OFFICE OF THE GOVERNOR
FY 2011-12 JOINT BUDGET COMMITTEE HEARING AGENDA

3:35-3:45 OFFICE OF THE GOVERNOR (GENERAL QUESTIONS)

1. Please provide feedback on structural changes that the current executive branch administration would recommend to the incoming executive branch administration related to the Office of the Governor (Governor's Office, Lieutenant Governor's Office, Office of Economic Development and International Trade, and the Office of Information Technology). Are there any consolidation or elimination options that you would recommend?

Governor's Office and Lt. Governor's Office

The current administration has discussed the Governor's Office budget reductions as well as the structure of the governor's offices with the incoming administration. Based on the funding reductions that have already taken place in the Governor's Office and Lt. Governor's Office the advice given to the new administration has included possible consolidation in administration/accounting and reducing front desk support.

Office of Economic Development and International Trade

Due to budget reductions already taken, OEDIT recommends that:

- *The Colorado Tourism Office Board and the Council on Creative Industries study and determine ways in which they can work together in a strategically focused manner, including determining the potential to share costs and eliminate overlapping responsibilities (such as in the development of cultural heritage tourism, grants administration, and community outreach), developing a more seamless incorporation of Colorado's creative assets into the tourism promotional campaign, and enhancing visitor experiences with creative businesses.*

- *Programs and services provided by the Division of Labor and Employment within the Colorado Department of Labor and Employment (CDLE) be reviewed for consolidation with OEDIT, with specific focus on the Workforce Development Council, Workforce Centers, and Workforce Development Programs.*

- *OEDIT supports analyzing the programs and services provided by the Colorado Department of Local Affairs' (DOLA) for consolidation with OEDIT: Local Government (which includes services provided by regional managers, coordination and support provided to the 14 local government regional associations, financial assistance programs, technical assistance programs, the Office of Smart Growth, the State Demographer's Office, and Geographic Information Systems); Housing; Property Taxation; Board of Assessment Appeals; and Emergency Management.*

Governor's Office of Information Technology

Similar to other Executive Branch departments, agencies and offices, OIT has provided a detailed transition document to the incoming administration. With regard to consolidation *initiatives, OIT is rare in state government given that an information technology consolidation initiative was already implemented statutorily pursuant to SB 08-155.*

It should be recognized that the statewide IT consolidation is currently at a stage where multiple consolidation initiatives are in process that have already provided statewide savings that are projected to result in more than $35 million over a four year period. These initiatives include an ongoing 12 percent reduction in personal services appropriations that was already implemented effective July 1, 2010. Additionally several more consolidation initiatives are in process at this time that are expected to provide even more significant savings.

Thoughtful consideration should be given to potential budget and legislative mandates which may delay or eliminate future savings and efficiencies if current OIT consolidation initiatives are not allowed to continue to mature. There is a considerable body of evidence nationwide across public and private sector entities that validates the benefit of technology consolidation and the significant opportunities for savings, efficiencies and business process improvements that result when consolidation efforts and initiatives are allowed to mature, most notably in contracting and procurement, but also with regard to optimization of existing resources.

OIT recognizes the difficult budget and fiscal climate state government is forced to navigate and we will continue to bring forward initiatives that help mitigate these critical issues without derailing key consolidation initiatives and objectives in current and future budget cycles in collaboration with leadership from all branches of government.

2 Please identify your department's three most effective programs and your department's three least effective programs, and explain why you identified them as such. How do your most effective programs further the department's goals? What recommendations would you make to increase the effectiveness of the three least effective programs?

Governor's Office and Lt. Governor's Office

The Governor's Office and Lt. Governor's Office do not have "programs" per se but rather carry out policy as directed by the Governor.

Office of Economic Development and International Trade

MOST EFFECTIVE PROGRAMS

It is difficult to identify OEDIT's three most effective programs since the majority of its programs are targeted to providing services/funding where specific gaps or competitive needs have been identified in the economic development marketplace and the programs are effective. All of the programs support OEDIT's core objective of assisting in creating/retaining jobs. The following information highlights a number of OEDIT's programs that are ranked high in effectiveness and have a broad reaching delivery and impact:

Colorado Tourism Office's Promotion Program

The mission of the Colorado Tourism Office is to promote Colorado as a premier tourism destination. As a result of the Colorado Tourism Office's Tourism Program, Colorado's 2009 marketable trips increased by 3% over 2008 trips with 27.5 million overnights and visitor spending of $9.7 billion. Nationally in 2009, marketable trips declined 5%. These trips are *defined as travel that is influenced by marketing efforts and is comprised of visitors not visiting friends or relatives. Colorado's market share of all overnight marketable trips increased from 2.4% to 2.6%, ranking Colorado 18th nationally. An increase in market share is a substantial accomplishment especially given the economic climate in which the share increase was achieved. Visitor spending in Colorado saves every Colorado household $364 per year in taxes. The Colorado Tourism Office's Promotion Program consists of advertising offline and online, public relations, social media and the production of the Official State Vacation Guide.*

Small Business Development Center (SBDC) Network
As the only statewide small business technical assistance program, the SBDC Network has a proven track record of successfully helping small businesses, through offering free one-on-one confidential counseling and low cost training. With 15 SBDC locations throughout the state, the program is able to cover all 64 counties in Colorado. In this capacity, the SBDC Network supports Colorado's small business entrepreneurs in starting businesses, creating jobs and obtaining capital. The SBDC Network targets existing businesses to help them stay in business and retain jobs in this uncertain economic climate. A snapshot of results to date for CY10 (through November 23rd) are 1,382 jobs created (189% of the goal), 2,151 jobs retained (285% of the goal) and capital infusion $65,693,957 (186% of the goal).

Colorado Creates Grant Program
The Colorado Creates grant program for nonprofit organizations and government agencies is an effective way to support the Creative Industries Division's mission to promote, support and expand Colorado's creative industries to drive economic growth, grow jobs, and improve the quality of life in Colorado. It provides direct financial assistance in a large number of Colorado counties and leverages significant financial support from foundations, businesses and individuals.

Enterprise Zone Program
The overall objective of the Enterprise Zone Program is to encourage jobs and investments in distressed areas in Colorado. Accordingly, the Enterprise Zone Program provides an incentive for businesses to relocate to and expand in economically distressed areas of the state. This program requires businesses to earn tax credits by performing activities that are beneficial to the state, with 99% of the businesses earning credits being small businesses and 66% of the certifications coming from rural areas.

In addition, it is worth noting that there are 425 non-profit and local government Economic Development Organizations (approved by the Colorado Economic Development Commission) that are Enterprise Zone Contribution Projects throughout the state that benefit from the program and provide widespread local/regional economic impact.

Colorado Export Development Grant (CEDG)
One of the International Trade Office's most effective programs is the Colorado Export Development Grant, which was initiated by the staff two years ago. This program was developed to meet the needs of small businesses in Colorado that are either new to exporting or are trying to develop a new export market. The program assists companies from the planning stages through the execution of the export sale, providing one-on-one counseling throughout,

and financial support of between $500 - $2,000 to implement a marketing plan. Funding is provided on a reimbursement basis and can be utilized toward the following activities: travel to a new market, attendance at a trade show, developing foreign language marketing material, access to U.S. Foreign Commercial Service programs, such as business matchmaking, due diligence, or another pre-approved activity. This program helps OEDIT's goals of business retention and expansion, and job retention and expansion, by providing tools for companies to grow their sales through exporting.

Colorado First and Existing Industry Program
Through the Colorado First Program (targeted to new jobs being created that need training) and the Existing Industry Program (targeted to existing jobs that need retraining for the business to remain competitive), funds are used to assist with employee training for specific businesses. OEDIT, in conjunction with the Colorado Community College System, reviews and approves requests for training. Business Development is tasked with attracting and retaining jobs within Colorado. The Colorado First Program is a strong incentive for companies considering locating and hiring in Colorado. Similarly, companies already located in the state that are hiring new workers are also supported by this program. The Existing Industry Program assists companies in retraining their existing employees, which increases the companies' competitiveness. These customized job training programs are directly in line with OEDIT's goals of attracting new and retaining existing businesses. At the same time that the companies' competitiveness is expanded and maintained, this program invests in transferable skills for Colorado workers.

Colorado Credit Reserve
This program is managed by the Colorado Housing and Finance Authority (CHFA) per its contract with the Colorado Economic Development Commission issued by the Business Finance Division. With $400,000 disbursed to date based on loans made by registered entities, the corresponding results are:

- *171 loans registered*
- *$5.85 million in private sector dollars leveraged or 15.3:1*
- *719 current jobs supported and 466 projected jobs supported*
- *13% of loans to minority-owned businesses*
- *49% of loans to women-owned businesses*
- *31% of businesses receiving loans are in a state-designated enterprise zone*

This program supports job creation/retention in Colorado and acts as an incentive and a credit enhancement in terms of capital access for businesses. CHFA and OEDIT are very excited about the program's results to date with the only disappointment being the number of banks currently using the program due to the bank regulatory climate.

