

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2014-15 STAFF BUDGET BRIEFING
OFFICE OF THE GOVERNOR**

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

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OFFICE OF THE GOVERNOR

Department Overview

This Joint Budget Committee staff budget briefing document includes the following offices and agencies within the Office of the Governor:

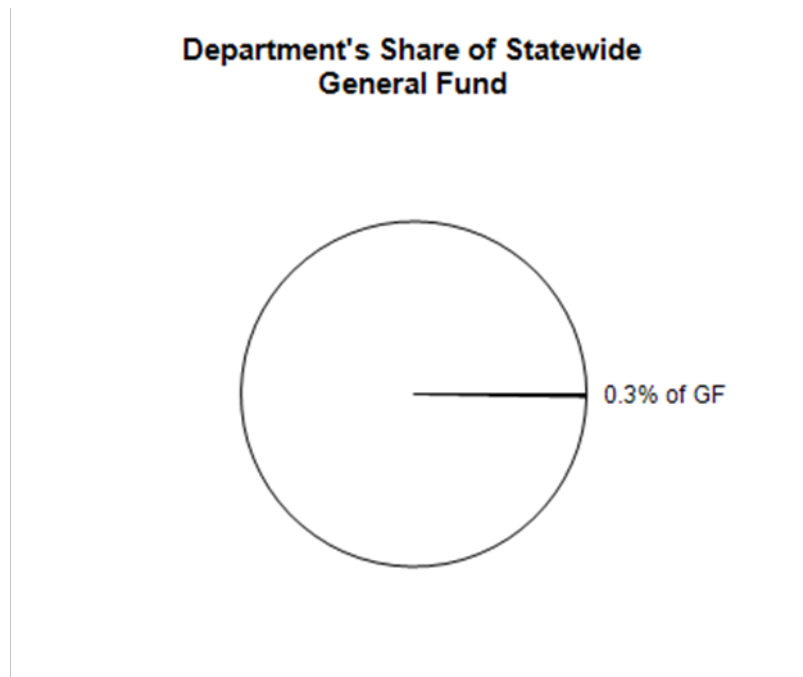
- The Office of the Governor oversees operation of the executive branch of State government including coordination, direction, and planning of agency operations. The Office represents the State, and serves as a liaison with local and federal governments. Includes the core functions of a traditional executive director’s office and the Colorado Energy Office;
- The Office of the Lieutenant Governor directly oversees the Colorado Commission of Indian Affairs, Commission on Community Service, and other initiatives. The Lieutenant Governor temporarily takes the Governor's place if the Governor is out of Colorado or is unable to perform his/her duties. Note, the passage of H.B. 11-1155 (McNulty & Pace/Shaffer & Kopp) permitted the Lieutenant Governor to serve as the Executive Director of the Department of Higher Education in addition to his elected role as Lieutenant Governor;
- The Office of State Planning and Budgeting develops executive branch budget requests, and reviews and analyzes departmental expenditures. Additionally, the Office prepares quarterly revenue and economic estimates for the state;
- The Office of Economic Development and International Trade assists in strengthening Colorado's prospects for long-term economic growth by providing broad-based support to businesses; and
- The Office of Information Technology oversees technology initiatives at the State level, and recommends the implementation of strategies to maximize efficiencies in service delivery through the application of enterprise technology solutions.

Department Budget: Recent Appropriations

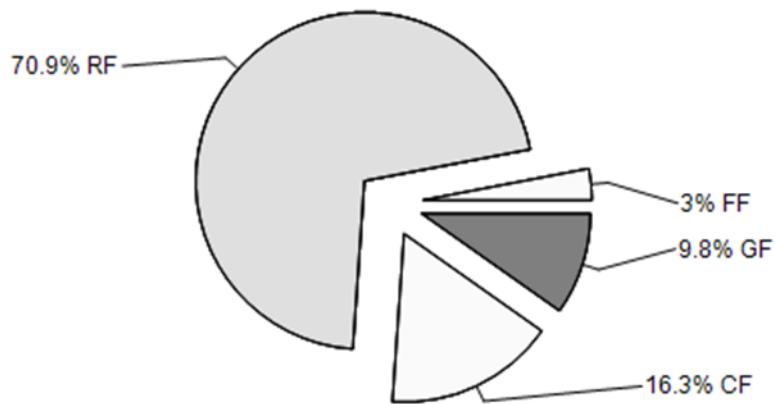
| Funding Source | FY 2011-12 | FY 2012-13 | FY 2013-14 | FY 2014-15 * |
|------------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | \$10,613,728 | \$18,524,704 | \$22,073,247 | \$30,774,929 |
| Cash Funds | 23,692,996 | 33,007,504 | 36,740,540 | 36,224,022 |
| Reappropriated Funds | 136,717,444 | 149,228,302 | 159,797,133 | 156,112,766 |
| Federal Funds | <u>23,791,753</u> | <u>5,618,193</u> | <u>6,755,621</u> | <u>6,395,889</u> |
| Total Funds | \$194,815,921 | \$206,378,703 | \$225,366,541 | \$229,507,606 |
| Full Time Equiv. Staff | 1,046.8 | 1,036.1 | 1,060.9 | 1,069.9 |

*Requested appropriation.

Department Budget: Graphic Overview

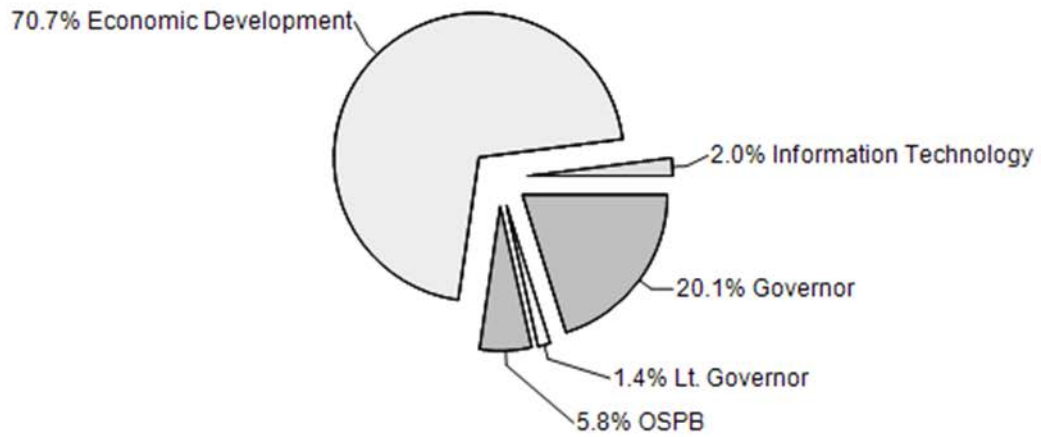


Department Funding Sources

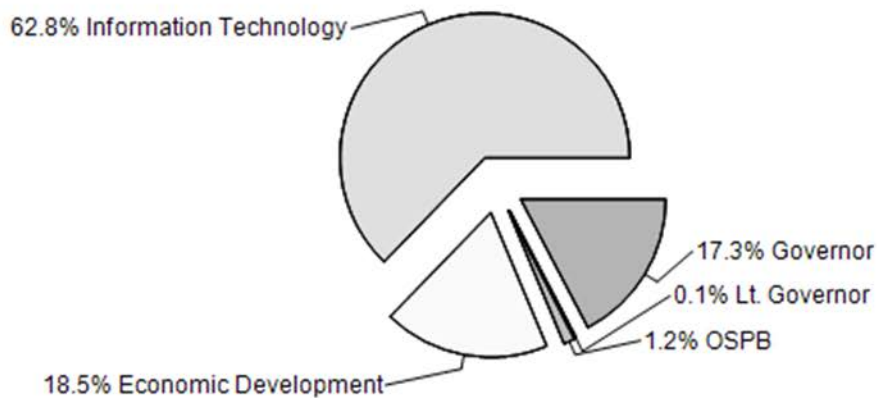


All charts are based on the FY 2013-14 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2013-14 appropriation.

General Factors Driving the Budget

Energy Efficiency and Renewable Energy Resource Development Initiatives

The Colorado Energy Office (CEO) has historically been funded with federal moneys associated with weatherization projects and petroleum violation escrow funds (PVE) awarded to the State beginning in the early 1980s. PVE is a fixed source of funding, with a total allocation to Colorado of \$70.5 million. In preparation for the depletion of PVE funds, CEO migrated funding for its programs to alternative sources, such as limited gaming tax revenue, which were later eliminated due to the influx of federal moneys from the American Recovery and Reinvestment Act of 2009 (ARRA). Under federal guidelines, the Office exhausted the ARRA moneys by the end of FY 2011-12.

To address the future of the Office, H.B. 12-1315 (Becker/Steadman) changed the statutory mission of CEO from promoting renewable energy and energy efficiency to encouraging all sources of energy development. Additionally, it created the Clean and Renewable Energy Cash Fund and the Innovative Energy Fund. The Clean and Renewable Energy Cash Fund receives a transfer of \$1.6 million from the General Fund from FY 2012-13 through FY 2016-17, while the Innovative Energy Fund receives a transfer of \$1.5 million from the Severance Tax Trust Fund from FY 2012-13 through FY 2016-17.

Economic Development Programs

Funding for the Office of Economic Development and International Trade (OEDIT) is heavily dependent on cash funds. Much of the increase in cash funds occurred in the 2006 legislative session through the passage of H.B. 06-1201 (Plant/Taylor). The legislation increased the amount of Limited Gaming Fund moneys transferred to the Colorado Travel and Tourism Promotion Fund, and authorized additional transfers to the newly created State Council on the Arts Cash Fund, Film Operations and Incentives Cash Fund, and the New Jobs Incentives Cash Fund.

Revenues available for transfer to the Limited Gaming Fund varied considerably from year to year. Senate Bill 13-133 (Steadman/Gerou) modified the distribution of the State share of the Limited Gaming Fund to bring more consistency to the transfers. Specifically, the bill amended the distribution to various cash funds at the close of each fiscal year from a percentage-based amount to a fixed-dollar amount. *For more information on limited gaming tax revenue, see staff's issue briefing in this document entitled "Limited Gaming Tax Revenue Overview."*

| Gaming Transfers to OEDIT per S.B. 13-133 | |
|--------------------------------------------------|--------------|
| Travel and Tourism Promotion Fund | \$15,000,000 |
| Bioscience Discovery Evaluation* | 5,500,000 |
| Creative Industries | 2,000,000 |
| Film, TV, and Media | 500,000 |

*Per H.B. 13-1001, for FY 2014-15 and beyond, these moneys shall instead be transferred to the Advanced Industries Acceleration cash fund created in Section 24-48.5-117, C.R.S.

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In addition to limited gaming tax revenue, the legislature opted to provide OEDIT with \$5.0 million General Fund for FY 2012-13 and FY 2013-14 to provide new job creation incentives for companies relocating to Colorado and expanding in Colorado and \$3.0 million General Fund (via transfer into a cash fund) for FY 2012-13 and \$0.8 million General Fund for FY 2013-14 to provide job creation incentives for the film industry. For FY 2014-15, the Office has requested continuation level funding for the new job creation incentives for companies relocating to Colorado and expanding in Colorado and a total of \$5.0 million General Fund for the film incentives program.

It is important to note that OEDIT is also responsible for implementing the State's Job Growth Incentive Tax Credit program established via H.B. 09-1001 (Rice/Heath). The incentive provides a State income tax credit equal to 50 percent of FICA paid by the business on the net job growth for each calendar year in the credit period. Businesses need to create at least 20 new jobs in Colorado, with an average yearly wage of at least 110 percent of the county average wage rate based on where the business is located, and all new jobs must be maintained for at least one year after the positions are hired to qualify. For FY 2011-12 and FY 2012-13, potential tax credits of \$50.1 million were conditionally approved by the Economic Development Commission. This amount is based on 5,302 projected jobs created for an average annual salary of \$76,713. Final approval is based on a completed contract and tax credits are not granted until jobs are created and maintained for one year. While this does not impact State appropriations, it does decrease the amount of General Fund revenue available to the State for appropriations.

Consolidation of Statewide Information Technology Resources

In May of 2007, the Governor issued Executive Order D 016 067 to begin centralizing the management of executive branch information technology resources in the Governor's Office of Information Technology (OIT). The purpose was to address infrastructure, purchasing, project planning and delivery, asset management, and strategic leadership needs. During the 2008 legislative session, the General Assembly passed and the Governor signed S.B. 08-155 (Cadman/Kerr, A.) that consolidated the responsibility for information technology oversight of most of the State's executive branch agencies in OIT.

Specifically, S.B. 08-155 transferred several information technology functions and staff positions from various State agencies to OIT in FY 2008-09. The largest single agency transfer involved moving the Division of Information Technology from the Department of Personnel and Administration, along with its 178.8 FTE, to OIT. The Division of Information Technology transfer included the General Government Computer Center (GGCC), telecommunications coordination, public safety communications planning and maintenance, and Statewide information technology management and support functions. Additionally, the Department's FY 2008-09 appropriation included the transfer of 33.4 FTE from various State agencies to OIT as part of the migration of agency chief information officers to OIT.

Senate Bill 08-155 also allowed for the transfer of other information technology employees from State agencies to OIT between July 1, 2008 and July 1, 2012. Per statutory authority, the State Chief Information Officer, department executive directors, and department chief information officers jointly identified the additional positions and functions affiliated with the management and administration of each agency's IT resources and enterprises to be transferred to OIT. The

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Department's FY 2010-11 appropriation included a transfer of 680.7 FTE and \$57.7 million from state agencies to OIT.

Funding historically dedicated to the associated information technology staff in specific State agencies and programs continues to be appropriated to those agencies in order for them to maintain consistency of program, state, and federal funding streams and reporting standards. Agencies make payments to OIT for their share of information technology staff payroll costs, including centrally appropriated items and personal services expenses. With the exception of expenses associated with the operation of the Colorado Benefits Management System (CBMS), the payments are made from information technology common policy allocations based on the information technology common policy function that each position transferred most appropriately aligns (Purchases of Services from Computer Center, Multiuse Network Payments, Communications Services, or Management and Administration of OIT). Expenses associated with CBMS are billed directly to the Department of Human Services outside of the information technology common policy structure.

The OIT budget has also been driven by an 18 month CBMS modernization project begun with the passage of H.B. 12-1339 (Becker/Lambert). The bill reappropriated funds to OIT from the Department of Human Services and the Department of Health Care Policy and Financing, and implemented a system of oversight for the project.

| CBMS Modernization Project Appropriations to OIT | |
|-------------------------------------------------------------|---------------------|
| FY 2011-12 | \$8,950,260 |
| FY 2012-13 | 12,279,762 |
| FY 2013-14 | 14,571,587 |
| Total | \$35,801,609 |

As reported to the Joint Budget Committee in its sixth quarterly progress report in December 2013, OIT indicates that its budget and timeline for the project remain intact and on schedule for project conclusion at the end of FY 2013-14. As of November 26, 2013, the Office has expended nearly 75 percent of its total appropriations from FY 2011-12, FY 2012-13, and FY 2013-14. The moneys have been used to complete 72 of the original 102 projects. Additionally, 177 sub-projects which play a role in completing the remaining priorities have been identified. Roughly 85 percent of these additional sub-projects have been completed as of this quarterly report. The modernization effort has been successful in decreasing the time it takes to complete transactions and increasing the timeliness for benefits determination for State-supervised programs, including Colorado Works and Medicaid.

While no decision item has been requested as of November 1st for additional CBMS modernization projects (and associated funding), it is anticipated that OIT, the Department of Human Services, and the Department of Health Care Policy and Financing will submit a budget amendment in January 2014 to continue efforts to improve the system and the user experience.

The following table summarizes total appropriation levels for OIT for the past six years through the Governor's FY 2014-15 budget request. This period includes the Office's budget from the

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beginning of the consolidation of information technology personnel resources through the full implementation of the personnel consolidation.

| Office of Information Technology - Appropriation Change from FY 2008-09 through FY 2013-14 | | | | | | | |
|---------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 | FY 2014-15* |
| FTE | 227.3 | 218.8 | 898.8 | 902.8 | 897.5 | 920.0 | 925.9 |
| Change | n/a | (3.7%) | 310.8% | 0.4% | (0.6%) | 2.4% | 0.6% |
| | | | | | | | |
| Appropriation | \$46,808,750 | \$44,974,711 | \$121,981,006 | \$125,669,817 | \$136,339,882 | \$141,459,054 | \$136,641,320 |
| Change | n/a | (3.9%) | 171.2% | 3.0% | 8.5% | 3.8% | (3.4%) |

*Requested appropriation.

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Summary: FY 2013-14 Appropriation & FY 2014-15 Request

| Governor - Lieutenant Governor - State Planning and Budgeting | | | | | | |
|--------------------------------------------------------------------------------|------------------------|-------------------------|-----------------------|---------------------------------|--------------------------|----------------|
| | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
| FY 2013-14 Appropriation | | | | | | |
| SB 13-230 (Long Bill) | \$223,462,739 | \$19,858,574 | \$38,584,806 | \$158,263,738 | \$6,755,621 | 1,057.9 |
| Other legislation | <u>1,903,802</u> | <u>2,214,673</u> | <u>(1,844,266)</u> | <u>1,533,395</u> | <u>0</u> | <u>3.0</u> |
| TOTAL | \$225,366,541 | \$22,073,247 | \$36,740,540 | \$159,797,133 | \$6,755,621 | 1,060.9 |
| FY 2014-15 Requested Appropriation | | | | | | |
| FY 2013-14 Appropriation | \$225,366,541 | \$22,073,247 | \$36,740,540 | \$159,797,133 | \$6,755,621 | 1,060.9 |
| R1 Continuous Improvement and Planning Program | 397,965 | 397,965 | 0 | 0 | 0 | 0.0 |
| R2 Economic Development Commission - general economic incentives and marketing | 2,986,236 | 2,986,236 | 0 | 0 | 0 | 0.0 |
| R3 Advanced industries accelerator | 5,000,000 | 5,000,000 | 0 | 0 | 0 | 1.3 |
| R4 Colorado Tourism Office | 2,000,000 | 2,000,000 | 0 | 0 | 0 | 0.0 |
| R5 Minority/Women Owned Business Office | 400,000 | 400,000 | 0 | 0 | 0 | 1.8 |
| R6 Procurement Technical Assistance Center | 220,000 | 220,000 | 0 | 0 | 0 | 0.0 |
| R7 Aerospace strategic plan implementation and champion | 175,000 | 175,000 | 0 | 0 | 0 | 0.0 |
| R8 Colorado Office of Film, Television, and Media | 5,000,000 | 5,000,000 | 0 | 0 | 0 | 0.0 |
| R9 Economic gardening pilot project | 100,000 | 100,000 | 0 | 0 | 0 | 0.0 |
| R10 Long Bill restructure | 0 | 0 | 0 | 0 | 0 | 0.0 |
| R11 Secure Colorado Phase II | 4,100,000 | 0 | 0 | 4,100,000 | 0 | 0.0 |
| R12 Eliminate redundant applications | 2,960,000 | 0 | 0 | 2,960,000 | 0 | 0.0 |
| R13 Capitol Complex network resiliency | 660,000 | 0 | 0 | 660,000 | 0 | 0.0 |
| R14 Broadband mapping strategy | 428,866 | 428,866 | 0 | 0 | 0 | 0.0 |
| R15 Service management ecosystem | 3,455,000 | 0 | 0 | 3,455,000 | 0 | 0.0 |
| R16 Digital Trunked Radio System (DTRS) operations increase | 1,116,397 | 0 | 0 | 1,116,397 | 0 | 0.0 |
| R17 IT technical development | 256,620 | 0 | 0 | 256,620 | 0 | 0.0 |
| Centrally appropriated line items | 2,971,062 | 413,572 | 119,221 | 2,744,127 | (305,858) | 0.0 |
| Statewide IT common policy adjustments | 1,348,603 | 899,189 | 0 | 449,414 | 0 | 0.0 |
| Non-prioritized requested changes | 889,206 | 86,786 | 0 | 802,420 | 0 | 5.4 |
| Annualize prior year legislation | (17,544,561) | (1,913,765) | (318,750) | (15,312,046) | 0 | 0.5 |
| Annualize prior year funding | <u>(12,779,329)</u> | <u>(7,492,167)</u> | <u>(316,989)</u> | <u>(4,916,299)</u> | <u>(53,874)</u> | <u>0.0</u> |
| TOTAL | \$229,507,606 | \$30,774,929 | \$36,224,022 | \$156,112,766 | \$6,395,889 | 1,069.9 |

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| Governor - Lieutenant Governor - State Planning and Budgeting | | | | | | |
|----------------------------------------------------------------------|--------------------|---------------------|-------------------|-----------------------------|----------------------|------------|
| | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
| Increase/(Decrease) | \$4,141,065 | \$8,701,682 | (\$516,518) | (\$3,684,367) | (\$359,732) | 9.0 |
| Percentage Change | 1.8% | 39.4% | (1.4%) | (2.3%) | (5.3%) | 0.8% |

R1 Continuous Improvement and Planning Program: The request includes \$397,965 General Fund for FY 2014-15 to support the continuation of the implementation of the Lean operational process improvement methodology in State agencies. This represents a decrease of 58.4 percent compared to the FY 2013-14 appropriation. The requested funds would be used for the following:

| Continuation of the LEAN Program | | |
|-----------------------------------------|-------------------|-------------------|
| Cost Item | FY 2014-15 | FY 2015-16 |
| OSPB Program Manager | 103,067 | 112,844 |
| OSPB Business Administrator | 59,228 | 64,656 |
| Contracted Project Delivery | 110,000 | 110,000 |
| Contracted Training Program | 115,000 | 115,000 |
| Operating Expenses | 10,670 | 8,400 |
| TOTAL | 397,965 | 410,900 |

Currently, the program is administered by 1.0 FTE and a full time subject matter and program development contract resource, roughly equivalent to an additional FTE. The Office seeks to continue funding the 1.0 FTE and add a second FTE for business administration purposes. Note, FTE authority is not requested, only moneys for salary and benefits.

R2 Economic Development Commission - general economic incentives and marketing: The request includes \$2,986,236 General Fund for FY 2014-15 to provide new job creation incentives for companies relocating to Colorado or expanding in Colorado. *For more information on this budget request, see staff’s issue briefing in this document entitled “Economic Development Funding Requests.”*

R3 Advanced industries accelerator: The request includes \$5,000,000 General Fund and 1.3 FTE for FY 2014-15 to provide incentives and grants to advanced industry companies and the state’s research institutions, as authorized by H.B. 13-1001 (Young & Gerou/Heath & Steadman). *For more information on this budget request, see staff’s issue briefing in this document entitled “Economic Development Funding Requests.”*

R4 Colorado Tourism Office: The request seeks \$2,000,000 General Fund for FY 2014-15 to support tourism promotional activities. *For more information on this budget request, see staff’s issue briefing in this document entitled “Economic Development Funding Requests.”*

R5 Minority/Women Owned Business Office: The request seeks an increase of \$400,000 General Fund and 1.8 FTE for FY 2014-15 to expand the activities of the Minority Business

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Office within the Office of Economic Development and International Trade. *For more information on this budget request, see staff's issue briefing in this document entitled "Economic Development Funding Requests."*

R6 Procurement Technical Assistance Center: The request includes an increase of \$220,000 General Fund for FY 2014-15 to provide funding to the Colorado Procurement Technical Assistance Center to generate employment and improve the general economic condition of the state by assisting Colorado companies in obtaining and performing under local, state and federal government contracts. *For more information on this budget request, see staff's issue briefing in this document entitled "Economic Development Funding Requests."*

R7 Aerospace strategic plan implementation and champion: The request includes an increase of \$175,000 General Fund for FY 2014-15 for continued support of the aerospace and defense markets. *For more information on this budget request, see staff's issue briefing in this document entitled "Economic Development Funding Requests."*

R8 Colorado Office of Film, Television, and Media: The request seeks \$5,000,000 General Fund for FY 2014-15 to provide financial incentives to companies conducting film production activities in Colorado. *For more information on this budget request, see staff's issue briefing in this document entitled "Economic Development Funding Requests."*

R9 Economic gardening pilot project: The request includes an increase of \$100,000 General Fund for FY 2014-15 to continue the economic gardening pilot project at the state's Small Business Development Centers, as authorized by H.B. 13-1003 (Lee & Garcia/Heath). *For more information on this budget request, see staff's issue briefing in this document entitled "Economic Development Funding Requests."*

R10 Long Bill restructure: The request includes a budget neutral reorganization of the Long Bill structure to accurately reflect the operations of the Governor's Office of Information Technology (OIT). *For more information on this budget request, see staff's issue briefing in this document entitled "Governor's Office of Information Technology Structural Change Requests."*

R11 Secure Colorado Phase II: The request includes an increase of \$4,100,000 reappropriated funds for FY 2014-15 to fund the second phase of a three phase project to improve information technology security. *For more information on this budget request, see staff's issue briefing in this document entitled "Governor's Office of Information Technology Funding Requests."*

R12 Eliminate redundant applications: The request includes an increase of \$2,960,000 reappropriated funds for FY 2014-15 to consolidate or eliminate redundant information technology tools across all State agencies. *For more information on this budget request, see staff's issue briefing in this document entitled "Governor's Office of Information Technology Funding Requests."*

R13 Capitol Complex network resiliency: The request seeks an increase of \$660,000 reappropriated funds to upgrade network equipment within Capitol Complex buildings to leverage the capabilities of the newly implemented Colorado State Network. *For more*

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information on this budget request, see staff's issue briefing in this document entitled "Governor's Office of Information Technology Funding Requests."

R14 Broadband mapping strategy: The request seeks an increase of \$428,866 General Fund for FY 2014-15 to continue broadband mapping activities previously funded by a federal grant. *For more information on this budget request, see staff's issue briefing in this document entitled "Governor's Office of Information Technology Funding Requests."*

R15 Service management ecosystem: The request seeks an increase of \$3,455,000 reappropriated funds for FY 2014-15 to purchase and implement tools that link operational information created by the Governor's Office of Information Technology (OIT) through its delivery of services to State agencies and the public. *For more information on this budget request, see staff's issue briefing in this document entitled "Governor's Office of Information Technology Funding Requests."*

R16 Digital Trunked Radio System (DTRS) operations increase: The request seeks an increase of \$1,116,397 reappropriated funds for FY 2014-15 to support operating costs of maintaining infrastructure within the public safety radio communications system. *For more information on this budget request, see staff's issue briefing in this document entitled "Governor's Office of Information Technology Funding Requests."*

R17 IT technical development: The request seeks an increase of \$256,620 reappropriated funds for FY 2014-15 to provide training opportunities for staff in the Governor's Office of Information Technology (OIT). *For more information on this budget request, see staff's issue briefing in this document entitled "Governor's Office of Information Technology Funding Requests."*

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; vehicle lease payments; workers' compensation; legal services; payment to risk management and property funds; and Capitol complex leased space. *Several of these request items were addressed in a separate staff briefing presented by Alfredo Kemm for the Department of Personnel on Monday, December 16, 2013. Joy Huse will address the total compensation request items during a staff briefing scheduled for Friday, December 20, 2013.*

Statewide IT common policy adjustments: The request includes a net increase of \$188,679 total funds in Statewide indirect cost assessments. *For more information on this budget request, see staff's issue briefing in this document entitled "Statewide IT Base Budget Request."*

Non-prioritized requested changes: The request includes the annual fleet vehicle change from the Department of Personnel, and the following changes from the Governor's Office of Information Technology: Secure Colorado Phase II, eliminate redundant applications, Capitol Complex network resiliency, IT service management eco-system, IT technical development, cybercrime initiative in the Department of Public Safety, and general, career, and technical

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education at Youth Corrections facilities. *Several of these request items were addressed in a separate staff briefing presented by Alfredo Kemm for the Department of Personnel on Monday, December 16, 2013. The remaining request items are addressed in staff's issue briefing in this document entitled "Governor's Office of Information Technology Funding Requests."*

Annualize prior year legislation: The request includes adjustments related to prior year legislation. The reduction in funding is primarily driven by the anticipated conclusion of the Colorado Benefits Management System (CBMS) modernization project authorized and funded for FY 2011-12 through FY 2013-14 by H.B. 12-1339 (Becker/Lambert).

Annualize prior year funding: The request includes adjustments related to prior year budget actions. The reduction in funding is primarily driven by the one-time nature of FY 2013-14 funding increases in the Office of Economic Development and International Trade.

Issue: Limited Gaming Tax Revenue Overview

Current law dictates the distribution of the statutorily-available share of limited gaming tax revenue to a series of programs focused on economic development. The September 2013 Legislative Council Staff Economic Forecast projects that \$42.2 million will be available for transfer to economic development programs and the General Fund at the end of FY 2013-14 for use in FY 2014-15.

SUMMARY:

- Limited stakes gambling is legal in the towns of Cripple Creek (Teller County), Black Hawk (Gilpin County), and Central City (Gilpin County);
- A portion of the tax revenue generated from limited gaming, known as the State share, is distributed to the General Fund or other statutorily-defined programs; and
- Statute mandates that set amounts of the State share (\$30.1 million total) are transferred to economic development programs and the remaining funds in the State share are transferred to the General Fund.

RECOMMENDATION:

Staff recommends that the Joint Budget Committee make no statutory changes to the distribution of the State's share of limited gaming tax revenue during the 2014 legislative session.

DISCUSSION:

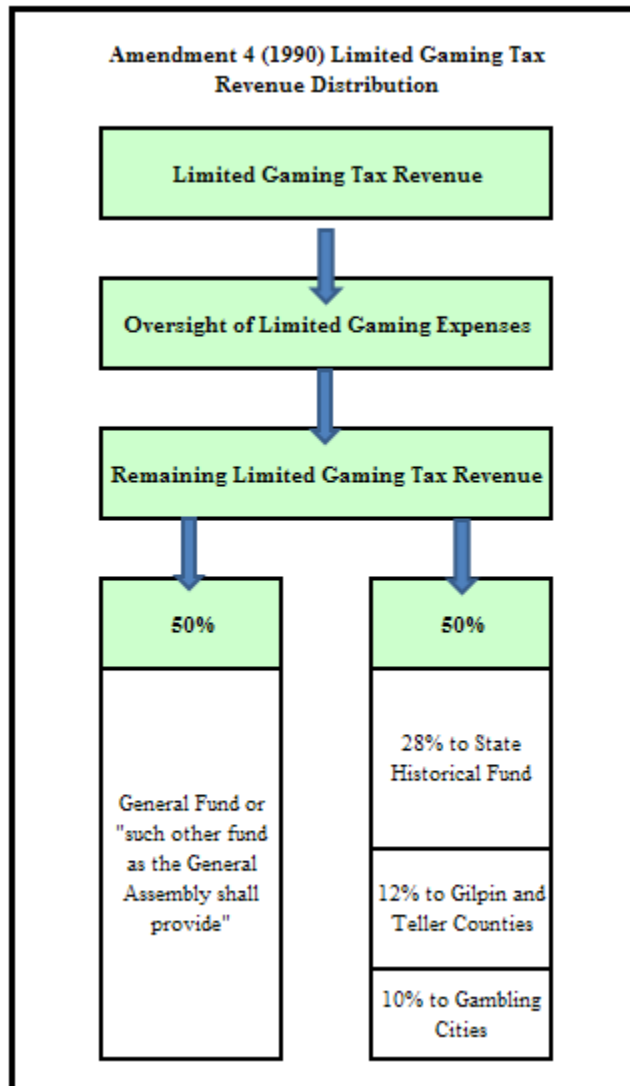
Background

Colorado voters approved Amendment 4 in the 1990 election, allowing limited stakes gambling in the towns of Cripple Creek (Teller County), Black Hawk (Gilpin County), and Central City (Gilpin County). The initiative created the Limited Gaming Fund to accept tax revenue payments from licensed limited gaming establishments. Moneys in the Fund are first used to pay all ongoing expenses incurred by gaming oversight agencies and commissions. The Department of Revenue and Department of Public Safety provide gaming oversight from the executive branch, while the named oversight commission is known as the "Limited Gaming Control Commission."

