OFFICE OF THE GOVERNOR
FY 2015-16 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, December 2, 2014
9:00 am – 11:00 am

9:00-9:20 INTRODUCTIONS AND OPENING COMMENTS

9:20-9:40 QUESTIONS COMMON TO ALL DEPARTMENTS

(The following questions require both a written and verbal response.)

1. SMART Government Act:
   a. Please describe how the SMART Government Act is being integrated into the department's existing processes (both in terms of service delivery and evaluating performance).

      Response: The Offices of the Governor have incorporated the SMART Act based on their own processes and performance goals. The SMART Act has enabled the alignment of strategic policy initiatives with operational measures. The following are examples of how this integration has been achieved.

      Office of Information Technology (OIT): Has integrated the SMART Government Act into the annual strategic planning process and includes strategic policy initiatives and operational measures into the annual playbook. These initiatives and measures are reviewed monthly by OIT's Executive Leadership Team along with needed progress and/or remediation steps. The scoreboard is made available through OIT's internal website and shared with all OIT employees to increase transparency.

      Colorado Energy Office (CEO): Through a strategic planning process, CEO established annual and 3-year performance goals that align with its mission and vision. CEO has identified four initiatives within three distinct energy markets that will have the greatest impact on energy production and use in Colorado: energy efficiency in low-income households; energy efficiency in homes, buildings, and facilities; adoption of alternative fuel vehicles; and support in the diversification of Colorado's electric generation portfolio. CEO's market-centric approach provides a clear focus to identify and address market barriers and establish quantifiable goals. Each CEO performance goal has specified milestones and deliverables linked to dollars budgeted. Using established policies and procedures, performance is monitored on a monthly, quarterly, and annual basis using program-specific metrics. CEO requires contractors to submit program status reports with invoices. These reports are reviewed by program managers and accounting personnel before payments are issued. All progress reports are evaluated according to established deliverables, timelines, and budgets. This enables CEO to address and manage any performance issues and ensure program success.

Office of Economic Development and International Trade (OEDIT): OEDIT has integrated the SMART Act into its existing processes by adding new measurements and assessing existing objectives in each division's monthly, quarterly, and annual goals. By creating specific measurements and goals, the Office is able to focus on its overall mission of creating a favorable business environment in Colorado, on client service, and on long term goals.

b. How is the data that is gathered for the performance management system used?

Response: Once the performance and operational measures are developed, data is gathered and reviewed regularly. The following is how the offices process the necessary information.

OIT: Data is gathered and reviewed monthly by OIT's Executive Leadership Team. This data helps OIT evaluate the level and quality of service that is being delivered to customers and ultimately helps OIT achieve its strategic policy initiatives.

CEO: Performance metric data is gathered on a monthly and quarterly basis through grant management and performance metric tools. For example, CEO's weatherization assistance program collects monthly data through its contracted agencies, reflecting the number of energy efficiency home retrofits completed and the total dollars expended. Additional data is gathered through quality assurance inspections.

OEDIT: Data is gathered and evaluated on a regular basis to assess progress made toward meeting OEDIT's goals. This helps ensure that the Office is focused on the right areas and that the Office is on track to meet its stated goals. The data is also used to help OEDIT analyze what the Office has done to improve its processes, while continuing to focus on its overall mission.

c. Please describe the value of the act in the department.

Response: The SMART Government Act has helped create more strategic and long-term goal setting within the Offices of the Governor and has also increased transparency. The SMART Act creates the foundational structure for the strategic planning, monitoring, and evaluation process. It ensures accountability by monitoring performance and will help achieve measurable results in customer service and ideally generate cost efficiencies.

2. Do you have infrastructure needs (roads, real property, information technology) beyond the current infrastructure request? If so, how do these needs fit in with the department's overall infrastructure priorities that have been submitted to the Capital Construction Committee or Joint Technology Committee? If infrastructure should be a higher priority for the department, how should the department's list of overall priorities be adjusted to account for it?

Response: The main infrastructure needs are in OIT. OIT's budget request items for Fiscal Year 2015-16 include funding for infrastructure needs and basic refresh. In accordance with SB 14-169, inventories of IT infrastructure will be conducted and used for developing annual infrastructure budget request items. No other infrastructure needs exist for the remaining offices.

3. Describe the department's experience with the implementation of the new CORE accounting system.

   a. Was the training adequate?

      Response: The implementation of the new CORE system was challenging. However, there were a number of training courses provided on various aspects of CORE of which Governor's Office staff attended. One concern cited is that the training was provided months in advance of staff having the ability to use the system. Also, additional training may be needed to help alleviate some of the challenges associated with the transition between COFRS and CORE.

   b. Has the transition gone smoothly?

      Response: As with any new system, there has been a large learning curve and obstacles to overcome. The processes used in CORE to accomplish regular day-to-day tasks are often quite different than in COFRS, and adapting to these different processes has been a significant adjustment. Additionally, it has been more difficult to pull information and generate reports from the system than anticipated.

   c. How has the implementation of CORE affected staff workload during the transition?

      Response: Staff workload increased during the transition. Staff were preparing for a major system transition and performing their normal day-to-day responsibilities at the same time. This was especially true for the first four months of system implementation. It is estimated that CORE impacted employees and supervisors put in about 20% more hours to close the year end and open FY 2014-15. As users become more familiar with the system, the goal is for the efficiencies to increase.

   d. Do you anticipate that CORE will increase the staff workload on an ongoing basis? If so, describe the nature of the workload increase and indicate whether the department is requesting additional funding for FY 2015-16 to address it.

      The implementation of such a substantial new system will drive additional short-term workload as employees adjust to new ways of doing business. As employees adjust to new business processes and become more familiar with the CORE system, it is expected that this short-term workload increase will dissipate. Any long-term staffing changes resulting from CORE -- whether increases or decreases -- will not be known before the system reaches a steady operational state. At this time, the Executive Branch is not submitting any requests for FY 2015-16 to address the impact of CORE on normal departmental financial services operations.

9:40-9:45 OFFICE OF STATE PLANNING AND BUDGETING

4. How will Results First be integrated into the SMART act process?

   Response: Colorado's performance management system is designed to help departments prioritize focus areas and resources, improve the efficient delivery of government goods and services, and cultivate an innovative culture within Colorado government that empowers employees to improve customer service.

   Evaluation is an integral part of the performance management system; departments evaluate the effectiveness and efficiency with which they produce government goods and services through process measures. Results First complements and strengthens the evaluation aspect of performance management by providing cost-benefit analyses on evidence-based government service programs. As the performance management system continues to evolve, the analysis conducted through Results First will become a significant tool in helping departments manage resources and enhance program outcomes.

9:45-10:25 OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

<u>General Office Questions</u>

5. How does the Office coordinate economic development programs that are administered by other State agencies, such the Department of Agriculture, Department of Local Affairs, the Department of Labor and Employment, and the Department of Higher Education?

   Response:
   <u>Department of Local Affairs (DOLA)</u>
   - In 2011, OEDIT and DOLA agreed on a Memorandum of Understanding so that OEDIT could integrate regional developers and utilize regional managers to execute the Colorado Blueprint.
   - OEDIT and DOLA work closely on economic development programs that use Community Development Block Grant (CDBG) funds from the federal Department of Housing and Urban Development (HUD). For example, DOLA's economic development manager works closely with OEDIT. For CDBG business loan fund deployments larger than $100,000, the Governor's Financial Review Committee (FRC), a multi-agency review board that includes representatives from DOLA, OEDIT, the Department of Agriculture and the Colorado Housing Finance Authority (CHFA), makes all credit review and investment approval decisions.

- OEDIT also works with DOLA’s program manager, finance team, and controller to award Community Development Block Grant Disaster Recovery (CDBGDR) funds to assist with recovery from the September 2013 floods and the fire disasters. OEDIT has also received a sub-allocation of funds for economic development purposes.
- OEDIT and DOLA jointly share administrative responsibility for the Rural Economic Development Initiative (REDI) program, which offers grants to support projects in rural parts of Colorado that are dependent on a single employer category. These projects add diversity and resiliency to rural economies. All grants are jointly approved by OEDIT and DOLA leadership and also require joint business and local government support. The program coordinator who is an OEDIT employee works closely with the DOLA Regional Managers to execute the projects.
- The Colorado Creative Industry (CCI) team within OEDIT works closely with and is complementary to DOLA’s Main Street Program, helping to grow jobs and investment in downtown areas throughout Colorado. OEDIT’s CCI Director sits on the Main Street Program Board.