LEAST EFFECTIVE PROGRAMS
The Success Through Art (StART) Grants
The StART Grants for schools, administered by the Creative Industries Division, are not as effective as they could be. The goal of these grants is to support in-school arts learning for youth, both formal training in the arts and arts infused into other disciplines or subject areas.

The program was based on independent scientific studies that show there are specific benefits associated with study of the arts and student achievement, particularly in reading and language skills, math skills, thinking skills and motivation to learn. In addition, the findings from the Creative Industries Division's study of arts education in Colorado found that more access to the arts resulted in higher test scores and lower dropout rates, regardless of socioeconomic status or geography. The StART Schools grants have helped to establish a network of model schools that have defined, planned and implemented arts education programs as a strategy for improving student academic achievement and increasing student engagement.

Unfortunately, the Creative Industries Division's small budget and limited staff size prohibits it from providing a significant level of support to help schools develop deeply integrated and strategic arts programs. In addition, the Creative Industries Division has found that a high turnover rate at the school principal level makes it difficult to assure budget continuity for integrated arts programs. There is also such a wide range of knowledge, sophistication and need within the schools, that it is difficult to provide the necessary individualized support with limited staff.

Colorado Tourism Office Marketing Grants
The Colorado Tourism Office offers marketing grants to regional and statewide organizations across the state. The Colorado Tourism Office (CTO) has sustained budget reductions and the marketing grant program has seen a substantial budget reduction. This program provides assistance to non-profit tourism organizations and the program could be more effective if CTO had the capacity to increase funding. There could also be efficiencies achieved if several components of the program could be integrated or work in tandem with the grants program administered by the Creative Industries Division.

Colorado Innovation Investment Tax Credit (CIITC)
CIITC was created as a pilot program in 2009 by the Colorado legislature to encourage, promote, and stimulate investments in new, small Colorado businesses primarily involved in research & development, or manufacturing, of new technologies, products, or processes. The program provides investors with a state income tax credit of 15% (not to exceed $20,000) of the amount invested during calendar 2010. The program's primary goal is to motivate angel investors to provide capital to early-stage companies with the anticipation of the companies becoming successful companies that become growth engines for the state and help attract additional investors and entrepreneurs. This program has very strong potential for Colorado but has been listed as one of the least effective programs currently due to the time that it took to get staff in place to market the one year pilot program and due to a number of current statutory limitations (such as an investor has to submit its application to OEDIT within 30 days of making the investment to be eligible for this program and businesses receiving investments are limited to businesses primarily involved in research & development, or manufacturing, of new technologies, products, or processes). OEDIT is working with legislators on a bill to address the program's limiting factors during the 2011 session.

3. For the three most effective and the three least effective programs identified above, please provide the following information:

a. A statement listing any other state, federal, or local agencies that administer similar or cooperating programs, and outline the interaction among such agencies for each program;

MOST EFFECTIVE PROGRAMS

Colorado Tourism Office's Promotion Program

The Colorado Tourism Office is the only organization in the state charged with promoting the entire state, every activity, every attraction and location. There are statewide and local groups that focus on specific facets of tourism in Colorado but no group mirrors the work of the Colorado Tourism Office.

Small Business Development Center (SBDC) Network

OEDIT is the sole grant recipient of the federally funded SBDC program in the state. There is only one grant recipient allowed in each state.

Colorado Creates Grant Program

The National Endowment for the Arts (NEA) administers grant programs to support and promote artistic excellence, creativity and innovation. NEA is the federal partner for the Creative Industries Division and historically has provided as much as 1/3 of the division's budget. No other state agency provides grants that exclusively support arts, cultural organizations and events.

Enterprise Zone Program

The Enterprise Zone Program is a state program driven locally by communities that apply to the State with qualifying areas. Tax credit forms are certified locally and require the organization designated by the state to certify tax credit forms, collect data from these forms, and market to their local communities. There is no similar program specifically focused on encouraging jobs and investments in distressed areas in Colorado as defined under the program's statute and with the strong local component structure. The Enterprise Zone program provides incentive for business to relocate to and expand in economically distressed areas of the state. This program requires businesses to earn tax credits by performing activities that are beneficial to the state, and 99% of the businesses earning credits are small businesses in Colorado in distressed areas, with 66% of the certifications coming from rural areas.

Below is a list of the economic development organizations designated as an Enterprise Zone Administrator (there are 16 zones and 2 sub-zones representing 9 rural and 9 urban zones):

1. *Adams County Economic Development*
2. *Associated Governments of Northwest Colorado*
3. *City & County of Denver*
4. *City of Englewood (for Arapahoe County)*
5. *East Central Council of Governments*
6. *El Paso County*
7. *Jefferson Economic Council*
8. *Larimer County*
9. *Northeast Colorado Assoc. of Local Governments*
10. *Pueblo County*
11. *Region 10 League for Economic Assistance and Planning*
12. *Region 9 Economic Development District of Southwest Colorado*

13. San Luis Valley Development Resources Group
14. South Central Council of Governments
15. Southeast Colorado Enterprise Development, Inc.
16. Upper Arkansas Area Council of Governments
17. Upstate Colorado Economic Development
18. Western Colorado Business Development Corporation

There are a large number of non-profit and local government economic development organizations that are Enterprise Zone projects around the state that benefit from and cooperate with the Office Economic Development and International Trade and local Enterprise Zone Administrators. A list of the 425 non-profit and local government organizations that benefit from the Enterprise Zone is available; demonstrating wide-spread impact in the non-profit community as well as the often noted benefits to the for-profit business community.

Boulder, Broomfield, Douglas, Eagle, Gilpin, Park, Pitkin, Summit, and Teller (9) counties have not qualified or have not proposed inclusion in the Enterprise Zone previously and do not have Enterprise Zone territory.

Colorado Export Development Grant (CEDG)
There currently are no other federal, state (Colorado) or local agencies that administer a similar program. Under the new federal Small Business Jobs Act, the U.S. Small Business Administration will initiate a 3-year program providing competitive grants to states for export promotion, and the OEDIT's International Trade Office plans to apply for this grant to enhance its program.

OEDIT's International Trade Office coordinates the CEDG with our traditional local partners, the U.S. Export Assistance Center, Denver and the World Trade Center-Denver. The U.S. Export Assistance Center brings industry expertise to the counseling with companies and the World Trade Center can provide some of the technical export training companies might need to put proper systems and procedures in place to support export sales. Both organizations assist ITO in marketing the CEDG and in reviewing the applications.

Colorado First and Existing Industry Program
The Colorado Department of Labor and Employments manages Workforce Centers throughout the state. These centers provide an array of job training services for job seekers, employees and employers at no charge. Community Colleges throughout the state offer classes to bolster students applicable skills. The Colorado First and Existing Industry Program provides customized training to meet the needs of each business. OEDIT works with all of these entities to coordinate the training provided and to avoid duplication of efforts.

Colorado Credit Reserve
There are other programs that provide a credit enhancement to lenders (federal loan guaranty programs and the New Market Tax Credit Program); however; the Colorado Credit Reserve program has streamlined processes/paperwork. The United States Treasury worked with the Governor's Office and OEDIT to develop a similar component under the new federal Small Business Jobs Act which mirrors Colorado's program based on the Colorado Credit Reserve's

demonstrated return on investment. Colorado will apply for the federal funds provided under the new federal Act to supplement the program's funding.

LEAST EFFECTIVE PROGRAMS
The Success Through Art (StART) Grants
The Department of Education offers limited professional support for arts education through their Arts Content Specialist position, but provides no financial support or individualized coaching for schools that want to implement arts education as a strategy for student success. The Creative Industries Division's Arts Education Manager works closely with the DOE Arts Content Specialist to provide professional development services and she has played an active role in developing the new academic standards and assessments for the arts.

Colorado Tourism Office Marketing Grants
The Marketing Matching Grants Program is one of the only statewide grant programs that provide funds specifically to enhance tourism marketing programs for non-profit organizations in Colorado. Successful grant applicants for the Marketing Matching grant program demonstrate a high level of invested partners in their projects and programs. The Creative Industries grant program offers funding opportunities that have been used by non-profit organizations as complementing funds, specifically for cultural heritage tourism organizations.

Colorado Innovation Investment Tax Credit (CIITC)
There is no similar program to motivate angel investors in Colorado.

b. A statement of the statutory authority for these programs and a description of the need for these programs;

MOST EFFECTIVE PROGRAMS
Colorado Tourism Office's Promotion Program C.R.S. 24-49.7-101 - 24-49.7-108
The Colorado Tourism Office is the only statewide organization to fulfill the promotion of Colorado through advertising, marketing and public relations venues. Tourism is one of OEDIT's targeted sectors and is very significant in terms of job creation/retention efforts in Colorado. The Colorado Tourism Office is the only statewide organization to fulfill all of these needs for the tourism industry in Colorado.

Colorado Small Business Development Center (SBDC) Network *C.R.S.24-48.5-101and Jobs and Growth Tax Relief Reconciliation Act of 2003 Public Law 108-27*
Small businesses make up approximately 98% of all businesses in Colorado (based on SBA standards of the small business category of 500 or less employees). The SBDC Network provides high quality and high impact services at no cost to the entrepreneur.