Amendment 4 called for the remaining moneys to be split evenly between the General Fund or other funds as the General Assembly determines (often referred to as the State share) and the State Historical Fund, Teller and Gilpin Counties, and the Cities of Cripple Creek, Central, and Black Hawk. The moneys slated for transfer to the General Fund or "such other fund as the General Assembly shall provide" represent the majority of limited gaming tax revenue that the legislature has the ability to influence on a year-to-year basis. Since nearly the inception of the Limited Gaming Fund in 1991, the General Assembly has created "such other funds" to provide

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moneys for specific, targeted programs. The chart below depicts the flow of moneys from the gaming cities, as articulated by Amendment 4.



The statutory distribution of limited gaming tax revenue is done in the following manner:

| Gaming Transfers per S.B. 13-133 | |
|-------------------------------------------|---------------------|
| Travel and Tourism Promotion Fund | \$15,000,000 |
| Bioscience Discovery Evaluation | 5,500,000 |
| Local Government Gaming Impact Fund | 5,000,000 |
| Innovative Higher Education Research Fund | 2,100,000 |
| Creative Industries | 2,000,000 |
| Film, TV, and Media | 500,000 |
| TOTAL | \$30,100,000 |

Any amount of the State share that is greater than \$30.1 million is transferred to the General Fund.

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Revenue Forecast

The September 20, 2013 Legislative Council Staff Economic and Revenue Forecast projects that \$42.2 million will be available for the State share at the end of FY 2013-14 for use in FY 2014-15.

| Forecasted “State Share” Distributions of Limited Gaming Tax Revenue | | | |
|----------------------------------------------------------------------|---------------------|---------------------|---------------------|
| | FY 2011-12* | FY 2012-13 | FY 2013-14 |
| Total LCS September 20, 2013 Forecast | \$39,943,481 | \$42,202,134 | \$42,162,036 |
| General Fund Required | \$19,200,000 | n/a | n/a |
| General Fund from Excess of \$48.5 million | 0 | n/a | n/a |
| General Fund from Repealed Programs | \$1,037,174 | n/a | n/a |
| Remaining General Fund Post-Distribution | n/a | \$12,102,134 | \$12,062,036 |
| Total General Fund | \$20,237,174 | \$12,102,134 | \$12,062,036 |
| Total Amount for Statutory Programs | \$20,743,481 | \$30,100,000 | \$30,100,000 |
| Travel and Tourism Promotion | \$10,371,741 | \$15,000,000 | \$15,000,000 |
| Bioscience Discovery | \$3,733,827 | \$5,500,000 | \$5,500,000 |
| Local Gov't Limited Gaming Impact | \$3,111,522 | \$5,000,000 | \$5,000,000 |
| Innovative Higher Ed Research | \$1,452,044 | \$2,100,000 | \$2,100,000 |
| New Jobs Incentives (repealed) | n/a | n/a | n/a |
| Council on Creative Industries | \$829,739 | \$2,000,000 | \$2,000,000 |
| Film Incentives | \$207,435 | \$500,000 | \$500,000 |

*Actual distributions.

Recommendation

Staff recommends that the Committee not put forth any statutory changes to the distribution of the State’s share of limited gaming tax revenue during the 2014 legislative session.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

The Office of the Governor’s Strategic Plan includes an objective to create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. Limited gaming tax revenue is statutorily allocated to fund job growth programs in the industries of tourism, film, bioscience, and creative arts.

Issue: Economic Development Funding Requests

The FY 2014-15 budget request for the Office of Economic Development and International Trade seeks an increase of \$15.9 million General Fund and 3.1 FTE for job creation incentives, tourism promotion, advanced industries grants, Minority Business Office activities, procurement assistance, aerospace industry advancement, film incentives, and economic gardening.

SUMMARY:

- The Colorado Office of Economic Development and International Trade (OEDIT) is tasked with assisting in creating a positive business climate, encouraging economic development, and building sustainable job growth across the state; and
- OEDIT's FY 2014-15 budget request seeks an increase of \$3.0 million General Fund job create incentives, \$5.0 million General Fund and 1.3 FTE for advanced industries grants, \$2.0 million General Fund for tourism promotion, \$0.4 million General Fund and 1.8 FTE for Minority Business Office activities, \$0.2 million General Fund for procurement assistance, \$0.2 million General Fund for aerospace industry advancement, \$5.0 million General Fund for film incentives, and \$0.1 million General Fund for economic gardening.

DISCUSSION:

Background

The Colorado Office of Economic Development and International Trade (OEDIT) is tasked with assisting in creating a positive business climate, encouraging economic development, and building sustainable job growth across the state. The Office offers a wide variety of programs and services to support business growth at every level including business recruitment, retention, and expansion services.

OEDIT is focused on retention and growth in 14 key industries that represent almost 60 percent of the state's jobs and an equivalent percentage of the state's economic output. The key industries were identified using feedback received from the agency's strategic planning process (published in the Colorado Blueprint), an inventory of existing industry initiatives, and analysis developed independently by PricewaterhouseCoopers. The industries include advanced manufacturing, information and technology, electronics, energy, and natural resources, bioscience, food, and agriculture, aerospace, defense and homeland security, health and wellness, creative industries, tourism and outdoor recreation, transportation and logistics, infrastructure engineering and construction, and financial and business services.

Proposal One – Economic Development Commission General Fund Increase

The Colorado Economic Development Commission (EDC) was created in 1987 by the legislature to promote economic development in Colorado. The Commission includes four members appointed by the governor (at least one person from west of the continental divide and one person from the eastern slope predominately from the rural area), two members appointed by the Speaker of the House of Representatives, and two members appointed by the President of the

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Senate. The EDC is responsible for developing incentive packages (in the form of financial assistance such as loans, grants, and local match requirements) and package operating guidelines to assist with existing business expansions and new company relocations in order to promote job creation and retention in all regions of the state.

The legislature appropriates moneys each year to the EDC for its strategic fund. Moneys in the strategic fund provide financial incentives to businesses that create and maintain net new jobs. The incentive amount is based on a cost per job calculation that considers annual average wage rate (county level), as well as whether the business is located in an enterprise zone.

The following table summarizes the General Fund appropriations provided to the EDC for the strategic fund. Note, OEDIT indicates that over 75 percent of the General Fund appropriated to the EDC for the strategic fund has historically been used directly for job incentives over the fiscal years highlighted below, with the remaining amount used for various strategic initiatives and to subsidize the operations of the Colorado Procurement Technical Assistance Center (PTAC). For FY 2014-15 and beyond, the Office is requesting funding to provide a total of \$5,000,000 General Fund for the strategic fund for use by the EDC. For FY 2014-15, this represents an increase of \$2,986,236 General Fund to meet the \$5,000,000 appropriation.

| EDC Strategic Fund Incentives - General Fund Appropriations by Fiscal Year | | | | | |
|-----------------------------------------------------------------------------------|-------------------|-------------------|--------------------|-------------------|---------------------|
| FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13* | FY 2013-14 | FY 2014-15** |
| \$1,015,767 | \$1,012,106 | \$1,013,764 | \$6,013,764 | \$4,929,279 | \$5,000,000 |

*Includes \$4.0 million transferred from the General Fund to the Colorado Economic Development Fund on the last day of FY 2011-12 pursuant to H.B. 12-1360 (Gerou & Levy/Steadman & Lambert).

**Requested appropriation.

The funding request indicates that 1,049 new jobs in Colorado will be created if the \$3.0 million General Fund appropriation request is approved. This job creation figure is based on return on investment data for prior years. The following table summarizes the incentives provided to companies from FY 2010-11 through FY 2012-13.

| Economic Development Commission Funding Incentives FY 2010-11 through FY 2012-13 | | | | |
|-----------------------------------------------------------------------------------------|------------------|-------------|--------------------------|-----------------------------|
| Company | Incentive | Jobs | Weighted Avg Wage | % of County Avg Wage |
| Level 3 | \$1,866,886 | 577 | \$89,931 | 141% |
| Project Whisper | 1,250,000 | 250 | 51,000 | 143% |
| TerumoBCT | 1,250,000 | 250 | 69,056 | 140% |
| SMA | 1,000,000 | 500 | 30,749 | 55% |
| Vestas | 1,000,000 | 1,750 | 37,131 | 101% |
| JBS USA Holdings, Inc. | 1,000,000 | 200 | 70,682 | 183% |
| Sisters of Charity Health | 937,500 | 750 | 65,000 | 111% |
| On Deck Capital | 500,000 | 200 | 63,228 | 106% |
| The Coleman Company | 370,000 | 74 | 118,000 | 244% |
| Cooper Lighting | 321,000 | 320 | 41,272 | 99% |
| SW Windpower | 260,000 | 52 | 97,946 | 158% |
| Siemens Energy | 250,000 | 60 | 98,553 | 188% |
| WHPacific | 241,349 | 26 | 92,500 | 207% |
| Avago | 230,000 | 92 | 49,783 | 124% |

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| Economic Development Commission Funding Incentives FY 2010-11 through FY 2012-13 | | | | |
|-----------------------------------------------------------------------------------------|------------------|-------------|--------------------------|-----------------------------|
| Company | Incentive | Jobs | Weighted Avg Wage | % of County Avg Wage |
| PrimeStar Solar | 168,000 | 84 | 72,012 | 149% |
| Bach Composite | 164,000 | 100 | 31,700 | 82% |
| Parelli | 125,000 | 25 | 37,180 | 130% |
| DaVita | 119,209 | 58 | 58,257 | 121% |
| Entegris | 109,266 | 63 | 36,098 | 86% |
| Project 5323 | 78,000 | 26 | 53,326 | 110% |
| Via West | 50,000 | 25 | 60,000 | 98% |
| Niagara | 38,000 | 38 | 44,559 | 106% |

Using the data from the incentives provided between FY 2010-11 and FY 2012-13, staff calculates slightly different assumptions than OEDIT in terms of job creation numbers. The data show that 83.0 percent of moneys expended by the EDC for this purpose have been used for job incentives (OEDIT assumes 74 percent), with the remaining amount used for various strategic initiatives. Assuming that a similar percentage of the requested funds will be used for job incentives, \$2,479,292 of the requested \$2,986,236 will be expended for this purpose. Each dollar expended by EDC for job incentives yielded 0.0004873 jobs from FY 2010-11 to FY 2012-13. Thus, an investment of \$2,479,292 projects a yield of 1,208 jobs, which is slightly higher than the figures projected by OEDIT. This equals an investment of \$2,052 General Fund per job.

Colorado is not known as a state that provides rich incentives to businesses located in the state or businesses contemplating a move to the state. Colorado is known as a state that uses its funding to target industries that are attracted to Colorado based on a number of factors including transportation networks, educational institutions, climate, customers, supply chain fulfillment, and skilled labor. Other states, like Texas and Arizona, rely on large financial incentives to attract business. OEDIT does not request moneys for the strategic fund in hopes of being able to compete with other states solely on a dollar-for-dollar basis. It requests funding to showcase to prospective companies looking to relocate to or expand in Colorado that the State is committed to, and invested in, creating a positive business environment.

It is staff’s opinion that the use of State tax revenue to provide incentives to private companies falls outside of the core functions of state government. As Donald J. Hall, Jr., President and CEO of Hallmarks Cards, once said: “If you’re looking at the competitiveness of a region, the most important thing a region can do is to focus on education. And this use of incentives is really transferring money from education to businesses.” Funding education has historically been a core function of State government in Colorado, thus it is staff’s opinion that funding incentives for private companies moves moneys from a core function to a non-core function at a time of great discussion regarding appropriate funding levels of both K-12 and higher education. In terms of education and private business, ideally government would focus its limited fiscal resources on preparing Colorado students with the tools needed to cultivate a skilled work force. By providing financial incentives to private businesses, resources are taken away from achieving that goal. Proponents of job creating financial incentives frequently tout return on investment figures, but fail to discuss and compare the return of investment had the funds been used for other functions, such as education. Staff understands, though, that state governments in the

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United States do not conduct business according to his ideals. Financial incentives to motivate private sector entities to locate operations in one geography over another are now commonplace across the country. Thus, staff focuses this analysis on program performance rather than philosophical discussion.

The funding the EDC has received in prior fiscal years for showcasing the State's commitment has been shown by the data to be effective in creating jobs. The \$2,052 per job figure noted above, for example, is significantly lower than the most current research on the topic coming from Ball State University last month. The research indicates that Indiana spends \$6,000 to \$8,000 in incentives for each job created, while some local government entities have incentive programs that return only one job for each \$30,000 invested.¹

It is staff's opinion that the EDC has done well in the areas of targeting its incentives (e.g. using existing key industries and talent pool to attract businesses), incenting firms that pay higher wages (e.g. at or above the county average wage), relying more on providing incentives based on rules rather than discretion (e.g. basing incentive amount on average wage), and requiring companies to create and maintain permanent new jobs for one year before receiving an incentive rather than attempting to clawback incentives to companies that do not fulfill their commitment.

For these reasons, **staff recommends funding the request of \$2,986,236 General Fund for FY 2014-15 and beyond.** Staff also recommends that the Committee continue to monitor the use of the funding to ensure that the EDC continues to use 75 percent or more of its appropriation for job incentives rather than other strategic initiatives which are based more on discretion of EDC members and less on rules. The Committee may wish to add a footnote expressing this desire.

Additionally, it is **staff's recommendation that the Committee work with OEDIT and the EDC to determine what (if anything) can be done to focus job incentives on companies locating in areas of the state that are experiencing higher rates of unemployment and what can be done to make sure that more of the jobs go to local residents.** Economists with the W.E. Upjohn Institute for Employment Research researched the benefits versus the costs of government incentives and found that the enticements were more likely to provide benefit to the funding agency when the company receiving the award located jobs in areas of higher unemployment and hired local residents.² Currently, the EDC does not have any requirements in the job incentive program to hire Colorado residents or to locate in areas of high unemployment.

Proposal Two – Advanced Industries Accelerator

House Bill 13-1001 (Young & Gerou/Heath & Steadman) created the Advanced Industries Acceleration (AIA) program within OEDIT to distribute grants to seven specified industries: advanced manufacturing, aerospace, bioscience, electronics, energy and natural resources, infrastructure engineering, and information technology. The goal of the program is to improve and expand the development of these industries, facilitate the collaboration of the industries' stakeholders, and further develop new products and services within the industries. To

¹ Faluk, D. & Hicks, M.J. (2013) An Analysis of State & Local Tax Incentives in Indiana.

² Bartik, T.J. (1996) Eight issues for policy toward economic development incentives. Banking and Policy Magazine, June 1996.

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accomplish these goals, OEDIT’s AIA program awards grants for technology transfer proof-of-concept, early stage capital and retention, and infrastructure funding.

Funding for the AIA program comes from several sources pursuant to H.B. 13-1001, S.B. 11-047 (Heath/Gerou & Riesberg), and S.B. 13-133 (Steadman/Gerou), and is intertwined with the funding for the Bioscience Discovery Evaluation program. The following table summarizes funding for the AIA program.

| Funding for Advanced Industries Acceleration (AIA) and Bioscience Discovery | | | |
|------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| | FY 2013-14 | FY 2014-15 | FY 2015-16 |
| AIA - S.B. 13-133 Gaming (CF)* | \$0 | \$0 | \$5,500,000 |
| AIA - S.B. 11-047 Income Tax Withholding (CF) | 4,926,032 | 5,000,000 | 5,000,000 |
| AIA - H.B. 13-1001 GF --> CF Transfer | 5,000,000 | 0 | 0 |
| AIA - FY 2014-15 Decision Item (GF) | 0 | 5,000,000 | 5,000,000 |
| Bioscience Discovery- S.B. 13-133 Gaming (CF)*^ | 5,500,000 | 5,500,000 | 0 |
| Bioscience Discovery - S.B. 11-047 Income Tax Withholding (CF)# | 0 | 0 | 0 |
| Total | \$15,426,032 | \$15,500,000 | \$15,500,000 |

*Moneys shown are transferred on the last day of the prior fiscal year for use in the fiscal year indicated.

^Any moneys in the Bioscience cash fund on January 1, 2015 not expended or encumbered shall be transferred to the AIA cash fund.

#Prior to H.B. 13-1001, 50 percent of the income tax withholding growth outlined in S.B. 11-047 was transferred to the Bioscience Discovery Evaluation program. House Bill 13-1001 deposits 100 percent of the income tax withholding growth outlined in S.B. 11-047 in the AIA program.

For FY 2014-15 and beyond, OEDIT requests \$5,000,000 General Fund and 1.4 FTE to fund the AIA program. It has been brought to staff’s attention that legislation will be introduced during the 2014 session to clarify the parameters of the AIA program and fund the program for FY 2014-15 and subsequent years. **It is staff’s recommendation that this decision item be removed from the Joint Budget Committee’s consideration for FY 2014-15 funding to allow the legislation to be vetted on its merit by the committees of reference and the General Assembly as a whole.**

Proposal Three – Colorado Tourism Office

The Colorado Tourism Office (CTO) promotes Colorado as a tourism destination to potential tourists through domestic and international advertising, a marketing and public relations campaign, the Official State Vacation Guide and Official State Map, www.Colorado.com and by providing traveler services at state Welcome Centers. The agency is steered by a 15-member board of directors from hotel, restaurant, attraction, and other tourism related businesses, as well as several members of the General Assembly.

State funding appropriated to the agency is derived from General Fund and cash funds from limited gaming tax revenue. The FY 2013-14 appropriation to CTO equaled \$17.0 million total funds (\$15.0 million cash funds and \$2.0 million General Fund). The cash funds level of \$15.0 million is set in statute (most recently amended via S.B. 13-133), while the level of General Fund appropriated to the agency fluctuates year-to-year based on the discretion of the General Assembly. For FY 2014-15, CTO is requesting a continuation of the \$2.0 million General Fund appropriated for tourism promotion in FY 2013-14. The funds would be used to continue

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initiatives begun in FY 2013-14, including investments made in support of international flights and to increase advertising campaigns via traditional television ads and interactive cable/satellite television applications to generate additional visitors guide requests.

It is important to note that 25 percent (\$0.5 million) of the Office's General Fund appropriation for FY 2013-14 was used for the State's branding initiative. Funding for this initiative is not being requested for FY 2014-15. Instead, CTO is requesting these funds be used to increase the marketing reach and frequency of current advertising campaigns to invest in areas that research has shown to be effective in generating trips to Colorado.

CTO contracted with Strategic Marketing & Research, Inc., (SMARI) to conduct research that quantifies the impact of its advertising. SMARI indicates that the winter 2013 campaign (a continuation of the "Come to Life" campaign) generated more than 360,000 trips to the state, for an economic impact more than \$500 million. Given the level of spending on the campaign, this equals a return on investment of \$302 for every dollar invested in paid media. Spending for this campaign was focused primarily in the tier 1 markets (Chicago, Minneapolis, and Dallas) using television, print, online and out-of-home advertising, with online advertising as the only medium used in tier 2 (Houston, Albuquerque, Austin, and Kansas City). SMARI further indicates that for the year, the spring and winter campaigns combined to bring more than 1.3 million trips to the state for an economic impact of \$1.4 billion. Combined, the return on investment was \$228 for every dollar spent. SMARI cites \$50 to \$100 as the typical return on investment for state destination marketing campaigns, indicating that CTO has been successful in its efforts. **Due to this success, staff recommends funding the Office's request to continue investing \$2.0 million General Fund in FY 2014-15 for advertising campaigns.**

Proposal Four – Minority/Women Owned Business Office

The Colorado Minority Business Office (MBO) provides information and services to help members of minority groups start their own businesses. Specifically, statute (Section 24-49.5-103, C.R.S.) indicates that the Office must:

- Promote the business development of new and existing minority business enterprises in coordination with state economic development activities;
- Establish networks among governmental entities, the private sector, and minority business in an effort to promote joint business activities;
- Promote minority business participation in federal, state, and local procurement, purchasing, financing, and contracting, in accordance with existing federal and state statutes;
- Promote self-sufficiency and survival of minority businesses with the intent of aiding such minority businesses in their attempts to enter the mainstream of Colorado's economy;
- Enhance the access of information on international trade opportunities to minority businesses in conjunction with Colorado's international trade activities; and
- Provide economic research and information on minority businesses for the use of federal and local governmental agencies, private industry, labor, and professional and other groups.

To fulfill these tasks, MBO received its own stand-alone appropriation of approximately \$150,000 General Fund and 2.5 FTE until FY 2010-11 when the MBO line item was

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consolidated into the Global Business Development line item. For FY 2013-14, the Office received an additional appropriation of \$25,000 from fees paid by users of and participants in MBO’s activities. The Office is seeking an appropriation of \$400,000 General Fund and 1.8 FTE for FY 2014-15, which annualizes to \$750,000 General Fund and 2.0 FTE in future fiscal years. The moneys would be used for the following:

| Minority Business Office Funding Request | | | |
|-------------------------------------------------|-------------------|-------------------|------------------------------------------------------------------------------|
| Cost Item | FY 2014-15 | FY 2015-16 | Notes |
| Salaries and Benefits | \$179,271 | \$185,651 | 2.0 FTE |
| Temporary Admin Support | 15,000 | 0 | Needed to scrub data and enter it into customer relationship management tool |
| Training/Forums | 45,000 | 45,000 | 9-12 training seminars and forums |
| Expos/Summits | 22,500 | 22,500 | 2-3 one day events with procurement and diversity suppliers |
| Website Revamp/Webinars | 30,000 | 5,000 | Develop website with relevant and timely information and provide webinars |
| Key Industry Connections | 30,000 | 10,000 | Create a platform for connecting minority businesses to 14 key industries |
| Mentor-Protegee Program | 0 | 250,000 | Assist businesses in key industry integration |
| Mentor-Protegee Program Execution | 0 | 99,949 | Contract services to implement the mentor-protégée program |
| MBO White Paper Analysis | 0 | 60,000 | Statewide analysis and survey of minority businesses |
| Innovation Integration | 18,000 | 18,000 | Connect innovation network with minority businesses |
| Advertising/Marketing Materials | 14,229 | 14,500 | Marketing materials to advertise MBO offerings |
| Stakeholder Outreach | 2,000 | 2,000 | Meetings with stakeholders across the state |
| Travel | 15,000 | 15,000 | Regional travel to maintain key partnerships |
| Association Memberships | 7,000 | 7,000 | Membership in chambers of commerce and merchant associations |
| Professional Development | 7,000 | 7,000 | Staff training |
| Professional Services | 15,000 | 8,400 | Develop 3-5 year strategic plan |
| TOTAL | \$400,000 | \$750,000 | |

Staff recommends rejecting this request. It is staff’s opinion that the activities that the Office requests funding for in FY 2014-15 are tasks that MBO should have been performing since the inception of the program in 1990. The funding request highlights to staff that the Office has either fulfilled its duties within existing resources since 1990 or has not fulfilled its duties since 1990 and is now trying to spend money to catch up in its activities within one fiscal year by taking on more events and projects (regional and statewide travel, seminars, strategic plan development, relationship development, and building information technology tools) than seems feasible with a two person staff. As an alternative, it is possible that funds once used to support MBO activities were reprioritized for use by other programs in OEDIT when the line item was consolidated into Global Business Development. Under any of these plausible scenarios, however, staff is highly reluctant to recommend to the Committee that MBO receive any funding in addition to its current appropriation as it is unclear why new moneys are needed.

Proposal Five – Procurement Technical Assistance Center

The Procurement Technical Assistance Program (PTAP) was authorized by Congress in 1985 in an effort to expand the number of businesses capable of participating in the government marketplace. Administered by the Department of Defense, Defense Logistics Agency, the program provides matching funds through cooperative agreements with state and local governments and non-profit organizations for the establishment of Procurement Technical Assistance Centers (PTACs) to provide procurement assistance.

The Colorado Procurement Technical Assistance Center (PTAC), born out of PTAP, is a non-profit organization designed to generate employment and improve the general economic condition of the state by assisting Colorado companies in obtaining and performing under local, state and federal government contracts. Through the EDC, OEDIT provided approximately \$250,000 to PTAC for four years through FY 2012-13. In FY 2013-14, the EDC opted not to fund PTAC and, as a result, the legislature took action to provide PTAC with funding via H.B. 13-1301 (Ryden & Gardner/Todd & Grantham). The bill created the Procurement Technical Assistance Task Force to discuss management practices and create a management strategy for the future of procurement technical assistance centers and develop a plan for the long-term funding and sustainability of procurement technical assistance centers. Additionally, the bill appropriated \$220,000 General Fund for FY 2013-14 to fund the operations of PTAC and provide administrative support to the task force.

The Procurement Technical Assistance Task Force recently voted to sponsor legislation during the 2014 session that includes its findings, as well as an appropriation to support PTAC. **It is staff's recommendation, and OEDIT concurs, that this decision item be removed from the Joint Budget Committee's consideration for FY 2014-15 funding to allow the Task Force's legislation to be vetted on its merit by the committees of reference and the General Assembly as a whole.**

Proposal Six – Aerospace Strategic Plan Implementation and Champion

The Colorado Blueprint identifies aerospace as one of the state's 14 key industries for the purposes of creating an industry strategic growth plan. The Brookings Institution and OEDIT partnered together to create a foundation-level strategic plan to support the aerospace industry in Colorado. This, coupled with OEDIT's traditional strategic planning processes, highlights a need for a single industry voice to champion the Colorado aerospace industry and build networks to unite the various industry network groups. Additionally, a need exists for an individual to work with the state's military bases, including efforts involving Base Realignment and Closure (BRAC) activities.

To support the effort to hire an aerospace champion at OEDIT, the FY 2013-14 Long Bill appropriation included \$175,000 General Fund. In late November 2013, OEDIT announced that it has hired Major General Jay H. Lindell as Colorado's Aerospace and Defense Industry Champion. For FY 2014-15, the Office is requesting a \$175,000 to continue funding this position. **Staff recommends funding this position for FY 2014-15.** There are not enough data at this point in time to determine the effectiveness of the champion position, however, data from the strategic planning process are clear that the position is needed. Thus, staff recommends that

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funding be provided for FY 2014-15 and reexamined for FY 2015-16 after performance data are available.

Proposal Seven – Colorado Office of Film, Television, and Media

The Colorado Office of Film, Television, and Media is legislatively tasked with promoting Colorado as a location for making feature films, television shows, television commercials, still photography, music videos, and emerging mass media projects. To accomplish this, the Office provides performance-based financial incentives to companies for a percentage of their local expenditures for approved productions if they meet the 50.0 percent local hire requirement and offers a gap loan program to provide up to 20 percent of a production’s costs in the form of a low-interest bank loan that is guaranteed by the State.

For FY 2013-14, the Office of Film, Television, and Media received a Long Bill appropriation of \$500,000 cash funds from limited gaming tax revenue and \$800,000 General Fund. The cash funds level of \$500,00 is set in statute (most recently amended via S.B. 13-133), while the level of General Fund appropriated to the agency fluctuates year-to-year based on the discretion of the General Assembly. The appropriations the Office has received over the past two fiscal years have been used to provide incentives to the following eligible projects.

| Projects Eligible for Incentive Rebates in FY 2012-13 and FY 2013-14 | | |
|-----------------------------------------------------------------------------|--------------------|----------------------|
| Project | Incentive | CO Crew Hires |
| Fast and Furious 7 | \$700,000 | 58 |
| Dear Eleanor | 321,359 | 89 |
| Beg the Devil | 600,000 | 55 |
| Universal Sports | 497,821 | 111 |
| Prospectors | 345,119 | 118 |
| Discovery Communications | 452,215 | 59 |
| Clean Guys Entertainment | 49,600 | 30 |
| Gartner | 67,501 | 44 |
| Park Pictures | 120,174 | 45 |
| Colorado Experience | 122,753 | 26 |
| The Frame | 76,000 | 13 |
| Dinonauts | 64,000 | 10 |
| TOTAL | \$3,416,542 | 658 |

The Office’s FY 2014-15 request seeks \$5,000,000 General Fund, in addition to the \$500,000 cash funds from limited gaming tax revenue. The agency indicates that, based on the University of Colorado Leeds School of Business’ “Economic and Fiscal Impact Analysis of Actual Film Budget Scenario on Colorado,” as well as past project performance, an investment of \$5,000,000 General Fund will incentivize at least \$25 million of Colorado production expenditures. The agency extrapolates that this money could potentially produce \$49 million in economic activity. As an example of this potential economic activity, the City of Creede indicates that the filming of The Lone Ranger for three weeks in June 2012 produced an increase of 24.7 percent over the prior year, including the period immediately following the production’s completion.

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Staff recommends that the Committee reject the Office’s request and instead provide the agency with a continuation level appropriation (\$800,000 General Fund and \$500,000 cash funds) for FY 2014-15. It is staff’s opinion that the agency has been successful in implementing a program that provides financial incentives to companies for performing portions (or all) of production activities in Colorado. However, it is staff’s opinion that this FY 2014-15 request exemplifies the concept of the “race to the bottom” that occurs when government entities compete with each other to provide state revenue-supported incentives to private businesses at the expense of core governmental functions.

The request to increase General Fund by 625 percent in FY 2014-15 over the FY 2013-14 appropriation represents the State’s effort to keep pace with states like New Mexico and Michigan, that offer up to \$50 million of incentives, or states like Georgia and North Carolina, that do not have a cap on the amount of incentives offered each year. It is staff’s opinion that the comparatively meager investment made by Colorado, in comparison to other states, coupled with the crowded field of states providing incentives for film production, indicates that Colorado should not compete in this industry by expending more moneys. If an expansion of this program is funded, the appetite for financial incentives will not subside (nor will other states’ appetites for providing them), forcing the State to continually invest more and more State revenue to keep the program viable. Each dollar spent on providing financial incentives results in less funding available for education, public safety, public welfare safety nets for vulnerable citizens, and infrastructure, eventually resulting in deficiencies in these core programs.

Proposal Eight – Economic Gardening Pilot Program

Economic gardening mines sophisticated databases and uses high-end tools related to search engine optimization, geographic information systems, and social media marketing to identify and prioritize sales leads and business opportunities, refine companies’ core strategies and business models, and use social media to connect with customers and create buzz about products or services. House Bill 13-1003 (Lee & Garcia/Heath) created an economic gardening pilot initiative within OEDIT and appropriated \$218,750 total funds (including \$200,000 General Fund) for FY 2013-14 for program implementation. The implementation includes OEDIT paying the National Center for Economic Gardening to certify staff at Small Business Development Centers (SBDC) in economic gardening concepts. The SBDCs will then select companies to participate in the pilot program, and manage the program throughout its implementation.