Department of Agriculture

- In addition to sitting on the Governor’s FRC as described above, the Department of Agriculture is working with OEDIT on executing the economic revitalization portion of the CDBGDR funds to ensure that funds to agricultural and non-agricultural businesses are distributed appropriately with no duplication of benefits occurring. OEDIT’s Corporate Development team includes two employees specifically tasked with working across the regions, and they work with the Markets Division within the Department of Agriculture. OEDIT’s Heritage and Agritourism team also works with the Department of Agriculture.
- OEDIT’s International Division provides technical assistance and collaborates with the Department of Agriculture on export promotion programs involving the food and agriculture industry.

Colorado Department of Labor and Employment (CDLE)

- Over the past several years, OEDIT and CDLE have worked closely together to align OEDIT’s key industry and advanced industry strategies in the Colorado Blueprint with CDLE and the Workforce Development Council’s work in building sector partnerships in targeted industries. CDLE has been instrumental in executing Core Objective 5 of the Blueprint. Joint efforts have led to the creation of key industry networks of stakeholders including businesses, industry associations, local officials and state government, higher education, and other actors to build collaborative initiatives to advance the Colorado economy.
- Currently, OEDIT is engaged with Workforce Development Council and other parts of CDLE to build a sector partnership with the construction and contractor trades to promote post disaster resiliency in the economy using CDBGDR funding from HUD. Additionally, OEDIT is engaging with CDLE on allocating its Advanced Industry Accelerator Infrastructure Funding.

Department of Higher Education

- OEDIT and the Colorado Community College System (CCCS) jointly administer the performance-based Colorado First and Existing Industry Job Training Program. The funding flows from the Colorado General Fund to OEDIT and ultimately to the CCCS. A program manager from OEDIT works directly and closely with a program manager from the CCCS to collect and evaluate applications which are sent in to local CCCS representatives from businesses around Colorado. Once awards to companies are approved, the CCCS reimburses training expenses incurred by the businesses. Post award, the CCCS and OEDIT program managers conduct joint company site visits to review training implementation and effectiveness.

  Also, it was stated during the Briefing for the Offices of the Governor that to qualify for Colorado First/Existing Industry dollars, trainees must be new hires. To clarify, the Colorado First grants require net new hires; however, the Existing Industry grants do not.

6. Is Colorado being marketed by the Office as a state with entrepreneurial opportunities in the marijuana industry?

   Response: OEDIT is not marketing Colorado as a state with entrepreneurial opportunities in the marijuana industry.

7. Does a relationship exist between the legalization of marijuana and data showing Colorado as an in-migration destination for young people?

   Response: OEDIT does not have factual evidence of a relationship existing between the legalization of marijuana and data showing Colorado as an in-migration destination for young people. However, OEDIT is anecdotally aware that some families have moved to Colorado in order to access Charlotte's Web cannabis to reduce seizures in their children.

8. Is the State's marijuana policy coordinator involved with the Office in initiatives to use the legalization of marijuana as an economic development tool? If so, what has been done to date? If not, why?

   Response: No, the State's marijuana policy coordinator is not working with OEDIT to use the legalization of marijuana as an economic development tool. As OEDIT understands it, the marijuana policy coordinator's role is to coordinate various State agencies as they develop regulations around the State's marijuana laws.

Job Growth Incentive Tax Credit

9. The General Fund revenue impact estimate included in the fiscal note for H.B. 09-1001 (Income Tax Credit For CO Job Growth) is much lower than the actual tax credits conditionally offered for FY 2012-13 and FY 2013-14. Why has the program implementation resulted in a greater decrease in General Fund revenue than was originally anticipated?

Response: Looking only at credits approved by the Economic Development Commission, it appears that there has been a greater decrease in General Fund revenue than was originally anticipated; however, a number of breakage points and lags have led to actual claimed credits being much lower than what was projected in the fiscal note for H.B. 09-1001. For example, if customers chose to locate in other states, they would not have executed contracts with the State. Additionally, customers who did execute contracts might ultimately have performed at lower levels than planned, which would have led to fewer credits being earned and issued by OEDIT. Moreover, customers for whom credits were approved might not have been able to claim the credits immediately (or ever) because of a lack of state income tax liabilities. Over time, unclaimed credits do expire.

Notably only credits that move through all of the required stages (Economic Development Commission approval, contracting, OEDIT issuance, and business claims) actually impact state fiscal revenue by reducing tax revenues paid into the General Fund. Although not formally quantified in the Fiscal Note, OEDIT believes that any negative impact on the General Fund from credits claimed is more than offset by the increased state revenues from net new employee's payments of state income tax, state sales tax, and property tax.

The table below shows the Fiscal Note Projected Revenue impact from H.B. 09-1001 compared to actual approved, issued and estimated claimed credits. It is clear that the adverse revenue impact in the fiscal note was higher than actually occurred over the first five fiscal years of program operation.

(In $ millions)

Fiscal Year	HB 09-1001 Projected General Fund Revenue Impact from Fiscal Note	Actual EDC Approved Credits	Actual OEDIT Issued Credits	OEDIT Estimated Claimed Credits *
FY 2009-10	**($2.9)**	**$10.6**	**$0.0**	**($0.0)**
FY 2010-11	**($8.6)**	**$6.4**	**$0.5**	**($0.3)**
FY 2011-12	**($13.8)**	**$20.1**	**$1.4**	**($0.8)**
FY 2012-13	**($18.1)**	**$41.8**	**$4.2**	**($2.5)**
FY 2013-14	**($21.3)**	**$38.6**	**$6.4**	**($3.8)**

**** OEDIT Estimates 60% of Credits Issued will be claimed. Actual data is only available from the Department of Revenue.***

To provide a more accurate assessment of the costs and benefits of the Job Growth Incentive Tax Credit, it is important to look at revenue contributed to the State from employees who have taxable income. For example, if an employee has an annual salary of $100,000, in the first year, the State brings in approximately $5,330 in income and sales tax at no cost to the State. Starting in year 2, the tax credit for an annual salary of $100,000 would be approximately $3,825, so the State would still come out ahead by about $1,505.

10. How does the Office coordinate economic development programs that are administered by other State agencies, such the Department of Agriculture, Department of Local Affairs, the Department of Labor and Employment, and the Department of Higher Education?

    Response: This question is the same as #5. Please see the previous response.

11. Is a yearly General Fund revenue decrease of approximately $40 million the expected course for this program in future? Is this path sustainable?

    Response: As indicated in the table above (included in the answer to Question 9), the previous year estimated claimed credits were less than $5.0 million in absolute terms, which was less than 20% of the amount estimated in the initial fiscal note. OEDIT believes the likely near term revenue impact is in the $7.0 million to $13.0 million per year range over the next three years. Again, it is important to note that the revenue generated for the State by creating new jobs outweighs the costs to the State.

12. Is the total dollar amount of tax credits approved during economic downturns more or less than other economic periods?

    Response: This program was launched during the trough of a downturn in 2009. Over time the program has gained increasing traction as shown in the table above (included in the answer to Question 9). Some of this acceleration was due to the seasoning of the program in the market as more site selectors, potential applicants, and local economic developers in Colorado learned about how to deploy the program, thereby increasing its usage. Additionally, as part of H.B. 14-1014, certain statutory requirements for usage of the JGITC were adjusted, and the length of the credit period was extended from 5 years to 8 years. Combined, these changes likely have increased and will continue to increase the number and amount of credits that are issued after January 1, 2014.

<u>Competitive Intelligence and Marketing Plan</u>

13. Many of the economic development commissions across the state are performing similar work in their communities. How is this request not duplicative of what is already being done?

    Response: This request is not duplicative of what is already being done for two primary reasons. First, the efforts currently made are inconsistent across the State because each community has different resources. Rural communities with fewer resources will benefit from a statewide effort. Second, local communities' efforts are directed at more narrow niches than OEDIT's efforts. OEDIT's broader, statewide work will align with and complement local efforts.

14. How does the Office interact and collaborate with local economic development entities across the state when it comes to marketing and recruiting efforts?

Response: OEDIT works with local economic development entities in multiple ways, including working with them on broader initiatives such as aerospace and manufacturing, bringing them into discussions with prospect companies, being asked by them to participate in meetings with prospect companies, and working with them on trips to other markets.

Aerospace and Defense Industry Champion

15. Please describe the role of the Aerospace and Defense Industry Champion in the implementation of S.B. 14-157 (DMVA Commission Report Value US Mil Activities)?