Colorado Creates Grant Program *C.R.S.24.48.5-306*
"Council on Creative Industries (CCI), the duties of the Council include: (a) To stimulate and encourage throughout the state the study and development of the arts and humanities, as well as public interest and participation therein; (b) To take such steps as may be necessary and appropriate to encourage public interest in the cultural heritage of our state and to expand the state's cultural resources; (c) To encourage and assist freedom of artistic expression essential

for the well-being of the arts and humanities; (d) To assist the communities and organizations within the state in originating and creating their own cultural and artistic programs

The National Endowment for the Arts annual partnership agreement states recipients of funding from the Arts Endowment, state arts agencies are responsible for supporting the NEA mission to advance artistic excellence, creativity, and innovation for the benefit of individuals and communities, and to foster the arts in rural, inner-city, and other underserved communities."

The Creative Industries is an important sector in Colorado, ranking 5th in terms of employment.

Enterprise Zone Program *C.R.S. 24-48.5-110, and C.R.S. 39-30-101 39-30-109*
This program provides an incentive program which is competitive amongst other states and globally. There is widespread support among businesses, economic developers and site selectors for this specific program (including businesses which many times are only willing to consider enterprise zone locations). This program allows areas that meet distress criteria under state statute to have a resource available to improve their economic conditions and to make their area more competitive with non-distressed areas. And this program requires that businesses earn the incentive and is performance based.

Across the state this program is important, but it is worth noting that the program provides incentives to farmers and the agricultural community in primarily rural areas-with agriculture being another important sector in Colorado-encouraging and helping with investment in farming equipment. In return, farmers pay taxes on this investment thereby supporting cities, counties, school districts, fire districts, etc.

Colorado Export Development Grant (CEDG) *C.R.S. 24-47-101 102*
The Colorado International Trade Office's duties include:

- *Encourage, promote, and assist in the expansion of Colorado exports, including both goods and services, to international markets;*

Utilize traditionally effective international promotion techniques which are designed to create new channels of distribution for Colorado firms which have no export market, which techniques shall include, but need not be limited to, state-sponsored international trade shows and trade missions where many companies may participate at low cost and guidance in the mechanics of exporting through major seminars, identification of target markets, export troubleshooting, and important trade leads.

The program is an effective way to assist businesses with their export needs and ultimately assist businesses in obtaining market share and creating/retaining jobs for Colorado residents.

Colorado First and Existing Industry Program *C.R.S. 23-60-306 23-60-30 & 24-48.5-105(5)*
The Existing Industry Program is established by C.R.S. 23-60-307 and states that it is the policy of this state to maintain our economic health and vitality by ensuring the availability of a skilled labor force by assisting existing Colorado companies, especially ones undergoing major technological change, to train and retrain their workers for specific jobs and thereby keep our industries profitable and competitive; and That job-specific existing industry training is

necessary to ensure job retention for workers currently employed and improve job opportunities for our citizens newly entering the job market by providing workers with enhanced skills necessary to increase their competency, to remain employed, and to prevent worker dislocation including the subsequent need for public support. C.R.S. 23-60-306 states: That it is the policy of this state to encourage quality economic development by providing incentives for the location of new industries or the expansion of existing firms, thereby improving employment opportunities for the citizens of this state; that skilled labor availability is a key element in new or expanding company plant location or expansion decisions; and that, during site selection negotiations, the ability to guarantee a trained work force to match the new or expanding company's specific job skill needs is crucial to the improvement of the economic development capabilities of this state and for competition with other states offering similar programs

A skilled and trained workforce is a critical component of a business' success, is a primary economic development strategy, and is considered one of Colorado's competitive factors.

Colorado Credit Reserve *C.R.S. 24-46-104*
The program provides a credit enhancement to lenders to make loans to businesses that are generally viable but have one or more characteristics that requires some type of enhancement.(such as lack of collateral). The results of the program reflect access to capital is being provided to businesses as a result of this program – a clearly demonstrated need.

LEAST EFFECTIVE PROGRAMS
The Success Through Art (StART) Grants *C.R.S. 24.48.5-306*
"Council on Creative Industries (CCI), the duties of the Council include: (a) To stimulate and encourage throughout the state the study and development of the arts"

Federal requirements - National Endowment for the Arts annual partnership agreement states recipients of funding from the Arts Endowment, state arts agencies are responsible for meeting standards of accountability that call for leadership in arts education This includes ensuring the arts are central to the education of children and youth in grades pre-K through 12, expanding opportunities for children and youth to participate in and to increase their understanding of or skills in the arts, and providing professional development opportunities for artists, arts professionals, and teachers.

The benefits of this program have been described previously.

Colorado Tourism Office Marketing Grants *C.R.S. 24-49.7-101 - 24-49.7-108*
The Marketing Matching Grants Program assists with the promotion of regional tourism and industry sectors statewide. The Colorado Tourism Office promotes travel statewide but these grants help enhance the marketing efforts of specific groups such as the Northeast Travel Region or Colorado Campground and Lodging Association.

Colorado Innovation Investment Tax Credit (CIITC) *C.R.S. 24-48.5-112*
There is no similar program to motivate angel investors in Colorado and funding is in dire shortage for many businesses - even more so in the current economic climate.

c. A description of the activities which are intended to accomplish each objective of the programs, as well as, quantified measures of effectiveness and efficiency of performance of such activities;

MOST EFFECTIVE PROGRAMS

Colorado Tourism Office's Promotion Program

Funding supports the state's domestic and international marketing campaigns and is used to produce the Official State Vacation Guide, manage www.colorado.com (the State vacation website), and provide traveler information. Funding also supports a wide range of travel market research. The CTO works with its advertising agency to develop a strong national and regional domestic advertising campaign, marketing to out-of-state visitors through TV, print and online media. The purpose of the campaign is to inspire potential visitors to take a Colorado vacation by driving them to www.Colorado.com and 1-800-Colorado. Every year, a marketing plan is developed with outlined media objectives, strategies and target audiences. In FY07, 70% of the budget was allocated to domestic marketing, advertising and public relations, with the primary goal of attracting more visitors, influencing them to spend more money, and increasing Colorado's market share of leisure travel. Two-thirds of the budget is spent marketing spring/summer travel, while one-third is spent promoting fall/winter travel.

Colorado's 2009 marketable trips increased by 3% over 2008 trips with 27.5 million overnights and visitor spending of $9.7 billion. Nationally in 2009, marketable trips declined 5%. These trips are defined as travel influenced by marketing efforts and is comprised of visitors not visiting friends or relatives. Colorado's market share of all overnight marketable trips increased from 2.4% to 2.6%, ranking Colorado 18th nationally. An increase in market share is a significant especially given the economic climate in which the share increase was achieved. Visitor spending in Colorado saves every Colorado household $364 per year in taxes.

Colorado Small Business Development Center (SBDC) Network
Calendar Year 2010 Goals

	Proposed	***Actual (as of 11/23/10)***	***% of Goal***
Long-Term Clients	*697*	*793*	*114%*
Extended Engagement	*572*	*1,049*	*183%*
Business Starts	*437*	*275*	*63%*
Capital Infusion	*$33,150,000*	*$65,693,957*	*186%*
Jobs Created	*730*	*1,382*	*189%*
Jobs Retained	*755*	*2,151*	*285%*
Counseling Hours		*21,936*	
Client Count		*4,986*	
Training Events		*780*	
Training Attendees		*10,311*	

The SBDC Network is a nationally accredited program based on the Malcolm Baldrige Criteria. Criteria are reviewed on the effectiveness and the efficiency of program processes that are in place. The goal is economic impact (jobs created/retained, business starts and capital formation) but we also track the above metrics. The SBDC Network utilizes the balance scorecard method to track progress on a monthly basis by center.

Colorado Creates Grant Program

Colorado Creates grants are awarded through a competitive review process in which multiple panels of peer reviewers are convened to score and rank as many as 250 applications annually. Applicants must address three review criteria: Artistic excellence and merit of proposed activities, community involvement and benefit from proposed activities, and implementation capacity, such as effective planning, management, and budgeting of the organization and the project. In FY10, Colorado Creates provided $903,000 in Colorado Creates grants to 127 nonprofit organizations and government agencies in 33 counties across the state. The return on investment is measured in terms of jobs supported, individuals benefiting, counties reached, and dollars leveraged. For FY10, Colorado Creates supported 732 full-time jobs and 1,400 part-time jobs, benefited 2,000,000 citizens, reached 33 counties, and leveraged $16 million in other funds.

Enterprise Zone Program

The Enterprise Zone program provides 9 tax credits and incentives that encourage investment and job creation in economically distressed areas of the state. Each tax credit encourages and requires a business/taxpayer to perform a certain activity in order to earn a tax credit, and OEDIT with help from the local Enterprise Zone Administrator's collect data as a metric for each tax credit.