The Office requests \$100,000 General Fund for FY 2014-15 and FY 2015-16 to continue the program begun in FY 2013-14 via H.B. 13-1003. **Staff recommends rejecting this request.** In Colorado, there are many private sector companies that have economic gardening expertise and offer these services to businesses of all sizes across the state. Rather than using General Fund moneys to create new programs within the SBDC network that overlap with private sector offerings, staff recommends funds instead be invested in expanding the programs currently administered by the SBDCs so that more businesses can be positively impacted.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

The Office of the Governor's Strategic Plan includes an objective to create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. The funding requests analyzed in this briefing issue are projected to impact business recruitment, business retention, and tourism.

Issue: Statewide IT Base Budget Request Overview

The Governor’s Office of Information Technology (OIT) provides services to State agencies on a cost reimbursement basis with OIT acting as a vendor to State agencies. The Office’s FY 2014-15 base budget request (does not include new funding requests) includes \$106.3 million in billable costs, a decrease of 1.9 percent compared to the FY 2013-14 appropriation.

SUMMARY:

- Services offered by the Governor’s Office of Information Technology (OIT) to State agencies have a mixture of costs (e.g. operating expenses, depreciation of assets, personal services, and overhead) associated with the service delivery. The costs are allocated to agencies based on the level of service consumed;
- For FY 2014-15, OIT requests \$106.3 million from State agencies for base-level services (does not include new funding requests) provided. This is a decrease of 1.9 percent compared to the recoverable costs for FY 2013-14; and
- The 1.9 percent decrease in the FY 2014-15 request for base-level services compared to the FY 2013-14 appropriation is due to a variety of factors, including changes in consumption, changes in the costs associated with providing services, as well as adjustments based on the difference between projected consumption versus actual consumption in prior fiscal years.

DISCUSSION:

Background

The Governor's Office of Information Technology (OIT) provides services to State agencies on a cost reimbursement basis with OIT acting as a vendor to State agencies. Each service offered by OIT to agencies has a mixture of costs (e.g. operating expenses, depreciation of assets, personal services, and overhead) associated with its delivery. These expenses are billed to State agencies through five common policy line items: Management and Administration of OIT, Purchase of Services from Computer Center, Colorado State Network (formerly Multiuse Network), Communication Services Payments, and Information Technology Security.

| FY 2014-15 IT Common Policy Base Request | |
|-------------------------------------------------|----------------------|
| Management and Administration of OIT | \$2,195,168 |
| Purchase of Services from Computer Center | 76,374,262 |
| Colorado State Network | 20,468,593 |
| Communication Services | 6,194,442 |
| Information Technology Security | 1,075,699 |
| TOTAL | \$106,308,164 |

There are a variety of functional categories within each of the five common policies used to capture the aggregate costs to provide services on a year-to-year basis. Using the FY 2014-15 requested service costs for the Purchase of Services from Computer Center common policy as an

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example to illustrate how each common policy is constructed, the following table summarizes the functional categories that comprise this common policy.

| FY 2014-15 Purchase of Services from Computer Center Request By Functional Categories | |
|--------------------------------------------------------------------------------------------------|---------------------|
| Enterprise Data Center Housing | \$3,522,930 |
| Mainframe | 10,415,519 |
| Server Management | 6,542,847 |
| Email Services | 2,387,556 |
| Service Desk | 15,578,183 |
| Enterprise Applications | 3,898,289 |
| Agency Line-of-Business Applications | 36,014,845 |
| Prior Year True-ups | (1,614,589) |
| TOTAL | \$76,374,262 |

Within each of the aggregate functional categories, reside the actual functions. Using the FY 2014-15 requested service costs for the Server Management functional category within the Purchase of Services from Computer Center common policy as an example, the following table summarizes the functions that comprise this aggregate category.

| FY 2014-15 Server Management Costs Request | | | | | | | | |
|---------------------------------------------------|------------------|--------------------|--------------------|---------------------|--------------------------|---------------------|---------------------|--------------------|
| | Operating Costs | Depreciation Costs | Personal Services | Category Allocation | Common Policy Allocation | Management Overhead | Use of OIT Services | TOTAL |
| Server Hosting | \$294,837 | \$72,133 | \$4,111,360 | \$375,939 | \$130,473 | \$480,138 | \$574,305 | \$6,039,185 |
| Server Storage | 356,806 | 3,158 | 0 | 30,218 | 60,724 | 38,593 | 14,163 | 503,662 |
| TOTAL | \$651,643 | \$75,291 | \$4,111,360 | \$406,157 | \$191,197 | \$518,731 | \$588,468 | \$6,542,847 |

Once the costs are established for a function, a unit of measurement is chosen to gauge usage so that the costs can be allocated to State agencies based on projected consumption. For the server hosting function example, OIT uses the number of servers as the unit of measurement and for server storage, OIT uses gigabytes per month as the unit of measurement. Dividing the total number of units by the total cost provides a rate for each unit of consumption.

| Establishing Rates of Consumption for FY 2014-15 Server Management Costs | | | | |
|---------------------------------------------------------------------------------|-------------|------------------|--------------------|----------|
| | Cost | Servers Per Year | Gigabytes Per Year | Rate |
| Server Hosting | \$6,039,185 | 27,732 | n/a | \$217.77 |
| Server Storage | \$503,662 | n/a | 23,880,000 | \$0.02 |

The following tables summarize the allocation of the server hosting and server storage costs to agencies for the FY 2014-15 request.

| Allocation of Server Hosting Costs for FY 2014-15 | | | |
|----------------------------------------------------------|------------------|----------|-----------------|
| Agency | Servers Per Year | Rate | Cost Allocation |
| Agriculture | 168 | \$217.77 | \$36,585 |
| Corrections | 3,384 | 217.77 | 736,932 |
| Governor | 1,248 | 217.77 | 271,776 |

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| Allocation of Server Hosting Costs for FY 2014-15 | | | |
|----------------------------------------------------------|-------------------------|-------------|------------------------|
| Agency | Servers Per Year | Rate | Cost Allocation |
| Health Care Policy and Financing | 312 | 217.77 | 67,944 |
| Higher Education | 444 | 217.77 | 96,690 |
| Human Services | 2,856 | 217.77 | 621,950 |
| Judicial | 708 | 217.77 | 154,181 |
| Labor and Employment | 2,196 | 217.77 | 478,222 |
| Local Affairs | 576 | 217.77 | 125,435 |
| Natural Resources | 936 | 217.77 | 203,832 |
| Personnel | 1,044 | 217.77 | 227,351 |
| Public Health and Environment | 2,532 | 217.77 | 551,392 |
| Public Safety | 1,992 | 217.77 | 433,797 |
| Regulatory Agencies | 2,556 | 217.77 | 556,619 |
| Revenue | 2,652 | 217.77 | 577,525 |
| State | 216 | 217.77 | 47,038 |
| Transportation | 3,864 | 217.77 | 841,462 |
| Treasury | 48 | 217.77 | 10,453 |
| TOTAL | 27,732 | n/a | \$6,039,185 |

| Allocation of Server Storage Costs for FY 2014-15 | | | |
|----------------------------------------------------------|--------------------|-------------|------------------------|
| Agency | GB Per Year | Rate | Cost Allocation |
| Corrections | 1,800,000 | \$0.02 | \$37,964 |
| Human Services | 1,800,000 | 0.02 | 37,964 |
| Labor and Employment | 1,200,000 | 0.02 | 25,310 |
| Natural Resources | 600,000 | 0.02 | 12,655 |
| Public Health and Environment | 2,400,000 | 0.02 | 50,619 |
| Public Safety | 1,800,000 | 0.02 | 37,964 |
| Regulatory Agencies | 480,000 | 0.02 | 10,124 |
| Revenue | 6,000,000 | 0.02 | 126,548 |
| Transportation | 4,800,000 | 0.02 | 101,239 |
| Other OIT Storage Services | 3,000,000 | 0.02 | 63,274 |
| TOTAL | 23,880,000 | n/a | \$503,662 |

Proposed FY 2014-15 Information Technology Common Policy Billings (Total Base Budget)

The following tables summarize the total FY 2014-15 OIT base budget request across all five information technology common policy billings (Management and Administration of OIT, Purchase of Services from Computer Center, Colorado State Network, Communication Services Payments, and Information Technology Security) compared to the FY 2013-14 appropriation. Note, variances in year-over-year appropriations for State agencies (e.g. Agriculture’s requested allocation is reduced by \$67,554 total funds) are due to changes in consumption, changes in the costs associated with providing services, as well as adjustments based on the difference between projected consumption versus actual consumption in prior fiscal years. The following table compares the allocation of costs from the FY 2013-14 appropriation to the FY 2014-15 request.

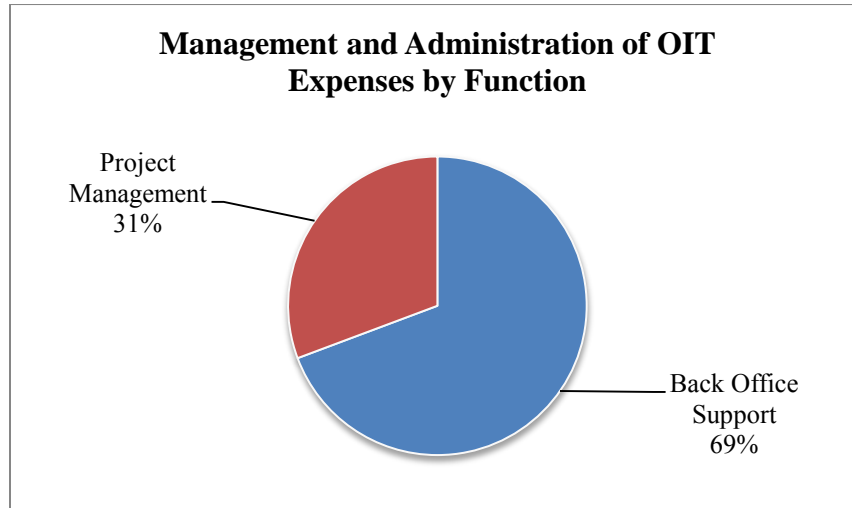
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| Information Technology Common Policy Totals | | | | | | |
|----------------------------------------------------|---------------------------------|----------------------|---------------------------|----------------------|---------------------|----------------------|
| Agency | FY 2013-14 Appropriation | | FY 2014-15 Request | | Difference | |
| | General Fund | Total Funds | General Fund | Total Funds | General Fund | Total Funds |
| Agriculture | \$705,484 | \$1,105,391 | \$692,379 | \$1,037,837 | (\$13,105) | (\$67,554) |
| Corrections | 14,915,964 | 15,038,361 | 16,419,465 | 16,547,069 | 1,503,501 | 1,508,708 |
| Governor | 438,975 | 1,253,342 | 1,338,164 | 2,601,945 | 899,189 | 1,348,603 |
| Education | 496,234 | 496,234 | 528,484 | 401,162 | 32,250 | (95,072) |
| Health Care Policy and Financing | 544,713 | 1,104,724 | 648,834 | 1,319,571 | 104,121 | 214,847 |
| Higher Education | 0 | 158,396 | 0 | 314,411 | 0 | 156,015 |
| Human Services | 11,306,346 | 20,833,291 | 10,882,307 | 20,208,686 | (424,039) | (624,605) |
| Judicial | 2,407,931 | 2,407,931 | 2,457,811 | 2,457,811 | 49,880 | 49,880 |
| Labor and Employment | 0 | 8,990,175 | 0 | 8,541,183 | 0 | (448,992) |
| Law | 3,598 | 233,397 | 3,835 | 257,015 | 237 | 23,618 |
| Legislature | 78,645 | 78,645 | 56,533 | 56,533 | (22,112) | (22,112) |
| Local Affairs | 158,350 | 1,144,900 | 61,393 | 936,321 | (96,957) | (208,579) |
| Military and Veterans Affairs | 553,027 | 553,027 | 460,306 | 460,306 | (92,721) | (92,721) |
| Natural Resources | 802,765 | 9,789,311 | 613,077 | 7,091,153 | (189,688) | (2,698,158) |
| Personnel | 515,944 | 1,980,025 | 254,443 | 1,431,570 | (261,501) | (548,455) |
| Public Health and Environment | 237,424 | 6,344,729 | 0 | 6,276,003 | (237,424) | (68,726) |
| Public Safety | 2,094,808 | 6,767,773 | 5,183,473 | 6,480,128 | 3,088,665 | (287,645) |
| Regulatory Agencies | 77,733 | 2,011,297 | 115,469 | 2,747,119 | 37,736 | 735,822 |
| Revenue | 9,030,596 | 18,002,687 | 7,367,644 | 14,796,459 | (1,662,952) | (3,206,228) |
| State | 0 | 273,610 | 0 | (244,242) | 0 | (517,852) |
| Transportation | 0 | 9,636,428 | 0 | 12,260,473 | 0 | 2,624,045 |
| Treasury | 65,857 | 65,857 | 67,862 | 67,862 | 2,005 | 2,005 |
| TOTAL | \$44,434,394 | \$108,403,998 | \$47,151,479 | \$106,308,164 | \$2,717,085 | (\$2,095,834) |

Proposed FY 2014-15 Management and Administration of OIT Common Policy Billings

Senate Bill 08-155 (Cadman/Kerr, A.) required billing methodologies to be developed to allocate costs for central OIT administrative services. Beginning in FY 2008-09, appropriations were made to executive branch agencies for this function. Specifically, the services provided include agency back-office support (e.g. oversight, procurement, accounting, budgeting, human resources, etc.) and project management functions through the Enterprise Portfolio Project Management Office (EPPMO).

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OIT requests collections totaling \$2,195,168 for Management and Administration of OIT for FY 2014-15. The following table compares the allocation of costs from the FY 2013-14 appropriation to the FY 2014-15 request.

| Management and Administration of OIT | | | | | | |
|---------------------------------------------|---------------------------------|--------------------|---------------------------|--------------------|---------------------|----------------------|
| Agency | FY 2013-14 Appropriation | | FY 2014-15 Request | | Difference | |
| | General Fund | Total Funds | General Fund | Total Funds | General Fund | Total Funds |
| Agriculture | \$0 | \$0 | (\$81,856) | (\$106,306) | (\$81,856) | (\$106,306) |
| Corrections | 288,515 | 288,515 | (33,600) | (33,600) | (322,115) | (322,115) |
| Education | 0 | 0 | (59,239) | (59,239) | (59,239) | (59,239) |
| Governor | 0 | 0 | 0 | 0 | 0 | 0 |
| Health Care Policy and Financing | 36,065 | 72,129 | (45,336) | (90,672) | (81,401) | (162,801) |
| Higher Education | 0 | 0 | 0 | (76,164) | 0 | (76,164) |
| Human Services | 466,411 | 613,096 | 230,015 | 302,354 | (236,396) | (310,742) |
| Judicial | 0 | 0 | 0 | 0 | 0 | 0 |
| Labor and Employment | 0 | 288,515 | 0 | 251,323 | 0 | (37,192) |
| Law | 0 | 0 | 0 | 0 | 0 | 0 |
| Legislature | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Affairs | 30,364 | 43,277 | (28,637) | (40,816) | (59,001) | (84,093) |
| Military and Veterans Affairs | 0 | 0 | (69,378) | (69,378) | (69,378) | (69,378) |
| Natural Resources | 35,113 | 273,645 | 10,458 | 72,734 | (24,655) | (200,911) |
| Personnel | 0 | 0 | 11,350 | 43,646 | 11,350 | 43,646 |
| Public Health and Environment | 0 | 352,987 | 0 | 344,561 | 0 | (8,426) |
| Public Safety | 0 | 432,773 | 582,406 | 582,406 | 582,406 | 149,633 |
| Regulatory Agencies | 5,626 | 144,258 | (304) | (7,226) | (5,930) | (151,484) |
| Revenue | 120,546 | 605,439 | 307,805 | 615,610 | 187,259 | 10,171 |
| State | 0 | 0 | 0 | 0 | 0 | 0 |
| Transportation | 0 | 538,232 | 0 | 462,788 | 0 | (75,444) |
| Treasury | 0 | 0 | 3,147 | 3,147 | 3,147 | 3,147 |
| TOTAL | \$982,640 | \$3,652,866 | \$826,831 | \$2,195,168 | (\$155,809) | (\$1,457,698) |

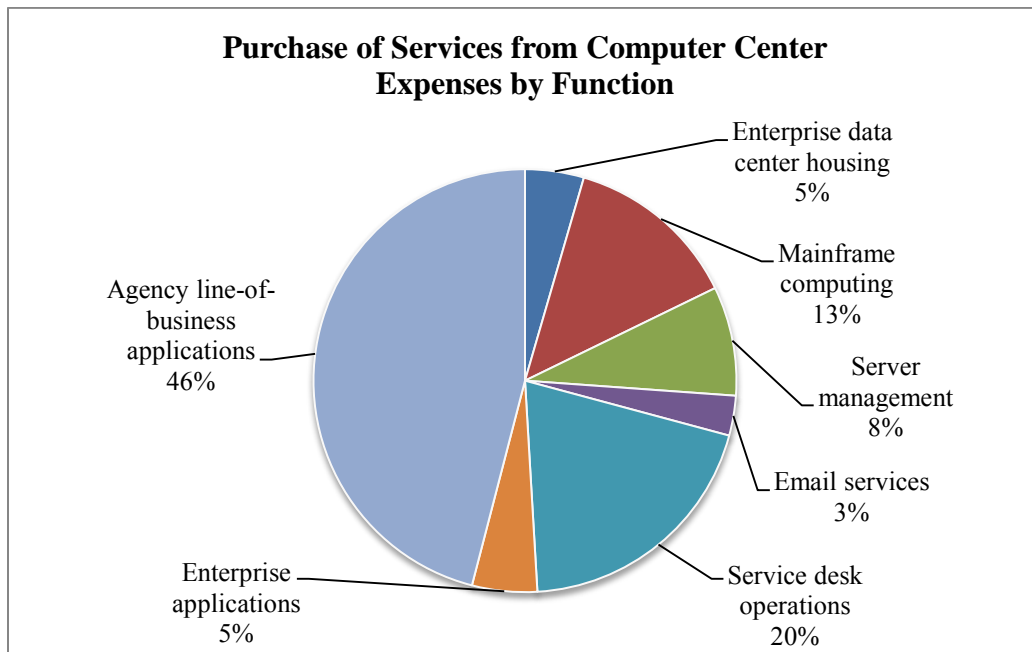
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This represents a decrease of 39.9 percent (\$1,457,698) compared to the FY 2013-14 appropriation. The changes within this common policy include a decrease of funds due to a reassignment of personnel costs to other common policies based on the actual function provided by individuals, a small increase in centrally appropriated line items (e.g. health, life, and dental, salary survey, merit pay, and PERA contributions). Additionally, a nearly \$750,000 increase is included to true-up appropriations made in FY 2011-12 and FY 2012-13.

Proposed FY 2014-15 Purchase of Services from Computer Center Common Policy Billings

OIT provides management and operational services for numerous functions, including the following:

- Enterprise data center housing (State's enterprise data center located in Lakewood and eFort);
- Mainframe computing (ADABAS, middleware, disk storage, and virtual tape storage);
- Server management (server hosting and server storage);
- Email services (enterprise email, enterprise encryption, and enterprise archive for the executive branch);
- Service desk operations (service desk support and desk-side support);
- Enterprise applications (KRONOS, COFRS, CPPS, the electronic data warehouse, the contract management system, and the grants management system); and
- Agency line-of-business applications (agency-specific application support).



OIT requests collections totaling \$76,374,262 for Purchase of Services from Computer Center for FY 2014-15. The following table compares the allocation of costs from the FY 2013-14 appropriation to the FY 2014-15 request.

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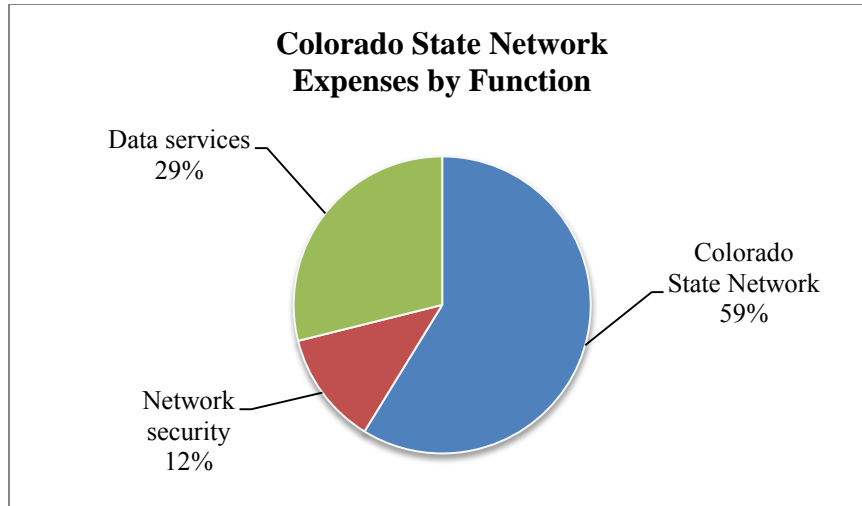
| Purchase of Services from Computer Center | | | | | | |
|--------------------------------------------------|---------------------------------|---------------------|---------------------------|---------------------|---------------------|--------------------|
| Agency | FY 2013-14 Appropriation | | FY 2014-15 Request | | Difference | |
| | General Fund | Total Funds | General Fund | Total Funds | General Fund | Total Funds |
| Agriculture | \$632,600 | \$921,093 | \$753,283 | \$1,091,715 | \$120,683 | \$170,622 |
| Corrections | 8,568,854 | 8,568,854 | 9,899,400 | 9,899,400 | 1,330,546 | 1,330,546 |
| Governor | 256,298 | 972,982 | 1,240,970 | 2,210,420 | 984,672 | 1,237,438 |
| Education | 225,252 | 225,252 | 165,104 | 165,104 | (60,148) | (60,148) |
| Health Care Policy and Financing | 433,541 | 882,219 | 619,744 | 1,261,209 | 186,203 | 378,990 |
| Higher Education | 0 | 156,837 | 0 | 327,830 | 0 | 170,993 |
| Human Services | 7,979,513 | 15,892,706 | 7,935,653 | 15,805,350 | (43,860) | (87,356) |
| Judicial | 699,378 | 699,378 | 731,777 | 731,777 | 32,399 | 32,399 |
| Labor and Employment | 0 | 8,162,926 | 0 | 7,717,466 | 0 | (445,460) |
| Law | 0 | 55,762 | 0 | 25,348 | 0 | (30,414) |
| Legislature | 77,824 | 77,824 | 56,533 | 56,533 | (21,291) | (21,291) |
| Local Affairs | 70,185 | 947,259 | 68,430 | 923,980 | (1,755) | (23,279) |
| Military and Veterans Affairs | 441,055 | 441,055 | 455,956 | 455,956 | 14,901 | 14,901 |
| Natural Resources | 458,489 | 6,051,995 | 468,995 | 4,689,892 | 10,506 | (1,362,103) |
| Personnel | 438,816 | 1,689,638 | 211,084 | 1,266,376 | (227,732) | (423,262) |
| Public Health and Environment | 234,946 | 5,268,032 | 0 | 5,597,694 | (234,946) | 329,662 |
| Public Safety | 1,126,603 | 4,100,782 | 3,641,065 | 3,838,975 | 2,514,462 | (261,807) |
| Regulatory Agencies | 63,346 | 1,642,373 | 95,323 | 2,267,810 | 31,977 | 625,437 |
| Revenue | 8,285,427 | 13,372,039 | 5,124,639 | 10,249,278 | (3,160,788) | (3,122,761) |
| State | 0 | 165,228 | 0 | 95,106 | 0 | (70,122) |
| Transportation | 0 | 5,970,856 | 0 | 7,646,459 | 0 | 1,675,603 |
| Treasury | 53,902 | 53,902 | 50,584 | 50,584 | (3,318) | (3,318) |
| TOTAL | \$30,046,029 | \$76,318,992 | \$31,518,540 | \$76,374,262 | \$1,472,511 | \$55,270 |

This represents an increase of 0.1 percent (\$55,270) compared to the FY 2013-14 appropriation. This small change is due to numerous increases and decreases in the many services (e.g. mainframe computing, enterprise data center housing, server hosting, email, etc.) offered within this common policy and an increase in centrally appropriated line items (e.g. health, life, and dental, salary survey, merit pay, and PERA contributions). Additionally, a \$1.6 million decrease is included to true-up appropriations made in FY 2011-12 and FY 2012-13.

Proposed FY 2014-15 Colorado State Network Common Policy Billings

The Colorado State Network is a service providing secure, high-speed broadband access to State agencies, schools, colleges, libraries, hospitals, and local governments. The network is essentially the state's wide area network, providing network connectivity to every county in the state. Payments represent the cost to the State for administering its share of the network build-out with the private consortium. Reimbursements for this functional area are expended for contracts with CenturyLink, and are based on a circuit inventory conducted department by department and the number of FTE in each agency.

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OIT requests collections totaling \$20,468,593 for the Colorado State Network for FY 2014-15. The following table compares the allocation of costs from the FY 2013-14 appropriation to the FY 2014-15 request.

| Colorado State Network (formerly Multiuse Network Payments) | | | | | | |
|--------------------------------------------------------------------|---------------------------------|---------------------|---------------------------|---------------------|---------------------|----------------------|
| Agency | FY 2013-14 Appropriation | | FY 2014-15 Request | | Difference | |
| | General Fund | Total Funds | General Fund | Total Funds | General Fund | Total Funds |
| Agriculture | \$61,569 | \$157,528 | \$9,689 | \$24,843 | (\$51,880) | (\$132,685) |
| Corrections | 3,894,388 | 4,015,587 | 4,041,645 | 4,167,427 | 147,257 | 151,840 |
| Governor | 168,641 | 266,324 | 150,093 | 411,373 | (18,548) | 145,049 |
| Education | 266,324 | 266,324 | 342,419 | 215,097 | 76,095 | (51,227) |
| Health Care Policy and Financing | 69,500 | 139,002 | 68,091 | 136,183 | (1,409) | (2,819) |
| Higher Education | 0 | 0 | 0 | 57,945 | 0 | 57,945 |
| Human Services | 2,581,373 | 3,924,795 | 2,449,781 | 3,724,719 | (131,592) | (200,076) |
| Judicial | 1,666,209 | 1,666,209 | 1,544,985 | 1,544,985 | (121,224) | (121,224) |
| Labor and Employment | 0 | 445,390 | 0 | 533,124 | 0 | 87,734 |
| Law | 0 | 166,319 | 0 | 206,552 | 0 | 40,233 |
| Legislature | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Affairs | 56,217 | 142,539 | 24,175 | 61,205 | (32,042) | (81,334) |
| Military and Veterans Affairs | 86,378 | 86,378 | 38,873 | 38,873 | (47,505) | (47,505) |
| Natural Resources | 302,137 | 2,206,025 | 126,055 | 979,069 | (176,082) | (1,226,956) |
| Personnel | 71,120 | 268,501 | 27,665 | 106,386 | (43,455) | (162,115) |
| Public Health and Environment | 0 | 641,970 | 0 | 246,436 | 0 | (395,534) |
| Public Safety | 931,847 | 1,279,088 | 832,796 | 935,726 | (99,051) | (343,362) |
| Regulatory Agencies | 7,954 | 203,964 | 19,583 | 465,906 | 11,629 | 261,942 |
| Revenue | 539,476 | 3,791,850 | 1,906,346 | 3,812,692 | 1,366,870 | 20,842 |
| State | 0 | 105,595 | 0 | (343,569) | 0 | (449,164) |
| Transportation | 0 | 2,154,562 | 0 | 2,868,769 | 0 | 714,207 |
| Treasury | 11,275 | 11,275 | 13,063 | 13,063 | 1,788 | 1,788 |
| TOTAL | \$10,714,408 | \$22,073,692 | \$11,595,259 | \$20,468,593 | \$880,851 | (\$1,605,099) |

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This represents a decrease of 7.3 percent (\$1,605,099) compared to the FY 2013-14 appropriation. There a variety of changes (both positive and negative) that sum to this decrease. The Office received a one-time appropriation of \$1.6 million to ease the transition from the multi-use network to the Colorado state network in FY 2013-14 that are removed from the FY 2014-15 request. There are also smaller changes in centrally appropriated line items (e.g. health, life, and dental, salary survey, merit pay, and PERA contributions). Additionally, a \$1.9 million increase is included to true-up appropriations made in FY 2011-12 and FY 2012-13.

Proposed FY 2014-15 Communication Services Payments Common Policy Billings

The state microwave radio infrastructure and the Digital Trunked Radio System (DTRS) provides interoperability between public safety agencies and emergency responders to over 200 sites on 95 percent of the State’s roadways, and serves more than 1,000 State, local, federal, and tribal agencies. OIT charges user State agencies for the operations and maintenance of the state's public safety communications infrastructure. The cost allocation methodology for this functional area establishes department appropriations based upon the total inventory of legacy mobile and portable VHF radio units, as well as digital trunked radios (DTR) in use by departments. OIT requests collections totaling \$6,194,442 for Communication Services Payments for FY 2014-15.

| Communication Services Payments | | | | | | |
|----------------------------------------|---------------------------------|--------------------|---------------------------|--------------------|---------------------|--------------------|
| Agency | FY 2013-14 Appropriation | | FY 2014-15 Request | | Difference | |
| | General Fund | Total Funds | General Fund | Total Funds | General Fund | Total Funds |
| Agriculture | \$4,009 | \$16,049 | \$4,009 | \$16,916 | \$0 | \$867 |
| Corrections | 2,016,459 | 2,016,459 | 2,287,308 | 2,287,308 | 270,849 | 270,849 |
| Governor | 0 | 0 | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Health Care Policy and Financing | 0 | 0 | 0 | 0 | 0 | 0 |
| Higher Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Services | 161,530 | 188,421 | 167,928 | 195,884 | 6,398 | 7,463 |
| Judicial | 18,297 | 18,297 | 24,369 | 24,369 | 6,072 | 6,072 |
| Labor and Employment | 0 | 0 | 0 | (2,041) | 0 | (2,041) |
| Law | 3,598 | 8,988 | 3,835 | 9,579 | 237 | 591 |
| Legislature | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Affairs | 0 | 0 | (3,345) | (13,374) | (3,345) | (13,374) |
| Military and Veterans Affairs | 19,902 | 19,902 | 29,532 | 29,532 | 9,630 | 9,630 |
| Natural Resources | 0 | 1,157,811 | 0 | 1,296,238 | 0 | 138,427 |
| Personnel | 640 | 1,284 | 837 | 1,674 | 197 | 390 |
| Public Health and Environment | 0 | 16,691 | 0 | 39,778 | 0 | 23,087 |
| Public Safety | 13,182 | 887,267 | 69,330 | 1,065,145 | 56,148 | 177,878 |
| Regulatory Agencies | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue | 14,066 | 82,173 | 6,499 | 74,169 | (7,567) | (8,004) |
| State | 0 | 0 | 0 | 0 | 0 | 0 |
| Transportation | 0 | 972,778 | 0 | 1,169,265 | 0 | 196,487 |
| Treasury | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | \$2,251,683 | \$5,386,120 | \$2,590,302 | \$6,194,442 | \$338,619 | \$808,322 |

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This represents an increase of 15.0 percent (\$808,322) compared to the FY 2013-14 appropriation. The increase is due to changes in centrally appropriated line items (e.g. health, life, and dental, salary survey, merit pay, and PERA contributions), lease payments, depreciation, and overhead. Additionally, nearly \$600,000 of the increase is included to true-up appropriations made in FY 2011-12 and FY 2012-13.