    Response: The Aerospace and Defense Industry Champion has played an active role in the implementation of S.B. 14-157. The Champion (i) participated in drafting and reviewing the Request for Proposal (RFP) for the comprehensive study of the overall strengths and advantages of Colorado in meeting Department of Defense objectives, (ii) participated as a selection committee member for the RFP, (iii) is on the Department of Military and Veterans Affairs (DMVA) oversight committee for the contractor's performance, (iv) presented on and discussed the economic value of defense in Colorado at 40 public forums and conferences in 2014, (v) meets regularly with Colorado senior defense leaders to discuss Colorado support and initiatives to improve support, (vi) is an honorary member of the Colorado Springs Military Affairs Council (MAC) and participates in MAC sponsored events representing the Governor's Office, (vii) participated in Aurora Chamber Of Commerce sponsored Accelerate Colorado visit to Washington D.C. and visited the Pentagon to highlight Colorado base support and the overall economic value to the State and capability to not only sustain but grow Colorado defense installations, (viii) participated in Colorado Springs Regional Business Alliance sponsored Impact D.C. trip and was a member of the Pentagon team to discuss Colorado defense strategic importance, economic value, and defense needs to sustain vibrant defense support in Colorado, (ix) participated in 2014 - 2015 Aurora Defense Council Executive Committee strategic planning to better support defense installations and personnel in Colorado, (x) convened a Colorado delegation staff member Government Aerospace Affairs Forum that highlighted the economic value and importance of continued defense installation support, and (xi) closely coordinates defense events and activities with the Executive Director of DMVA and The Adjutant General, Colorado National Guard.

Film Incentives

16. Why is the request for $5.0 million General Fund for FY 2015-16 for film incentives one-time in nature rather than ongoing?

    Response: Because of the nature of the film incentive, it makes more sense to make the request one year at a time. Film incentives are one time in nature, as opposed to many of OEDIT's other programs which can be used multiple times over multiple years.

Tourism

17. Is the Colorado Tourism Office encouraging Coloradans to move to other countries as lead agencies there to increase export of Colorado products?

    Response: No. The mission of the Colorado Tourism Office (CTO) is to increase visitation, and visitor spend in the state of Colorado. However, the Governor's International Ambassador Program is comprised of high level business and government people within other countries who are boosters of Colorado. They are OEDIT's advance team for both tourism and commerce in other countries (Japan, Canada, and Mexico).

18. What steps has the Colorado Tourism Office taken to market the legalization of marijuana as an attractant to potential visitors to the state?

    Response: The current regulations within the State do not really provide an infrastructure that is conducive to the easy use of marijuana by visitors. Public use is prohibited, and most hotels do not allow it. Furthermore, it cannot be used in clubs or bars. Because of that, it is difficult to market to visitors to come to Colorado for legal recreational marijuana when there is virtually no place they can legally comply with consumption restrictions.

Agrotourism

19. What will the requested moneys be expended on in FY 2015-16?

    Response: Please see the Attachment A entitled "Funding Increases for Agritourism FY 2015-16."

20. Are there future projections of how a focus on agrotourism will impact rural parts of Colorado?

    Response: The program is in its first year since the release of the strategic plan in April 2013. The Office does not yet have hard metrics measuring the impact of its efforts, but it does have anecdotal evidence from the field. To date, the Colorado Tourism Office has accomplished the following:

    - Seven rural small businesses engaged in the Cultural, Heritage, Arts Mentor Program (CHAMP);
    - The Office has created the Colorado Agritourism Association (CAA), a member-driven group that will give voice and guidance to the agritourism industry in Colorado;
    - Regional meetings will be held in both April and November of each year for the next three years to ensure the Tourism Office has current information on what is being offered, as well as possible issues from the local, state or federal level;
    - The Colorado Tourism Office and its agritourism program receive extensive story coverage of their tourism offerings through various public relations initiatives

including six press releases with information for article content for the media. The Office's "Gather, Forest, Forage and Hunt" released in July had 2,108 page views and 104 web clips. Additionally, a public relations outreach campaign has resulted in feature placements in USA Today, Forbes, Austin Statesman, Travel and Leisure. The Office has also hosted over a dozen influential media including Lonely Planet, USA Today, Fodor's, Smithsonian Magazine and freelancers through familiarization trips. Familiarization trips highlighted rural Colorado with trips to South Central Colorado, the Grand Valley, and Cañon City.

- The Office published the *Colorado Roots Guide* for local-food eaters, craft-beer lovers, scenic-byway drivers, fresh fruit pickers, history-museum browsers, tiny-lamb petters, dude-ranch fanciers and everything in between available for download and in print. Roots Volume 2 is in the works.

The Office has also engaged in a targeted mixed media marketing campaign (print and digital) with a primary geographic focus on national markets and a secondary focus in the spring of 2014 on the following markets: Austin, Dallas, Houston, Chicago, St. Louis, Milwaukee, and Indianapolis. Robust social marketing has included CTO's key social media platforms, and messaging and content about programs has reached over 400,000 FaceBook fans. Promoted posts have reached 1,366,592 people with over 12,000 likes.

CTO's international efforts have included distributing 3,000 copies of *Roots* for media bags, tour operators and consumers attending travel trade shows in Mexico, France, Belgium, Austria & Switzerland, Canada, UK, Ireland and Japan. CTO has also had expanded coverage in the translated International Guide, and "Taste of Colorado" events were held in Vancouver, Iceland, Berlin (ITB), and Chicago (IPW).

21. Do agrotourism initiatives incorporate industrial hemp production? If so, has the Office worked with the Department of Agriculture to reach out to other states to sell the concept of other states coming to Colorado to see how Colorado grows hemp?

    Response: Agritourism initiatives have not incorporated industrial hemp production so far. No industrial hemp producers have contacted the Colorado Tourism Office, listed themselves on Colorado.com, or reached out through any other channels. The Department of Agriculture has not contacted the Office with any ideas or plans around promoting industrial hemp tourism in the State.

<u>Go Code Colorado</u>

22. Why did the Office not participate in the Go Code Colorado initiative?

    Response: OEDIT did participate in the Go Code Colorado initiative. An OEDIT representative, an Office of Information Technology (OIT) representative, and a representative from the Governor's Office were on the Go Code Colorado advisory board. OEDIT helped identify issues for Go Code Colorado to address, and problem statements were based on issues that were identified through the Key Industry process and guided by the

Colorado Blueprint. Furthermore, OEDIT's Executive Director presented on planning communities, and the winner of the challenge was a presumptive finalist for an Advanced Industries grant through OEDIT. Notably, through the collaboration between OIT and Go Code Colorado, 33 new data sets were published into the Colorado Information Marketplace.

23. Should the Go Code Colorado initiative be continued in future years? If yes, which entity should fund it and which entity should take the lead in administering it?

    Response: Go Code Colorado is not an OEDIT initiative; however, if the initiative is continued, OEDIT will continue to align resources when possible.

Colorado Credit Reserve Program

24. Please describe the market this program is intending to help.

    Response: The Colorado Credit Reserve (CCR) program is intended to help small businesses across Colorado access capital. Smaller loans of $500,000 or less for working capital, equipment, lines of credit, and real-estate may be registered in the program. To date, the program has benefited start-ups as well as existing businesses across Colorado in a wide range of industries including: retail, manufacturing, professional services, healthcare, construction, and financial services.

25. Has demand for the Colorado Credit Reserve program increased since its inception?

    Response: Yes. At the time S.B. 09-067 was passed in 2009, CHFA estimated 250 businesses would be served through the program. As of November 2014, CHFA had registered more than 1,200 loans exceeding initial expectations. The $2.2 million deployed has leveraged private sector financing at a rate of $1 to $21. Today, CHFA has been limited in adding new participating lenders given that resources are approaching full deployment. Once existing funds are fully deployed, CHFA will no longer be able to deposit new funds to existing participating lenders as they grow their loan portfolios. As losses occur, their pooled loan loss reserves will decrease and the program will no longer be effective promoting access to capital for small businesses. Adding additional funds will allow CHFA to market the program to new lenders and continue to support new loans from existing lenders to ensure that as many businesses as possible have access to the program's benefits.

26. Why don't lenders create a pool with private moneys to accomplish the same aims of the program rather than using taxpayer moneys to support loans to private businesses?

    Response: CCR is intended to incentivize lenders to make more loans than otherwise possible, which is accomplished by using the CCR proceeds as a form of a credit enhancement. The concept of allowing loans to be pooled mitigates the lender's credit risk by offering flexibility to recover losses for any registered loan. There is a well known private market failure in the small business credit markets: because of information asymmetries, it is very difficult for banks to accurately judge the credit worthiness of small businesses, and they tend to provide fewer loans than would be socially optimal from a job creation and economic prosperity perspective. Hence the addition of very small amounts of public funds to stimulate small business lending by banks can improve overall economic results for Colorado.