EZ Tax Credit	**Metric**	**2008**	**2009**
	Total Businesses	5,472	5,225
Investment Tax Credit	*Investment in EZ*	$2.47 B	$7.55 B
Job Training Tax Credit	*Employees Trained*	55,102 trained	43,485 trained
NBF Jobs Tax Credit	*Jobs Created*	10,206 jobs	7,901 jobs
NBF Agricultural Processing Jobs Tax Credit	*Ag Jobs Created*	210 ag jobs	424 ag jobs
NBF Health Insurance Tax Credit	*Business offering H.I. and taking credit*	238 businesses	478 businesses
Vacant Building Rehab Tax Credit	*Buildings Rehabilitated*	22 bldgs	32 bldgs
Research & Development Tax Credit	*R&D Businesses with increased R&D expenditures*	86 R&D businesses	63 R&D businesses
Contribution Tax Credit	*Projects*	457 projects	440 projects
	State Tax Credits	$12.2 M	$10 M
	Dollars raised with tax credit from private sector	$55.1 M	$45.8 M

The effectiveness and efficiency of this program was greatly improved in the 2010 legislative session with the enactment of Senate Bill 10-162 which placed several measures into statute *which improve accountability, provide administrative improvements and improve efficiency with things like electronic certification and filing of Enterprise Zone tax credits with the Department of Revenue.*

Colorado Export Development Grant (CEDG)

Activities within the Colorado Export Development Grant include one-on-one counseling and seed money to offset the costs of entering a new export market. Companies are requested to report the amount of export sales and to provide information on job creation and/or retention as a result of the development of the new foreign sales channel. To date, $33,500 has been distributed on the program, which has realized $33 in exports for every dollar awarded to Colorado companies. Information on job retention and creation as a result of the program are more anecdotal in nature to date. For the current round of recipients, we have started to request specific information on job retention and growth tied to the grant.

Colorado First and Existing Industry Program

In their grant applications, companies describe the training needed and the number of employees proposed to be trained. Grant reviewers make determinations based on getting the most value out of each dollar spent, including highly specialized training and companies training a large number of employees. Along with the Colorado Community College System, OEDIT accepts applications from companies. Generally, two representatives from OEDIT and one from CCCS review the applications. OEDIT's Business Finance Division conducts financial reviews on Existing Industry applicants to reasonably ensure they will continue to operate in the near future. After a grant has been distributed, a representative from OEDIT and CCCS visit the company to assess how the grant has helped and observe the operations of the company. Quantified measures of effectiveness and efficiency of performance (estimates included, final figures will not be available until May 31, 2011) are:

Fiscal Year 2011

- *Number of companies receiving grants- 77*
- *Number of employees utilizing Colorado First grants- 2,654*
- *Number of employees utilizing Existing Industry- 4,358*

Fiscal Year 2010

- *Number of companies receiving grants- 58*
- *Number of employees utilizing Colorado First grants- 2,811*
- *Number of employees utilizing Existing Industry- 2,473*

Fiscal Year 2009

- *Number of companies receiving grants- 96*
- *Number of employees utilizing Colorado First grants- 1,988*
- *Number of employees utilizing Existing Industry- 3,814*

Colorado Credit Reserve

Activities include marketing the availability of the program, lenders registering with CHFA to use this program, lenders submitting applications to CHFA for approval, disbursement of loan loss reserve pool funds to lenders, monitoring economic development results, and monitoring use *of loan loss reserve pool funds by lenders and return of unused portions to CHFA for re-use in this program. Performance measures achieved to date have been described previously in this document.*

LEAST EFFECTIVE PROGRAMS
The Success Through Art (StART) Grants
StART Schools grant-funded activities include:

- *Whole-school reform or restructuring with the arts as the central focus*
- *Creating projects or curricula that integrate the arts to reinforce learning across other subject areas*
- *Establishment of art, music, theatre or dance teacher positions in the school or district.*
- *Collaborations with professional artists or arts organizations*
- *Professional development for educators and school administrators to enhance their knowledge and practice in arts education and/or arts integration*
- *Data collection and evaluation to measure correlations between enhanced arts learning and improvements in student achievement or behavior*
- *A sustainability strategy to meet yearly match and continue the level and quality of programming beyond the grant term*

Measures of efficiency and effectiveness as a result of StART-funded programs include:

- *Improved student attendance, better grades and/or fewer disciplinary actions*
- *Increased parental engagement and involvement*
- *Increased art, music, theatre or dance teacher positions in the school or district*
- *Improved teacher performance and/or morale*

Colorado Tourism Office Marketing Grants
The Marketing Matching Grant Program requires applicants to match their grant funds request with funds from their program. The grant match has varied from 2:1 to 1:1. Prior to the reduction in CTO's budget, the grant funds matched every dollar invested by the organizations with two dollars. With the budget reductions, the match has been changed to a 1:1 ratio. Through the grant programs, the Colorado Tourism Office has been able to reach more targeted travelers through the grant recipient's projects such as advertising, events, brochures, and online efforts. Each grant recipient is required to provide CTO with a complete report of quantifiable statistics measuring success.

Colorado Innovation Investment Tax Credit (CIITC)
The primary activity needed to accomplish the objective of the program is investment in a qualifying business by a qualified investor along with jobs created as a result of the funding received. To date, nineteen (19) businesses have received an investment(s) and 27 jobs were created within 30 days of receiving such investment.

d A ranking of the activities necessary to achieve the objectives of each program by priority of the activities; and

MOST EFFECTIVE PROGRAMS
Colorado Tourism Office's Promotion Program

The activities associated with the Promotions Program have been identified previously and are part of an integrated strategy to effectively promote the state across all consumer channels. Each activity is necessary to achieve success and can not operate independently of one another.

Colorado Small Business Development Center (SBDC) Network

- *80% of the SBDC Network output (impact-see definition above) is through counseling*
- *20% of the SBDC Network output is through training and small business conferences.*

Colorado Creates Grant Program

The grant process begins with the development and dissemination of the grant guidelines. One staff member and two contracted grant counselors conduct outreach to communities to solicit applications from a broad range of geographies and organizations. Individualized assistance is also available. To ensure that all regions of the state receive fair and equal treatment, grant reviews are conducted on a regional basis. Once grants are awarded, staff, contractors, and Council members make site visits to select grantees.

Enterprise Zone Program

Activities are difficult to rank since the activities undertaken vary based on the needs of each community and/or business. For example, the agricultural tax credit cannot be used in every area across the state but is very important in those areas with an abundance of agricultural resources. There are also a number of administrative processing activities required which are all equally important since they are required by statute, which include zone boundary determinations by the Colorado Economic Development Commission, verifying the business is located in a zone, collecting information on all of the tax credits earned by businesses/entities each year, completing legislative reports, and determining the amount of tax credits claimed each year

Colorado Export Development Grant (CEDG)

The following activities are required to administer the CEDG. These are all a part of the process, making it difficult to rank them in terms of priorities: press, grant application intake and processing, committee reviews, marketing grant and follow up notification to all applicants/recipients, export counseling, and accounting processing.

Colorado First and Existing Industry Program

The objective of the Customized Job Training program is to train new workers and to retrain incumbent workers. Along with the financial reviews, the application review is the most important phase of this process. All applications are examined for cost, type of training, number of employees to be trained, along with other factors. This stage evaluates recipients that will create/retain the most jobs, allow companies to move to or continue operating in Colorado and thereby give the state the best value for the dollar. The next most important step is coordinating with the Community Colleges and local Economic Development Organizations to identify companies that are interested in the program. The state does not have the resources to be in contact with all potential grantees. Therefore, the program relies on local Economic Development Organizations' and other similar entities' assistance in creating awareness of the program. The actual grant writing process is made easier for the company by having the

Community College representative oversee the process. The grant writing is managed by the Community College representatives. Finally, the site visit takes place after the grant is awarded. The site visit is an opportunity to follow up with the company to see how the grant has helped and how the company and employees are doing overall.

Colorado Credit Reserve

The activities have been identified previously. Each activity is necessary to achieve success and can not operate independently of one another.

LEAST EFFECTIVE PROGRAMS

The Success Through Art (StART) Grants

Activities necessary to achieve StART Schools program objectives:

- *Outreach to districts across the state to educate about the role of arts education as a strategy for student success*
- *Individualized staff member assistance to help schools create successful arts education plans and programs*
- *Regular oversight at grantee schools*
- *A total grant pool that is large enough to provide a significant level of support to each school in the existing network and can grow to accommodate new schools into the network*
- *Evaluation services to help schools develop their own evaluation methods and to conduct program-wide evaluations every few years*

Colorado Tourism Office Marketing Grants

The necessary activities to achieve the goal all work in tandem to achieve success. The creation and distribution of grant guidelines, the review of submitted grant applications, the notification of grant recipients and processing of grants are all integral to the administration of the program.

Colorado Innovation Investment Tax Credit (CIITC)

Since the CIITC is a new, pilot program, getting staff in place, developing the program application/guidelines and marketing of the program were the first three activities initiated and the most important activities conducted by staff at that time. The remaining activities are equally important since all must be completed to ensure that the program is successful, including ongoing marketing efforts, providing technical assistance to businesses and investors, reviewing business applications to determine if qualified and issuing approval of such qualification, reviewing investor applications to determine if qualified and issuing tax credit certificates when qualified, development and updating of program tracking reports (including monitoring the tax credit issuance cap of $750,000 and administrative costs), and the start of the drafting of the required legislative report.

e. The level of effort required to accomplish each activity associated with these programs in terms of funds and personnel.