Proposed Information Technology Security Common Policy Billings

This is new common policy billing added in FY 2013-14 to fund Phase I of the Secure Colorado Plan under the direction of the State Chief Information Security Officer. This program secures the perimeter of the State’s IT network, and develops protocols, policies, and plans of action for securing the State’s applications and data in the future.

| Information Technology Security | | | | | | |
|----------------------------------------|---------------------------------|--------------------|---------------------------|--------------------|---------------------|--------------------|
| Agency | FY 2013-14 Appropriation | | FY 2014-15 Request | | Difference | |
| | General Fund | Total Funds | General Fund | Total Funds | General Fund | Total Funds |
| Agriculture | \$7,306 | \$10,721 | \$7,254 | \$10,669 | (\$52) | (\$52) |
| Corrections | 147,748 | 148,946 | 224,712 | 226,534 | 76,964 | 77,588 |
| Governor | 14,036 | 14,036 | 6,340 | 39,391 | (7,696) | 25,355 |
| Education | 4,658 | 4,658 | 20,961 | 20,961 | 16,303 | 16,303 |
| Health Care Policy and Financing | 5,607 | 11,374 | 6,335 | 12,851 | 728 | 1,477 |
| Higher Education | 0 | 1,559 | 0 | 4,800 | 0 | 3,241 |
| Human Services | 117,519 | 214,273 | 98,930 | 180,379 | (18,589) | (33,894) |
| Judicial | 24,047 | 24,047 | 156,680 | 156,680 | 132,633 | 132,633 |
| Labor and Employment | 0 | 93,344 | 0 | 41,311 | 0 | (52,033) |
| Law | 0 | 2,328 | 0 | 15,536 | 0 | 13,208 |
| Legislature | 821 | 821 | 0 | 0 | (821) | (821) |
| Local Affairs | 1,584 | 11,825 | 770 | 5,326 | (814) | (6,499) |
| Military and Veterans Affairs | 5,692 | 5,692 | 5,323 | 5,323 | (369) | (369) |
| Natural Resources | 7,026 | 99,835 | 7,569 | 53,220 | 543 | (46,615) |
| Personnel | 5,368 | 20,602 | 3,507 | 13,488 | (1,861) | (7,114) |
| Public Health and Environment | 2,478 | 65,049 | 0 | 47,534 | (2,478) | (17,515) |
| Public Safety | 23,176 | 67,863 | 57,876 | 57,876 | 34,700 | (9,987) |
| Regulatory Agencies | 807 | 20,702 | 867 | 20,629 | 60 | (73) |
| Revenue | 71,081 | 151,186 | 22,355 | 44,710 | (48,726) | (106,476) |
| State | 0 | 2,787 | 0 | 4,221 | 0 | 1,434 |
| Transportation | 0 | 0 | 0 | 113,192 | 0 | 113,192 |
| Treasury | 680 | 680 | 1,068 | 1,068 | 388 | 388 |
| TOTAL | \$439,634 | \$972,328 | \$620,547 | \$1,075,699 | \$180,913 | \$103,371 |

This represents an increase of 10.6 percent (\$103,371) compared to the FY 2013-14 appropriation. The increase is due to the annualization of the prior year decision item that funded this function.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

The Office of the Governor's Strategic Plan includes an objective to improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. Information technology services provided by OIT assist agencies in meeting this objective.

Issue: Governor’s Office of Information Technology Structural Change Requests

The Governor’s Office of Information Technology (OIT) requests a change for FY 2014-15 and beyond to consolidate information technology appropriations to State agencies for IT services from five categories into one category, and realign the OIT Long Bill line items into a structure that more closely mirrors its operational functions.

SUMMARY:

- The Office requests that appropriations made to State agencies in the Long Bill for the purchase of information technology services be collapsed from five common policy line items (Management and Administration of OIT, Purchase of Services from Computer Center, Multiuse Network Payments, Communication Services Payments, and Information Technology Security) into one common policy line item (Payments to OIT); and
- OIT also requests a reorganization of its Long Bill line item structure to more accurately reflect its operations. This reorganization includes the consolidation of personal services and operating expenses line items in program line items.

RECOMMENDATION:

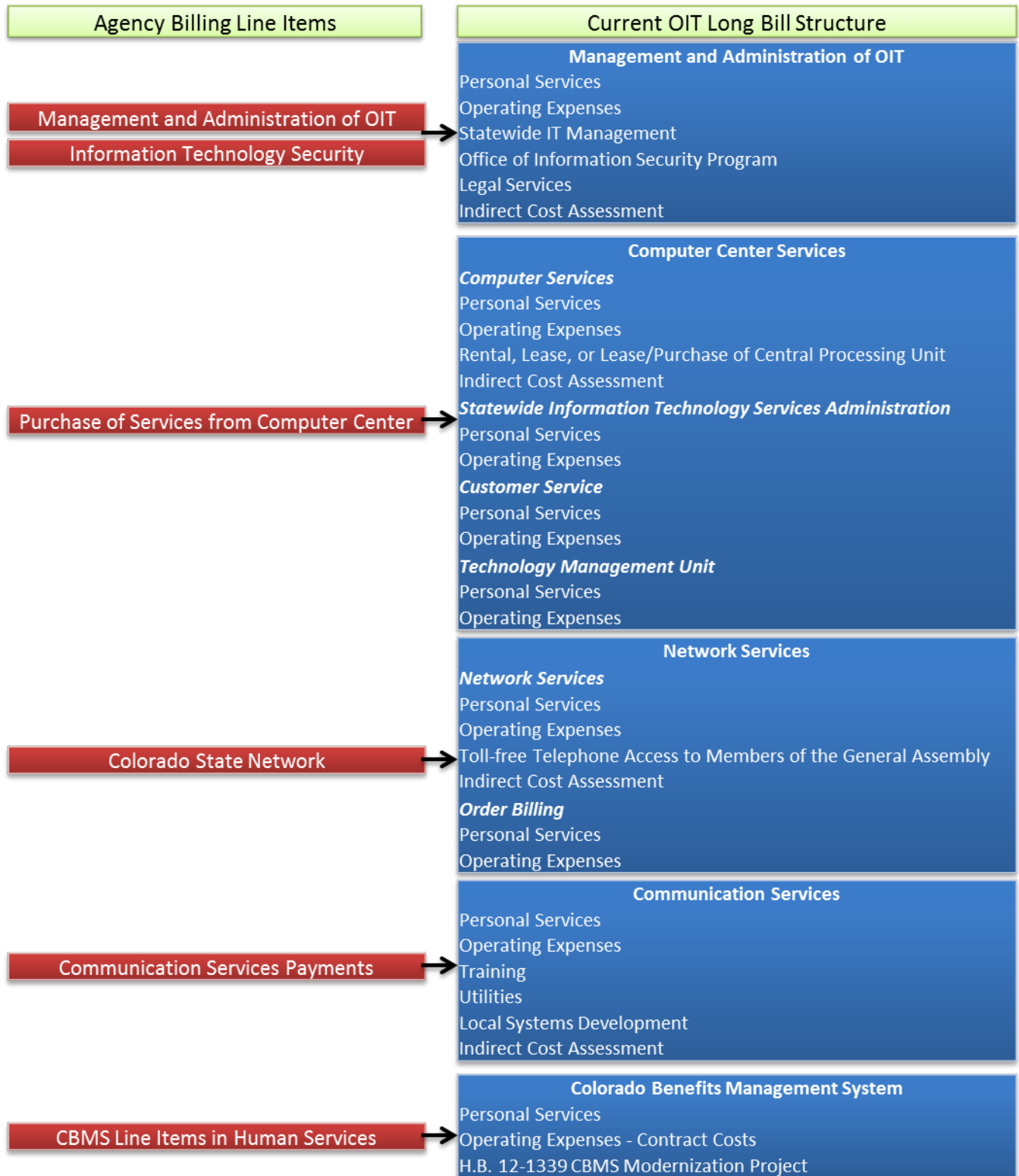
Staff recommends that the Committee approve the Office’s request to consolidate information technology appropriations to State agencies for IT services from five categories into one category for FY 2014-15 and beyond. However, staff recommends that the Committee reject the Office’s Long Bill realignment request for FY 2014-15 and beyond, and instead implement a Long Bill structure for the OIT that identifies operational functions at a finer level of granularity than is currently included in the Long Bill or is outlined in OIT’s request.

DISCUSSION:

Background

The Governor's Office of Information Technology (OIT) provides services to State agencies on a cost reimbursement basis with OIT acting as a vendor to State agencies. These costs are billed to State agencies through five common policy line items that appear in each agency (note, some agencies do not consume all of the services, thus not all agencies have all five line items): Management and Administration of OIT, Purchase of Services from Computer Center, Colorado State Network, Communication Services Payments, and Information Technology Security. The moneys paid to OIT from the appropriations made to each agency are reappropriated in the Long Bill in the following line items:

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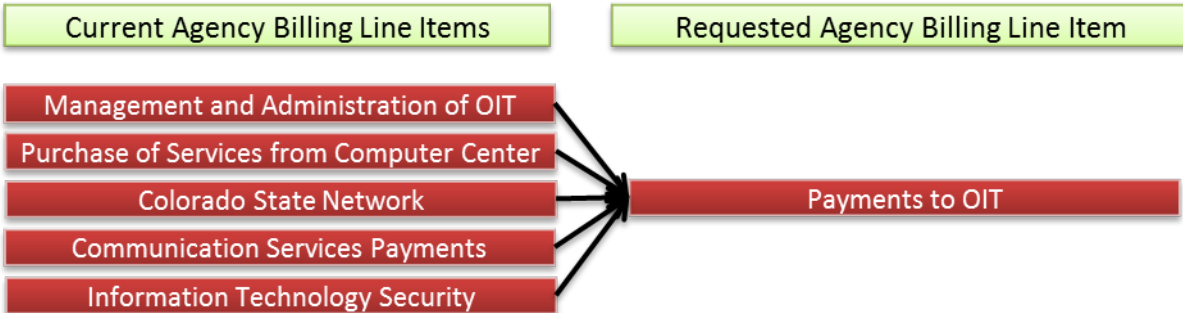


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Proposed Structural Changes

OIT proposes three structural changes for FY 2014-15:

1. **Common Policy** – It is requested that all moneys appropriated to agencies for OIT services be housed in one line item versus the current line item structure of five line items.



The appropriations provided to agencies to purchase services from OIT are based on projections and forecasts of service consumption based on historical usage. Agencies, however, may consume more of less of the services throughout the fiscal year than was originally projected. Each fiscal year appropriation contains true-ups from the two prior fiscal years to remedy the discrepancy between projections and usage so that costs are billed according to the service used and service consumed. For example, assume that the Department of XYZ was appropriated and consumed the following amounts of Colorado State Network services.

| Department of XYZ IT Appropriation vs. Actual Usage | | | |
|-----------------------------------------------------|-------------------|-----------------|-----------------|
| Colorado State Network | FY 2011-12 | FY 2012-13 | Total |
| Appropriation | \$500,000 | \$600,000 | \$1,100,000 |
| Actual Usage | 485,000 | 625,000 | 1,110,000 |
| Difference | (\$15,000) | \$25,000 | \$10,000 |

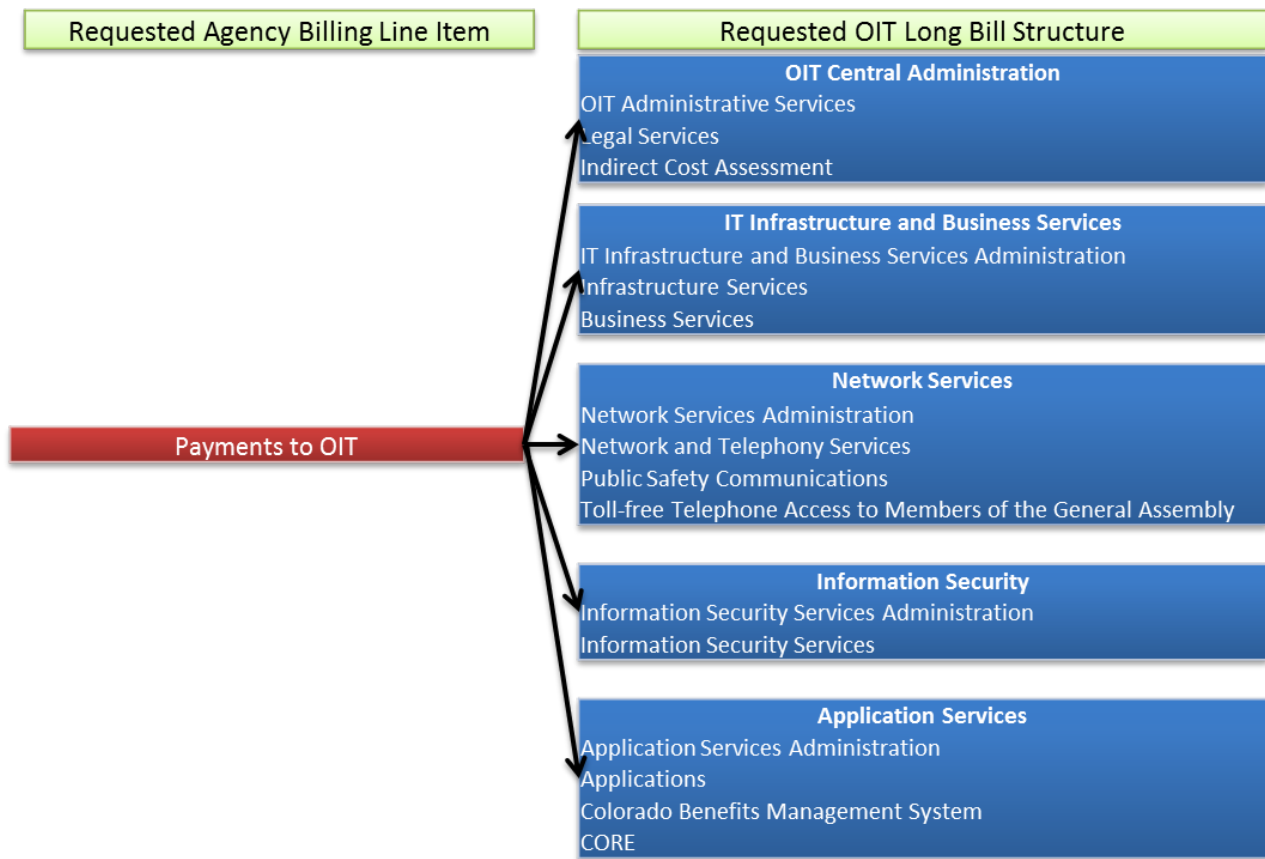
In this example, the FY 2014-15 appropriation would build in an increase of \$10,000 to true-up the usage from the two previous fiscal years. OIT indicates that performing this true-up within five billing line items is an administrative burden to itself and the departments because it is not uncommon for agencies to see a significant single line increase while another line decreases by an equivalent amount, thus negating the need to perform true-ups that span across fiscal years.

2. **Program Lines** – The current Long Bill structure of OIT line items, as illustrated above, is in nearly all instances based on a model of separate personal services and operating expenses line items. The agency indicates separating appropriations into personal services and operating expenses creates a barrier to efficiency because it limits opportunities to implement more effective operations through the exchange of operating expenses for personal services or personal services for operating expenses. OIT states that “today’s personal service funds are tomorrow’s operating funds,” which is based on the premise that developing new services requires a reliance on personal services for internal staff to establish protocols for services delivered and these expenses can frequently be transitioned to outside vendors (operating expenses) after the services is available. Additionally, OIT posits that limitations on the flow of funds between personal

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services and operating expenses frequently prohibit the timely replacement of aging equipment because operating funds are not available and holding personal services vacancies does not free up usable funds. For these reasons, OIT requests that its appropriations for personal services and operating be consolidated into a series of program lines.

3. **Long Bill Reorganization** – In the years following the initial consolidation, at the recommendation of staff, the Long Bill line item structure for OIT was built in a manner that accentuated the relationship between the five common policy billing line items and the corresponding appropriations to OIT (as shown above). In hindsight, it is apparent that staff successfully portrayed this relationship, but in the process of doing so, neglected to provide transparency into the actual services being delivered by OIT. For example, the Long Bill currently contains a subdivision in OIT for Computer Center Services that is meant to mirror the agency appropriations in the Purchase of Services from Computer Center common policy line item. However, the Computer Center Services subdivision in OIT fails to identify which services (or categories of services) are provided within these appropriations (e.g. mainframe, server management, email services, etc). Additionally, the line items and subdivisions failed to consider OIT’s organizational structure. In an effort to increase transparency in identifying services with appropriations, and to align its current organizational structure, service delivery structure, and service rate structure with its appropriations, OIT is requesting a reorganization of the Long Bill as shown in the following chart.



Recommendation

Staff recommends the following for each of the three requested structural changes:

1. Common Policy – Staff recommends that the Committee tentatively approve the request to consolidate agency billings from five line items into one single line item named “Payments to OIT.” Staff’s initial approval of this proposal is based on three factors that require more discussion prior to the Committee making a final decision. First, staff must speak directly with additional State agency budget directors to determine if this consolidation would negatively impact their ability to provide accurate fund split information. Second, OIT must ensure the Committee that it is able to document its recoverable costs and rates based on the appropriation (rather than just its request) by the beginning of each fiscal year so that agencies have clear documentation explaining year-over-year changes at the individual service level. The Committee may choose to use a Long Bill footnote or RFI to highlight the need for this data. Third, staff recommends that the approval of this request only be granted if it is accompanied by a Long Bill structure that represents a more granular level of services provided by OIT than is currently in place or requested (see staff’s recommendation #3 below).

2. Program Lines – Staff recommends rejecting OIT’s request to consolidate personal services and operating expenses line items into program lines for three reasons. First, program line items provide agencies with flexibility to spend moneys on personal services or operating expenses at its own discretion without having to consult with the legislature about the factors driving changes. By separating the personal services and operating expenses appropriations, the legislature is able to more closely study why changes are needed, implement budgetary fixes based on the needs, and/or make policy changes based on the needs.

Second, statute governing OIT currently provides more fiscal flexibility than is afforded to the majority of State agencies. Specifically, statute indicates that any General Fund moneys appropriated directly to OIT or collected from agencies for the provision of services by OIT (e.g. common policy billings) that have not been expended at the end of each fiscal year do not revert to the General Fund. Instead, these moneys are transferred to the Information Technology Revolving Fund, which is continuously appropriated to OIT where the moneys can be expended without consulting the legislature. For FY 2013-14, OIT indicates that this fund will contain \$762,142.

Third, while OIT indicates that “today’s personal service funds are tomorrow’s operating funds,” it is staff’s opinion that implementing program lines is more likely to result in today’s operating funds becoming tomorrow’s employee salary increases. This concern is based on a comparison of OIT staff salaries and other executive branch agency salaries. Using the July 2013 State employee salary snapshot, OIT has the highest percentage of staff earning salaries of \$100,000 or more than any other agency. Specifically, OIT has 144.8 percent more employees earning \$100,000 or more as a percentage of its total workforce (9.8 percent) than the executive branch average (4.0 percent). In addition, OIT staff earning \$100,000 or more have a shorter tenure (13 years) than the weighted executive branch average for employees earning \$100,000 or more (14 years). The following table summarizes executive branch salaries.

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| July 2013 Snapshot of Executive Branch Staff Salaries | | | | |
|--------------------------------------------------------------|----------------------------------|---------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------|
| Agency | Total Number of Employees | Number of Employees w/Salaries Over \$100K | Percentage of Employees w/Salaries Over \$100K | Average Years of Service of Employees w/Salaries Over \$100K |
| OIT | 876 | 86 | 9.8% | 13 |
| Local Affairs | 153 | 15 | 9.8% | 13 |
| Public Health and Environment | 1,358 | 130 | 9.6% | 15 |
| Personnel | 367 | 35 | 9.5% | 14 |
| Education | 851 | 79 | 9.3% | 5 |
| Regulatory Agencies | 566 | 52 | 9.2% | 14 |
| Health Care Policy and Financing | 490 | 26 | 5.3% | 12 |
| Transportation | 3,047 | 156 | 5.1% | 17 |
| Natural Resources | 2,444 | 104 | 4.3% | 16 |
| Revenue | 1,285 | 53 | 4.1% | 17 |
| Higher Education | 220 | 9 | 4.1% | 10 |
| Labor and Employment | 1,170 | 40 | 3.4% | 15 |
| Public Safety | 1,591 | 45 | 2.8% | 15 |
| Human Services | 5,035 | 131 | 2.6% | 14 |
| Agriculture | 469 | 7 | 1.5% | 16 |
| Corrections | 6,098 | 80 | 1.3% | 16 |
| Military and Veterans Affairs | 157 | 2 | 1.3% | 16 |
| TOTALS / AVERAGES | 26,177 | 1,050 | 4.0% | 14 (weighted) |

3. Long Bill Reorganization – Staff recommends rejecting OIT’s request to reorganize its Long Bill structure in the manner described above. Instead, staff recommends that a more granular structure be implemented that provides more transparency on appropriations for categories of specific services, as shown on the following page.

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Recommended OIT Long Bill Structure

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(A) OIT Central Administration Central Administration Personal Services Central Administration Operating Expenses Project Management Personal Services Project Management Operating Expenses Legal Services Indirect Cost Assessment</p> | <p>(D) Information Security (1) Service Administration Personal Services Operating Expenses (2) Information Security Services Information Security Governance Personal Services Information Security Governance Operating Expenses Network Security Operations Personal Services Network Security Operating Expenses</p> |
| <p>(B) IT Infrastructure and Business Support (1) Service Administration Personal Services Operating Expenses (2) Infrastructure Services Data Center Personal Services Data Center Operating Expenses Mainframe Services Personal Services Mainframe Services Operating Expenses Hosted Services Personal Services Hosted Services Operating Expenses (3) Business Services End User Services Personal Services End User Operating Expenses Email Services Personal Services Email Services Operating Expenses</p> | <p>(E) Applications (1) Service Administration Personal Services Operating Expenses (2) Application Services Enterprise Applications Personal Services Enterprise Applications Operating Expenses Agency Applications Personal Services Agency Applications Operating Expenses CBMS Personal Services CBMS Operating and Contract Expenses CORE Personal Services CORE Operating Expenses</p> |
| <p>(C) Network Services (1) Service Administration Personal Services Operating Expenses (2) Network and Telephony Services Network and Telephony Services Personal Services Network and Telephony Services Operating Expenses Toll-free Telephone Access to Members of the General Assembly Public Safety Communications Personal Services Public Safety Communications Operating Expenses</p> | |

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

The Office of the Governor’s Strategic Plan includes an objective to improve the delivery of services to Colorado’s citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. Information technology services provided by OIT assist agencies in meeting this objective.

Issue: Governor’s Office of Information Technology New Funding Requests

The Governor’s Office of Information Technology (OIT) requests an increase of \$13.0 million total funds, including \$0.4 million General Fund, and 0.8 FTE for FY 2014-15 for information security, redundant application consolidation and elimination, network equipment, mapping, service management, public safety communications, and training initiatives.

SUMMARY:

- The Governor's Office of Information Technology (OIT) is responsible for the operation and delivery of information and communications technology services and innovation across all executive branch agencies; and
- OIT’s FY 2014-15 budget request seeks an increase of \$13.0 million total funds, including \$0.4 million General Fund, for information security, redundant application consolidation and elimination, network equipment, mapping, service management, public safety communications, and training initiatives.

DISCUSSION:

Proposal One – Secure Colorado Phase II

The Colorado Information Security Program is the State’s source for cyber security awareness, monitoring, and defense. The Program is responsible for protecting all executive branch agencies, the judicial branch, and the office of State elected officials. Prior to FY 2007-08, information security activities had a revenue stream of federal moneys from Flexible Funds and a Department of Homeland Security grant. Once these moneys were expended prior to the beginning of FY 2007-08, OIT did not have a dedicated revenue source, and all services provided by the Office were absorbed within existing moneys collected from State agencies. With limited financial resources, various policies and partnerships to keep pace with cyber security threats were implemented. The limited resources dedicated to information security were shown to be ineffective in dealing with the scope of today’s cyber security issues, however.

The Office of the State Auditor commissioned a comprehensive penetration test of State systems in 2010 and found that Colorado State government agencies are at a high risk of a system compromise and/or data breach by individuals both internal and external to the State. Specifically, the testers were able to compromise thousands of citizen records housed in State databases. The intrusion detection system used by OIT to monitor network gateways for unauthorized traffic and attacks simply could not keep up with the volume of State transactions it was required to track. Additionally, during FY 2012-13, the State was hit with an average of over 600,000 cyber security attacks per day. Of these attacks, 25 percent were malware, Trojans and worms, 50 percent were web attacks (including SQL injection), scamming/phishing attacks, and denial of service attacks, and 25 percent were composed of advanced persistent threats that combine multiple and sophisticated attack methods. Of this total, approximately 33 percent of

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the attacks were considered high or medium severity. Given this data, the State’s role as a service provider and repository of sensitive citizen information requires improvements to be made in the area of cyber security to prevent a real-life, costly attack on the State’s sensitive data.

In FY 2013-14, OIT began the implementation of a multi-phased initiative, known as Secure Colorado, to mitigate current information security risks. The three year plan focuses on implementing security controls that have been proven to prevent the majority of cyber security threats by industry experts and the federal government. Additionally, a key component of Secure Colorado is the formation of the Colorado Information Security Advisory Board (CISAB) to bring together experts in the cyber security field from all sectors to provide guidance to OIS as it progresses through its three year plan. For FY 2013-14, OIT received an appropriation of \$1.1 million reappropriated funds collected from State agencies to begin implementing the three year plan. The moneys are being used for the following functions:

| FY 2013-14 OIT Enterprise Security Services Projects | | |
|-------------------------------------------------------------|------------------------|-----------------------------------------------------------------------------------|
| Service | Reapprop. Funds | Goal |
| Intrusion Detection | \$467,500 | Quickly identify and contain cyber attacks |
| Threat and Vulnerability Management | 228,000 | Identify and remediate vulnerabilities in State systems |
| Network Segmentation Equipment | 187,500 | Segment and protect networks containing most sensitive data |
| Centralized Firewall Management | 137,000 | Centrally manage the hundreds of State firewalls |
| Sensitive Network Authentication | 55,700 | Implement more than user authentication to access sensitive data and applications |
| Total | \$1,075,700 | |

For FY 2014-15, OIT requests \$4.1 million reappropriated funds collected from State agencies for Secure Colorado Phase II, the second part of the three-year phased implementation plan focusing on those critical security controls that have been proven by industry experts and federal agencies to prevent and/or detect and contain 90 to 95 percent of known cyber security threats. The components of Phase II include:

| FY 2014-15 Secure Colorado Phase II Request | |
|----------------------------------------------------|--------------------|
| Item | Cost |
| Core Security Infrastructure Upgrade | \$1,100,000 |
| Application Firewalls / Monitoring | 750,000 |
| Identity and Automated Access Control | 1,500,000 |
| Managed Security Services | 750,000 |
| TOTAL | \$4,100,000 |

- **Core Security Infrastructure Upgrade** – Funds will be used to upgrade existing, core security infrastructure that has reached end of life or is no longer sufficient to handle existing bandwidth and/or cyber threats, including firewalls, domain name servers, IP address and firewall rule sets management/audit tools, network forensics (deep packet inspection)

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appliances and licenses, secure password management vaults, and enterprise incident identification, response, and reporting toolsets;

- **Application Firewalls / Monitoring** – Funds will be used in deploying application firewalls to protect OIT’s list of internet-facing critical and essential web applications. In addition, these funds will be used to implement a continuous application monitoring system so that OIT’s critical and essential applications can be monitored in real-time, attacks can be automatically stopped, and incident response teams, if necessary, know where and how to quickly respond to stop/contain successful attacks;
- **Identity and Automated Access Control** – Funds will be used to procure and implement the necessary software and hardware to identify all systems connecting to state networks as trusted or un-trusted and then to automatically apply network, application, and host-based rules to control what types of data and network resources these systems can access and what the systems can do with this data. This is one of the most critical components of Secure Colorado and is essential for ensuring both state-owned and “bring your own device” and/or mobile devices of any kind are properly identified and controlled; and
- **Managed Security Services** – Funds will be used to procure the necessary professional services to architect, deploy, and operationalize the items listed above. In addition, these funds will support a managed service to provide 24x7x365 monitoring of state systems, including threat and vulnerability identification, attack identification, and incident response.

Staff recommends funding Secure Colorado Phase II for FY 2014-15. The August 2013 report on information technology from the Office of the State Auditor indicates that information security remains a primary risk area for the State.³ Specifically the State Auditor has identified the following areas of risk:

- Inactive user login accounts have not been disabled, giving attackers and employees looking to commit fraud the opportunity to impersonate legitimate users;
- Computer hardware, software, and network devices that are installed with default security settings that are geared to ease of deployment and ease of use are vulnerable to exploitation. In addition, updates to software are not always applied in a timely manner and can introduce unknown weaknesses, leaving a computing device vulnerable to attack;
- Continuous vulnerability assessment, remediation, and incident response management must be increased to find and address computer software vulnerabilities reduce the opportunity for persistent attackers to gain access to sensitive data;
- To help ensure that systems can be brought up after a data loss or system failure, a backup copy of the operating system, application software, and data on a computer should be included in the overall backup procedures, and the backup procedures should be performed regularly;
- There is a need to address information security training, adequate information security policy creation and oversight, and assessment of information security knowledge and skills of information technology and business staff.

³ Ray, D.E., Devlin, M., Collins, S., & Chickillo, J. Information Technology in Colorado State Government, August 2013.

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- The State Auditor found that many of the systems in the State are not programmed or configured to generate or retain audit logs. Further, for many systems that do generate and retain audit logs, there is no regular log review to identify and respond to abnormal system events. In this way, many system attackers rely on the likelihood that many organizations do not consistently review audit logs and therefore do not know whether their systems have been compromised;
- The State Auditor cites the need to control and limit the use of administrative privileges. This is to protect against a common technique used by attackers, including employees committing fraud, is the elevation of privileges to an application by guessing, cracking, or otherwise obtaining an administrative password, which then allows access to sensitive information or financial systems that could ultimately result in financial loss; and
- Inventorying authorized and unauthorized devices is one of the top critical security controls that when performed can help to reduce security risk. Without an accurate inventory of what is deployed, OIT security services cannot guarantee that all computing hardware and software are secured, thus leaving the network open to attacks and a potential loss of data.