27. Before moneys are moved from the CHFA trust fund to the loan loss reserve accounts, which entity benefits from the interest earned on the moneys?

    Response: Any interest that is earned before funds are moved into the loan loss reserve accounts is placed back into the master trust account. Interest income is also used to cover bank charges associated with the program.

28. After moneys are moved from the CHFA trust fund to the loan loss reserve accounts, which entity(s) benefits from the interest earned on the moneys?

    Response: Any interest earned at the loan loss reserve level stays in the lender's account and can also be used to cover bank charges.

29. What happens to the moneys in the loan loss reserve accounts if a lender is no longer in business?

    Response: In the event a participating lender goes out of business, CHFA has the right to withdraw the remaining balance and return it the CCR master trust account. This has never occurred and is considered unlikely.

30. Is there a limit on how long moneys remain in the loan loss reserve accounts?

    Response: No, there is no specified time limit for the life of a CCR supported loan loss reserve fund. However, if new funds are no longer deposited into these pooled loan loss funds as new loans are made, over time the pools will shrink due to losses on existing loans and the pools will no longer promote small business lending. Additionally, if the total principal of loans registered through the lenders' loan loss reserve program is less than the amount in their loan loss reserve account, the CCR funds must be returned to the CCR master trust account. Additionally, if a lender ceases to register loans in the CCR program, CHFA has the right to withdraw the remaining balance in the reserve account and transfer it to the CCR master trust account.

31. What happens to the moneys in the loan loss reserve accounts if this program is eliminated or no longer receives State funding? Will the moneys be refunded to the State?

    Response: As long as lenders have active loans registered in the program, they have access to the funds to recover charge-offs. The moneys will not be refunded to the State.

32. What happens to moneys in the loan loss reserve accounts once the terms of the loan are fulfilled successfully by the borrower? Are the moneys returned to the State?

Response: As long as lenders have active loans registered in the program, they have access to the funds to recover charge-offs. CHFA conducts an annual review of the CCR lender bank accounts. In the event the total principal of loans registered through the lenders' loan loss reserve program is less than the amount in their loan loss reserve account, CHFA has the right to withdraw the funds and return it to the CCR master trust account. It is unlikely any funding will be returned to the State because as long as the lender has registered loans in the program, they have access to the reserve account to recover their charge-offs. In fact, one of the positive aspects of the program is that once a pool of loan loss reserves is built up, it will continue to incentivize banks to make new loans and register them with the program as long as there are enough new deposits into the pool to offset any losses from existing loans and keep the pool funded.

33. Is the entire amount of $2.5 million invested in the program in 2009 currently allocated to loan loss reserve accounts?

    Response: $300,000 of this $2.5 million was used as additional leverage for a similar credit reserve program, the Colorado Capital Access (CCA) program. CCA was created as part of the State Small Business Credit Initiative (SSBCI) that OEDIT and CHFA administer through a grant from the US Treasury's State Small Business Jobs Act 2010. CCR has proven to be more successful than CCA, resulting in the funds allocated to CCA remaining unused. OEDIT will be requesting permission from the US Treasury Department to release $225,000 of these funds back to CCR where it can be put to use more quickly. Based on demand for the CCR program from existing participants, OEDIT and CHFA expect these funds to be distributed within a few months once they are released, meaning the CCR program will still need to be re-capitalized by the State.

34. If the majority of the $2.5 million remains in the loan loss reserve accounts, why is more needed?

    Response: While access to credit has improved since 2009, the businesses served by CCR continue to need small amounts of subsidy to access capital to grow their companies. As part of the renewal of CCR, there's an opportunity for greater outreach to grow lender participation statewide. If no new funds are allocated, only participating lenders with existing loan loss reserve accounts can continue to use the program to benefit small businesses and, as explained earlier, as these pools experience losses and shrink without replenishment, the impact of the program in promoting new lending will be diminished.

35. Has this program been evaluated by the Office to determine its effectiveness?

    Response: CHFA provides annual reporting to the Office for review. The program has supported the creation and retention of more than 10,000 jobs. Based on the initial program capitalization of $2.5 million, this equates to a ratio of less than $250 per job created or retained, which is a very cost effective outcome for an economic development program.

36. Please describe the methods used to identify jobs created due to the program.

Response: Job creation and retention numbers are self-reported by the businesses benefiting from CCR. This information is collected during the application process and annual reporting, which is the industry standard.

10:25-10:55 OFFICE OF INFORMATION TECHNOLOGY

Agency Performance

37. Has the consolidation of information technology resources in the Governor's Office resulted in improvements in the delivery of technology solutions to agencies?

    Response: The consolidation of information technology in the Governor's office has resulted in improvements on delivery of technology solutions to agencies.

    OIT has consolidated all technology personnel across agencies into a singular team. This team now shares common goal, standards, and management. This has led to the successes below.

    1. *Consolidated Email*. In 2012 OIT centralized management of all email systems across the Governor's Office. This program resolved several audit findings and standardized the Governor's Office emails systems for the first time ever.
    2. *Purchasing Power.* OIT has recently signed enterprise agreement with several vendors that give a significant discount to the Governor's Office and other governmental agencies. These kinds of discounts only come from a consolidated IT infrastructure and vision.
    3. *Consolidated Services.* OIT currently has several projects to consolidate data center services. The consolidation effort will improve security, standards, and availability of state systems. The projects move data center services from aging locations to new best in class data centers.
    4. *Security.* A consolidated IT department allows the Governor's Office to make recommendations on best in class technologies and processes to protect state assets. OIT is in the second year of a Cyber Security program to improve the security posture of technology systems throughout the Governor's Office. This two year program has been very successful at addressing current and future security risks.
    5. *Technology Innovation.* OIT has been leading an effort to modernize state systems for the last several years. OIT has brought in several cloud based platforms to build the next generation of state services on. OIT has recently won awards for CBMS and CIM.

38. Has the consolidation of information technology resources in the Governor's Office resulted in cost savings?

    Response: Since its inception, the cost savings/cost avoidance numbers are tracked by OIT on an annual basis. OIT tracks and analyzes any items of savings or avoidance brought forth. The amounts are validated and then audited. The cost savings/avoidance is reported annually in the OIT Annual Report.

39. Should the Office remain within the Governor's Office in the future or should it moved inside another agency or created as a stand-alone agency?

Response: S.B. 08-155 specified the location of the newly consolidated Office of Information Technology to remain central within the Governor's Office. Given the Office's statutory requirement to coordinate and direct statewide IT efforts in corroboration with the Office of State Planning and Budgeting, OIT continues to believe that its most effective location -- administratively and fiscally -- is within the Governor's Office.

40. What is prohibiting the transfer of agency operating expenses appropriations from agencies to OIT? Are statutory changes needed?

Response: Residual operational challenges continue to exist since the 2008 consolidation. OIT is actively working with agencies to address lingering questions around IT governance, decision making, funding requests, billing, reporting, and customer expectations. Further consolidation of agency operating expenses should not be pursued without advance resolution of some of these underlying issues.

In today's model OIT submits a monthly bill to agencies that is reviewed and paid according to multiple terms and conditions. To broadly sweep IT operating expenses into OIT without first identifying use, contractual obligations, expectations, service delivery, and billing metrics would exacerbate the issues outlined above, not resolve them. Further OIT is not certain that existing staffing levels could accommodate the increased work and expectations.

OIT, OSPB, and our customer agencies will work collaboratively to determine if such a funding sweep is needed, wanted, and achievable. Any such action should originate as a Governor's budget request to ensure that all agencies have had sufficient time to review and vet the approach. An example of this approach would be the Governor's FY2015-16 request for an OIT refresh to address assts within OIT, in lieu of statewide assets. Data provided pursuant to SB14-169 and the RFI from the 2014 legislative session were for informational purposes only and should not be misconstrued as a formal budget request.

<u>Contracting</u>

41. Since the enactment of S.B. 12-096 (Office Of Information Technology Amend Contracts), how many contracts were amended? How many new RFPs were issued?

Response: The statute that was enacted as a result of SB 12-096 was used one time. In this instance, three related contracts were amended and were consolidated into one agreement. This bill removed the requirement for OIT having to do an RFP - so no RFPs were issued.

42. Does the Office use independent verification and validation (IV&V) before issuing RFPs for all projects? If not, what percentage of projects went through the IV&V process before issuing an RFP during FY 2012-13 and FY 2013-14?