MOST EFFECTIVE PROGRAMS

Colorado Tourism Office's Promotion Program

The Promotions Program is the main focus of the Colorado Tourism Office and it accounts for *the majority of staff time and budget. The Promotions Program allows us to work towards the overall mission of the Colorado Tourism Office and is the primary focus of resources, including the 4 appropriated FTE.*

Colorado Small Business Development Center (SBDC) Network

Approximately 84% of the SBDC Network budget goes to direct counseling. The counseling is provided primarily by the 15 Network locations by staff employed by the host organizations. Overall program management is provided by the 4 appropriated FTE to the SBDC Network Lead Center in OEDIT.

Colorado Creates Grant Program

Currently, 1.2 FTEs and two part time independent contractors work on this program. The program distributes $1 million in grant funds, and an additional $40,000 is expended on administration.

Enterprise Zone Program

The amount of tax credits taken/claimed varies each year. In partnership with Economic Development Organizations around the state, including the state-designated Enterprise Zone Administrators (whom are employed by and reside at local Economic Development Organizations), this program is coordinated with 1 program manager with guidance/management oversight provided by the Deputy Director/Business Finance Division Director.

Colorado Export Development Grant (CEDG)

ITO has committed $58,500 and awarded $33,500 over the past two fiscal years. (Note: Funds have been awarded for FY11 but have not been disbursed.) Staff resources dedicated to the program total approximately 207 personnel hours.

Colorado First and Existing Industry Program

One Business Development staff member completes the majority of the reviews, communications and site visits. Business Finance Division staff provide necessary financial underwriting services for this program in addition to their designated program responsibilities. Guidance/management oversight is provided by the Business Development Director. The program is funded at approximately $2.7 million per fiscal year.

Colorado Credit Reserve

CHFA is using other resources to cover the costs of administering this program/specific round of funding. Administrative funds were not provided as part of this appropriation.

LEAST EFFECTIVE PROGRAMS

The Success Through Art (StART) Grants

It would require one full-time FTE to adequately support the StART Schools grant program. It would take an annual grant pool of $500,000 to $1 million to impact more districts across the state and to commit to multiple years of funding for each district. Similar arts education funding programs in other states provide grants ranging from $30,000 to $50,000 to 10-20 districts per year for three to five year commitments.

Colorado Tourism Office Marketing Grants

The success of the Marketing Matching Grant requires a joint effort between the grant recipients and the program manager. Internal grant administration could benefit from streamlining the requirements between the Creative Industries grant program and the Colorado Tourism Office Marketing Matching grant program. This program is managed by existing FTE appropriations.

Colorado Innovation Investment Tax Credit (CIITC)

The statute for this program authorized the Colorado Economic Development Commission to provide funding from its annual appropriation for this pilot program. With the approval of the Colorado Economic Development Commission, $750,000 in income tax credits were made available for the program and OEDIT has been able to administer the program to date within its Business Finance Division with a .40 FTE.

Governor's Energy Office (GEO)

Most Effective	**Why**	**Recommendations**
Weatherization	$1 investment leverages $1.80 in direct savings	
Performance Contracting	$1 investment creates $120 in capital improvements	
Rebates	$1 investment in rebates creates $4 in consumer investment	
Least Effective		
Liquid Fuels Emergency Planning	Not in GEO's area of expertise	Considering Moving to different department
Energy Assurance Planning	Not in GEO's area of expertise	Considering Moving to different department
Transportation Infrastructure/Alternative Fuels	Not in GEO's area of expertise	Considering Moving to different department

Most Effective Programs

Weatherization

3a. There is no agency that runs a program like Weatherization that GEO is aware of; though local agencies bid to perform this work.

b. HB08-1025; The federally-funded Weatherization program serves low-income citizens by performing energy efficiency work on their homes to lower their energy burden. It is an alternative and compliment to cash assistance to pay energy bills.

c. Energy audit of each unit is performed; cost effective energy efficiency measures identified; work performed; work inspected; Energy savings measured; 5% of units inspected; DOE audits performed (as well as State, GAO, SMA, other); program's efficacy routinely examined and measured

d. client outreach and education; contractor education and outreach; high quality audit; high quality work; high quality inspection
e. This is currently a $40M federally-funded program annually. It employs over 500 people statewide. Savings to consumers are circulated back into the community adding to the impact of economic development.

Performance Contracting
3a. There is no other agency that run a similar program that GEO is aware of. DPA and the office of the State Architect are partners in many projects
b. HB08-1025 This federally-funded program uses energy cost reductions to finance capital improvements lowering energy, maintenance and operating costs while improving the performance and functioning of the building
c. Multiple energy, cost and construction audits performed; construction implemented; performance guarantee put in place to insure performance; Document energy savings; performance guarantee as well as formal grievance process through the GEO
d. education of consumer; engage ESCO community in the program; provide technical assistance to projects; assist in contracting; performance measurement
e. This program is managed by one staff and an engineering firm that also has two staff dedicated to the program. We invest about $600K annually.

Rebates
3a. There is no other agency that runs a similar program that GEO is aware of.
b. HB08-1025 This federally-funded program will help 70,000 Coloradoans improve the energy efficiency of their homes, or use renewable energy, while spurring local economy.
c. Rebate application submitted; application reviewed and tested for authenticity, approval to proceed with work communicated; work completed; rebate given; percentage of units inspected; Documented energy savings; audit of percentage of units receiving work; formal grievance process for customers
d. education of consumer; create infracsturcture supportive of rebate programs; implement rebates accurately and quickly; measure and verify work done.
e. This is managed by one GEO staff, though several others participate. The rebate and web firms also have staff devoted to this program. Annual budget is currently ~$15M

Least Effective Programs
Liquid Fuels Emergency Planning
3a. There are several agencies that directly deal with emergency planning including the PUC and the DEM.
b. This work has come to the GEO through an MOUS signed with the PUC
c. GEO undertakes the writing of the state emergency plan every three years. We also do annual training; Keep plan current and staff trained to implement plan.
d. maintain integrity of the plan; maintain training of the staff; communication of plan to other agencies.
e. These responsibilities are shared by two staff members and take approximately 100 hours annually.

Energy Assurance Plan

3a. The PUC deals with this issue directly.
b. This work has come to the GEO by virture of a DOE competitive grant won by the GEO
c. The outcomes of this work are stipulated by the grant and include a variety of GIS studies and grid mapping; meet the requirements of the grant
d. manage grant and grant partners; deliver all of the requirements of the grant
e. This work is done by one staff approximately 200 hours per year.

Transportation Infrastructure/Alternative Fuels
3a. The Colorado DOT deals with transportation infrastructure.
b. This works comes to the GEO as a result (usually) of winning competitive DOE grants.
c This work involves studying the transportation corridors for use of natural gas, E-85, and biofuels. We then look to increase infrastructure to support those fuels; increase the market share of these fuels in Colorado which we track.
d. understand the changing nature of transportation fuels; build support for increase in infrastructure across communities and infrastructure providers; build markets
e. This work is one by one staff approximately 300 hours per year.

4. Detail what could be accomplished by your Department if funding for the department is maintained at the fiscal year 2009-10 level.

Governor's Office and Lt. Governor's Office
In FY10 the Governor's Office abolished 3 FTE in order to deal with budget cuts. If funding were maintained at the FY10 level in the FY12 budget, the Governor's Office would operate at its current level. Any additional reductions will likely require additional staff reductions.

Office of Economic Development and International Trade
OEDIT provided support to businesses that created/retained 15,801 jobs for the state's FY10, an increase of 14.4% over the prior year. Assisting businesses in creating/retaining jobs is OEDIT's primary core measurement as a whole. OEDIT projected a 6% increase in its core results for the state's FY11 and is now projecting a further 2.5% increase during FY12. The increased results are due to efficiencies gained in the delivery of programs/services with experienced staff, technology improvements and due to streamlining efforts. These numbers reflect the minimum return on the state's investment since a large number of businesses receiving assistance are not directly tracked - such as the thousands of businesses assisted at business forums, by phone/e-mail where technical assistance, introductions and meeting coordination is provided by divisions that report other metrics. These results significantly demonstrate the need for the programs/services provided by OEDIT and the need to maintain OEDIT's current funding level in order to provide optimal results for the citizens of Colorado - jobs. Maintaining OEDIT's funding levels is more critical than ever in this economic climate. Additional individual program results will also respectively be maintained and improved if OEDIT's funding levels are maintained.

Governor's Energy Office
If 2009-10 levels of federal funding continued GEO would be able to maintain high levels of weatherization (~9,000 homes annually saving over $3M in energy each year), issuing nearly 50,000 rebates annually with a 4X return on investment and continuing to create economic

activity through our performance contracting programs with a 120X multiplier for every dollar invested. Other GEO programs would continue with economic development underpinnings.