OIT has taken the appropriate steps via the Secure Colorado initiative to address the concerns raised by the State Auditor. The agency's plan, detailed in the document entitled Colorado's Strategy for Information Security and Risk Management, outlines its strategic priorities, goals that must be achieved to meet its strategic priorities, and the measures put in place to determine the success of the agency in meeting those goals. It is staff's opinion that funding Phase II of this project addresses the needs identified by the State Auditor and other risks to the State identified by OIT in a manner that is clearly articulated to the legislature and able to be easily monitored for performance based on the agency's strategic plan documents.

Proposal Two – Eliminate Redundant Applications

OIT has completed an inventory of all information technology applications used by State agencies. It indicates that it supports over 1,200 different applications statewide. Many of these tools overlap in terms of function and present opportunities to be consolidated or eliminated through the use of standardized, enterprise-level applications that perform the same tasks and are currently supported by OIT. These tools include:

- Google Applications for Government – workflow, collaboration, and business intelligence;
- Salesforce.com – collaboration, licensing, regulatory functions, business intelligence, personnel management, grants management, and customer relationship management;
- Perceptive Software – document management and workflow; and
- Colorado Operations Resource Engine (CORE) – asset and financial management and grants management.

OIT requests an appropriation of \$3.0 million reappropriated funds collected from State agencies to begin the transition of agency "one-off" applications to enterprise-level tools licensed and supported by OIT. The Office indicates that this solution allows for "steady state" operation while transitioning to the enterprise solutions, which limits State agency program and Colorado resident impact during the process. In other words, agencies will continue to use existing tools while transitioning to the enterprise tools.

Staff recommends rejecting the request to provide funding to OIT to eliminate redundant applications in State agencies. The plan submitted by OIT fails to acknowledge the elephant in the room: State agencies are appropriated operating funds for information technology tools. Without including a detailed plan for reducing agency expenditures in FY 2014-15 and/or future years that are realized as a result of tool consolidation or elimination, OIT is asking the legislature to fund the expenses of delivering programs twice.

OIT states that it will submit future budget actions to realign current application spend within State agencies and request adjustments to move to enterprise licensing for the consolidated applications. However, this statement is troubling to staff for two reasons. First, State agencies control the funding requests submitted to the legislature for operating expenses for information technology assets regardless of OIT's input. OIT has been unable to develop a comprehensive plan to remedy this disconnect. Instead, the agency has previously asked the legislature to backfill its operating needs in absence of a plan. It is of concern to staff that this request is just another example highlighting the difficulties OIT encounters in providing services to State agencies that it attempts to solve by asking for additional funds rather than solving the underlying issue.

Second, staff is leery of any promises made by OIT to submit future budget reduction items corresponding to the cost savings associated with service delivery. Since the consolidation of information technology resources in the Governor's Office began in 2008, staff can recall only one example of a budget reduction item submitted to the legislature despite claims by the agency during this time period that it has saved the State money in the delivery of various services. It is staff's opinion that OIT's claims of budgetary savings are actually cost avoidances, and there is nothing submitted with this request that leads staff to believe that the legislature will ever receive a budget reduction request from any State agency if this request is funded.

Proposal Three – Capitol Complex Network Resiliency

The State's network infrastructure has evolved from a department-managed mainframe environment to a distributed enterprise infrastructure. Leveraging a new contract with CenturyLink to upgrade the State's network to the new Colorado State Network, OIT has implemented technologies to satisfy the needs of State agencies during this evolution, including implementing technologies for speeding up network traffic flow and making it easier to manage. This has allowed OIT to develop both private and public cloud services for all State agencies. These cloud services rely on constant availability to ensure viability in supporting agency programs. To ensure availability, OIT has deployed its cloud environment tools in data centers that provide virtual redundancy in case of outages occurring in one area.

OIT states that there are areas of the CSN within the Capitol Complex (Lakewood Data Center, Pueblo 2 Jetway, 4201 East Arkansas, North Campus, Grand Junction, Cap Life Building, and 1525 Sherman) that require attention to mitigate implementation flaws, primarily single points of failure of key network equipment, upgrade key existing equipment to support new features and services of the cloud environment, and the support the appropriate service and maintenance of key hardware and software components. For FY 2014-15, OIT requests an appropriation of \$660,000 reappropriated funds collected from State agencies to address these issues.

Staff recommends tentatively approving this request for funding for FY 2014-15. Staff's initial approval of this proposal is based on two factors that require more discussion prior to the Committee making a final decision. First, the technologies proposed for implementation with the requested funds are highly complex in nature, which requires a greater level of understanding than staff is currently able to provide to the Committee. The approach explained by OIT appears to mirror industry standards, however staff requires more time to fully understand all of the components to determine if the upgrades are required and appropriately priced.

Second, this request highlights the need for adequate asset management and asset planning within OIT. For FY 2013-14, the General Assembly provided \$0.4 million to OIT to implement a system to track the information technology assets currently in stock, including the condition, usage, and future refresh requirements. The appropriated funds are being used to license asset tracking software, maintain the software license, and host and maintain the system environment. It is staff's opinion that OIT has not made the progress to date on asset tracking that was anticipated. Specifically, the agency has been unable to provide an official strategic plan for how assets will be tracked, how refresh requirements will be determined, and how future expenses will be forecasted. In the absence of a base level asset management plan (or actual list of assets and asset condition), staff is unable to determine if the funds requested by OIT to upgrade the network equipment within Capitol Complex facilities is the most critical need for the State or if the funds should be invested in other locations or for other equipment. Staff recommends that the Committee use this funding request to have a broader conversation with OIT about its plans to prioritize asset replacement, develop expense forecasting methodologies, and determine whether equipment (including hardware and software) replacement is considered a capital expense or an operating expense.

Proposal Four – Broadband Mapping Strategy

The National Telecommunication and Information Administration's State Broadband Data and Development grant awarded to OIT currently funds 7.5 FTE to map broadband availability throughout the state, develop statewide standards for public safety, assist local governments to develop and implement regional broadband plans, integrate broadband technologies throughout various State and local agencies, and promote and coordinate distance learning opportunities across the state. The grant currently provides about \$1.0 million in funding a year to OIT for these purposes, and is scheduled to conclude in October 2014. OIT is requesting \$428,866 General Fund for FY 2014-15 to continue the projects supported by the federal grant that align with OIT's core services. Specifically, OIT proposes the following:

- Continuation and refinement of the mapping of broadband availability and capacity throughout the state;
- Continuation of the efforts to develop a statewide address data set to increase the effectiveness of public safety response throughout the state;
- Continue to assist local governments and regions in developing broadband plans to identify specific issues and develop solutions for all regions of the state; and
- Hire a Broadband Architect to ensure that all broadband solutions within the state are developed with proper technical guidance.

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Staff recommends rejecting OIT’s request to backfill federal moneys with General Fund moneys for FY 2014-15 for the projects listed above. It is staff’s opinion that federal funds previously available to OIT to map broadband availability allowed the agency to develop a program that is not a core function of state government. The only potential use of the data that staff identified as aligning with current state government operations is for economic development purposes (e.g. site selection). After consulting with the Office of Economic Development and International Trade, though, it was determined that the Office does not use the data provided by OIT because it does not meet the level of specificity needed by the business community when making site selection decisions. Instead, the Office indicates that it has established protocols with service providers across the state to share sensitive data with the businesses that it supports.

Additionally, OIT indicates that the mission of its broadband planning effort is to promote an environment that enables a cost effective, sustainable, high-speed, scalable broadband network and encourages the adoption and use of broadband services for improved health, safety, education and economic development. Staff is skeptical that entities requiring broadband are unaware of its benefits or how to negotiate for the best price of the service. Unless the role of state government is defined to include providing broadband services to businesses, local government entities, and citizens, staff views the function of broadband planning as a task to be performed by the consumer, based on their specific needs.

Staff, however, does recommend funding the request at a lower level to ensure that OIT has adequate geographic information systems (GIS) personnel to support the creation and maintenance of statewide address data for public safety purposes, as well as coordinating the production, maintenance and dissemination of other base level data needed for multiple purposes by State agencies and the public. Staff also recommends that the function be billed out to all State agencies, as it is a shared resource.

| Recommended Appropriation by Position | | |
|----------------------------------------------|-------------------|-------------------|
| Position | FY 2014-15 | FY 2015-16 |
| GIS Outreach Coordinator | \$54,400 | \$81,600 |
| GIS Analyst | 35,200 | 52,800 |
| GIS Analyst | 35,200 | 52,800 |
| GIS Analyst | 30,400 | 45,600 |
| TOTAL | \$155,200 | \$232,800 |

Proposal Five – Service Management Ecosystem

OIT indicates it has reached the point in its organizational maturity when it requires a set of cohesive and integrated tools to most efficiently and consistently deliver technology support and services to State agency programs and to Colorado residents. This maturity requires tools to link together the following organizational components:

- Service desk – Customer incident and problem management, customer service request management, customer program change management, and configuration management database;
- Store front – Customer-facing web portal;

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- Service catalog – Customer-facing service offerings;
- Clarity – OIT project management, OIT resource allocation, and OIT service management;
- Asset management – Customer asset tracking, reporting, and change management;
- Client management – Customer asset discovery, software delivery, and remote control; and
- Network management system – Enable mission thread visibility for OIT and customer.

Without new tools, OIT states that it will continue to operate with many different, disconnected systems which impede the potential for the organization to truly improve on customer service, project completion and technology innovation. The agency has taken steps to solve these issues, and has identified the following needs:

- Components have been purchased and implemented as standalone and these components do not “speak to each other” providing a frustrating customer experience;
- No single repository for data exists which creates an inability to quickly respond to requests and an inability for users to generate reports automatically. As a result, manual processes and inefficiencies abound within OIT and State agencies; and
- OIT, as a service provider, has established a service catalog from which agencies may request services, but service catalog is not automated and does not link with other systems to provide a seamless deployment and tracking of services ordered (including FTE, hardware, software, operations, and maintenance).

For these reasons, OIT requests \$3.5 million reappropriated funds collected from State agencies for FY 2014-15 for software, licensing, training and professional services needed to purchase and implement a system to track all OIT activities and functions. **Staff recommends that the Committee tentatively approve the request**, but work with the agency to determine how new tools will be used to more effectively forecast costs to OIT for infrastructure (hardware and software), for personal services, and costs to agencies for services delivered by OIT.

Proposal Six – Digital Trunked Radio System (DTRS) Operations Increase

The Colorado Statewide Digital Trunked Radio System (DTRS) provides interoperable radio communications between State, local, regional, federal, and tribal agencies. For FY 2013-14 and prior fiscal years, OIT received an appropriation of \$183,231 totals funds for the operating expenses of the system. The agency indicates that this level of funding is inadequate to meet the operational needs of a system that has grown exponentially over the past decade via federal and State grant programs that are no longer available. As a result, OIT requests \$1.1 million reappropriated funds collected from State agencies for FY 2014-15 (and future fiscal years) for the following expenses. Note, funds for this request will support State-owned components of the public safety radio system only.

| FY 2014-15 DTRS Operating Expenses Request | |
|--------------------------------------------------------------------|-------------|
| Item | Cost |
| Software License Renewal (monitoring system) | \$55,000 |
| Tech Support, Security Updates, and Power Supply Maintenance | 378,521 |
| Preventative Maintenance on Radios | 85,000 |
| Replacement of Two Microwave Transceivers at Three Towers Per Year | 540,000 |

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| FY 2014-15 DTRS Operating Expenses Request | |
|--------------------------------------------|--------------------|
| Item | Cost |
| Fiber Lease | 57,876 |
| TOTAL | \$1,116,397 |

Staff recommends funding the request to increase the operating expenses line item for the DTRS. For more information on this recommendation and other DTRS recommendations, see staff's briefing issue in this document entitled "Long-term Funding Solutions for Public Safety Communications."

Proposal Seven – IT Technical Development

OIT requests an appropriation of \$256,620 reappropriated funds collected from State agencies for FY 2014-15 to increase technical training and certification opportunities for staff. Currently, OIT does not have funding dedicated to training, as these moneys remained in the operating expenses line items of individual State agencies during the consolidation of information technology personnel in OIT.

Staff understands the value of training in the information technology field, and is aware that information technology agencies have a higher rate of turnover than non-information technology agencies. **For these reasons, staff recommends that the Committee approve OIT's request for \$256,620 reappropriated funds for FY 2014-15 for training.** However, for the record, staff notes that this request represents another example of the situation discussed above in which OIT and State agencies have failed to develop and implement a plan to govern operating expenses for information technology purposes. In lieu of a plan, OIT is requesting that the legislature appropriate additional funds even though moneys for information technology training may be available within agency operating expenses line items.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

The Office of the Governor's Strategic Plan includes an objective to improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. Information technology services provided by OIT assist agencies in meeting this objective.

Issue: Long-term Funding Solutions for Public Safety Communications

The Colorado Statewide Digital Trunked Radio System (DTRS) provides interoperable radio communications between State, local, regional, federal, and tribal agencies. The system represents a cross-agency collaboration funded by a variety of State Capital Construction Fund moneys, user fees, local government General Fund, and federal grants. The report from the Consolidated Communications System Authority (as required by statute) indicates that the system’s infrastructure must be upgraded to maintain short-term and long-term system viability.

SUMMARY:

- Interoperable radio communications are a critical technology for search and rescue, emergency response, disaster management, and other public safety functions, allowing personnel from multiple agencies to rapidly share information and coordinate efforts. The current network in Colorado is the Digital Trunked Radio System (DTRS);
- The Consolidated Communications Systems Authority, created via the Joint Budget Committee-sponsored H.B. 12-1224, represents entities that use DTRS as a primary means of public safety communication, and is tasked with providing a report to the Committee concerning DTRS's operational and capital needs and funding options to meet those needs; and
- The Authority’s 2013 Annual Report indicates that DTRS has a number of infrastructure upgrades and maintenance needs that exist because, since its inception, a true business plan has never been developed nor has a reliable funding stream been identified to ensure its viability and success. These factors led to several core infrastructure partners leaving DTRS to construct a new public safety communications network separate from DTRS.

RECOMMENDATION:

As stated by the Consolidated Communications Systems Authority (CCSA), “DTRS presently has a number of infrastructure upgrades and maintenance needs that exist because, since its inception, a true business plan has never been developed nor has a reliable funding stream been identified to ensure its viability and success.” While CCSA is referring to the system as a whole, the same statement could apply to only the State-supported portion of the system, too. Staff recommends that the Committee develop a long-term funding strategy to meet the needs of DTRS.

DISCUSSION:

Background

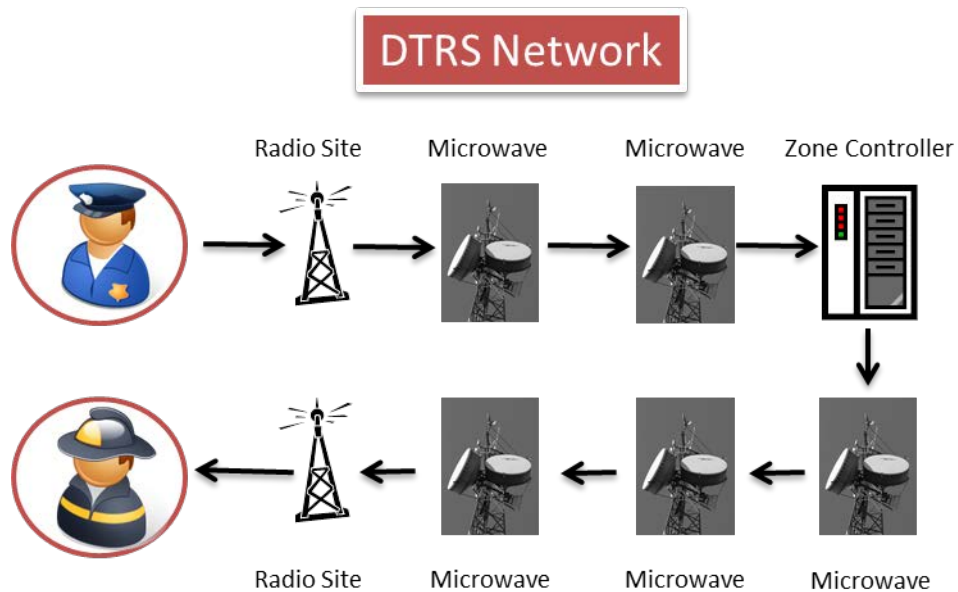
In the 1990s, State, local, and federal government entities across the state were using multiple communications systems. The systems were not interoperable in all instances, meaning communication during an emergency incident was hampered by the technical inability for one response team (a county sheriff's office, for example) to speak to a second response team (State Patrol, for example). Officials from local, State, federal, and tribal government agencies partnered together and crafted a phased project plan to develop a communications system that would be available to all public safety, public service, and governmental agencies to use as either their primary radio system or for interoperable communications only. The communications system was named the Colorado Statewide Digital Trunked Radio System (DTRS).

Two groups “own” DTRS. The first group, known as the "core infrastructure partners," is made up of agencies engaged in the beginning stages of the development of DTRS, who have made significant infrastructure investments, and/or have made investments benefitting the statewide system as a whole. The "core infrastructure partners" include:

- Adams County;
- Arapahoe County;
- Douglas County;
- Jefferson County;
- Weld County;
- Northern Colorado Regional Communications Network (City of Fort Collins, City of Loveland, Northern Colorado Water Conservancy District, and others);
- Pike's Peak Regional Communications Network (City of Colorado Springs and El Paso County); and
- Governor's Office of Information Technology.

The second group includes CCNC infrastructure owners (other than the "core infrastructure partners") that possess any element or equipment defined as part of the DTRS network infrastructure including master switches, transport links, radio sites, or communications centers. This group adds infrastructure within their own jurisdictional system, but does not make investments to support the statewide system as a whole.

Note, the Governor's Office of Information Technology supports three of DTRS' zone controllers (Denver, Grand Junction, and Fort Collins) and Pike's Peak Regional Communications Network supports the fourth and final DTRS zone controller. The zone controller can be thought of as the brains of the network that routes the communication traffic and manages the network to ensure system availability for all communications regardless of the size or type of incident. The following graphic illustrates the role of the zone controller in routing communications. In this example, a police officer is talking to a fireman located at a second location.



Funding Support for DTRS Shows Ebbs and Flows

The legislature created the Public Safety Communications Trust Fund in 1998 via H.B. 08-1068 (Anderson/Ament), transferred \$50 million from the Capital Construction Fund to the Public Safety Communications Trust Fund, and appropriated \$50 million from the Public Safety Communications Trust Fund to DPA for the acquisition and maintenance of DTRS. DTRS received an additional \$7.95 million in Capital Construction Fund moneys in FY 2008-09. Nearly all moneys in the Public Safety Communications Trust Fund have been expended (less than \$400,000 remains, as of today).

The Division of Local Government, within the Department of Local Affairs (DOLA), provided significant funding for local governments to participate in and build-out the DTRS in their jurisdictions. Through the Colorado Wireless Interoperability Network (CWIN) Initiative, DOLA provided \$35 million in 2005 and 2006 as part of the State’s Energy and Mineral Impact Grants program (funded by a portion of the State's severance tax revenue and revenue from federal mineral leases) to local governments to purchase infrastructure for DTRS. CWIN added 58 new sites and additional infrastructure at 4 other sites. The CWIN program required that the owners (counties and cities) hold the DTRS equipment for a period of five years. At the end of the five year period it allows them to either keep the equipment or return it to the State, requiring the State to take ownership and incur related expenses. Many jurisdictions have engaged OIT in conversations about taking over the assets due to a lack of moneys at the local level to support the infrastructure.

In addition to State funds, DTRS received substantial federal funding through the U.S. Department of Homeland Security's State Homeland Security Grant program and Interoperable Emergency Communications Grant program, the U.S. Department of Commerce's Public Safety Interoperable Communications Grant program, and various other federal program moneys. The funds, totaling approximately \$78.5 million between FY 1998-99 through FY 2008-09, were provided to OIT and local government entities.

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For the day-to-day operations of DTRS-participating State agencies, OIT uses a fee-for-service model to collect funds from agencies. OIT is authorized to collect \$4.5 million for this purpose in FY 2013-14. OIT is statutorily prohibited from charging local users for access or use of the system (Section 24.37.5-505, C.R.S.).

“Users of the office's telephone and data communication services shall be charged the full cost of the particular service...except that no municipality, county, city and county, or special district shall be charged user charges on public safety radio systems of a state agency or other state entity.”

Local governments and regional entities fund the construction, operation, and maintenance of DTRS through General Fund, user fees and taxes, and other revenue generating strategies. An important point is that local governments are able to charge for access or use of their components of DTRS.

Consolidated Communications System Authority Created, Concerns Cited in Initial Report

The Joint Budget Committee sponsored H.B. 12-1224 (Becker/Lambert) establishing the Consolidated Communications Systems Authority (CCSA), a statutory entity representing the interests of various members that use DTRS as a primary means of public safety communication. Members of the CCSA include local governments, law enforcement agencies, school districts, State and federal agencies, and other entities authorized to use public safety radio communications. The Authority represents its membership in strategic, technical, and regulatory matters and advises the Governor and General Assembly regarding the present status and future needs of the DTRS. On an annual basis, the CCSA must present a written report to the Committee concerning the DTRS's operational and capital needs and funding options to meet those needs.

The inaugural CCSA report in 2012 identified software as key area of focus to maintain system viability. For example, Motorola Solutions, Inc. (DTRS' platform) recommended that zone controller sites be upgraded with new revisions of software at least every two years to maintain system security, full support for bug fixes, and compatibility with the radio site software and dispatch center equipment. The zone controller sites had not been updated since 2008 when version 7.5 was installed (Motorola released version 7.14 in 2013).

In addition to security concerns associated with version 7.5, it only supported a dispatch-center interface that has been cancelled and for which repair parts are unavailable, limits the number of channels available to DTRS users, and hampers the system's ability to interface to non-DTRS systems (such as the City/County of Denver) in a manner offering a variety of functions above basic interoperability.

From a technology standpoint, it is important to note that users of DTRS (including local government entities, such as Weld County) were unable to update their equipment on the network until the zone controller software was upgraded.

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The report was clear that DTRS had significant needs, in terms of State-supported assets, but it did not identify any funding options that were viable besides providing direct appropriations (via the operating budget or capital construction budget processes) or repurposing an existing fund, such as the Colorado High Cost Support Mechanism.

Zone Controller Needs Funded At Last Minute

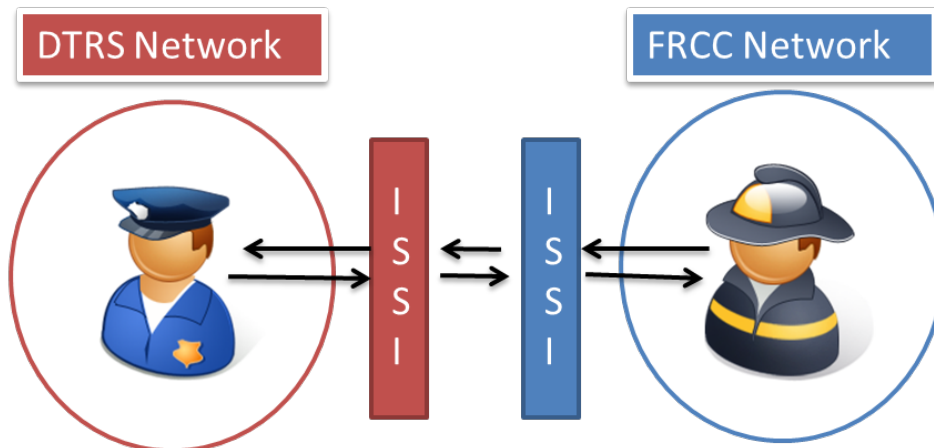
Reinforcing the points raised in the CCSA report citing critical system needs, OIT submitted a late budget amendment for capital construction funding and received \$3.7 million per year for four fiscal years (FY 13-14, 14-5, 15-16, and 16-17) for a phased project to implement the most current version of Motorola software.

Core Infrastructure Partners Weigh Options, Make Decisions Regarding DTRS Participation

Adams County and Weld County informed OIT that they are leaving the DTRS in early 2014 and have formed the Front Range Communications Center (FRCC) through an Inter-Governmental Agreement (IGA). FRCC will provide a public safety radio communications system for its member entities similar in nearly all ways to DTRS (e.g trunked, Motorola-based, and operated by a central zone controller), but operating independently of DTRS. The Douglas County Sheriff's Office has also announced plans to join FRCC in late 2014 or early 2015.

In contrast, the Arapahoe County Sheriff's Office announced that the county plans to remain on the DTRS network. "The decision to continue to partner with the DTRS is based on a variety of considerations including the extraordinary costs associated with moving to a new system, the strategic funding sources for sustainability of a new system, and the fact that millions of dollars, as well as time and energy, have been invested into the local, regional and state partnerships involving interoperability and the DTRS system."

Before discussing the fiscal implications to DTRS associated with the formation of FRCC, it is important to note that the establishment of networks separate from DTRS does not preclude agencies on different networks from communicating. From a technological standpoint, communication from FRCC entities to DTRS entities is feasible through the implementation of an interface within each network that enables users on different networks to communicate with each other. This product, called an Inter RF Subsystem Interface (ISSI), costs approximately \$80,000 for the equipment, and must be in place on both networks seeking to communicate. It is easiest to picture an ISSI as a translator between two different systems.



Justification for Leaving DTRS

As the Arapahoe County Sheriff indicated, the decision to leave DTRS does not come without a financial impact. Building out a new network requires significant investments in zone controller technology (the brains of the network), programming services for radios, system upgrades to individual tower sites, upgrades to dispatch consoles, and the installation of ISSI equipment to communicate with DTRS users.

So why leave DTRS? In a handout provided to the Northeast Regional EMS/Trauma Advisory Council members, Weld County and Adams County indicate that the benefits of leaving DTRS include fiscal equality amongst participants, long-term system sustainability, and increased opportunities for collaborative decision making by invested partners. OIT echoes these sentiments, indicating that the two entities have publicly announced their reasons for leaving DTRS are directly associated with sustainability and control of their respective systems. Local government entities, like Weld County and Adams County, first and foremost have a responsibility to citizens within those communities. By relying on the State to maintain the zone controller infrastructure, as well as its radio sites, local government entities must trust that the State will financially support its infrastructure at a level that matches the responsibilities the entities have to its citizens. Weld County, Adams County, and Douglas County indicate that the State has not been able to financially support its infrastructure at an acceptable level, holding them back from making necessary system upgrades until the State is able to dedicate additional resources.

Immediate Impact of Partners Leaving DTRS

The FRCC disaffiliation from DTRS includes reappropriation of assets previously assigned to DTRS. This includes the transistion of six towers in Weld county and two towers in Adams County from DTRS and consolidating them into the FRCC network. As a result of the eight towers being disaffiliated from DTRS, there will be significant loss of radio coverage in the Weld and Adams County areas for public safety communications. To meet this need, the Department of Public Safety, in conjunction with OIT, submitted an emergency supplemental for \$0.7 million to fill this radio coverage gap. *Note, the Committee is scheduled to review this request on the afternoon of Wednesday, December 18th.* It is unclear how public safety radio coverage will be impacted if/when Douglas County joins the FRCC and takes its infrastructure off DTRS.

Long-term Impact of Partners Leaving DTRS

Local government core infrastructure partners have been instrumental in building out and maintaining DTRS. They have invested millions of dollars in critical system assets that all DTRS users rely on for communication. The emergency supplemental request submitted by the Department of Public Safety shows what can happen if just two jurisdictions remove themselves from DTRS. If the trend continues, and more jurisdictions join FRCC or form their own regional network outside of DTRS, the State could potentially face significant financial costs to meet the coverage gaps so that the agencies that rely on DTRS (both State and local government entities) can continue to have an operable radio system.

Recommendation

It was staff's hope that the creation of the CCSA would spur conversations between partners to yield a long-term funding strategy to support DTRS. Instead, the Authority has highlighted the long-standing, unresolved conflicts over funding and control of DTRS. Several local governments along the Front Range are frustrated with the State's lack of committed funds to this mission critical network and do not view this relationship as something that can be salvaged. It is staff's opinion that it is unfortunate that leadership has not existed on the issue of financial stability, which now results in communities spending tax revenue to build a duplicative network that will require additional resources to interface with DTRS. There is nothing that can be done to bring Weld County and Adams County back to DTRS, though.

Regardless of the participation of Weld County and Adams County in DTRS, State agencies and local governments rely on the network for daily operations. The DTRS conversation needs to shift from relationship management to how State funds can best be invested in this changing environment. Additionally, the conversation should consider whether OIT is best positioned to represent the State in its dealings with local governments on DTRS matters.

Staff provides a series of recommendations for the Committee to consider related to the State's participation in DTRS. First, regardless of the funding level, staff recommends that the Committee make a long-term funding commitment to DTRS. The State must move from an emergency funding model to a more sustainable model that showcases to partners that the State considers the network to be mission critical and provides funding, as such. Staff provides the following options for the Committee to consider:

- Sponsor legislation to transfer General Fund moneys to the Public Safety Communications Trust Fund for a period of several years to indicate the State's commitment to the network;
- Sponsor legislation to make a one-time transfer of a large sum of General Fund moneys to the Public Safety Communications Trust Fund, use interest from the Fund for DTRS needs, and use the principle of the fund as a portion of the TABOR Reserve;
- Sponsor legislation to enact a fee on phone bills to fund the ongoing needs of DTRS. The nexus between phones and DTRS may present challenges if this option is selected. Staff

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recommends conversations with the Office of Legal Services if this option is of interest to the Committee; or

- Conversations have occurred concerning potential legislation to be offered to amend statute during the 2014 legislative session concerning the Colorado High Cost Support Mechanism. The Program, funded by a fee on each phone bill, is intended to promote and support universal telephone service by helping to make basic local exchange phone service available and affordable within high cost areas of the state. Attempts have been made to modernize this statute to account for current technologies. Staff recommends determining if this legislation could include a provision diverting a portion of this fee to the Public Safety Communications Trust Fund for DTRS operations.

Second, staff recommends that the Committee invest in software and hardware at the State's three zone controller locations and radio sites. The annual cost associated with this level of maintenance is \$3.7 million. Currently, OIT has funds in this amount in the Capital Construction budget for this purpose for FY 2013-14, and have requested a continuation level of funds through FY 16-17. Staff recommends that the Committee use one of the funding mechanisms above to provide the Public Safety Communications Trust Fund with \$3.7 million each year from FY 2017-18 through FY 2024-25.

Third, staff recommends that the Committee work with the Capital Development Committee to create a plan to address the State's physical infrastructure needs at DTRS sites. There are three specific costs that must be addressed. First, cost estimates to replace aging repeaters is estimated at \$3.5 million annually over a five-year period. Second, OIT currently receives \$1.1 million per year in the controlled maintenance budget to replace aging towers and generators. Third, OIT is in the midst of an assessment of its microwave network provided by a professional consultant. This assessment will make recommendations for phased replacement and upgrade. Replacement of the aged microwave infrastructure (much of it is over 20 years old) has been estimated to cost \$25.0 million per year for a five-year period.