Response: OIT recommends the use of IV&V to all agencies as early in the project lifecycle as possible. However, often because of monetary constraint at the requesting agencies, most projects pursue IV&V only after the RFP process. In FY 2012-13, 43 projects required Executive Governance Committee (EGC) oversight. 20% of these projects required IV&V because of their level of risk. Of these high risk projects, 11% started IV&V before RFP.

In FY 2013-2014, 83 projects required EGC oversight. 13% of these projects required IV&V because of their level of risk. 23% of these started IV&V before RFP.

43. Does the Office use IV&V before issuing final payments for all projects? If not, what percentage of projects went through the IV&V process before final payment during FY 2012-13 and FY 2013-14?

    Response: Yes. In both FY 2012-13 and FY 2013-14, 100% of projects requiring IV&V went through the IV&V process before final payment. (Note: high risk projects in security, architecture, or scale require IV&V.)

<u>Active directory consolidation</u>

44. Will the implementation of Active Directory technologies across agencies help the Office to meet open audit recommendations related to security?

    Response: Yes. At its core, Active Directory is a security policy enforcement engine. It manages and maintains a consistent security policy across an entire organization or group. Recent audits have called for more centralization of security management tools. Active Directory enforces security for users, desktops, and servers.

<u>Enterprise Wireless</u>

45. Please describe the proposed personnel and infrastructure components of the implementation of a centralized controller for wireless networks located in multiple locations and in multiple agencies.

    Response: Enterprise Wireless is a centralization program to allow state employees to move from location to location without having to connect to different wireless networks. The upgraded system will include labor (internal OIT network engineers) and redundant Cisco wireless controllers. The program builds on a highly successful pilot that was started last year.

<u>Elevation Data Acquisition and Comprehensive GIS Coordination</u>

46. Will elevation data be provided to users via the Colorado Information Marketplace?

Response: The elevation data resulting from this appropriation will be posted in the Colorado Information Marketplace (CIM) as an "external data set," so potential users will be able to find the data in CIM and see a link to download the data. It is appropriate and capable of disseminating very large spatial datasets such as LiDAR.

47. Please describe how the proposed LiDAR data collection will occur (e.g. airplane, satellite).

    Response: Elevation data is collected via airborne LiDAR platforms, usually by attaching an expensive laser sensor combined with a positioning unit to a fixed-wing aircraft that flies at speeds between 100 and 200 miles per hour. Consequently, acquiring accurate LiDAR data efficiently is a technology and capital intensive process requiring considerable technical expertise and experience. OIT will contract for services to acquire the LiDAR data. There are several companies, including at least two headquartered in Colorado, that effectively provide these services. OIT may work with the U.S. Geological Survey (USGS) and use contracting mechanisms, including preselected contractors that the USGS has in place through their Geospatial Product and Service Contracts (GPSC) program. This would provide efficient procurement of the services and would allow the state to use the USGS's expertise in procurement, management and quality control related to LiDAR data acquisition.

48. Is it feasible for the State to work with federal agencies, such as the National Geospatial Intelligence Agency, to obtain existing LiDAR data for the state at a reduced cost?

    Response: OIT is aware of the data and capabilities of the National Geospatial-Intelligence Agency (NGA) and will be looking to leverage existing LiDAR data through them where possible. The NGA subsidized a collection of LiDAR data through the USGS in and around the City and County of Denver before the Democratic National Convention in 2008, and OIT assisted in coordinating participation of local governments in this effort. In addition, OIT's State GIS Coordinator has been a leader at the national level through a preeminent professional association of statewide GIS coordination personnel across the country that has had many interactions with the NGA and has encouraged specific data sharing and collaboration efforts between the NGA and state governments. However, the NGA, as a Defense Department agency, is generally restricted in its interaction with civilian agencies and must typically work through federal civilian entities to participate in data collection efforts within the continental United States.

    OIT has a detailed understanding of what LiDAR data exists at the federal, state and local jurisdictional levels. In collaboration with the Colorado Geological Survey and the Colorado Water Conservation Board, OIT reviewed and expanded an inventory of existing LiDAR data performed by the US Geological Survey, and OIT is in the process of compiling existing LiDAR data and distributing it via our platform mentioned above.

    OIT's appropriation request will not cover the entire state and will be combined with federal funds being requested from the US Geological Survey to maximize the impact of state dollars. Based on our knowledge of existing data and our role as a central clearinghouse of these data, OIT will acquire new LiDAR in places where the data does not exist or requires update because of dramatic changes in the landscape.

2014 Election Issues

49. Please describe the role that the Office's assets played in Election Day issues involving the SCORE system.

Response: The SCORE system is owned and operated by the Secretary of State's Office. OIT supports a shared network with the Secretary of State. On the morning of November 4th at approximately 6:50 am, a piece of network equipment experienced a problem with connectivity. The problem lasted for about 20 minutes. A backup network connection was utilized after the problem was discovered. OIT understands that the Department of State is conducting an after-action review and will prepare a formal report on the issues. OIT participated in troubleshooting activities and provided ongoing response throughout the Election Day.

10:55-11:00 COLORADO ENERGY OFFICE

50. What are the goals for the ALT Fuels Colorado Program and are we meeting them? How does the ALT Fuels Colorado Program ensure there is no waste, fraud or abuse? What reporting requirements are placed on the CEO when administering the federal funds supporting the ALT Fuels Colorado Program? Were federal funds made available primarily for rural awards and is the CEO achieving that purpose? Are Front Range stations difficult for fleet vehicles to access?

Response:

a. What are the goals for the ALT Fuels Colorado Program and are we meeting them?
CEO is on track to meet the program's FY 2014-15 performance goal, which is to increase the number of publicly accessible compressed natural gas (CNG) fueling stations along Colorado's major transportation corridors, through funding 14 stations by June 30, 2015. Upon completion, this will raise the total number of CNG stations statewide to 31.

Program Design: CDOT contracts annually with the Federal Highway Administration through the Congestion Mitigation and Air Quality Improvement (CMAQ) program. CDOT has earmarked $15 million in Federal CMAQ funds for CEO to incentivize alternative fueling infrastructure over the next four years. CDOT allocates the funds on a yearly basis and contracted with CEO in May 2014 for the first $7 million for two initial rounds of station funding. In June 2014, CEO released Request for Applications for the first funding round, and subsequently awarded $3,902,658 for eight compressed natural gas stations. A little over $3 million remains for the second round of funding in January. Additional funds will be allocated to CEO on an annual basis throughout the remainder of the program. CEO's program design is focused on frontloading the station funding (as seen in the allocations below). To date, the 80% incentive level for station equipment (capped at $500,000) has attracted impressive demand from station developers, resulting in a competitive station grant process that seeks to protect taxpayer investments through ensuring quality business plans, adequate fleet support and innovative station design. Additional funds are also available for co-located electric vehicle charging and propane fueling facilities. While the first round of contracts has been awarded, CMAQ funds are not paid until the grantees have met their contractual match requirement and submit expenditure documentation. Ten percent (10%) of the total award for each station is also retained until the station is online and open to the public.

Program Funding Allocations:

- Four Year Total: $30 million
    - CEO: $15 million for station incentives
        - Goal of 20-30 public CNG stations built statewide
        - 80% of station equipment cost capped at $500,000
        - Co-located EV fast charging or propane stations eligible for up to an additional $50,000 each
    - Regional Air Quality Council: $15 million for fleet vehicle incentives
        - Goal of 1,000 alternative fuel vehicles in air quality nonattainment and maintenance areas

CEO Station Funding:

- FY 2014-15: $7 million
    - First Round
        - Awards made in September 2014
        - 8 stations funded - $3,902,658 in CMAQ funds awarded
    - Second Round
        - Awards to be made in February, 2015
        - Anticipate 6 stations funded - approximately $3 million in CMAQ funds
            - FY15-16: $3 million (anticipated)
            - FY16-17: $3 million (anticipated)
            - FY17-18: $2 million (anticipated)

b. How does the ALT Fuels Colorado Program ensure there is no waste, fraud or abuse?
CEO has taken great strides to ensure that there is no waste, fraud, or abuse associated with any of its programs, including the ALT Fuels Colorado Program. Since its 2012 Performance Audit, CEO has introduced an extensive set of Policies & Procedures that govern all staff activities in the areas of procurement, program management, and general office operations/administration. CEO has also established a strict internal, supervisory review process to ensure compliance with Policies & Procedures, particularly when expending taxpayer dollars. Cash transactions are not processed unless sufficient documentation and approvals are provided/granted. Further, CEO has established checks-and-balances within its accounting department, ensuring no one individual can input and approve a transaction, and establishing an internal auditing process as a last line of defense. Ultimately, CEO has taken past audit recommendations seriously and invested significant time and resources into implementing all of them. The prudent management of state and federal funds is the utmost priority for CEO.