Governor's Office of Information Technology
OIT already implemented ongoing reductions in personal services appropriations of approximately 12 percent beginning with the current fiscal year and provided additional ongoing operating reductions in the same timeframe. In order for the state to continue to benefit from these ongoing savings OIT would recommend maintaining FY 10-11 levels

5. How much does the department spend, both in terms of personnel time and/or money, dealing with Colorado WINs or any other employee partnership group? Has the level of resources dedicated to this effort changed in the past five years?

Governor's Office and Lt. Governor's Office
The Governor's Office spends no general funds on partnership activities. The level of Governor's Office resources dedicated to this effort has not changed in the past five years. .

Office of Economic Development and International Trade
None. The level of OEDIT resources dedicated to this effort has not changed in the past five years.

Governor's Energy Office
None. The level of GEO resources dedicated to this effort has not changed in the past five years.

Governor's Office of Information Technology
None. The level of OIT resources dedicated to this effort has not changed in the past five years

3:45-3:50 STATUTORY DISTRIBUTION OF LIMITED GAMING TAX REVENUE

6. The passage of Amendment 50 in 2008 increased the amount of limited gaming tax revenue distributed to Teller and Gilpin Counties and the Cities of Black Hawk, Central, and Cripple Creek. Due to the increase in revenue from Amendment 50, is it possible to reduce or eliminate the transfer of moneys from the Limited Gaming Fund to the Local Government Limited Gaming Impact Fund? *This is question most appropriately addressed by DOLA.*

7 In addition to hearing question #12, which covers programs in the Creative Industries Division, please provide return on investment data for all other programs receiving funding from the statutory distribution of Limited Gaming Fund moneys.

Colorado Tourism Office Programs
Domestically, the programs receiving funds through the distribution of Limited Gaming Funds moneys includes on-line and off line advertising, marketing, public relations and web services. In addition to the domestic marketing efforts, the funds also support the production, fulfillment and distribution of the Official State Vacation Guide, the management of ten Official State

Welcome Centers and annual research programs. The funds also support the Colorado Tourism Office's International Marketing programs in six countries: United Kingdom, Germany, France, Japan, Mexico and Canada.

The return on investment for the Colorado Tourism Office's programs supported by funding from the statutory distribution of Limited Gaming Fund moneys can be seen in the $364 per year in taxes that tourism saves every Colorado household. This is the amount of tax dollars every household would have to pay if not for the over $689 million in taxes paid annually by visitors to Colorado. Research also shows that tourism supports nearly 138,000 jobs in Colorado. Currently, the Colorado Tourism Office is in the process of updating its advertising effectiveness study which will provide an updated look at the return on investment for every marketing dollar spent on behalf of Colorado tourism. The study results are to be released in January.

Job Creation Performance Incentive Fund
The Job Creation Performance Incentive Fund provides performance-based incentives to businesses. A business must create net new jobs in Colorado with high average wage rates and maintain the jobs for at least one year. The program results to date reflect the creation and maintenance of 2,541 net new jobs in Colorado with an average wage rate of $84,546. A conservative return on investment using benefits from direct wages and an adjusted earnings multiplier is $6.90 for every $1 spent.

Bioscience Discovery Evaluation Grant Program
This program is designed to stimulate jobs and creation of new bioscience companies from the promising new discoveries of the State's major research institutions. Grants are distributed in 3 program areas: 1) Proof of Concept (POC) grants to research institutions to accelerate the development of new bioscience discoveries and lead to the creation of new Colorado companies; 2) Early Stage Company Grants (ESC) to Colorado companies that have licensed a bioscience technology from a Colorado research institution; and 3) Infrastructure Grants to develop resources at research institutions that do not exist in Colorado and that are essential for scientists and Colorado's bioscience companies.

The program's legislation has been recognized nationally as one of a handful of "Best Practices" for State legislatures. In OEDIT's annual legislative report dated April 2010, it reflected 92 jobs created to date, 7 new companies, $11.1 million in matching funds and $19.6 million in additional grants, angel or venture capital. The Colorado Bioscience Association has recently provided updated information that reflects that 170 jobs have been created to date, 18 new companies, and $68 million in matching funds and follow-on investments.

The program addresses a critical funding gap in the continuum that starts with basic science enterprise, to new discoveries, to technology transfer, to R&D in early stage companies, to new products that improve health and the environment.

8. During the previous economic downturn, how were programs currently funded by the transfer of limited gaming tax revenue maintained?

Tourism and Creative Industries' programs previously received less funding and FTE appropriations from the legislature as a result of the prior economic downturn, with clear and *demonstrable negative effects to those industries and outcomes for Colorado citizens as a result of the reduced support. It has taken many years to build the state's economic development efforts in those areas back to the current level. Other gaming funded programs were not in existence at that time and were developed in the interim period to address specific economic development needs and take advantage of high-paying job growth opportunities. All of the programs funded with limited gaming tax revenues support the state's targeted industries with high ranking employee numbers within the sectors in Colorado or significant opportunities for strong job growth in Colorado.*

The Governor's Energy Office did not receive an allocation during the previous economic downturn. However, the GEO has supported the transfer of funding from the Clean Energy Fund to the General Fund as other federal resources have become available. These federal funds will expire at the end of FY 12, therefore, financing of the clean energy fund will be required for the 2012-13 fiscal year to maintain the programs offered by the GEO.

3:50-4:05 GOVERNOR'S ENERGY OFFICE (GEO) PROGRAMS

9. Are there efficiencies (financial or personnel-related) gained by moving GEO into the Office of Economic Development and International Trade or the Department of Local Affairs? If so what efficiencies? If not, why not?

The employees of the GEO are energy experts. There are positions where energy expertise is not required, specifically in accounting, but those positions require specific expertise in managing the accounting, reporting, applying for, and day to day maintenance of federal grants. Those also include specific knowledge of NEPA, Historic Preservation and Davis Bacon required through GEO's DOE grants. Both the Executive Director and Deputy Director of the GEO came from energy focused positions prior to joining the GEO.

The funding for the GEO has been a highly volatile. The non-classified nature of that staff should be a benefit considering it allows the GEO to respond to the funding rates without negotiating the classified state system of staffing.

Finally, the positioning of the GEO within the Governor's office facilitates partnerships across agencies as those key partnerships that have been funded and coordinated between GEO and DOLA, CDLE, DNR, CDPHE and OEDIT.

10. Has GEO decided how all the federal moneys from the American Recovery and Reinvestment Act of 2009 (ARRA) will be expended? Will the next executive branch administration have authority over GEO's ARRA expenditures? Do members of the General Assembly still have an opportunity to expend GEO's ARRA moneys for specific programs in the coming legislative session, or is all of the ARRA money encumbered?

The GEO was under a DOE federal mandate to be fully encumbered and contracted by the end of December, 2010. We expect to meet that goal (we are at 97% currently). The process for encumbering and spending funds is as follows. The GEO is responsible for submitting a state plan at grant award. DOE must approve. For the majority of our funds we must hold public *hearings discussing how we will spend the federal funds. Once those processes have been completed and we have been given approval, we can proceed to encumber (contract) then spend funds through the state system. Any departure from the approved plan requires a plan amendment. We currently have one underway for less than 1% of our funding and we have been awaiting approval for the last 2 months. That request was to move some funds from one pre-approved category to a different pre-approved category.*

Currently we have no unencumbered funds, but could discuss how to work on other funding sources like competitive grants and how those funds could be utilized.

11. Does GEO have a plan to eliminate or curtail programs after federal moneys associated with ARRA have been depleted?

The GEO's programs and staff are fully funded through fiscal year 2011/12. We are currently unable to determine what the funding picture for GEO will look like, but we are currently forecasting all scenarios and determining what are the appropriate and responsible next steps as it pertains to responding to the likely reduction in funding. The current statutory framework for funding of the clean energy fund, absent any legislation to divert the revenues, is sufficient to maintain the office's programs out into the future. The weatherization program has benefitted from the passage of HB 06-1200 and those transfers are scheduled to expire after the 2012-13 fiscal year. HB 06-1200 recognized the benefit of providing weatherization services to those Coloradans receiving cash assistance to reduce the overall financial energy burden on both the consumer and the state. Continuation of those very important services beyond 2012-13 at the level identified in the legislation would require legislation extending the transfer.

During the 3 years of ARRA (we are currently in the middle of year 2) the GEO relinquished its two primary state funding sources, Clean Energy Funds and Low-Income Weatherization funds (HB-06-1200) to assist with the state's budget balancing effort. At the end of the ARRA timeframe state funding will be required to maintain the efficacy of the agency.

4:05-4:20 ECONOMIC DEVELOPMENT (GENERAL QUESTIONS)

12. For programs administered by the Creative Industries Division, please provide an analysis of the return on investment the State achieves as a result of funding these programs.