Fourth, staff recommends that the Committee consider if there is value in moving the State's DTRS operations from OIT to the Department of Public Safety. It has been brought to staff's attention that local government partners may respond better to communications with the Department of Public Safety than OIT. It is difficult to determine if this is due to the collegial nature of the relationship between local government first responders and State public safety officials or other factors. Regardless of the reasons why the preference communicated to staff is for local government entities to work with the Department of Public Safety, it is something worthy of discussion. It is essential that the right working relationships are developed and maintained when operating in an environment whereby a system does not have a single owner and no single party has authority over other parties, yet all rely on each other's assets and resources for mutual success.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S PERFORMANCE PLAN:

The Office of the Governor's Strategic Plan includes an objective to improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. DTRS represents a core system supporting the public safety needs of citizens.

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Appendix A: Numbers Pages

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING

John Hickenlooper, Governor

(1) OFFICE OF THE GOVERNOR

As the chief executive of the State of Colorado, the Governor is responsible for the overall operation of the executive branch. This office provides for coordination, direction, and planning of agency operations, as well as maintaining a liaison with local governments and the federal government.

(A) Governor's Office

| | | | | | |
|---------------------------------------------------|------------------|------------------|------------------|------------------|-------------|
| Administration of Governor's Office and Residence | <u>2,126,636</u> | <u>2,138,027</u> | <u>2,136,132</u> | <u>2,231,463</u> | |
| FTE | 32.4 | 31.4 | 31.4 | 31.4 | |
| General Fund | 2,108,931 | 2,118,898 | 2,117,003 | 2,212,334 | |
| Reappropriated Funds | 17,705 | 19,129 | 19,129 | 19,129 | |
| Discretionary Fund | <u>19,500</u> | <u>19,500</u> | <u>19,500</u> | <u>19,500</u> | |
| General Fund | 19,500 | 19,500 | 19,500 | 19,500 | |
| Mansion Activity Fund | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | |
| Cash Funds | 200,000 | 200,000 | 200,000 | 200,000 | |
| SUBTOTAL - (A) Governor's Office | 2,346,136 | 2,357,527 | 2,355,632 | 2,450,963 | 4.0% |
| FTE | <u>32.4</u> | <u>31.4</u> | <u>31.4</u> | <u>31.4</u> | <u>0.0%</u> |
| General Fund | 2,128,431 | 2,138,398 | 2,136,503 | 2,231,834 | 4.5% |
| Cash Funds | 200,000 | 200,000 | 200,000 | 200,000 | 0.0% |
| Reappropriated Funds | 17,705 | 19,129 | 19,129 | 19,129 | 0.0% |

*Indicates line item contains a decision item for FY 2014-15.

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| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|-----------------------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| (B) Special Purpose | | | | | |
| Health, Life, and Dental | <u>5,568,139</u> | <u>6,659,886</u> | <u>7,787,102</u> | <u>7,839,910</u> | * |
| General Fund | 376,769 | 503,387 | 417,135 | 567,149 | |
| Cash Funds | 0 | 222,374 | 312,056 | 342,757 | |
| Reappropriated Funds | 5,191,370 | 5,702,856 | 6,666,891 | 6,837,538 | |
| Federal Funds | 0 | 231,269 | 391,020 | 92,466 | |
| Short-term Disability | <u>109,643</u> | <u>117,695</u> | <u>144,968</u> | <u>163,511</u> | * |
| General Fund | 7,816 | 9,987 | 7,694 | 11,068 | |
| Cash Funds | 0 | 4,175 | 6,121 | 7,376 | |
| Reappropriated Funds | 101,827 | 99,896 | 124,496 | 142,953 | |
| Federal Funds | 0 | 3,637 | 6,657 | 2,114 | |
| S.B. 04-257 Amortization Equalization Disbursement | <u>1,041,894</u> | <u>2,368,571</u> | <u>2,771,161</u> | <u>2,985,359</u> | * |
| General Fund | 123,638 | 250,590 | 145,583 | 201,975 | |
| Cash Funds | 0 | 93,043 | 116,720 | 134,525 | |
| Reappropriated Funds | 918,256 | 1,959,187 | 2,381,875 | 2,610,313 | |
| Federal Funds | 0 | 65,751 | 126,983 | 38,546 | |
| S.B. 06-235 Supplemental Amortization Equalization Disbursement | <u>1,421,752</u> | <u>2,034,638</u> | <u>2,501,279</u> | <u>2,798,773</u> | * |
| General Fund | 99,352 | 397,745 | 130,964 | 189,352 | |
| Cash Funds | 0 | 79,961 | 105,372 | 126,117 | |
| Reappropriated Funds | 1,322,400 | 1,500,427 | 2,150,305 | 2,447,168 | |
| Federal Funds | 0 | 56,505 | 114,638 | 36,136 | |

JBC Staff Budget Briefing: FY 2014-15
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| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|-------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Salary Survey | <u>0</u> | <u>0</u> | <u>1,680,659</u> | <u>1,185,409</u> | |
| General Fund | 0 | 0 | 80,822 | 82,038 | |
| Cash Funds | 0 | 0 | 69,937 | 53,710 | |
| Reappropriated Funds | 0 | 0 | 1,453,818 | 1,033,993 | |
| Federal Funds | 0 | 0 | 76,082 | 15,668 | |
| Merit Pay | <u>0</u> | <u>0</u> | <u>1,235,501</u> | <u>1,181,294</u> | |
| General Fund | 0 | 0 | 65,376 | 83,829 | |
| Cash Funds | 0 | 0 | 51,594 | 54,795 | |
| Reappropriated Funds | 0 | 0 | 1,061,720 | 1,027,449 | |
| Federal Funds | 0 | 0 | 56,811 | 15,221 | |
| Shift Differential | <u>107,879</u> | <u>75,981</u> | <u>81,671</u> | <u>89,289</u> | |
| Reappropriated Funds | 107,879 | 75,981 | 81,671 | 89,289 | |
| Workers' Compensation | <u>238,235</u> | <u>372,433</u> | <u>445,361</u> | <u>402,868</u> | |
| General Fund | 29,065 | 163,263 | 57,353 | 51,881 | |
| Reappropriated Funds | 209,170 | 209,170 | 388,008 | 350,987 | |
| Legal Services | <u>611,852</u> | <u>380,411</u> | <u>460,045</u> | <u>460,045</u> | |
| General Fund | 573,589 | 380,411 | 460,045 | 460,045 | |
| Reappropriated Funds | 38,263 | 0 | 0 | 0 | |
| Lobato Litigation Expenses | <u>242,037</u> | <u>0</u> | <u>50,000</u> | <u>50,000</u> | |
| General Fund | 242,037 | 0 | 50,000 | 50,000 | |
| Purchase of Services from Computer Center | <u>0</u> | <u>2,070,805</u> | <u>972,982</u> | <u>0</u> | * |
| General Fund | 0 | 2,070,805 | 256,298 | 0 | |
| Reappropriated Funds | 0 | 0 | 716,684 | 0 | |

JBC Staff Budget Briefing: FY 2014-15
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| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|-----------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Colorado State Network | <u>44,999</u> | <u>162,880</u> | <u>400,791</u> | <u>0</u> | * |
| General Fund | 35,099 | 162,880 | 168,641 | 0 | |
| Reappropriated Funds | 9,900 | 0 | 232,150 | 0 | |
| Management and Administration of OIT | <u>84,524</u> | <u>0</u> | <u>0</u> | <u>0</u> | * |
| General Fund | 71,195 | 0 | 0 | 0 | |
| Cash Funds | 3,704 | 0 | 0 | 0 | |
| Reappropriated Funds | 4,306 | 0 | 0 | 0 | |
| Federal Funds | 5,319 | 0 | 0 | 0 | |
| COFRS Modernization | <u>0</u> | <u>58,372</u> | <u>45,426</u> | <u>45,426</u> | |
| General Fund | 0 | 22,407 | 22,407 | 22,407 | |
| Cash Funds | 0 | 23,019 | 23,019 | 23,019 | |
| Federal Funds | 0 | 12,946 | 0 | 0 | |
| Information Technology Security | <u>0</u> | <u>0</u> | <u>14,036</u> | <u>0</u> | * |
| General Fund | 0 | 0 | 14,036 | 0 | |
| Reappropriated Funds | 0 | 0 | 0 | 0 | |
| Payments to OIT | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,008,336</u> | * |
| General Fund | 0 | 0 | 0 | 1,423,785 | |
| Reappropriated Funds | 0 | 0 | 0 | 1,584,551 | |
| Payment to Risk Management and Property Funds | <u>116,359</u> | <u>189,825</u> | <u>214,323</u> | <u>283,474</u> | |
| General Fund | 34,908 | 91,498 | 66,316 | 87,713 | |
| Reappropriated Funds | 81,451 | 98,327 | 148,007 | 195,761 | |

JBC Staff Budget Briefing: FY 2014-15
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| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|---------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Vehicle Lease Payments | <u>98,494</u> | <u>71,798</u> | <u>73,031</u> | <u>80,548</u> * | |
| General Fund | 0 | 0 | 0 | 0 | |
| Reappropriated Funds | 98,494 | 71,798 | 73,031 | 80,548 | |
| Leased Space | <u>1,290,813</u> | <u>2,371,521</u> | <u>3,148,018</u> | <u>3,148,018</u> | |
| Reappropriated Funds | 1,290,813 | 2,371,521 | 3,148,018 | 3,148,018 | |
| Capitol Complex Leased Space | <u>462,762</u> | <u>457,377</u> | <u>591,187</u> | <u>526,927</u> | |
| General Fund | 266,406 | 258,997 | 366,921 | 330,533 | |
| Reappropriated Funds | 196,356 | 198,380 | 224,266 | 196,394 | |
| SUBTOTAL - (B) Special Purpose | 11,439,382 | 17,392,193 | 22,617,541 | 24,249,187 | 7.2% |
| FTE | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| General Fund | 1,859,874 | 4,311,970 | 2,309,591 | 3,561,775 | 54.2% |
| Cash Funds | 3,704 | 422,572 | 684,819 | 742,299 | 8.4% |
| Reappropriated Funds | 9,570,485 | 12,287,543 | 18,850,940 | 19,744,962 | 4.7% |
| Federal Funds | 5,319 | 370,108 | 772,191 | 200,151 | (74.1%) |

(C) Colorado Energy Office

| | | | | |
|------------------------------|------------------|------------------|------------------|------------------|
| Program Administration | <u>1,206,811</u> | <u>8,987,870</u> | <u>6,346,624</u> | <u>6,425,019</u> |
| FTE | 31.0 | 26.6 | 32.3 | 32.3 |
| General Fund | 0 | 0 | 0 | 0 |
| Cash Funds | 1,206,811 | 2,783,799 | 2,846,624 | 2,900,688 |
| Federal Funds | 0 | 6,204,071 | 3,500,000 | 3,524,331 |
| Low-Income Energy Assistance | <u>0</u> | <u>3,644,862</u> | <u>7,100,000</u> | <u>7,100,000</u> |
| Cash Funds | 0 | 3,644,862 | 7,100,000 | 7,100,000 |

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| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|----------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Clean Energy | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | |
| FTE | 0.0 | 0.0 | 0.0 | 0.0 | |
| Cash Funds | 0 | 0 | 0 | 0 | |
| School Energy Efficiency | <u>42,623</u> | <u>181,571</u> | <u>207,975</u> | <u>210,318</u> | |
| FTE | 2.0 | 1.4 | 1.4 | 1.4 | |
| Cash Funds | 42,623 | 181,571 | 207,975 | 210,318 | |
| Legal Services | <u>0</u> | <u>0</u> | <u>100,188</u> | <u>100,188</u> | |
| Cash Funds | 0 | 0 | 73,088 | 73,088 | |
| Federal Funds | 0 | 0 | 27,100 | 27,100 | |
| Indirect Cost Assessment | <u>0</u> | <u>0</u> | <u>29,890</u> | <u>80,593</u> | |
| Cash Funds | 0 | 0 | 29,890 | 0 | |
| Federal Funds | 0 | 0 | 0 | 80,593 | |
| SUBTOTAL - (C) Colorado Energy Office | 1,249,434 | 12,814,303 | 13,784,677 | 13,916,118 | 1.0% |
| FTE | <u>33.0</u> | <u>28.0</u> | <u>33.7</u> | <u>33.7</u> | <u>0.0%</u> |
| General Fund | 0 | 0 | 0 | 0 | 0.0% |
| Cash Funds | 1,249,434 | 6,610,232 | 10,257,577 | 10,284,094 | 0.3% |
| Federal Funds | 0 | 6,204,071 | 3,527,100 | 3,632,024 | 3.0% |

(D) Other Programs and Grants

| | | | | | |
|------------------------|----------|----------|----------------|--------------|--|
| Program Administration | <u>0</u> | <u>0</u> | <u>326,900</u> | <u>1,000</u> | |
| FTE | 0.0 | 0.0 | 0.0 | 0.0 | |
| Cash Funds | 0 | 0 | 301,000 | 1,000 | |
| Reappropriated Funds | 0 | 0 | 25,900 | 0 | |

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| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|-------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| SUBTOTAL - (D) Other Programs and Grants | 0 | 0 | 326,900 | 1,000 | (99.7%) |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| Cash Funds | 0 | 0 | 301,000 | 1,000 | (99.7%) |
| Reappropriated Funds | 0 | 0 | 25,900 | 0 | (100.0%) |
| TOTAL - (1) Office of the Governor | 15,034,952 | 32,564,023 | 39,084,750 | 40,617,268 | 3.9% |
| <i>FTE</i> | <u>65.4</u> | <u>59.4</u> | <u>65.1</u> | <u>65.1</u> | <u>0.0%</u> |
| General Fund | 3,988,305 | 6,450,368 | 4,446,094 | 5,793,609 | 30.3% |
| Cash Funds | 1,453,138 | 7,232,804 | 11,443,396 | 11,227,393 | (1.9%) |
| Reappropriated Funds | 9,588,190 | 12,306,672 | 18,895,969 | 19,764,091 | 4.6% |
| Federal Funds | 5,319 | 6,574,179 | 4,299,291 | 3,832,175 | (10.9%) |

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| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(2) OFFICE OF THE LIEUTENANT GOVERNOR

Colorado's Constitution provides for the Lieutenant Governor to become Governor in the case of the death, impeachment, felony conviction, incapacitation, or resignation of the Governor. The Lieutenant Governor serves as chairperson of the Colorado Commission of Indian Affairs, and handles additional responsibilities assigned by the Governor.

| | | | | |
|------------------------------|----------------|----------------|----------------|----------------|
| Administration | <u>215,119</u> | <u>221,233</u> | <u>221,233</u> | <u>232,491</u> |
| FTE | 2.7 | 2.7 | 2.7 | 2.7 |
| General Fund | 215,119 | 221,233 | 221,233 | 232,491 |
| Reappropriated Funds | 0 | 0 | 0 | 0 |
| Discretionary Fund | <u>2,875</u> | <u>2,800</u> | <u>2,875</u> | <u>2,875</u> |
| General Fund | 2,875 | 2,800 | 2,875 | 2,875 |
| Commission of Indian Affairs | <u>74,855</u> | <u>76,902</u> | <u>78,086</u> | <u>82,041</u> |
| FTE | 2.3 | 1.0 | 2.3 | 2.3 |
| General Fund | 74,855 | 76,902 | 76,902 | 80,857 |
| Cash Funds | 0 | 0 | 1,184 | 1,184 |

| | | | | | |
|------------------------------------------------------|------------|------------|------------|------------|------|
| TOTAL - (2) Office of the Lieutenant Governor | 292,849 | 300,935 | 302,194 | 317,407 | 5.0% |
| FTE | <u>5.0</u> | <u>3.7</u> | <u>5.0</u> | <u>5.0</u> | 0.0% |
| General Fund | 292,849 | 300,935 | 301,010 | 316,223 | 5.1% |
| Cash Funds | 0 | 0 | 1,184 | 1,184 | 0.0% |
| Reappropriated Funds | 0 | 0 | 0 | 0 | 0.0% |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(3) OFFICE OF STATE PLANNING AND BUDGETING

The Office of State Planning and Budgeting is responsible for the development of executive budget requests, the review and analysis of departmental expenditures, and preparation of revenue and economic forecasts for the state.

| | | | | |
|------------------------------------|------------------|------------------|------------------|--------------------|
| Personal Services | <u>1,366,313</u> | <u>1,824,811</u> | <u>2,679,625</u> | <u>1,859,042</u> * |
| FTE | 13.2 | 13.9 | 19.5 | 19.5 |
| General Fund | 0 | 494,847 | 1,275,650 | 406,627 |
| Reappropriated Funds | 1,366,313 | 1,329,964 | 1,403,975 | 1,452,415 |
| Operating Expenses | <u>35,184</u> | <u>40,607</u> | <u>50,944</u> | <u>61,614</u> * |
| General Fund | 0 | 0 | 0 | 10,670 |
| Reappropriated Funds | 35,184 | 40,607 | 50,944 | 50,944 |
| Economic Forecasting Subscriptions | <u>9,233</u> | <u>8,689</u> | <u>16,362</u> | <u>16,362</u> |
| Reappropriated Funds | 9,233 | 8,689 | 16,362 | 16,362 |

| | | | | | |
|-----------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| TOTAL - (3) Office of State Planning and Budgeting | 1,410,730 | 1,874,107 | 2,746,931 | 1,937,018 | (29.5%) |
| FTE | <u>13.2</u> | <u>13.9</u> | <u>19.5</u> | <u>19.5</u> | <u>0.0%</u> |
| General Fund | 0 | 494,847 | 1,275,650 | 417,297 | (67.3%) |
| Reappropriated Funds | 1,410,730 | 1,379,260 | 1,471,281 | 1,519,721 | 3.3% |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(4) ECONOMIC DEVELOPMENT PROGRAMS

The Office of Economic Development is the central coordination office for the state's business assistance, retention, expansion, and recruitment programs. The Division includes the Economic Development Commission, the Global Business Development Office, Small Business Development Centers, Colorado Welcome Centers, Colorado Tourism Office, Creative Industries Council, and the Colorado Office of Film, Television, and Media. The Division also coordinates programs related to Bioscience Discovery Evaluation.

| | | | | | |
|-----------------------------|------------------|------------------|------------------|------------------|---|
| Administration | <u>570,267</u> | <u>584,214</u> | <u>597,994</u> | <u>611,535</u> | |
| FTE | 5.0 | 6.0 | 6.0 | 6.0 | |
| General Fund | 537,742 | 576,730 | 585,925 | 599,466 | |
| Cash Funds | 0 | 0 | 2,435 | 2,435 | |
| Reappropriated Funds | 32,525 | 7,484 | 7,484 | 7,484 | |
| Federal Funds | 0 | 0 | 2,150 | 2,150 | |
| Vehicle Lease Payments | <u>14,286</u> | <u>15,161</u> | <u>12,166</u> | <u>13,331</u> | * |
| General Fund | 14,286 | 15,161 | 12,166 | 13,331 | |
| Leased Space | <u>231,540</u> | <u>231,540</u> | <u>346,525</u> | <u>346,525</u> | |
| General Fund | 231,540 | 231,540 | 346,525 | 346,525 | |
| Global Business Development | <u>1,526,203</u> | <u>1,515,799</u> | <u>2,554,207</u> | <u>2,986,988</u> | * |
| FTE | 14.7 | 8.8 | 19.4 | 21.2 | |
| General Fund | 1,443,848 | 1,467,716 | 1,956,070 | 2,376,309 | |
| Cash Funds | 41,023 | 15,029 | 240,000 | 240,000 | |
| Federal Funds | 41,332 | 33,054 | 358,137 | 370,679 | |
| Leading Edge Program Grants | <u>50,976</u> | <u>51,024</u> | <u>126,407</u> | <u>126,407</u> | |
| General Fund | 50,976 | 50,976 | 50,976 | 50,976 | |
| Cash Funds | 0 | 48 | 75,431 | 75,431 | |

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| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Small Business Development Centers | <u>1,807,266</u> | <u>1,593,467</u> | <u>1,495,168</u> | <u>1,539,189</u> | |
| FTE | 3.5 | 4.0 | 4.0 | 4.0 | |
| General Fund | 83,494 | 84,522 | 284,522 | 286,397 | |
| Federal Funds | 1,723,772 | 1,508,945 | 1,210,646 | 1,252,792 | |
| Economic Gardening Project | <u>0</u> | <u>0</u> | <u>218,750</u> | <u>100,000</u> | * |
| General Fund | 0 | 0 | 200,000 | 100,000 | |
| Cash Funds | 0 | 0 | 18,750 | 0 | |
| Colorado Office of Film, Television, and Media | <u>521,261</u> | <u>639,240</u> | <u>1,300,000</u> | <u>5,507,701</u> | * |
| FTE | 2.7 | 4.5 | 4.5 | 4.5 | |
| General Fund | 0 | 0 | 800,000 | 5,000,000 | |
| Cash Funds | 521,261 | 639,240 | 500,000 | 507,701 | |
| Colorado Promotion - Colorado Welcome Centers | <u>500,292</u> | <u>500,000</u> | <u>500,000</u> | <u>507,147</u> | |
| FTE | 3.3 | 3.3 | 3.3 | 3.3 | |
| Cash Funds | 500,292 | 500,000 | 500,000 | 507,147 | |
| Colorado Promotion - Other Program Costs | <u>12,345,269</u> | <u>13,633,496</u> | <u>16,500,000</u> | <u>16,517,107</u> | * |
| FTE | 4.0 | 4.0 | 4.0 | 4.0 | |
| General Fund | 0 | 3,700,000 | 2,000,000 | 2,000,000 | |
| Cash Funds | 12,345,269 | 9,933,496 | 14,500,000 | 14,517,107 | |
| Economic Development Commission - General | | | | | |
| Economic Incentives and Marketing | <u>1,010,994</u> | <u>2,092,280</u> | <u>5,007,795</u> | <u>5,078,516</u> | * |
| FTE | 0.0 | 0.0 | 4.0 | 4.0 | |
| General Fund | 967,876 | 2,013,764 | 4,929,279 | 5,000,000 | |
| Cash Funds | 43,118 | 78,516 | 78,516 | 78,516 | |

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|-----------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Procurement Technical Assistance | <u>0</u> | <u>0</u> | <u>215,000</u> | <u>220,000</u> | * |
| General Fund | 0 | 0 | 215,000 | 220,000 | |
| Colorado First Customized Job Training | <u>2,725,022</u> | <u>2,725,022</u> | <u>4,225,022</u> | <u>2,725,022</u> | |
| General Fund | 2,725,022 | 2,725,022 | 4,225,022 | 2,725,022 | |
| CAPCO Administration | <u>72,358</u> | <u>80,000</u> | <u>79,468</u> | <u>81,852</u> | |
| FTE | 1.6 | 2.0 | 2.0 | 2.0 | |
| Reappropriated Funds | 72,358 | 80,000 | 79,468 | 81,852 | |
| Council on Creative Industries | <u>745,100</u> | <u>1,948,350</u> | <u>2,764,397</u> | <u>2,774,385</u> | |
| FTE | 1.6 | 3.0 | 3.0 | 3.0 | |
| General Fund | 0 | 300,000 | 0 | 0 | |
| Cash Funds | 0 | 883,953 | 2,000,000 | 2,009,988 | |
| Federal Funds | 745,100 | 764,397 | 764,397 | 764,397 | |
| New Jobs Incentives | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | |
| Cash Funds | 0 | 0 | 0 | 0 | |
| Bioscience Discovery Evaluation | <u>4,406,476</u> | <u>3,598,173</u> | <u>5,500,000</u> | <u>5,506,192</u> | |
| FTE | 0.6 | 0.6 | 1.1 | 1.1 | |
| Cash Funds | 4,406,476 | 3,598,173 | 5,500,000 | 5,506,192 | |
| Advanced Industry Export Acceleration Program | <u>0</u> | <u>0</u> | <u>300,000</u> | <u>5,300,000</u> | * |
| FTE | 0.0 | 0.0 | 0.0 | 1.3 | |
| General Fund | 0 | 0 | 0 | 5,000,000 | |
| Cash Funds | 0 | 0 | 300,000 | 300,000 | |

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|--------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Indirect Cost Assessment | <u>38,322</u> | <u>7,484</u> | <u>30,713</u> | <u>52,696</u> | |
| Cash Funds | 38,322 | 7,484 | 29,900 | 0 | |
| Reappropriated Funds | 0 | 0 | 813 | 0 | |
| Federal Funds | 0 | 0 | 0 | 52,696 | |
| TOTAL - (4) Economic Development Programs | 26,565,632 | 29,215,250 | 41,773,612 | 49,994,593 | 19.7% |
| <i>FTE</i> | <u>37.0</u> | <u>36.2</u> | <u>51.3</u> | <u>54.4</u> | <u>6.0%</u> |
| General Fund | 6,054,784 | 11,165,431 | 15,605,485 | 23,718,026 | 52.0% |
| Cash Funds | 17,895,761 | 15,655,939 | 23,745,032 | 23,744,517 | 0.0% |
| Reappropriated Funds | 104,883 | 87,484 | 87,765 | 89,336 | 1.8% |
| Federal Funds | 2,510,204 | 2,306,396 | 2,335,330 | 2,442,714 | 4.6% |

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|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(5) OFFICE OF INFORMATION TECHNOLOGY

The Governor's Office of Information Technology (OIT) oversees executive agency technology initiatives and recommends strategies to maximize service delivery efficiency in a cost-effective manner through the application of enterprise technology solutions.

(A) OIT Central Administration (new subdivision)

| | | | | | |
|-----------------------------|----------|----------|----------|------------|---|
| OIT Administrative Services | <u>0</u> | <u>0</u> | <u>0</u> | 12,872,185 | * |
| FTE | 0.0 | 0.0 | 0.0 | 99.0 | |
| General Fund | 0 | 0 | 0 | 529,774 | |
| Reappropriated Funds | 0 | 0 | 0 | 12,342,411 | |
| Legal Services | <u>0</u> | <u>0</u> | <u>0</u> | 44,538 | * |
| Reappropriated Funds | 0 | 0 | 0 | 44,538 | |
| Indirect Cost Assessment | <u>0</u> | <u>0</u> | <u>0</u> | 331,666 | * |
| Reappropriated Funds | 0 | 0 | 0 | 331,666 | |

| | | | | | |
|--------------------------------------------------|------------|------------|------------|------------|-----|
| SUBTOTAL - (A) OIT Central Administration | 0 | 0 | 0 | 13,248,389 | n/a |
| FTE | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | 99.0 | |
| General Fund | 0 | 0 | 0 | 529,774 | |
| Reappropriated Funds | 0 | 0 | 0 | 12,718,615 | |

Management and Administration of OIT (moves to OIT Central Administration)

| | | | | | |
|----------------------|----------------|------------------|------------------|-----|---|
| Personal Services | <u>980,748</u> | <u>1,122,442</u> | <u>1,227,254</u> | 0 | * |
| FTE | 11.5 | 7.6 | 14.5 | 0.0 | |
| General Fund | 0 | 0 | 99,673 | 0 | |
| Reappropriated Funds | 980,748 | 1,122,442 | 1,127,581 | 0 | |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|----------------------------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Operating Expenses | <u>150,268</u> | <u>294,108</u> | <u>558,817</u> | <u>0</u> * | |
| Reappropriated Funds | 150,268 | 294,108 | 558,817 | 0 | |
| Statewide IT Management | <u>4,798,710</u> | <u>5,250,193</u> | <u>5,319,745</u> | <u>0</u> * | |
| FTE | 68.5 | 61.4 | 68.9 | 0.0 | |
| General Fund | 0 | 0 | 57,499 | 0 | |
| Reappropriated Funds | 4,798,710 | 5,250,193 | 5,262,246 | 0 | |
| Office of Information Security Program | <u>0</u> | <u>0</u> | <u>1,075,700</u> | <u>0</u> * | |
| Reappropriated Funds | 0 | 0 | 1,075,700 | 0 | |
| Legal Services | <u>1,968</u> | <u>0</u> | <u>44,538</u> | <u>0</u> * | |
| Reappropriated Funds | 1,968 | 0 | 44,538 | 0 | |
| Indirect Cost Assessment | <u>9,383</u> | <u>34,506</u> | <u>72,650</u> | <u>0</u> * | |
| Reappropriated Funds | 9,383 | 34,506 | 72,650 | 0 | |
| SUBTOTAL - (A) Management and Administration of OIT | 5,941,077 | 6,701,249 | 8,298,704 | 0 | (100.0%) |
| FTE | <u>80.0</u> | <u>69.0</u> | <u>83.4</u> | <u>0.0</u> | <u>(100.0%)</u> |
| General Fund | 0 | 0 | 157,172 | 0 | (100.0%) |
| Reappropriated Funds | 5,941,077 | 6,701,249 | 8,141,532 | 0 | (100.0%) |
| (B) IT Infrastructure and Business Services (new subdivision) | | | | | |
| IT Infrastructure and Business Services Administration | <u>0</u> | <u>0</u> | <u>0</u> | <u>557,255</u> * | |
| FTE | 0.0 | 0.0 | 0.0 | 7.0 | |
| Reappropriated Funds | 0 | 0 | 0 | 557,255 | |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|---------------------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Infrastructure Services | <u>0</u> | <u>0</u> | <u>0</u> | <u>16,050,589</u> * | |
| FTE | 0.0 | 0.0 | 0.0 | 123.5 | |
| Reappropriated Funds | 0 | 0 | 0 | 16,050,589 | |
| Business Services | <u>0</u> | <u>0</u> | <u>0</u> | <u>13,275,140</u> * | |
| FTE | 0.0 | 0.0 | 0.0 | 170.0 | |
| Reappropriated Funds | 0 | 0 | 0 | 13,275,140 | |
| SUBTOTAL - (B) IT Infrastructure and Business Services | | | | | |
| Services | 0 | 0 | 0 | 29,882,984 | n/a |
| FTE | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>300.5</u> | |
| Reappropriated Funds | 0 | 0 | 0 | 29,882,984 | |

Computer Center Services (moves to IT Infrastructure and Business Services)