Due to the unique nature of the ALT Fuels Colorado Program, CEO has taken additional steps to ensure that there is no waste, fraud, or abuse. ALT Fuels Colorado grantees are required to obtain a performance bond for the total equipment award. Further, the grantee's cost match must be paid in full prior to reimbursement; however, CEO will retain 10% of the award until the station is complete and open to the public. CEO requires extensive reporting by awardees, monthly during construction to document station progress and semi-annually after the station opens on fuel sales, fuel prices, jobs created, and other metrics.

c. What reporting requirements are placed on the CEO when administering the federal funds supporting the ALT Fuels Colorado Program?
Administration of federal funds supporting the ALT Fuels Colorado must meet reporting requirements as laid out in Code of Federal Regulations (CFR) Title 49 Part 18 Subpart C. These requirements address Financial Administration, Property, Subawards, Records Retention, and Grant Enforcement. The Federal Regulations set standards for financial management, allowable costs, the use of program income, procurement, sub-granting, and performance, and financial reporting.

Additionally, CEO is required to report information about funding receipts, expenditures, and emissions benefits. CEO will report information about stations funded in the previous year, as well as the details on each of the stations. This will include information about station infrastructure and projected sales from those stations. Due to the nature of the Congestion Mitigation and Air Quality funding source, FHWA places heavy emphasis on the emission benefits of the funding. This will include estimates about NOx and VOC emission benefits as well as greenhouse gas reductions. As the stations begin to operate, CEO will reconcile actual benefits with projections.

d. Were federal funds made available primarily for rural awards and is the CEO achieving that purpose?
The federal funds were made available for statewide awards of publicly accessible fueling stations along major transportation corridors. Traditionally, Federal Highway Administration Congestion Mitigation and Air Quality (CMAQ) funds have only been available in the state's air quality Non-Attainment Areas between Fort Collins and Colorado Springs.

In 2012, federal legislation allowed CMAQ funds to be applied to statewide fueling infrastructure, and CEO pursued this funding source for a statewide alternative fueling station system. CEO is achieving the statewide purpose by funding projects outside of the traditional Front Range area in Glenwood Springs, Trinidad, and Pueblo. Furthermore, CEO is focusing outreach efforts throughout the state, including Durango, Fort Morgan, Limon, Lamar, and parts of Summit County to help ensure that stations are built in rural parts of the state.

Although the Regional Air Quality Council is limited by federal law to funding alternative fuel vehicles in the more urban, air quality nonattainment areas, CEO has worked with DOLA to fund local government fleets outside of those nonattainment areas in rural parts of the state. CEO has also worked with stakeholders and the legislature to establish vehicle tax credits, which are available anywhere in the state.

e. Are Front Range stations difficult for fleet vehicles to access?
Currently, there are a number of older CNG stations in the state that require a specific access card for fueling. Additionally, some of these older stations are not built with the newest technology and were not designed to serve the new fleet of heavy duty CNG vehicles.

CEO is awarding only stations that provide completely open public access and accept major credit cards and fleet cards. In addition, CEO is prioritizing stations that provide convenient access to all vehicle types and have support from local fleets.

51. Does CEO have information as to why the CNG Station in Rifle closed its doors? How is CEO working to avoid making grants to businesses that ultimately terminate operations?

Response:

a. Does CEO have information as to why the CNG Station in Rifle closed its doors?
As with all business, the referenced fueling station in Rifle is subject to changes in circumstances, market forces, and competition. Another CNG station was built by Encana in nearby Parachute with newer equipment and a lower price point. As a result, the station in Rifle lost the Encana fleet patronage on which it greatly relied. In addition, other fleets reduced their activity in the Rifle area. There were also reported issues with long fueling times at the Rifle station, partially due to low inlet gas pressure. These unfortunate, assorted factors affected the business viability of the Rifle station.

b. How is CEO working to avoid making grants to businesses that ultimately terminate operations?
CEO's application process prioritizes stations with a sustainable business model and proper design, awarding only those that have the greatest likelihood of success. CEO prioritizes stations with diverse fleet commitments and guaranteed fuel sales because those commitments will minimize risk to the station developers and ensure station utilization and longevity. In fact, the ALT Fuels Colorado Program has only funded stations with strong fleet support. CEO's scoring committee employs industry experts with up to 20 years of experience to analyze the station design to ensure adequate inlet gas pressure as well as properly sized compressors, storage equipment, and throughput to service fleet vehicles.

The first round of ALT Fuels Colorado awards leveraged over $9.1 million in matching funds for the $3.9 million in grants so that the station operators have a significant pecuniary interest in the success of their stations. The scoring committee also reviews applicant budgets, projected sales, and pro forma business statements to assess the likelihood of a profitable business plan.

As an additional safeguard, CEO inserted contractual language requiring stations to remain in service for five years or else the equipment can be reallocated by CEO. That equipment could be sold and reused at the same location or moved to a more productive location in Colorado. CEO also reserves the right to reclaim the $500,000 from the station operator and re-award it to another CNG developer.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has partially implemented the legislation on this list.

   Response: There is no legislation in the Office of the Governor has not been implemented. However, there is legislation in CEO that has been partially implemented.

   - S.B. 13-212 Commercial Property Assessment for Clean Energy (PACE)
     - Commercial PACE was created through 2013 legislation. CEO has helped create an Energy Improvement District Board and prepared a Commercial PACE Roadmap for that board. The program itself is expected to launch by February/March 2015, commensurate with the length of time that the only other statewide Commercial PACE program in the country required to launch. CEO anticipates a strong launch, with 5-8 county governments making commitments to participate at the start of the program.
   - H.B. 13-1110 Special Fuel Tax & Electric Vehicle Fee
     - Pursuant to HB13-1110, by January 1, 2017, The Department of Transportation, the Department of Revenue, the Division of Oil and Public Safety in the Department of Labor and Employment, and the Colorado Energy Office shall jointly prepare and submit a report to the Transportation Legislation Review Committee. The report will examine the effectiveness of HB13-1110, an evaluation of the excise taxes collected related to alternative fuel vehicles, whether the taxes should be applied to in-home fueling, and recommendations on equitable vehicle fuel taxation.
   - S.B. 14-202 Renewable Energy and Energy Efficiency for Schools
     - CEO is consulting with State Board of Education on a current rulemaking to update the rules pursuant to SB14-202. We are anticipating the Board will adopt the new rules in December 2014
   - H.B. 14-1326 Alternative Fuel Trucks:
     - Pursuant to HB14-1326, by December 31, 2018, CEO shall study whether the qualifying alternative fuel medium or heavy duty truck classes generate life-cycle emissions "materially greater than comparable trucks running on traditional fuels.
     - By January 1, 2019, CEO shall notify Department of Revenue to not provide tax credits if the life-cycle emissions are materially greater than traditional fuel trucks.

2. What is the turnover rate for staff in the Department? Please provide a breakdown by office and/or division, and program.

   Response: The average turnover rate for OIT for Fiscal Year 2013-14 was 13.3%. CEO experienced a 35 percent turnover rate and OEDIT 15 percent.

3. Please identify the following:
   a. The Department's most effective program;

      OIT Response: The Colorado Benefits Management System is our most effective program. CBMS has grown from a once-troubled system several years ago to what it is today: an effective, award-winning technology tool through which hundreds of thousands of Colorado's most vulnerable residents are able to access food, cash and medical assistance. When the Affordable Care Act was launched in October 2013, CBMS and PEAK were able to process 6 to 9 times more applications for Medicaid than normal without increasing staff. Colorado is now one of the top states in the nation for Real Time Eligibility. Up to 80% of all Medicaid applications are processed with Real Time Eligibility, dropping eligible wait times from 45 days to 45 minutes. CBMS will continue to be a crucial tool that will provide scalable solutions as food, cash and medical assistance needs grow.

      CEO Response: The Colorado Energy Office's Low-Income Weatherization Assistance Program provides energy efficiency retrofit services to income qualified clients (<200% Federal Poverty Level) in all 64 counties of Colorado. The program has been in operation since 1977. Through a sub-grantee network of seven regional agencies serving single family structures and one statewide agency serving multi-family structures, the program installs cost-effective weatherization measures to save clients money on their utility bills and to reduce the reliance of clients on cash assistance for home heating. Through leveraging of state, federal and utility revenue sources, the program is able to offer approximately $15 to $18 million in services annually, while maintaining administrative costs below 5%. On average, installed weatherization measures provide savings of 155 therms and 636 kilowatt-hours per home per year, which reduces annual utility bills between $200 to $500 for weatherization clients. In 2013-14, the Weatherization Assistance Program delivered service to 3,177 eligible single and multifamily units throughout the state. The program consistently exceeds Department of Energy standards for program monitoring, and was recently commended by the national weatherization association for best practices in reporting protocols.