The 2008 study of Colorado's Creative Economy showed that the state has more than 186,000 jobs in the creative sector, making it Colorado's 5th largest employment cluster. Colorado also has the 5th highest concentration of creative occupations in the nation. The Creative Industries Division was established in July 2010 to capitalize on the immense potential for this sector to drive economic growth. The mission of the Creative Industries Division is to promote, support and expand the creative industries to drive Colorado's economy, grow jobs and enhance our quality of life. The primary programs of the division are:

- *assisting creative businesses, nonprofit cultural organizations, schools and local governments to develop arts and cultural activities and creative programs and enterprises;*

- *marketing Colorado as a location for film, TV and media productions; and*
- *administering the state's Art in Public Places program.*

In FY10, the state's $2.2 million investment in the division's three program areas leveraged an additional $1.1 million from the National Endowment for the Arts, including $314,100 in ARRA funds. The division distributed $1.8 million in grants to support creative activities and enterprises across the state and committed $225,000 in performance-based incentives.

Our primary ROI measurements and results for FY2010 are:

number of counties and communities that receive direct financial support	80 communities in 53 counties
number of individuals and youth benefiting from funded activities (required by NEA)	2.9 million individuals including 1 million youth
number of jobs supported by grants	1,000 full-time jobs and 2,000 part-time jobs, including 31 ARRA-supported jobs
ratio of other funding leveraged by state investment	11-to-1
film, television and media production dollars expended and jobs supported as a result of production incentives	$2.2 million and 104 jobs
value of public art commissions managed	$1.02 million

13. Is there demand greater or less than the supply of services offered by the State's Small Business Development Centers?

The demand is greater. The SBDC Network is at its highest demand in the past 10 years. Due to high volume of counseling requests (entrepreneurs needing help), the wait for a counseling session is typically 1-2 weeks depending on rural or urban client base.

14. Why is OEDIT requesting to decrease money from economic development initiatives, like travel and tourism promotion, if the State is trying to grow the economy?

Due to the need to balance the state's budget, the amounts requested were the amounts that the Governor's Office authorized OEDIT to request.

4:20-4:25 INTERNATIONAL TRADE MISSIONS

15 What are the goals of international trade missions? Are there any measurable results that OEDIT realizes from international trade missions? Can any of the results be quantified?

During FY10, the ITO organized or assisted with 14 incoming and outgoing trade and investment missions/program, provided export counseling services to over 140 companies and provided investment assistance to 174 foreign companies interested in establishing a presence in Colorado. Of those requesting investment assistance, 20 became investment prospects and 10 established operations in Colorado.

The goals of international trade and/or economic development missions is to raise Colorado's profile in global markets in efforts to generate exports, foreign direct investment, and research and business partnerships that are mutually beneficial to the Colorado and foreign entity involved. Missions can provide immediate results and also represent a longer-term strategy of relationship-building to benefit Colorado companies and the state's economy over the long-term. The ITO measures results in terms of the nominal dollar value of exports, the number of jobs announced by foreign direct investors, contracts won by Colorado companies, and the various research and business partnerships that are generated and enhanced through a mission. Examples include:

- *Governor's Economic Development Mission to Canada, November 2007. Enbridge of Canada invested $500mm in the Cedar Point Wind Farm in 2010.*
- *Governor's Economic Development Mission to Japan and China, November 2008. Governor Ritter and CSU signed an MOU with two institutions in Japan to form the Global Center for Environmental Medicine. CSU and East China Normal University signed an MOU to collaborate on research and conduct faculty and student exchanges. Denver Metro Chamber of Commerce signed a cooperative agreement with the Beijing Chamber of Commerce aimed at increasing business relationships. Solix BioFuels received an equity investment from a Chinese investment firm. Zephyr Corporation of Japan, a small wind turbine company, established North American Headquarters in Louisville in 2010. Sumitomo has increased its*

presence in Colorado, making Colorado its hub for Western Hemisphere mining operations. Cosmo Systems USA LLC established a presence in Colorado. Numerous research and business delegations from Japan and China have traveled to Colorado to meet with public and private sector entities.

- *Green Expo Trade Mission to Mexico, September 2009, 2010. One company made immediate sales both years in attendance. For the September 2010 mission, companies reported potential future sales of over $300mm for the next two years. ITO will follow up with the companies through a survey process to record actual sales.*
- *Governor-led Denmark/Finland Smart Grid and Renewable Energy Mission, September 2010: This represented ongoing discussions with current investors in Colorado and introduced Colorado smart grid companies to opportunities with Northern Europe. One smart grid company has notified OEDIT that it is in follow up discussions with major Finnish utilities. The company credits the speed of discussions directly to the mission.*

16. How has OEDIT paid for international trade missions within its existing spending authority?

The ITO has paid for international trade missions within its existing spending authority by either: working with a partner organization that collects fees from participants to cover mission expenses, and relies on host or sponsoring organizations that pay vendors directly for such items as receptions, events, and ground transportation. A larger cash fund would allow us to collect fees directly for mission expenses to manage these events more effectively and allow us to collect additional monies to offset our personnel and travel costs for each mission. When one large mission is run, it negatively impacts ITO's ability to generate revenue for cost recovery for other trade missions during any one fiscal year.

4:25-4:30 FILM INCENTIVES

17. What is the current fund level of the Colorado Office of Film, Television, and Media Operational Account Cash Fund?

The current fund balance is approximately $1.9 million. The program has allocated $1.5 million for incentives, including the $225,000 that was encumbered in FY10. The remaining $400,000 is allocated for FY11 operations and marketing, such as salaries for three staff members, trade show and advertising buys, filmmaker and community training, location scouting, and film festival sponsorships.

18. Explain why OEDIT has accumulated funds in the Colorado Office of Film, Television, and Media Operational Account Cash Fund? Why have the funds not been expended?

The legislation for the original performance-based film incentive, passed in 2006, required a production company to spend at least 75% of its below the line budget (excluding salaries for stars and producers) in Colorado and to hire at least 75% of its workforce in Colorado. The legislation also required a minimum production spend of $1 million. These restrictions, and the fact that our incentive is 10% as compared to the median of 25% in other states, made Colorado's original incentive unattractive to major motion picture studios and independent production companies and inaccessible to smaller Colorado-based production companies. Over *three years the program only received three applications totaling $225,000. The legislation that was passed July 1, 2010 made the incentive more accessible and has now attracted 11 new applications, nearly exhausting the current fund balance. Applications currently encumbered or awaiting approval total $1.3 million, which will generate $13 million in production spending and support 594 jobs.*

19. How do film incentives provided by the State compare to film incentives offered by other states?

Today, 43 states offer some sort of film incentive. As indicated, the median state incentive is 25% and the highest is 44%. Incentives are typically in the form of refundable or transferable tax credits or a cash rebate. Pay-out caps and project criteria differ greatly among the states, affecting their competitiveness. Some states offer sales tax relief and loan programs in addition to incentives. Here is a comparison with a few notable incentive programs in the nation:

COLORADO*: 10% of qualifying spend. $1.5 million available, with no annual funding stream.*

FLORIDA: *20% of qualifying spend (including digital media projects), with 5% bonus for "off season" projects and 5% bonus for "family-friendly" projects.* *Annual funding cap of $53.5 million.*

LOUISIANA: *30% of qualifying local spend. No annual funding cap.*

MICHIGAN: *42% of qualifying direct production expenditures in more communities or 40% of direct production expenditures in other locations and 25% infrastructure investment tax credit. No annual funding cap on production incentive, $20 million annual funding cap for infrastructure investments.*

NEW MEXICO: *25% of qualifying local spend. No annual funding cap.*

UTAH: *20% of the dollars left in the state Annual funding cap of $7.8 million.*

20. What factors influence the level of investment in film incentives required from state to state? For example, does Colorado require less generous film incentives to attract film production due to its unique natural beauty?

Film production is extremely mobile and major motion picture studios base their location decisions primarily on return on investment rather than on script requirements. Major studio production budgets range between $40-$60 million and a few additional incentive percentage points can generate millions of dollars in savings for the production company. States began to introduce large film incentives in 2002 as a strategy to induce employment gains and stimulate infrastructure investment. The states considered the most successful at achieving those ends are Louisiana and New Mexico, but they have also been at it the longest. Many states have begun to compete to provide studios the greatest subsidy, causing some to call it a race to the bottom. Some states have suspended their incentives, including neighboring states of Kansas and

Arizona. However, there is no solid indication that incentives are going away entirely. For example, in 2009, Louisiana increased its incentive from 25% to 30% and granted it permanent status.

Colorado's natural beauty does make it a highly desirable filming location, but a script calling for a dramatic mountain scene can also be shot in Utah, New Mexico or Montana, or in Canada, New Zealand or Chile. The good news is that, in addition to its natural beauty, Colorado has a qualified crew base, a strong production infrastructure (e.g. sound stages and lighting equipment), easy permitting, and film-friendly communities. These assets, combined with Colorado's 10% incentive, are attractive to independent productions shooting on a smaller budget, as well as to producers of television series and commercials. The Creative Industries Division's new strategic plan focuses on attracting these types of productions, and on building and diversifying Colorado's own production industry, rather than trying to attract Hollywood-style major motion picture productions. We are also focused on growing the digital media and game development sectors. Based on our current incentive applications, we seem to be showing some success with these strategies. The division has attracted four television series, four small feature films, two documentary films, two advertising commercials, and two training videos. The concern, as stated above, is that the current incentive fund is nearly depleted. Production companies located in Colorado indicate that, although they want to remain here, incentives will remain an important consideration in their future production plans, and relocation to states with better incentives will remain an option.