(I) Computer Services

| | | | | |
|-------------------------------------------------------------|-------------------|-------------------|-------------------|------------|
| Personal Services | <u>42,252,462</u> | <u>44,348,661</u> | <u>50,439,268</u> | <u>0</u> * |
| FTE | 515.1 | 537.8 | 584.0 | 0.0 |
| Reappropriated Funds | 42,252,462 | 44,348,661 | 50,439,268 | 0 |
| Operating Expenses | <u>6,044,629</u> | <u>7,752,343</u> | <u>8,276,468</u> | <u>0</u> * |
| General Fund | 0 | 0 | 230,337 | 0 |
| Cash Funds | 2,328 | 2,328 | 2,328 | 0 |
| Reappropriated Funds | 6,042,301 | 7,750,015 | 8,043,803 | 0 |
| Rental, Lease, or Lease/Purchase of Central Processing Unit | <u>336,034</u> | <u>336,034</u> | <u>336,034</u> | <u>0</u> * |
| Reappropriated Funds | 336,034 | 336,034 | 336,034 | 0 |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|----------------------------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Indirect Cost Assessment | 831,698 | 70,484 | 151,894 | 0 | * |
| Reappropriated Funds | 831,698 | 70,484 | 151,894 | 0 | |
| SUBTOTAL - (I) Computer Services | 49,464,823 | 52,507,522 | 59,203,664 | 0 | (100.0%) |
| <i>FTE</i> | 515.1 | 537.8 | 584.0 | 0.0 | (100.0%) |
| General Fund | 0 | 0 | 230,337 | 0 | (100.0%) |
| Cash Funds | 2,328 | 2,328 | 2,328 | 0 | (100.0%) |
| Reappropriated Funds | 49,462,495 | 52,505,194 | 58,970,999 | 0 | (100.0%) |
| (II) Statewide Information Technology Services Administration | | | | | |
| Personal Services | 434,227 | 443,163 | 444,303 | 0 | * |
| <i>FTE</i> | 6.9 | 6.7 | 5.0 | 0.0 | |
| Reappropriated Funds | 434,227 | 443,163 | 444,303 | 0 | |
| Operating Expenses | 1,762 | 5,732 | 6,450 | 0 | * |
| Reappropriated Funds | 1,762 | 5,732 | 6,450 | 0 | |
| SUBTOTAL - (II) Statewide Information Technology Services | 435,989 | 448,895 | 450,753 | 0 | (100.0%) |
| <i>FTE</i> | 6.9 | 6.7 | 5.0 | 0.0 | (100.0%) |
| Reappropriated Funds | 435,989 | 448,895 | 450,753 | 0 | (100.0%) |
| (III) Customer Service | | | | | |
| Personal Services | 809,610 | 927,535 | 840,574 | 0 | * |
| <i>FTE</i> | 12.8 | 13.5 | 11.0 | 0.0 | |
| Reappropriated Funds | 809,610 | 927,535 | 840,574 | 0 | |
| Operating Expenses | 6,831 | 13,107 | 14,625 | 0 | * |
| Reappropriated Funds | 6,831 | 13,107 | 14,625 | 0 | |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| SUBTOTAL - (III) Customer Service | 816,441 | 940,642 | 855,199 | 0 | (100.0%) |
| <i>FTE</i> | <u>12.8</u> | <u>13.5</u> | <u>11.0</u> | <u>0.0</u> | <u>(100.0%)</u> |
| Reappropriated Funds | 816,441 | 940,642 | 855,199 | 0 | (100.0%) |

(IV) Technology Management Unit

| | | | | | |
|---------------------------------------------------|------------------|------------------|------------------|------------|-----------------|
| Personal Services | <u>2,695,098</u> | <u>2,859,100</u> | <u>2,859,102</u> | 0 * | |
| <i>FTE</i> | <u>32.7</u> | <u>29.2</u> | <u>32.5</u> | 0.0 | |
| Reappropriated Funds | 2,695,098 | 2,859,100 | 2,859,102 | 0 | |
| Operating Expenses | <u>362,716</u> | <u>364,371</u> | <u>364,371</u> | 0 * | |
| Reappropriated Funds | 362,716 | 364,371 | 364,371 | 0 | |
| SUBTOTAL - (IV) Technology Management Unit | 3,057,814 | 3,223,471 | 3,223,473 | 0 | (100.0%) |
| <i>FTE</i> | <u>32.7</u> | <u>29.2</u> | <u>32.5</u> | <u>0.0</u> | <u>(100.0%)</u> |
| Reappropriated Funds | 3,057,814 | 3,223,471 | 3,223,473 | 0 | (100.0%) |

| | | | | | |
|------------------------------------------------|--------------|--------------|--------------|------------|-----------------|
| SUBTOTAL - (B) Computer Center Services | 53,775,067 | 57,120,530 | 63,733,089 | 0 | (100.0%) |
| <i>FTE</i> | <u>567.5</u> | <u>587.2</u> | <u>632.5</u> | <u>0.0</u> | <u>(100.0%)</u> |
| General Fund | 0 | 0 | 230,337 | 0 | (100.0%) |
| Cash Funds | 2,328 | 2,328 | 2,328 | 0 | (100.0%) |
| Reappropriated Funds | 53,772,739 | 57,118,202 | 63,500,424 | 0 | (100.0%) |

(C) Network Services (new subdivision)

| | | | | | |
|---------------------------------|-----|-----|-----|-------------|--|
| Network Services Administration | 0 | 0 | 0 | 1,106,078 * | |
| <i>FTE</i> | 0.0 | 0.0 | 0.0 | 12.0 | |
| Reappropriated Funds | 0 | 0 | 0 | 1,106,078 | |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|-----------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Network and Telephony Services | <u>0</u> | <u>0</u> | <u>0</u> | <u>22,465,700</u> | * |
| FTE | 0.0 | 0.0 | 0.0 | 69.1 | |
| Cash Funds | 0 | 0 | 0 | 1,248,600 | |
| Reappropriated Funds | 0 | 0 | 0 | 21,096,100 | |
| Federal Funds | 0 | 0 | 0 | 121,000 | |
| Public Safety Communications | <u>0</u> | <u>0</u> | <u>0</u> | <u>5,473,887</u> | * |
| FTE | 0.0 | 0.0 | 0.0 | 46.0 | |
| Reappropriated Funds | 0 | 0 | 0 | 5,473,887 | |
| Toll-Free Access to Members of the General Assembly | <u>0</u> | <u>0</u> | <u>0</u> | <u>25,000</u> | * |
| Reappropriated Funds | 0 | 0 | 0 | 25,000 | |
| SUBTOTAL - (C) Network Services | 0 | 0 | 0 | 29,070,665 | n/a |
| FTE | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>127.1</u> | |
| Cash Funds | 0 | 0 | 0 | 1,248,600 | |
| Reappropriated Funds | 0 | 0 | 0 | 27,701,065 | |
| Federal Funds | 0 | 0 | 0 | 121,000 | |

Network Services (moves to Network Services)

(I) Network Services

| | | | | | |
|----------------------|------------------|------------------|------------------|----------|---|
| Personal Services | <u>7,218,569</u> | <u>7,505,593</u> | <u>7,518,106</u> | <u>0</u> | * |
| FTE | 77.6 | 73.5 | 90.6 | 0.0 | |
| Reappropriated Funds | 7,218,569 | 7,505,593 | 7,518,106 | 0 | |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|------------------------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Operating Expenses | <u>17,450,504</u> | <u>17,922,736</u> | <u>17,618,488</u> | 0 | * |
| General Fund | 0 | 0 | 57,499 | 0 | |
| Cash Funds | 1,200,000 | 1,200,000 | 1,200,000 | 0 | |
| Reappropriated Funds | 16,250,504 | 16,722,736 | 16,360,989 | 0 | |
| Toll-free Telephone Access to Members of the General Assembly | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> | 0 | * |
| Reappropriated Funds | 25,000 | 25,000 | 25,000 | 0 | |
| Indirect Cost Assessment | <u>202,655</u> | <u>6,667</u> | <u>39,295</u> | 0 | * |
| Reappropriated Funds | 202,655 | 6,667 | 39,295 | 0 | |
| SUBTOTAL - (I) Network Services | 24,896,728 | 25,459,996 | 25,200,889 | 0 | (100.0%) |
| FTE | <u>77.6</u> | <u>73.5</u> | <u>90.6</u> | 0.0 | (100.0%) |
| General Fund | 0 | 0 | 57,499 | 0 | (100.0%) |
| Cash Funds | 1,200,000 | 1,200,000 | 1,200,000 | 0 | (100.0%) |
| Reappropriated Funds | 23,696,728 | 24,259,996 | 23,943,390 | 0 | (100.0%) |
| (II) Order Billing | | | | | |
| Personal Services | <u>594,044</u> | <u>620,946</u> | <u>620,946</u> | 0 | * |
| FTE | 7.9 | 7.9 | 9.0 | 0.0 | |
| Reappropriated Funds | 594,044 | 620,946 | 620,946 | 0 | |
| Operating Expenses | <u>10,713</u> | <u>10,505</u> | <u>10,750</u> | 0 | * |
| Reappropriated Funds | 10,713 | 10,505 | 10,750 | 0 | |
| SUBTOTAL - (II) Order Billing | 604,757 | 631,451 | 631,696 | 0 | (100.0%) |
| FTE | <u>7.9</u> | <u>7.9</u> | <u>9.0</u> | 0.0 | (100.0%) |
| Reappropriated Funds | 604,757 | 631,451 | 631,696 | 0 | (100.0%) |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|----------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| SUBTOTAL - (C) Network Services | 25,501,485 | 26,091,447 | 25,832,585 | 0 | (100.0%) |
| <i>FTE</i> | <u>85.5</u> | <u>81.4</u> | <u>99.6</u> | <u>0.0</u> | <u>(100.0%)</u> |
| General Fund | 0 | 0 | 57,499 | 0 | (100.0%) |
| Cash Funds | 1,200,000 | 1,200,000 | 1,200,000 | 0 | (100.0%) |
| Reappropriated Funds | 24,301,485 | 24,891,447 | 24,575,086 | 0 | (100.0%) |

Communication Services (moves to Network Services)

| | | | | |
|---------------------------|------------------|------------------|------------------|------------|
| Personal Services | <u>3,608,382</u> | <u>3,604,175</u> | <u>3,904,176</u> | <u>0</u> * |
| <i>FTE</i> | 40.5 | 41.5 | 46.0 | 0.0 |
| Cash Funds | 0 | 0 | 300,000 | 0 |
| Reappropriated Funds | 3,608,382 | 3,604,175 | 3,604,176 | 0 |
| Operating Expenses | <u>182,569</u> | <u>183,230</u> | <u>183,231</u> | <u>0</u> * |
| Cash Funds | 48,600 | 48,600 | 48,600 | 0 |
| Reappropriated Funds | 133,969 | 134,630 | 134,631 | 0 |
| Training | <u>21,853</u> | <u>21,948</u> | <u>22,000</u> | <u>0</u> * |
| Reappropriated Funds | 21,853 | 21,948 | 22,000 | 0 |
| Utilities | <u>164,934</u> | <u>182,325</u> | <u>183,768</u> | <u>0</u> * |
| Reappropriated Funds | 164,934 | 182,325 | 183,768 | 0 |
| Local Systems Development | <u>212,840</u> | <u>219,224</u> | <u>121,000</u> | <u>0</u> * |
| Federal Funds | 212,840 | 219,224 | 121,000 | 0 |
| Indirect Cost Assessment | <u>542,208</u> | <u>22,424</u> | <u>67,827</u> | <u>0</u> * |
| Reappropriated Funds | 542,208 | 22,424 | 67,827 | 0 |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|----------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| SUBTOTAL - (D) Communication Services | 4,732,786 | 4,233,326 | 4,482,002 | 0 | (100.0%) |
| <i>FTE</i> | <u>40.5</u> | <u>41.5</u> | <u>46.0</u> | <u>0.0</u> | <u>(100.0%)</u> |
| Cash Funds | 48,600 | 48,600 | 348,600 | 0 | (100.0%) |
| Reappropriated Funds | 4,471,346 | 3,965,502 | 4,012,402 | 0 | (100.0%) |
| Federal Funds | 212,840 | 219,224 | 121,000 | 0 | (100.0%) |

(D) Information Security (new subdivision)

| | | | | |
|----------------------------------------------|----------|----------|----------|--------------------|
| Information Security Services Administration | <u>0</u> | <u>0</u> | <u>0</u> | <u>346,374</u> * |
| FTE | 0.0 | 0.0 | 0.0 | 3.0 |
| Reappropriated Funds | 0 | 0 | 0 | 346,374 |
| Information Security Services | <u>0</u> | <u>0</u> | <u>0</u> | <u>7,197,264</u> * |
| FTE | 0.0 | 0.0 | 0.0 | 23.8 |
| Reappropriated Funds | 0 | 0 | 0 | 7,197,264 |

| | | | | | |
|--------------------------------------------|------------|------------|------------|-------------|-----|
| SUBTOTAL - (D) Information Security | 0 | 0 | 0 | 7,543,638 | n/a |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>26.8</u> | |
| Reappropriated Funds | 0 | 0 | 0 | 7,543,638 | |

(E) Application Services (new subdivision)

(i) Administration

| | | | | |
|----------------------|----------|----------|----------|--------------------|
| Administration | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,708,311</u> * |
| FTE | 0.0 | 0.0 | 0.0 | 33.5 |
| Reappropriated Funds | 0 | 0 | 0 | 2,708,311 |

| | | | | | |
|--------------------------------------|------------|------------|------------|-------------|-----|
| SUBTOTAL - (i) Administration | 0 | 0 | 0 | 2,708,311 | n/a |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>33.5</u> | |
| Reappropriated Funds | 0 | 0 | 0 | 2,708,311 | |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|---------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| (ii) Application Services | | | | | |
| Applications | <u>0</u> | <u>0</u> | <u>0</u> | 29,029,280 | * |
| FTE | 0.0 | 0.0 | 0.0 | 274.5 | |
| Cash Funds | 0 | 0 | 0 | 2,328 | |
| Reappropriated Funds | 0 | 0 | 0 | 29,026,952 | |
| Colorado Benefits Management System | <u>0</u> | <u>0</u> | <u>0</u> | 24,682,769 | * |
| FTE | 0.0 | 0.0 | 0.0 | 58.5 | |
| Reappropriated Funds | 0 | 0 | 0 | 24,682,769 | |
| CORE | <u>0</u> | <u>0</u> | <u>0</u> | 475,284 | * |
| FTE | 0.0 | 0.0 | 0.0 | 6.0 | |
| Reappropriated Funds | 0 | 0 | 0 | 475,284 | |
| SUBTOTAL - (ii) Application Services | 0 | 0 | 0 | 54,187,333 | n/a |
| FTE | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | 339.0 | |
| Cash Funds | 0 | 0 | 0 | 2,328 | |
| Reappropriated Funds | 0 | 0 | 0 | 54,185,005 | |
| SUBTOTAL - (E) Application Services | 0 | 0 | 0 | 56,895,644 | n/a |
| FTE | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | 372.5 | |
| Cash Funds | 0 | 0 | 0 | 2,328 | |
| Reappropriated Funds | 0 | 0 | 0 | 56,893,316 | |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|----------------------------------------------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Colorado Benefits Management System (moves to Application Services) | | | | | |
| Personal Services | <u>4,073,701</u> | <u>3,845,143</u> | <u>4,991,598</u> | <u>0</u> * | |
| FTE | 47.7 | 39.9 | 58.5 | 0.0 | |
| Reappropriated Funds | 4,073,701 | 3,845,143 | 4,991,598 | 0 | |
| Operating Expenses - Contract Costs | <u>20,473,684</u> | <u>18,106,512</u> | <u>19,549,489</u> | <u>0</u> * | |
| Reappropriated Funds | 20,473,684 | 18,106,512 | 19,549,489 | 0 | |
| H.B. 12-1339 CBMS Modernization Project | <u>733,392</u> | <u>4,058,178</u> | <u>14,571,587</u> | <u>0</u> | |
| Reappropriated Funds | 733,392 | 4,058,178 | 14,571,587 | 0 | |
| SUBTOTAL - (E) Colorado Benefits Management System | | | | | |
| | 25,280,777 | 26,009,833 | 39,112,674 | 0 | (100.0%) |
| FTE | 47.7 | 39.9 | 58.5 | 0.0 | (100.0%) |
| Reappropriated Funds | 25,280,777 | 26,009,833 | 39,112,674 | 0 | (100.0%) |

JBC Staff Budget Briefing: FY 2014-15
Staff Working Document - Does Not Represent Committee Decision

| | FY 2011-12 Actual | FY 2012-13 Actual | FY 2013-14 Appropriation | FY 2014-15 Request | Request vs. Appropriation |
|----------------------------------------------------------------------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
| TOTAL - Office of Information Technology | 115,231,192 | 120,156,385 | 141,459,054 | 136,641,320 | (3.4%) |
| <i>FTE</i> | <u>821.2</u> | <u>819.0</u> | <u>920.0</u> | <u>925.9</u> | <u>0.6%</u> |
| General Fund | 0 | 0 | 445,008 | 529,774 | 19.0% |
| Cash Funds | 1,250,928 | 1,250,928 | 1,550,928 | 1,250,928 | (19.3%) |
| Reappropriated Funds | 113,767,424 | 118,686,233 | 139,342,118 | 134,739,618 | (3.3%) |
| Federal Funds | 212,840 | 219,224 | 121,000 | 121,000 | 0.0% |
| TOTAL - Governor - Lieutenant Governor - State Planning and Budgeting | 158,535,355 | 184,110,700 | 225,366,541 | 229,507,606 | 1.8% |
| <i>FTE</i> | <u>941.8</u> | <u>932.2</u> | <u>1,060.9</u> | <u>1,069.9</u> | <u>0.8%</u> |
| General Fund | 10,335,938 | 18,411,581 | 22,073,247 | 30,774,929 | 39.4% |
| Cash Funds | 20,599,827 | 24,139,671 | 36,740,540 | 36,224,022 | (1.4%) |
| Reappropriated Funds | 124,871,227 | 132,459,649 | 159,797,133 | 156,112,766 | (2.3%) |
| Federal Funds | 2,728,363 | 9,099,799 | 6,755,621 | 6,395,889 | (5.3%) |

Appendix B: **Recent Legislation Affecting Department Budget**

2012 Session Bills

S.B. 12-044: Creates a Class B traffic infraction for persons who fail to pay the proper fare when riding on public transportation and abolishes criminal sanctions for the same offense. A person who has an outstanding judgment for the infraction is prohibited from obtaining or renewing a driver's license. Allows for the sealing of criminal records of persons previously convicted of the crime of theft of transit services by fare evasion. For FY 2011-12, reappropriates \$17,124 to the Governor's Office of Information Technology from the Department of Revenue for computer programming support.

H.B. 12-1023: Establishes the Fallen Heroes special license plate. In addition to paying the regular registration fees and special license plate fees, eligibility to purchase the license plate requires a \$50 donation to the Colorado Chapter of the Concerns of Police Survivors, Inc. Reappropriates \$20,720 to the Governor's Office of Information Technology from the Department of Revenue for computer programming support.

H.B. 12-1038: Establishes multi-year registration for Class A vehicles (trailers). For FY 2011-12, reappropriates \$118,000 to the Governor's Office of Information Technology from the Department of Revenue for computer programming support and \$32,000 in FY 2012-13 for the same purpose.

H.B. 12-1041: Creates an electronic death registration system to allow persons responsible for reporting death information to the Office of the State Registrar of Vital Statistics to do so electronically. For FY 2012-13, reappropriates \$78,940 from the Department of Public Health and Environment to the Governor's Office of Information Technology for information technology management costs.

H.B. 12-1052: Requires the Department of Regulatory Agencies to request health care workforce data from certain health care professionals when receiving their initial or renewal license applications beginning on or before July 1, 2013. Reappropriates \$35,520 to the Governor's Office of Information Technology from the Department of Regulatory Agencies for the provision of programming services in FY 2012-13.

H.B. 12-1131: Establishes the Child Loss Awareness special license plate. Requires the payment of the regular registration fees and special license plates fee. Reappropriates \$20,720 to the Governor's Office of Information Technology from the Department of Revenue for computer programming support.

H.B. 12-1153: Establishes the Distinguished Flying Cross special license plate. Those eligible to purchase the license plate shall have been awarded the Distinguished Flying Cross by a branch

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of the United States Military. Reappropriates \$3,396 to the Governor's Office of Information Technology from the Department of Revenue for computer programming support.

H.B. 12-1162: Establishes the Desert Storm special license plate. Those eligible to purchase the license plate shall have served in the United States Military between the dates of August 2, 1990 and February 28, 1991. Reappropriates \$4,936 to the Governor's Office of Information Technology from the Department of Revenue for computer programming support.

H.B. 12-1223: Allows offenders in the Department of Corrections to receive additional earned time while in prison, while on parole, and while temporarily reincarcerated for a parole violation. Reappropriates \$100,640 to the Governor's Office of Information Technology from the Department of Corrections for computer programming support.

H.B. 12-1246: Eliminates payroll date shift for certain General Fund employees. Increases appropriations to the Office of the Governor by \$1,895 General Fund.

H.B. 12-1275: Establishes the Colorado Wildlife Sporting special license plate. In addition to paying the regular registration fees and special license plate fees, requires the payment of an annual \$25 fee which is credited to the Wildlife Cash Fund. Reappropriates \$85,840 to the Governor's Office of Information Technology from the Department of Revenue for computer programming support.

H.B. 12-1283: Consolidates Colorado's homeland security functions, personnel, and resources, enacted under Executive Order D 2011-030, into a new Division of Homeland Security and Emergency Management within the Department of Public Safety. For the Office of the Governor, eliminates the Governor's Office of Homeland Security and transfers the functions, personnel, and resources of the unit into the Division of Homeland Security and Emergency Management within the Department of Public Safety, effective July 1, 2012. Reduces the appropriation to the Office of the Governor by \$10.2 million federal funds and 6.0 FTE in FY 2012-13.

HB 12-1286: Creates a loan guarantee program for film production activities, increases the amount of the existing performance-based film incentive from 10.0 percent to 20.0 percent of the total amount of the production company's qualified local expenditures, transfers \$3.0 million from the General Fund to the Colorado Office of Film, Television, and Media Operational Account for the performance-based film incentives program, and appropriates \$3.0 million cash funds from the Account to the Office for FY 2012-13.

H.B. 12-1295: Establishes the Colorado Rockies special license plate. In addition to paying the regular registration fees and special license plate fees, eligibility to purchase the license plate requires a \$52.80 donation to the Colorado Rockies Baseball Club Foundation. Reappropriates \$20,720 for FY 2012-13 to the Governor's Office of Information Technology from the Department of Revenue for computer programming services.

H.B. 12-1302: Establishes the Flight for Life special license plate. In addition to paying the regular registration fees and special license plate fees, eligibility to purchase the license plate requires a \$25 donation to Flight for Life Colorado. Reappropriates \$20,720 for FY 2012-13 to

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the Governor's Office of Information Technology from the Department of Revenue for computer programming services.

H.B. 12-1303: Enacts the Speech-Language Pathology Practice Act and requires that the Division of Registrations in the Department of Regulatory Agencies create a certification program for speech-language pathologists. Reappropriates \$1,184 to the Governor's Office of Information Technology from the Department of Regulatory Agencies for the provision of technical assistance for FY 2012-13.

H.B. 12-1310: Addresses criminal justice matters in several areas including drug offenses, sentencing, court proceedings, sex offenses, probation, and parole. Reappropriates \$11,840 to the Governor's Office of Information Technology from the Department of Corrections for the provision of programming services for FY 2012-13.

H.B. 12-1314: Provides an exemption to the filing requirements for oil and gas severance taxpayers for persons who had less than \$250 withheld for taxes by a unit operator during a tax year and the amount withheld is at least equal to or greater than the amount of severance tax owed by that person. Reappropriates \$14,800 to the Governor's Office of Information Technology from the Department of Revenue for the provision of programming services for FY 2012-13.

HB 12-1315: Renames the Governor's Energy Office as the Colorado Energy Office and redefines its mission from promoting renewable energy and energy efficiency to encouraging all sources of energy development. The bill makes the following transfers:

- \$1.6 million from the General Fund to the Clean and Renewable Energy Fund on July 1, 2012 and each July 1 through 2016; and
- \$1.5 million from the total gross receipts realized from the severance taxes imposed on minerals and mineral fuels to the Innovative Energy Fund on July 1, 2012 and each July 1 through 2016.

Appropriates the following:

- \$1.6 million cash funds from the Clean and Renewable Energy Fund and 10.4 FTE for the expenses of the Colorado Energy Office;
- \$0.6 million cash funds from the Clean and Renewable Energy Fund for weatherization services; and
- \$1.5 million cash funds from the Innovative Energy Fund and 10.3 FTE for the expenses of the Colorado Energy Office.

H.B. 12-1327: Concerns the regulation of tow truck drivers by the Department of Regulatory Agencies. Appropriates \$12,210 cash funds for FY 2012-13 for the purchase of computer center services from OIT related to the implementation of this bill.

H.B. 12-1335: General appropriations act for FY 2012-13.

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H.B. 12-1336: Directs the Office of State Planning and Budgeting to contract for a Department of Corrections systemwide analysis by July 1, 2012. The Office is encouraged to convene an advisory group to assist in developing options based on the study. Using the results of the analysis, the Office and the Joint Budget Committee and any advisory group convened will identify, evaluate, and prioritize state and private contract prison-bed utilization options for five fiscal years beginning with fiscal year 2013-14. Appropriates \$350,000 General Fund to the Office of the Governor in FY 2012-13.

HB 12-1339: Appropriates moneys for the Colorado Benefits Management System (CBMS) improvement and modernization project, and outlines the Governor's Office of Information Technology's reporting requirements for quarterly project status updates.

- Requires the Governor's Office of Information Technology to monitor the project and provide quarterly reports to the Joint Budget Committee;
- Defines the required elements to be included in each quarterly report to the Joint Budget Committee;
- Appropriates \$9.0 million (including \$5.7 million General Fund) for contracting and equipment expenditures associated with the project in FY 2011-12 and FY 2012-13 for the Governor's Office of Information Technology, the Department of Health Care Policy and Financing, and the Department of Human Services; and
- Appropriates \$13.3 million (including \$7.0 General Fund) and 22.0 FTE for use in FY 2012-13 for the Governor's Office of Information Technology, the Department of Health Care Policy and Financing, and the Department of Human Services for contracting, operating, and personnel costs associated with the project.

HB 12-1360: Indicates that on June 30, 2012, the State Treasurer shall transfer from the General Fund to the Colorado Economic Development Fund the lesser of \$4.0 million or the amount by which the June 2012 estimate of General Fund revenue prepared by the Office of State Planning and Budgeting for the 2011-12 fiscal year exceeds the March 2012 estimate of General Fund revenue prepared by the Office of State Planning and Budgeting for the 2011-12 fiscal year. Appropriates \$4.0 million from the Colorado Economic Development Fund to the Governor's Office of Economic Development for FY 2012-13 for economic development incentives for job creation.

S.B. 12S-001: Allows the owner of more than ten pieces of special mobile machinery to register those items at one time, at the option of both the owner and the county clerk. Reappropriates \$76,220 to the Governor's Office of Information Technology from the Department of Revenue for computer programming services.

2013 Session Bills

S.B. 13-004: Allows the holder of a State issued identification card who is sixty-five years of age to renew by electronic means or mail for every renewal period, provided that the holder attests, under penalty of perjury, that he/she is lawfully present in the United States and a resident of Colorado. Reappropriates \$4,588 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to modify the Department's Driver's License System.

S.B. 13-039: Requires that audiologists be licensed by the Division of Professions and Occupations in the Department of Regulatory Agencies. Reappropriates \$10,993 from the Department of Regulatory Agencies to the Governor's Office of Information Technology for FY 2013-14 to make conforming changes to the licensing system for audiologists.

S.B. 13-060: Creates the Civil Air Patrol special license plate. Reappropriates \$2,972 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to modify the Colorado State Titling and Registration System.

S.B. 13-088: Supplemental appropriation to the Office of the Governor for FY 2012-13.

S.B. 13-120: Creates the Navy SEAL special license plate. Reappropriates \$2,960 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to modify the Colorado State Titling and Registration System.

S.B. 13-180: Continues the regulation of occupational therapists in the Division of Professions and Occupations in the Department of Regulatory Agencies until September 1, 2018. Reappropriates \$7,104 from the Department of Regulatory Agencies to the Governor's Office of Information Technology for FY 2013-14 to create and administer a new license type for occupational therapist assistants, and to create systems for tracking continued competency requirements.

S.B. 13-188: Replaces the current landowner preference programs for allocating hunting licenses with a single program. Reappropriates \$51,800 from the Department of Natural Resources to the Governor's Office of Information Technology for FY 2013-14 to update the system that assists in electronically allocating hunting license vouchers for the landowner preference program.

S.B. 13-224: Creates the Protect Our Rivers special license plate. Reappropriates \$2,972 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to modify the Colorado State Titling and Registration System.

S.B. 13-230: General appropriations act for FY 2013-14.

S.B. 13-250: Makes a number of changes to current law concerning the sentencing of individuals convicted of drug-related offenses. Reappropriates \$0.5 million and 1.5 FTE from the Department of Corrections to the Governor's Office of Information Technology for FY 2013-14 to modify a large number of Department computer programs, applications, and databases impacted by the sentencing changes.

S.B. 13-251: Allows the State to issue a driver's license, minor driver's license, instruction permit or State identification card to a non-resident who cannot furnish proof of lawful presence in the United States, upon presenting the documents required for issuance. Reappropriates \$35,774 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to change the existing related tables, pass new data to Morpho Trust, and track sworn statements and tax returns.

S.B. 13-276: Directs the Disability-Benefit Support Contract Committee to make grants and loans to study or pilot programs in support of persons with disabilities or to the License Plate Auction Group. Establishes cash funds spending authority up to \$0.3 million in the Governor's Office to facilitate the auction of uniquely valuable license plate numbers.

S.B. 13-280: Requires off-highway vehicles to be titled in the same manner as motor vehicles except under statutory provisions that apply to salvage vehicles and assume the vehicle will be registered with the Department of Revenue. Reappropriates \$25,900 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to modify the Colorado State Titling and Registration System.

H.B. 13-1001: Creates the Advanced Industries Acceleration (AIA) grant program in the Office of Economic Development and International Trade to distribute funding to a variety of advanced manufacturing, aerospace, bioscience, and energy and natural resources industries. Additionally, the bill states that:

- In accordance with S.B. 13-133 (Distribution Of State Share Of Ltd Gaming Revenues), for the 2012-13 and 2013-14 fiscal years, the Bioscience Discovery Evaluation Cash Fund will receive a transfer of \$5,500,000 from the Limited Gaming Fund;
- For FY 2014-15, and each fiscal year thereafter, the transfer of \$5,500,000 from the Limited Gaming Fund to the Bioscience Discovery Evaluation Cash Fund is eliminated and replaced by a transfer to the Advanced Industries Acceleration Cash Fund of the same amount;
- The balance of the Bioscience Discovery Evaluation Cash Fund is transferred to the Advanced Industries Acceleration Cash Fund on January 1, 2015 (approximately \$2.8 million);
- An amount equal to one half of the amount credited to the Advanced Industries Acceleration Cash Fund (enacted via S.B. 11-047, and estimated to be \$1,231,508) on March 1, 2014, and March 1 of each year thereafter, will be used for program grants to clean technology companies or projects;
- In calendar year 2015, and each calendar year thereafter, the Office shall award \$5,500,000 for grants to bioscience projects;
- The Office may use any excess moneys not required to be expended for bioscience or clean technology grants for grants to any of the seven advanced industries; and

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- The Office shall award at least 15.0 percent of total program grants in a calendar year to each of the three grant types (proof-of-concept, early-stage capital and retention, and infrastructure funding). If the Office is unable to award this percentage in a given year due to a lack of qualified applicants, the deficiency does not roll forward to the next year.

H.B. 13-1002: Provides \$0.2 million General Fund for FY 2013-14 to the Office of Economic Development and International Trade to enhance activities conducted by the state's Small Business Development Centers.

H.B. 13-1003: Provides \$0.2 million total funds for FY 2013-14 to the Office of Economic Development and International Trade to create an economic gardening pilot project program aimed at creating jobs by supporting existing companies in a community.