      OEDIT Response: OEDIT's most effective program is the Job Growth Incentive Tax Credit program. Since its inception in 2009, 68 companies have been approved for this performance-based incentive award for up to $167.0 million in performance-based incentives to create a potential of more than 14,000 net new jobs. This tool was instrumental in attracting and growing marquee companies such as Arrow Electronics, DaVita, Charles Schwab, Visa, Lockheed Martin and many others. Because the program is performance-based, companies do not receive vested tax credits until they have actually created and retained the net new jobs for at least one year and provided reports to OEDIT. By the time a company receives and claims its credits, it has already paid income taxes, sales tax, and property taxes that its employees generated. Companies that do not perform on their plans do not receive the credits. In some cases, companies that perform might not ultimately receive benefits because they do not have taxable income. Statutory guard rails include oversight and approval by the Colorado Economic Development Commission.

b. The Department's least effective program (in the context of management and budget);

OIT Response: The Statewide system backup and recovery program needs improvement. OIT is statutorily responsible for oversight and governance of backup and recovery processes for the Executive Branch. A recent audit conducted by the Office of the State Auditor revealed that many systems lack backup and recovery processes/procedures and monitoring, off-site storage as required, encryption, and effective access management to system backups.

CEO Response: The Renewable Energy and Energy Efficiency for Schools (REEES) Loan Program is part of a broader suite of K-12 energy efficiency services and resources that the CEO offers. Enabled through HB09-1312, REEES allows school districts to apply for loans for renewable energy projects and energy-efficient bus projects out of the state's Public School Fund. However, the REEES program has never received an application. Based on the technical merit of a school district's application, CEO would make recommendations to the state Treasurer's Office, which is responsible for specifying terms and issuing the loans. While CEO works with school districts to identify resources for energy improvements, this program is primarily meant to be a tool for school districts that have difficulty accessing private capital.

OEDIT Response: One program that the Office is closely monitoring to determine overall success is the Regional Tourism Act (RTA). At this point, three projects have been approved, and as far as the Office knows, none of them has broken ground.

c. Please provide recommendations on what will make this program (2.b.) more effective based on the Department's performance measures.

OIT Response: OIT has been working for the past few years to strengthen and improve this area. Specifically, OIT has engaged in two assessments of the current state of the backup and disaster recovery systems. These assessments have highlighted the need to focus more time in effort into our backup and recovery systems. OIT has brought in contract staff to help update Disaster Recovery and backup plans for its 1000+ applications. As these plans are reviewed and tested OIT expects to ask for additional funding to modernized and accelerate how disaster recovery and backup are performed. OIT is currently working with the Office of State Planning and Budgeting to develop a long term funding mechanism for statewide backup and recovery.

CEO Response: In 2014, the General Assembly passed SB14-202, which sought to improve the effectiveness of the REEES program. Among other changes, SB14-202 expanded the definition of qualifying efficiency improvements from school buses to include building retrofits as well. The CEO testified in support of SB14-202 and will continue to provide outreach to school districts on this and other K-12 program offerings. The State Board of Education will complete a rulemaking on the statutory changes in December 2014. Along with reflecting the statutory changes, CEO is recommending rule changes to make the administrative process more efficient, such as shortening the application approval time frame. These proposed changes will lessen the administrative burden on small school districts.

OEDIT Response: The Office is working with local communities to determine whether there are ways to expedite the approved RTA projects.

4. How much capital outlay was expended using either operating funds or capital funds in FY 2013-14? Please break it down between the amount expended from operating and the amount expended from capital.

Response: **OIT reported that $**4,118,470 of capital outlay was expended in FY 2013-14. All of it was expended from operating. The Governor's Office had $32,493 of capital outlay which was expended from operating in FY 2013-14. The Lieutenant Governor's Office, OSPB, CEO and OEDIT did not have capital outlay expenditures.

5. Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2014? What is the Department doing to resolve the outstanding high priority recommendations?
http://www.leg.state.co.us/OSA/coauditor1.nsf/All/1FE335CE3162803F87257D7E00550568/$FILE/1422S%20-%20ANNUAL%20REPORT%20OF%20AUDIT%20RECOMMENDATIONS%20NOT%20FULLY%20IMPLEMENTED%20AS%20OF%20JUNE%2030,%202014.pdf

Response: The only area this applies to in the Office of the Governor is OIT. The remaining offices do not have outstanding high priority recommendation that have not been implemented. Of the 30 previously reported outstanding high priority recommendations within OIT:

- 15 (50%) have been remediated.
- 1 belongs to the Department of Natural Resources; OIT is unable to remediate this finding related to physical access for a facility that OIT does not control.
- 14 have remediation efforts in progress, and for these, the remediation date has not yet passed.
  - 6 of these are for the Kronos system. Additional reporting has been implemented as a compensating control. However, the finding is still open since the remediation is

dependent upon the upgrade of the Kronos system; planning is in progress for this activity.

○ 4 of these have been identified as very large initiatives, likely requiring additional funding, tools, technology or cross functional dedicated resources. We are working on prioritizing these.

Attachment A: Funding Increases for Agritourism FY 2015-16

	FY15	FY16	Δ from FY15		Notes
Colorado.com updates	$5,000.00	$10,000.00	$5,000.00		This includes fees incurred to create reports, download lists, and add events and small business listings to Colorado.com.
Public Relations & Social	$45,000.00	$110,000.00	$65,000.00		Agritourism does not have any significant marketing dollars, and it needs a robust public relations program. ALL public relations expenses are paid by contractor (including events, media bags, shipping, travel, etc.).
Regional Roadshows	$2,500.00	$5,000.00	$2,500.00		As guided by the strategic plan, regional meetings are held in both April and November in conjunction with the Colorado Agritourism Association.
Cultural, Heritage/Agritourism Mentor Program (CHAMP)	$30,000.00	$80,000.00	$50,000.00		The strategic plan calls for a mentor program in which farmers and ranchers learn skills from successful counterparts from across Colorado. Mentors are paid for time and travel.
CHAMP Grants	$30,000.00	$70,000.00	$40,000.00		The agritourism program will begin to give small micro-grants (up to $5,000.00) to successful mentees who need small amounts or matching funds for loans, etc.
Agritourism Association	$65,000.00	$65,000.00	$0.00		The strategic planning research made clear that states with successful agritourism associations made up of independent small business people involved in the industry were much more likely to create cohesive programs with strong partnerships in local and state goverment, as well as in the field. Unsuccessful states that proceeded with fits and starts had a volunteer board; those with seed funding continued to grow and eventually became sustainable on their own.
Assets - Photo	$5,000.00	$10,000.00	$5,000.00		Photography and video needs to be updated and shared across the board with all state and local partners.
Committee Scholarships	$2,500.00	$5,000.00	$2,500.00		Scholarships for Committee members to attend conferences/tradeshows on behalf of the state. The International Division at the Office of Economic Development & International Trade provides scholarships and it extends their reach.
Epiece/Print Piece	$32,500.00	$75,000.00	$42,500.00		The Colorado Tourism Office will try to off-set this cost by selling ads and listings, but until the Colorado Tourism Office is sure that this piece works and has value, it will take the entire cost.
International	$15,000.00	$45,000.00	$30,000.00		The international marketing materials include pages focused on agritourism. These print pieces need to be updated. Funding also includes possible tradeshow participation and possible Familiarization trip support.
Marketing/Advertising	$50,000.00	$100,000.00	$50,000.00		This includes national marketing - both print and digital.
Grant Writer	$15,000.00	$40,000.00	$25,000.00		Large United States Department of Agriculture and State Historical Fund grants could further bolster the program. A contractor to write and mange these grants will be necessary, as the office does not have adequate staff to do so.
CHAMP help outside of CHAMP zone.	$17,500.00	$50,000.00	$32,500.00		The CHAMP program is currently being offered as a pilot program only in Northwestern and South Central Colorado. With this additional funding, the program will offer assistance outside of those zones.
Program Director	$35,000.00	$35,000.00	$0.00		The Colorado Tourism Office pays half of the program director's salary.
	$350,000	$700,000	$350,000.00		

OFFICE OF THE GOVERNOR
FY 2015-16 JOINT BUDGET COMMITTEE HEARING AGENDA

Tuesday, December 2, 2014
9:00 am – 11:00 am

9:00-9:20 INTRODUCTIONS AND OPENING COMMENTS

9:20-9:40 QUESTIONS COMMON TO ALL DEPARTMENTS

(The following questions require both a written and verbal response.)

