committee Staff
        Scott Thompson, Joint Budget Committee Staff