H.B. 13-1004: Provides \$1.5 million General for FY 2013-14, which is then reappropriated to the Department of Higher Education, for the Colorado First Customized Job Training Program. The goal of the Program, jointly administered by the Office of Economic Development and International Trade and the Colorado community college system, is to provide job-training grants to companies that are locating or expanding in Colorado.

H.B. 13-1031: The Office of Emergency Management in the Department of Public Safety must prepare a statewide system for mobilizing emergency response resources from multiple jurisdictions in anticipation of large-scale emergencies. This bill, recommended by the Lower North Fork Wildfire Commission, requires the director of the Office to develop and maintain specific procedures for mobilization, allocation, tracking, demobilization, reimbursement, and other functions within that system. Reappropriates \$108,000 from the Department of Public Safety to the Governor's Office of Information Technology for FY 2013-14 to upgrade its resource and tracking technology.

H.B. 13-1071: Specifies that a vehicle whose model year is more than 32 years old is eligible to be registered as a "collector's" vehicle. A vehicle so registered must pass an emissions test within 12 months after registration, if the vehicle is within the enhanced emissions program area. Reappropriates \$604 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to modify the Colorado State Tilting and Registration System.

H.B. 13-1079: Creates the Joint Technology Committee to oversee State agencies, projects, and issues related to information technology. Provides \$0.1 million General Fund and 1.5 FTE to the Governor's Office of Information Technology for FY 2013-14 to respond to requests from the Committee for data, reports, or information pertaining to the purchase or implementation of information technology from a State agency under the purview of the Office.

H.B. 13-1110: Alters fees for vehicles propelled by compressed natural gas (CNG), liquefied petroleum gas (LPG), and liquefied natural gas (LNG) from an annual license fee based on the weight of the vehicle to a reduced special fuels tax levied on a gallon of gasoline equivalent when the fuel is purchased; assesses a \$10 fee on each truckload (defined as 8,000 gallons of gasoline equivalent) of CNG, LPG, or LNG; and requires a plug-in electric vehicle to pay an annual license fee of \$50. Reappropriates \$68,212 from the Department of Revenue to the

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Governor's Office of Information Technology for FY 2013-14 to modify the Colorado State Tilting and Registration System.

H.B. 13-1111: Creates a registration program for naturopathic doctors in the Division of Professions and Occupations in the Department of Regulatory Agencies, and creates the seven-member Naturopathic Medicine Advisory Committee to advise the director of the division in the regulation of naturopathic doctors. Reappropriates \$5,180 from the Department of Regulatory Agencies to the Governor's Office of Information Technology for FY 2013-14 to create and administer the new registration type and to create systems for tracking continued competency requirements.

H.B. 13-1119: Allows a U.S. military veteran to obtain a driver's license or identification card that identifies the holder as a veteran. Reappropriates \$7,800 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 for programming changes to allow for printing the veteran's identifier on both types of cards.

H.B. 13-1135: Allows a person who has turned 16 years of age, who will not be 18 years of age by the date of the next election, to preregister to vote. Reappropriates \$31,672 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 for contract programming changes to the licensing and voting modules in the Driver's License System.

H.B. 13-1193: Creates the Advanced Industries Export Acceleration Program in the Office of Economic Development and International Trade to provide training, access to consulting services, and expense reimbursements for eligible companies for the purpose of increasing international exports from advanced industries in Colorado. Transfers \$0.3 million General Fund to the Advanced Industry Export Acceleration Fund on January 1, 2014 and each year thereafter for four additional years and appropriates \$300,000 cash funds from the Advanced Industry Export Acceleration Fund to the Office for FY 2013-14.

H.B. 13-1240: Modifies the definition and penalties for persistent drunk drivers. Reappropriates \$26,714 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to reprogram and change existing forms to incorporate new time frames for drunk driving offenses.

H.B. 13-1271: Requires the Department of Human Services to establish a steering committee to develop an implementation plan for a statewide child abuse reporting hotline. Reappropriates \$529,800 from the Department of Human Services to the Governor's Office of Information Technology for FY 2013-14 to modify the child welfare computer system (TRAILS) to allow it to work with a centralized hotline.

H.B. 13-1301: Creates the Procurement Technical Assistance Task Force to discuss and determine the future structure and oversight of procurement technical assistance centers in Colorado. Appropriates \$0.2 million General Fund to the Office of Economic Development and International Trade to provide administrative support to the Task Force and to award a grant to an organization tasked with leading the discussions.

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H.B. 13-1317: Establishes the regulatory framework to implement Amendment 64, which legalizes the possession of small amounts of marijuana. Reappropriates \$88,500 from the Department of Revenue to the Governor's Office of Information Technology for FY 2013-14 to make changes to systems supporting the Department of Revenue's Marijuana Enforcement Division and the Department of Public Health and Environment's laboratory services for chemistry and microbiology.

Appendix C: **Update on Long Bill Footnotes & Requests for Information**

Long Bill Footnotes

The Office of the Governor’s FY 2013-14 Long Bill did not contain any footnotes.

Requests for Information

- 1 Governor - Lieutenant Governor - State Planning and Budgeting, Office of the Governor, Colorado Energy Office** -- The Colorado Energy Office is requested to submit a report to the Joint Budget Committee on September 3, 2013 and February 3, 2014. At a minimum, the report shall specify the following information with regard to the programs administered by the Office in FY 2013-14: (1) the amount of moneys expended (or encumbered) in FY 2013-14 from the Clean and Renewable Energy Fund, Innovative Energy Fund, Colorado Low-income Energy Assistance Fund, and Public School Energy Efficiency Fund; (2) the goals and objectives that the moneys in section (1) were intended to achieve; (3) the performance measures used by the Office to monitor the status of moneys outlined in section (1) against said measures; and (4) the status of the performance measures outlined in section (3). Additionally, the Office shall make itself available for quarterly meetings with the Joint Budget Committee on an as needed basis (as determined by the Joint Budget Committee) to respond to inquiries related to the quarterly reports.

Comment: The Colorado Energy Office provided the following data:

STATUTORY INTENT OF FUNDING: GOALS AND OBJECTIVES

Clean and Renewable Energy Fund - C.R.S. 24-38.5-102.4 - \$1,505,046

Per the statute, is funded from General Fund dollars, the Clean and Renewable Energy Fund can be used for attracting renewable energy industry investment in the state, assisting technology transfer into the marketplace for newly developed energy efficiency and renewable energy technologies, providing market incentives for the purchase & distribution of energy efficient & renewable energy products, assisting in energy implementation of energy efficiency projects throughout the state, aiding government agencies in energy efficiency initiatives, implementing renewable energy technologies, and the overall advancement of energy efficiency & renewable energy throughout the state.

Innovative Energy Fund - C.R.S. 24-38.5-102.5 - \$1,444,556

Per the statute, is funded from severance tax dollars and can be used for promoting, research, development, commercialization, education, attracting innovative industry investments to the state, providing market incentives for efficient innovative energy products, assisting in implementation of innovative efficiency projects, aid government

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agencies in innovative energy efficiency initiatives, innovative energy policy development. Innovative energy is defined as “existing, new, or emerging technology that enables the use of a local fuel source, establishes a more efficient or environmentally beneficial use of energy & helps to create energy independence & security for the state”.

Low-Income Energy Assistance Fund - C.R.S. 40-8.7-112 (3)(a) - \$6,500,000

Per the statute, is funded from General Fund dollars and can be used for a program to provide home energy efficiency improvements for low-income households, which shall include any of the following services: Providing low-cost and cost-effective energy efficiency measures and energy education to low-income households in general; Retrofitting households with low-cost and cost-effective energy efficiency measures through the state weatherization assistance program; Providing heating system and other appliance replacement; Providing cost-effective renewable energy measures; Supplementing the funding for any energy efficiency measures or services offered to low-income households through electric or gas utility energy efficiency or renewable energy programs; Paying a portion of the cost for energy efficiency upgrades to new housing built for low-income families.

Public School Energy Efficiency Fund - C.R.S. 39-29-109.5 (2) - \$207,975

Per the statute, is funded from severance tax dollars utilizing the "interest differential". Funds must be used to establish and manage a program to improve energy efficiency in public schools. In administering the program, the office shall give consideration to whether a public school or school district is located in an area socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels subject to the severance tax. The program should include financing energy efficiency with EPC, assist in the design of new more efficient schools, assist districts on their utility budget management, provide training and supporting resources related to efficiency, and provide funding for administration of REEES (renewable energy and energy efficiency for schools loan program).

FUND UPDATE: EXPENDITURES & ENCUMBRANCES

The following table outlines the expenditures and encumbrances for each of the four funds mentioned and described above:

| CEO FY13-14 Programs Update (as of September 2013) | FY13-14 Appropriation | FY13-14 Expenditures | FY13-14 Encumbrances | FY13-14 Appropriation Remaining |
|---------------------------------------------------------------|--------------------------|-------------------------|-------------------------|---------------------------------------|
| Clean and Renewable Energy Fund - C.R.S. 24-38.5-102.4 | \$1,505,046.00 | \$203,365.74 | \$ 432,258.31 | \$ 869,421.95 |
| Innovative Energy Fund - C.R.S. 24-38.5-102.5 | \$1,444,556.00 | \$157,053.20 | \$ 163,186.74 | \$1,124,316.06 |
| Low-Income Energy Assistance Fund - C.R.S. 40-8.7-112 (3)(a) | \$6,500,000.00 | \$309,447.17 | \$4,945,573.03 | \$1,244,979.80 |
| Public School Energy Efficiency Fund - C.R.S. 39-29-109.5 (2) | \$ 207,975.00 | \$ 5,126.83 | \$ 80,373.17 | \$ 122,475.00 |

Though it may appear as though a disproportionate amount of the Low-Income Energy Assistance Fund has already been encumbered, it should be noted that this program utilizes long-term contracts with vendors who, in turn, expend those funds throughout the fiscal year and the funds are encumbered at the time of contract execution. Therefore, a

significant amount of this Fund has already been encumbered because the program has already executed most of its long-term contracts.

FUND PERFORMANCE MEASURES AND STATUS UPDATE

Clean and Renewable Energy Fund - C.R.S. 24-38.5-102.4

1. **Buildings Efficiency Vision:** Continue to address gaps in the market concerning the pursuit of cost-effective investments in energy efficiency.

a. **Goal:** Incorporate the value of energy improvements into real estate transactions.

i. Establish a baseline and measure the use of energy information at the time of sale and extract market data on the impact energy efficiency has on the home buying process

Status: CEO has completed establishment of a new home baseline and is 25% complete with development of an existing home baseline

ii. Develop credible secondary information to support appraisal industry valuation of high performing residential building

1. Complete two valuation studies and develop data sharing agreements with RESNET and the Regional Housing and Urban Development Office to assess market trends of energy efficiency role in the home buying process

Status: PV valuation study complete, 2nd will be complete by end of FY13-14 – topic TBD; Meeting with Appraiser Task Force on Dec. 12th to discuss the next studies with one appraiser identified to lead in a metro Denver study. RESNET agreement was signed in August; HUD reports numbers when asked with no official agreement needed per Rick Garcia, head of Region 8 HUD

2. Monitor the use of the Multiple Listing Services (MLS) to analyze market trends and impact of trainings by completing 8 detailed studies of MLS remark fields. (2 by end of 2013, 6 by close of FY)

Status: 2 MLS systems have been completed including IRES and Metrolist; goal is on track for completion by end of FY

3. Provide professional training programs for real estate stakeholders including real estate agents, appraisers, home inspectors, and lenders.

- a. Conduct 48 training sessions for 2,000 total attendees
Status: 6 trainings have been scheduled; goal is on track for completion by end of FY

 - b. **Goal:** Increase the availability of capital for residential and commercial energy improvements.
 - i. By end of August 2013: Determine the composition of the Energy Improvement District Board based on guidelines/requirements outlined in SB13-212
Status: Completed
 - ii. By the end of September 2013: Prepare and distribute a C-PACE Roadmap to the Board
Status: Completed
 - iii. Work with various partners and stakeholders to keep the public apprised of C-PACE developments and opportunities (i.e. educate the public and pinpoint and compile a portfolio of potential projects)
Status: Ongoing
 - iv. Participate in and guide Board proceedings to ensure a timely launch; (assist appointed board to design and implement the program.)
Status: Ongoing

 - c. **Goal:** Continue to promote and expand the use of Energy Performance Contracting (EPC) among public agencies.
 - i. July 1, 2013 through June 30, 2014 complete construction on 13 public projects resulting in natural gas energy savings of 350,000 Therms and electric energy savings of 14.5 million kWh
Status: Completed construction on 3 projects resulting in annual natural gas energy savings of 160,300 therms and electric energy savings of 1.8 million kWh. In addition there are 20 projects in construction, half of which should be completed by end of FY 14
 - ii. Recruit and support innovative EPC projects that focus on water efficiency, renewable energy, and/or de-commissioning of buildings. Address issues that keep private and smaller public EPC projects from moving forward.
Status: Currently 1 wastewater treatment plant and 2 solar-only projects are under construction. In addition one college campus is targeting deep energy retrofits on one of the buildings
1. **Electricity Policy Development Vision:** Facilitate the discussion, development and implementation of policies concerning Colorado’s electricity sector, balancing economic and environmental objectives

- a. **Goal:** Effectively engage the SB 13-252 stakeholders in analysis of the Renewable Energy Standard implementation
 - i. July 2013: convene the 252 Advisory Committee set forth in Executive Order
Status: The 252 Advisory Committee held three meetings (7/10, 8/7, and 9/4) and discussed the concerns raised in Executive Order B 2013-007. The Committee determined it is feasible for cooperative utilities to meet the 20% standard by 2020 assuming the use of Renewable Energy Credits. The 2% cost cap does not compound. The group had no consensus suggestions for future legislation
 - ii. July – November 2013: Either through CEO facilitation or a hired facilitator, develop and implement a process for data sharing, analysis, conclusions and reporting
Status – complete through the Advisory Committee process
 - iii. November 15, 2013: Report to the Governor and key legislators on legislative actions recommended by the Committee
Status: Completed
- b. **Goal:** Fully address the climate change requirements of HB 13-1293;
 - i. create a Vulnerability Assessment study; applied to relevant state agencies and key industries to determine risks and initiate preparedness planning
Status: Completed Scope of Work for Vulnerability Assessment with the above components addressed
 - ii. Contract with CU and CSU to complete Vulnerability Assessment by 5/2014.
Status: CU and CSU are under contract
 - iii. Report to the General Assembly on Action Plan, Climate Change effects on Colorado, mitigation efforts and proposals
Status: Sponsor of HB13-1293 has been briefed on efforts; full legislative report will come during session with update on Vulnerability Assessment
- c. **Goal:** Develop legislative proposals that lower barriers to clean and innovative energy resources and uses in Colorado.
 - i. September 2013: Develop agenda of bills
Status: Completed
 - ii. December 2013: Secure sponsors for all bills and complete stakeholder outreach on content of bills
Status: Underway and scheduled for all legislative deadlines in November.

- iii. January through May 2014: Work bills through legislative processes
Status: Ongoing

2. **Communications and Public Relations Vision.** Increase the proficiency of Colorado energy consumers in understanding their energy options and improving their energy utilization

- d. **Goal:** Enhance the design and functionality of both the CEO and Recharge Colorado websites to attract additional web traffic and position the CEO as subject matter experts for the energy sector and on the topic of energy efficiency
 - i. July 2013: Launch a revised Recharge Colorado website.
Status: Completed
 - ii. June 2014: Promote the use of both websites and increase social media traffic by 10%.
Status: Completed
- e. **Goal:** Cultivate media relationships and increase visibility through positive press statewide
 - i. June 2014: Develop statewide contacts with media outlets and journalists: proactively place 5 articles, 20 quotes, 1 radio/TV spot.
Status: Have accomplished 1 radio, 3 articles, 5 quotes
 - ii. June 2014: Promote proactive opportunities for positive press; release 5 press releases
Status: Have released 2 press releases
- f. **Goal:** Develop consumer-focused collateral material about CEOs energy efficiency programs and incentives
 - i. June 2014: Create brochures and handout materials for distribution at events, to agencies, and consumers.
Status: On target to goal
- g. **Goal:** Provide standard communications materials to support statewide outreach and stakeholder engagement events
 - i. July 2013: Create and maintain a FY13/14 event tracking spreadsheet
Status: Completed
 - ii. January 2014: Prepare FY13 CEO Annual Report.
Status: On target to goal
 - i. October 2013: Craft standard CEO presentation templates; edit all presentations. **Status: Completed**

Innovative Energy Fund - C.R.S. 24-38.5-102.5

- 1. **Transportation Vision:** Diversification in transportation fuels available and used in Colorado

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- a. **Goal:** To place Colorado at the top tier of states in electric vehicle (EV) market support
 - i. Develop an electric vehicle stakeholder group to assess the technical issues impeding growth of the market and informing future program design.
Status: Ongoing, Meetings have been held quarterly and will continue going forward.
 - ii. Fully establish the program for funding EV charging stations, based upon the new funding provided in HB 13-1110
Status: Funded 17 EV charging stations to date in towns and cities throughout the state (Durango, Carbondale, Breckenridge, Pueblo, Colorado Springs, Loveland, Fort Collins). Goal of funding 8 more in the remainder of the fiscal year. Working through suggested improvements to program guidelines with EV stakeholder group
- b. **Goal:** Continue to work with CDOT staff on a compressed natural gas (CNG) implementation plan using Congestion Mitigation/Air Quality (CMAQ) funding
 - i. (Pending authorization of CMAQ funding), CEO will develop and begin implementing an infrastructure construction plan sufficient to cover the interstate highways at 100-mile maximum intervals (8 additional stations needed) and addressing other corridors as necessary to move towards a sustainable long-term CNG market
Status: Transportation Commission to vote on approving CEO proposal on December 19
- c. **Goal:** Increase heavy-duty fleet vehicle participation in CNG/LNG market
 - i. Heavy-duty vehicle working group – CEO will convene a working group to examine methods of growing alternative fuel usage among heavy-duty vehicle fleets
Status: Forum held with AFV in June 2013 leading to working group that has continued to collaborate on policy and trainings. CEO co-sponsored training for code officials certifying fueling facilities as a requested follow-up to this effort
 - ii. Research use of tax credits for heavy-duty vehicles, building off of the program established via HB 13-1247.
Status – Research complete and led to development of legislative proposal for 2014 session.
 - iii. Gain commitments of fleet owners to pursue business-appropriate adoption of NGVs by fleets representing over 200 heavy-duty trucks

Status: 29 private fleets, local governments, and other stakeholders signed onto the NGV Fleet MOU, agreeing to incorporate NGVs into their fleets where feasible and to support the development of an NGV market in Colorado

d. **Goal:** Grow both station density and state agency usage of CNG, with the goal of purchasing at least 150 CNG vehicles in the coming year

i. Continue to work with DPA and other state agencies regarding purchasing and educating state employees on CNG vehicle usage

Status: Colorado has already incorporated 83 NGVs into the state fleet, and plans to add over 200 vehicles in the coming year

2. **Energy-Related Economic Development Vision:** Effectively build upon Colorado's market position in various energy sectors; identify and pursue demonstration projects and policy initiatives that will accelerate expansion of Colorado's energy economy

a. **Goal:** Develop an energy-sector-specific report on the development assistance needs that will foster new business activity

i. By September 1: develop and implement a plan for meeting with the Energy Key Industry Network (KIN) in Colorado

Status: Completed

ii. By November 30: CEO and partner agencies will complete the Energy KIN report, outlining strategies to grow Colorado's energy industry.

Status: On target for on-time completion

b. **Goal:** Position CEO as a key supplemental resource within the state's energy-related economic development efforts

i. By February 1, 2013: determine the CEO work plan (based upon the KIN report) for fostering energy-related economic development

Status: On target for on-time completion

c. **Goal:** Reduce policy and regulatory barriers to innovative energy technologies in the traditional energy sector.

i. By February 1, 2014: develop a stakeholder group to explore the policy and regulatory barriers that impede the beneficial reuse of produced water and create a research report exploring ways to address those barriers

Status: Stakeholder meeting scheduled for January 7, 2014, with final research report due by January 31

ii. By March 1, 2014: Release white paper discussing barriers and suggesting solutions to produced water beneficial reuse to interested parties and policy makers.

Status: On target for on-time completion

3. **Communications and Public Relations Vision.** Increase the proficiency of Colorado energy consumers in understanding their energy options and improving their energy utilization⁴
- h. **Goal:** Enhance the design and functionality of both the CEO and Recharge Colorado websites to attract additional web traffic and position the CEO as subject matter experts for the energy sector and on the topic of energy efficiency
 - i. July 2013: Launch a revised Recharge Colorado website.
Status: Completed
 - ii. June 2014: Promote the use of both websites and increase social media traffic by 10%.
Status: Completed
 - i. **Goal:** Cultivate media relationships and increase visibility through positive press statewide
 - iii. June 2014: Develop statewide contacts with media outlets and journalists: proactively place 5 articles, 20 quotes, 1 radio/TV spot.
Status: Have accomplished 1 radio, 3 articles, 5 quotes
 - iv. June 2014: Promote proactive opportunities for positive press; release 5 press releases
Status: Have released 2 press releases
 - j. **Goal:** Develop consumer-focused collateral material about CEOs energy efficiency programs and incentives
 - i. June 2014: Create brochures and handout materials for distribution at events, to agencies, and consumers.
Status: On target to goal
 - k. **Goal:** Provide standard communications materials to support statewide outreach and stakeholder engagement events
 - i. July 2013: Create and maintain a FY13/14 event tracking spreadsheet
Status: Completed
 - ii. January 2014: Prepare FY13 CEO Annual Report.
Status: On target to goal
 - i. October 2013: Craft standard CEO presentation templates; edit all presentations. **Status: Completed**

Low-Income Energy Assistance Fund - C.R.S. 40-8.7-112 (3)(a)

1. **Buildings Efficiency Vision:** Continue to address gaps in the market concerning the pursuit of cost-effective investments in energy efficiency.

⁴ Communications and Public Relations goals are reflected under both Clean and Renewable and Innovative Energy Funds due to the fact that they support both conventional and renewable energies.

- a. **Goal:** make effective investment decisions on the behalf of low-income households.
 - i. Complete 3,325 low income weatherized units.
Status: Completed 922 units
 - ii. Achieve natural gas energy savings of 515,413 Therms
Status: 154,824 Therms saved
 - iii. Achieve electric energy savings of 2,114,855 kWh
Status: 635,353 kWh saved
 - iv. Increase household discretionary income of low-income weatherization clients by \$693,224 through lower utility bills as a result of installed weatherization measures
Status: \$208,260 saved

Public School Energy Efficiency Fund - C.R.S. 39-29-109.5 (2)

- 1. **K-12 Energy Management:** Support K-12 schools by building internal capacity for effective energy management
 - a. **Goal:** Continue to engage K-12 schools through CEO’s Energy Management Assistance Program which provides technical assistance and program guidance including energy education and training, utility data analysis, facility assessments, and project implementation assistance.
 - i. Complete energy assessments at 8 school districts.
Status – 1 school district has been completed with additional assessments scheduled
 - b. **Goal:** Continue to support energy efficiency improvements in K-12 schools through CEO’s energy performance contracting program.
 - i. Complete 4 Technical Energy Audits and construction on 2 projects with expected utility savings of over \$500,000.
Status – 3 projects in construction and 4 technical energy audits in progress

- 2. **Governor – Lieutenant Governor – State Planning and Budgeting, Office of State Planning and Budgeting; and Department of Public Safety, Division of Homeland Security and Emergency Management, Office of Emergency Management, Disaster Response and Recovery --** The Office of Emergency Management is requested to work with the Office of State Planning and Budgeting to provide a report to the Joint Budget Committee by November 1, 2013, concerning revenues credited to and expenditures made from the Disaster Emergency Fund in fiscal years 2012-13 and 2013-14 year-to date. The report is requested to include the following: (a) amounts authorized to be transferred to the Disaster Emergency Fund, by Executive Order and fund source; (b)

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amounts actually transferred to the Fund, by date and fund source; and (c) actual expenditures from the Fund, by date and declared disaster emergency.

Comment: The Office of the Governor and the Department of Public Safety provided a response to this request. This response was addressed in a separate staff briefing for the Department of Public Safety on Thursday, November 14, 2013.

- 3 Governor – Lieutenant Governor – State Planning and Budgeting, Office of Information Technology (OIT); and Department of Revenue, Executive Director's Office** -- The Governor – Lieutenant Governor – State Planning and Budgeting and the Department of Revenue are requested to submit to the Joint Budget Committee a report detailing: (1) the progress made to-date on the implementation of the Department of Revenue's Request #2 – DOR IT Infrastructure Enhancements, including a comparison of the reliability of the new system components with the old system components; (2) data justifying the continuing budgetary support of the 22.0 FTE in OIT dedicated to serving the Department of Revenue during the implementation of Request #2; and (3) each of the specific anticipated outcomes cited in the budget submission as justifications for the project. The report is requested be provided for FY 2013-14 with the FY 2014-15 budget submission, and another report is requested to be provided for FY 2014-15 with the FY 2015-16 budget submission.

Comment: The Office of the Governor and the Department of Revenue provided a response to this request. This response will be addressed in a separate staff briefing for the Department of Revenue scheduled for Wednesday, December 18, 2013.

Appendix D: Change Requests' Relationship to Performance Measures

This appendix shows how the Office of the Governor indicates each change request ranks in relation to the Office's top priorities and what performance measures the Office is using to measure success of the request.

| Change Requests' Relationship to Performance Measures | | | |
|--------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R | Change Request Description | Goals / Objectives | Performance Measures |
| 1 | Continuous Improvement and Planning Program | Improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. | The Office of the Governor is measuring its goal/objective by the number of Lean Process events it holds for executive branch agencies. |
| 2 | Economic Development Commission - general economic incentives and marketing | Create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. | The Office of the Governor is measuring its goal/objective by comparing Colorado job growth to the national average, regional average, and a competitive state average. |
| 3 | Advanced industries accelerator | Create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. | The Office of the Governor is measuring its goal/objective by comparing Colorado job growth to the national average, regional average, and a competitive state average. |
| 4 | Colorado Tourism Office | Create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. | The Office of the Governor is measuring its goal/objective by comparing Colorado job growth to the national average, regional average, and a competitive state average. |
| 5 | Minority/Women Owned Business Office | Create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. | The Office of the Governor is measuring its goal/objective by comparing Colorado job growth to the national average, regional average, and a competitive state average. |
| 6 | Procurement Technical Assistance Center | Create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. | The Office of the Governor is measuring its goal/objective by comparing Colorado job growth to the national average, regional average, and a competitive state average. |
| 7 | Aerospace strategic plan implementation and champion | Create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. | The Office of the Governor is measuring its goal/objective by comparing Colorado job growth to the national average, regional average, and a competitive state average. |

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| Change Requests' Relationship to Performance Measures | | | |
|--------------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R | Change Request Description | Goals / Objectives | Performance Measures |
| 8 | Colorado Office of Film, Television, and Media | Create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. | The Office of the Governor is measuring its goal/objective by comparing Colorado job growth to the national average, regional average, and a competitive state average. |
| 9 | Economic gardening pilot project | Create jobs and boost Colorado's economy through regulatory reform, business recruitment and retention, workforce development, tourism, capital formation, and communication technologies. | The Office of the Governor is measuring its goal/objective by comparing Colorado job growth to the national average, regional average, and a competitive state average. |
| 10 | Long Bill restructure | n/a | n/a |
| 11 | Secure Colorado Phase II | Improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. | Cost saving and cost avoidance |
| 12 | Eliminate redundant applications | Improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. | Cost saving and cost avoidance |
| 13 | Capitol Complex network resiliency | Improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. | Application / system availability Cost saving and cost avoidance |
| 14 | Broadband mapping strategy | Improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. | Broadband availability by household Rural broadband availability by households |
| 15 | Service management ecosystem | Improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. | Cost saving and cost avoidance First contact resolution Mean time to total resolution |
| 16 | Digital Trunked Radio System (DTRS) operations increase | Improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. | Application / system availability |

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| Change Requests' Relationship to Performance Measures | | | |
|--------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| R | Change Request Description | Goals / Objectives | Performance Measures |
| | | | |
| 17 | IT technical development | Improve the delivery of services to Colorado's citizens through a comprehensive review of processes throughout all State departments and the development of a consistent framework around which departments plan their operational strategies. | n/a |

Appendix E: Lean Projects Funded with General Fund Moneys

| Department | Project | GF Investment | Project Objectives | Outcome |
|-------------------------------------------------------------------------|--------------------------------------------------------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Natural Resources | Oil and Gas Conservation Commission | \$34,320 | Improve lengthy and inconsistent formal enforcement process for violations of OGCC rules, orders, and permit conditions | Reduce median time to resolution from 6 months to 30 days Standardize work for enforcement staff |
| Local Affairs, Health Care Policy and Financing, Colorado Energy Office | Medicaid Home Modification | \$21,132 | Streamline the process for customer applying for assistance to address home modification for accessibility, rehabilitation for safety issues and weatherization | Reduce the complexity for customers applying for services while increasing awareness of all services available Reduce the amount of time it takes to complete projects |
| Public Health and Environment and Office of Information Technology | Business Technology Governance | \$19,280 | Standardize request process for developing and approving technology business cases, focused on need, innovation, operations and maintenance, and major initiatives | Eliminate duplicative governance and requests Reduce amount of time required for technology request approvals |
| Public Safety | Emergency Resource Mobilization | \$10,575 | Streamline the mobilization of emergency resources by better integrating State and Federal systems | Project activity is delayed due to fire and flood activity |
| Human Services | Disability Determination Prior Authorization Request Process | \$8,070 | Improve the timeliness of services to clients and payments to providers | Target 65% reduction in manual reviews, resulting in faster turnaround time for clients and providers |
| Education | Student Growth Report Process | \$6,566 | Provide districts with accurate and timely data on student performance to support accountability improvement planning | Target 90% accuracy and 100% on-time delivery to allow for improvement planning |
| Public Safety | Rule Making | \$4,377 | Standardize and streamline the rule management process | Implement a centralized, consistent and compliant rule making program |
| Revenue* | Penalty Assessment | \$11,540 | Streamline the | Improve turnaround |

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| Department | Project | GF Investment | Project Objectives | Outcome |
|-----------------------------------|--------------------------------|---------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| | Process | | processing of penalty assessments to improve service for law enforcement, driving public, and the courts | time and accuracy |
| Labor and Employment* | Employment Verification Audits | \$19,067 | Enhance audit accuracy and data quality to improve overall compliance | Standardize data collection and entry process Minimize claim reporting errors and aggregate data for standardized reports |
| Office of Information Technology* | Hardware Provisioning | \$20,100 | Improve end user hardware provisioning process to enhance customer experience and overall satisfaction | Reduce overall cycle time to five business days Improve initial deployment accuracy to 90% |
| Natural Resources* | State Land Board Processes | \$4,418 | Improve leasing, revenue and expense, and policies and procedures processes | Reduce cycle time, improve compliance and accuracy |

*Projects included additional support for Lean training and state agency practitioner development