1. SMART Government Act:
    a. Please describe how the SMART Government Act is being integrated into the department's existing processes (both in terms of service delivery and evaluating performance).
    b. How is the data that is gathered for the performance management system used?
    c. Please describe the value of the act in the department.

2. Do you have infrastructure needs (roads, real property, information technology) beyond the current infrastructure request? If so, how do these needs fit in with the department's overall infrastructure priorities that have been submitted to the Capital Construction Committee or Joint Technology Committee? If infrastructure should be a higher priority for the department, how should the department's list of overall priorities be adjusted to account for it?

3. Describe the department's experience with the implementation of the new CORE accounting system.
    a. Was the training adequate?
    b. Has the transition gone smoothly?
    c. How has the implementation of CORE affected staff workload during the transition?
    d. Do you anticipate that CORE will increase the staff workload on an ongoing basis? If so, describe the nature of the workload increase and indicate whether the department is requesting additional funding for FY 2015-16 to address it.

9:40-9:45 OFFICE OF STATE PLANNING AND BUDGETING

4. How will Results First be integrated into the SMART act process?

9:45-10:25 OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

General Office Questions

5. How does the Office coordinate economic development programs that are administered by other State agencies, such the Department of Agriculture, Department of Local Affairs, the Department of Labor and Employment, and the Department of Higher Education?

6. Is Colorado being marketed by the Office as a state with entrepreneurial opportunities in the marijuana industry?

7. Does a relationship exist between the legalization of marijuana and data showing Colorado as an in-migration destination for young people?

8. Is the State's marijuana policy coordinator involved with the Office in initiatives to use the legalization of marijuana as an economic development tool? If so, what has been done to date? If not, why?

Job Growth Incentive Tax Credit

9. The General Fund revenue impact estimate included in the fiscal note for H.B. 09-1001 (Income Tax Credit For CO Job Growth) is much lower than the actual tax credits conditionally offered for FY 2012-13 and FY 2013-14. Why has the program implementation resulted in a greater decrease in General Fund revenue than was originally anticipated?

10. How does the Office coordinate economic development programs that are administered by other State agencies, such the Department of Agriculture, Department of Local Affairs, the Department of Labor and Employment, and the Department of Higher Education?

11. Is a yearly General Fund revenue decrease of approximately $40 million the expected course for this program in future? Is this path sustainable?

12. Is the total dollar amount of tax credits approved during economic downturns more or less than other economic periods?

Competitive Intelligence and Marketing Plan

13. Many of the economic development commissions across the state are performing similar work in their communities. How is this request not duplicative of what is already being done?

14. How does the Office interact and collaborate with local economic development entities across the state when it comes to marketing and recruiting efforts?

Aerospace and Defense Industry Champion

15. Please describe the role of the Aerospace and Defense Industry Champion in the implementation of S.B. 14-157 (DMVA Commission Report Value US Mil Activities)?

Film Incentives

16. Why is the request for $5.0 million General Fund for FY 2015-16 for film incentives one-time in nature rather than ongoing?

Tourism

17. Is the Colorado Tourism Office encouraging Coloradans to move to other countries as lead agencies there to increase export of Colorado products?

18. What steps has the Colorado Tourism Office taken to market the legalization of marijuana as an attractant to potential visitors to the state?

Agrotourism

19. What will the requested moneys be expended on in FY 2015-16?

20. Are there future projections of how a focus on agrotourism will impact rural parts of Colorado?

21. Do agrotourism initiatives incorporate industrial hemp production? If so, has the Office worked with the Department of Agriculture to reach out to other states to sell the concept of other states coming to Colorado to see how Colorado grows hemp?

Go Code Colorado

22. Why did the Office not participate in the Go Code Colorado initiative?

23. Should the Go Code Colorado initiative be continued in future years? If yes, which entity should fund it and which entity should take the lead in administering it?

Colorado Credit Reserve Program

24. Please describe the market this program is intending to help.

25. Has demand for the Colorado Credit Reserve program increased since its inception?

26. Why don’t lenders create a pool with private moneys to accomplish the same aims of the program rather than using taxpayer moneys to support loans to private businesses?

27. Before moneys are moved from the CHFA trust fund to the loan loss reserve accounts, which entity benefits from the interest earned on the moneys?

28. After moneys are moved from the CHFA trust fund to the loan loss reserve accounts, which entity(s) benefits from the interest earned on the moneys?

29. What happens to the moneys in the loan loss reserve accounts if a lender is no longer in business?

30. Is there a limit on how long moneys remain in the loan loss reserve accounts?

31. What happens to the moneys in the loan loss reserve accounts if this program is eliminated or no longer receives State funding? Will the moneys be refunded to the State?

32. What happens to moneys in the loan loss reserve accounts once the terms of the loan are fulfilled successfully by the borrower? Are the moneys returned to the State?

33. Is the entire amount of $2.5 million invested in the program in 2009 currently allocated to loan loss reserve accounts?

34. If the majority of the $2.5 million remains in the loan loss reserve accounts, why is more needed?

35. Has this program been evaluated by the Office to determine its effectiveness?

36. Please describe the methods used to identify jobs created due to the program.

10:25-10:55 OFFICE OF INFORMATION TECHNOLOGY

<u>Agency Performance</u>

37. Has the consolidation of information technology resources in the Governor's Office resulted in improvements in the delivery of technology solutions to agencies?

38. Has the consolidation of information technology resources in the Governor's Office resulted in cost savings?

39. Should the Office remain within the Governor's Office in the future or should it moved inside another agency or created as a stand-alone agency?

40. What is prohibiting the transfer of agency operating expenses appropriations from agencies to OIT? Are statutory changes needed?

Contracting

41. Since the enactment of S.B. 12-096 (Office Of Information Technology Amend Contracts), how many contracts were amended? How many new RFPs were issued?

42. Does the Office use independent verification and validation (IV&V) before issuing RFPs for all projects? If not, what percentage of projects went through the IV&V process before issuing an RFP during FY 2012-13 and FY 2013-14?

43. Does the Office use IV&V before issuing final payments for all projects? If not, what percentage of projects went through the IV&V process before final payment during FY 2012-13 and FY 2013-14?

Active directory consolidation

44. Will the implementation of Active Directory technologies across agencies help the Office to meet open audit recommendations related to security?

Enterprise Wireless

45. Please describe the proposed personnel and infrastructure components of the implementation of a centralized controller for wireless networks located in multiple locations and in multiple agencies.

Elevation Data Acquisition and Comprehensive GIS Coordination

46. Will elevation data be provided to users via the Colorado Information Marketplace?

47. Please describe how the proposed LiDAR data collection will occur (e.g. airplane, satellite).

48. Is it feasible for the State to work with federal agencies, such as the National Geospatial Intelligence Agency, to obtain existing LiDAR data for the state at a reduced cost?

2014 Election Issues

49. Please describe the role that the Office's assets played in Election Day issues involving the SCORE system.

10:55-11:00 COLORADO ENERGY OFFICE

50. What are the goals for the ALT Fuels Colorado Program and are we meeting them? How does the ALT Fuels Colorado Program ensure there is no waste, fraud or abuse? What reporting requirements are placed on the CEO when administering the federal funds supporting the ALT Fuels Colorado Program? Were federal funds made available primarily for rural awards and is

the CEO achieving that purpose? Are Front Range stations difficult for fleet vehicles to access?

51. Does CEO have information as to why the CNG Station in Rifle closed its doors? How is CEO working to avoid making grants to businesses that ultimately terminate operations?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has partially implemented the legislation on this list.

2. What is the turnover rate for staff in the Department? Please provide a breakdown by office and/or division, and program.

3. Please identify the following:
   a. The Department's most effective program;
   b. The Department's least effective program (in the context of management and budget);
   c. Please provide recommendations on what will make this program (2.b.) more effective based on the Department's performance measures.

4. How much capital outlay was expended using either operating funds or capital funds in FY 2013-14? Please break it down between the amount expended from operating and the amount expended from capital.

5. Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2014? What is the Department doing to resolve the outstanding high priority recommendations?
   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/1FE335CE3162803F87257D7E00550568/$FILE/1422S%20-%20ANNUAL%20REPORT%20OF%20AUDIT%20RECOMMENDATIONS%20NOT%20FULLY%20IMPLEMENTED%20AS%20OF%20JUNE%2030,%202014.pdf