4:30-4:35 GOVERNOR'S OFFICE OF INFORMATION TECHNOLOGY (GENERAL QUESTIONS)

21. What is Governor's Office of Information Technology (OIT) doing to decrease energy consumption in the State's data center? Are there any negative consequences to decreasing energy consumption in the State's data center?

OIT is currently engaged in a project to consolidate the majority of datacenters into a limited number of locations. To date, OIT has consolidated seven of the 40 datacenter locations. As part of this effort, new technologies are being utilized. These technologies provide for greener overall operations and energy savings. OIT is also actively pursuing Xcel energy credits as a part of this project.

One requirement of decreasing our energy consumption is that it usually requires updated technology. Due to funding issues, the consolidation of data centers has proceeded slower than desired. This initiative could be expedited with dedicated funding if it were available.

This effort has generated ~$200k in annual savings so far.

22. Why are Statewide indirect cost recoveries increasing in OIT?

For reference, the indirect cost assessments that this question addresses are calculated by the Office of the State Controller as part of the Statewide Indirect Cost Plan (SWCAP) each fiscal year and they are not constant. These indirect cost assessments change on an annual basis, are calculated as an estimate based on actual costs from a prior fiscal year, and are adjusted each year based on final actual costs, including changes in program financing. As such, in some years they increase and in some years they decrease for affected state programs. The change of ~$200,000 across OIT programs is similar to the changes that have occurred in past fiscal years, is very minimal in the context of the ~$125 million in current OIT appropriations, and is outside of OIT's control. The following is a definition of indirect costs from the JBC appropriations report:

Indirect costs are the overhead costs associated with the operation of general government functions and departmental administrative duties. Indirect cost recoveries are intended to offset these overhead costs, that otherwise would be supported by the General Fund, from cash- and federally-funded programs. Recoveries from cash and federally-funded programs are calculated for statewide and departmental overhead costs. Statewide indirect cost recoveries are designed to offset costs of operating general government functions that support the activities of all departments but for which no fee is charged. These costs are calculated by the State Controller's Office and approved by the Joint Budget Committee. For FY 2010-11, the statewide indirect cost recovery plan is estimated to recover $17.7 million from cash - and federally-funded programs. This represents $2.0 million more than the funds recovered for FY 2009-10. Due to changes in the allocation of costs, departments may have an increase or a decrease in indirect costs assessed against them.

23. Are there software program licenses that OIT could delay maintenance and upgrade payments for to provide financial savings to the State? What are the consequences of this action?

In the cases where annual hardware and software maintenance is paid, OIT has evaluated the procurement to determine whether it could be consolidated with other procurements, scaled back, or eliminated entirely. Each procurement is analyzed to determine whether the product is needed, can be eliminated or procured in a more efficient manner. In many cases where it has been determined that it is feasible to delay or eliminate such procurements without significant adverse impact to the state, OIT has already proactively made this decision.

For the past four years, OIT has been engaged in an effort to proactively renegotiate and consolidate hardware and software maintenance agreements statewide. To date this effort has generated the state ~$3M in annual savings.

Potential consequences of not making maintenance payments include: penalties from vendors for lack of payment, reinstatement fees when upgrades are needed, and additional risk to the state when technical support cannot be engaged to remedy issues.

There are still many opportunities to consolidate, renegotiate, or collaboratively procure hardware and software statewide. OIT is actively working on a number of these licensing agreements and still expects to save the state millions of dollars in the future.

4:35-4:45 FUNDING OF THE COLORADO STATEWIDE DIGITAL TRUNKED RADIO SYSTEM

24. Will the State's participation in the development of a long-term fiscal strategy for the Digital Trunked Radio System (DTRS) create a plan that lowers DTRS participation costs for local governments?

The State and local government collaboration in the development of a long-term fiscal strategy for the Digital Trunked Radio System (DTRS), consistent with JBC staff's recommendation during the JBC briefing for the Governor's Office two weeks ago, seeks to create a plan that equalizes system operations and maintenance (O&M) costs across all users. If participation is defined as a user fee, there are currently no 'participation' costs or a universal user fee for local government agencies at a system wide level. For the majority of local government agencies, the only costs associated with participation on DTRS has been the initial procurement of mobile or portable subscriber radios (average price range is $1700 - $3500 per radio depending on the vendor). The US Department of Homeland Security (DHS) grant programs have provided many of the local government agencies with millions of dollars in funding to purchase subscriber radios, further negating the need for local government to fund initial participation costs. In addition, these local government agencies have never been assessed a system wide user fee or fees for ongoing system sustainability. As a result, the migration of local government agency users to the DTRS has been largely funded by alternative resources and at a minimal cost to them. Conversely, DTRS has been a partnership between state and local government entities since its initial implementation and as a result of limited state capital construction funding over the past several years, local government entities have now contributed more than 50% of the total infrastructure investment for DTRS, which the state and all users of this statewide public safety network have been able to derive direct benefit from at no cost.

Some local government agencies may contract with another entity for dispatching services and to support the local network infrastructure on which it operates resulting in a sub-network fee; however, that is inconsistent throughout the system. In addition, some local government agencies own network infrastructure (e.g. repeater sites or dispatch center console equipment) which remains their responsibility to operate and maintain. However, there is no universal ongoing cost associated with connectivity to a master zone on the DTRS network.

Currently, a group of 8 core infrastructure organizations [Adams County, Arapahoe County, Douglas County, Governor's Office of Information Technology (OIT), Jefferson County, Northern Colorado Regional Communications Network (NCRCN), Pikes Peak Regional Communications Network (PPRCN), and Weld County] are responsible for the majority of the O&M costs associated with running the network, currently relieving all other members of the burden of these costs.

25. Are local government agencies involved in purchasing second-hand DTRS equipment from other system users to make participation in DTRS more affordable? If so, could these equipment exchange initiatives be expanded?

As mentioned in Question 24 above, the millions of dollars in grant funding provided by DHS to support migration to interoperable networks have been the primary means by which local government agencies have migrated to the DTRS. In 2007 - 2008, Colorado was awarded $14.3 million through the Public Safety Interoperable Communications (PSIC) grant program administered by the Department of Commerce, National Telecommunications and Information Administration (NTIA). Eighty percent of the PSIC monies were passed through to local government agencies, from which many agencies purchased subscriber radios. For agencies purchasing replacement radios via the PSIC grant, a requirement was to make their legacy subscriber radios available to other local government agencies at no cost. Through PSIC and the DHS suite of homeland security grants, second-hand radios have been consistently passed onto rural local government agencies that might otherwise have not had the means to procure radios. In Colorado, local government agencies have been inclined to donate radios as opposed to require another agency to purchase them.

Equipment exchange initiatives could be expanded to the degree that grant funding and local government funding continue to provide for the replacement costs of the aging subscriber fleet of DTRS radios. The willingness to donate the subscriber radios has been the least of the challenges involved in such a program; funding and subscriber technology are the significant hurdles. With regard to subscriber technology, the second-hand radios being donated to local government agencies are often 10 -12 years old, which is approaching or has surpassed expected life cycle. There are often no longer parts or maintenance available from the manufacturer or local repair shop. In addition, these older radios do not contain some of the subsequent features added by the manufacturer since their creation (e.g. encryption and channel capacity). In fact, the lack of functionality potentially hinders the ability for local government agencies that utilize this avenue to secure subscriber radios to communicate effectively. However, it is important to note these considerations do not limit or detract from local government agencies' willingness to donate or desire to accept second-hand radios when available; they are simply factors potentially impacting agency operations.

26. What is the planned obsolescence time-frame for DTRS software, hardware, repeaters, dispatch consoles, and microwave equipment?

DTRS network software, network hardware, site repeaters and dispatch consoles are provided by Motorola Solutions, Inc. Attached to this document is an information sheet which details the specific equipment that is approaching end of life.

<u>Network software and hardware</u> – *DTRS is currently at Service Release (SR) 7.5. The upgrade from SR 6.5 to SR 7.2 occurred in July 2008, and from SR 7.2 to SR 7.5 occurred in April 2009. In addition, the PPRCN was upgraded and integrated into the DTRS network in July 2009. These upgrades were funded via a capital construction project, costing $7.945 million. Motorola makes two upgrades available yearly. DTRS is quickly approaching a radio ID capacity limit and will require a system upgrade to ensure call processing is not detrimentally impacted and*

agency users can continue migrating new equipment to the network. On some network products, Motorola provides an n+3 or n+5 release support configuration, meaning they generally support system releases for approximately 2 – 3 years after release date. Motorola is in the process of developing a corporate policy on release support. SR 7.5 was released in 2008; therefore, it is estimated that support may only be provided through sometime in the 2011-2013 time period. An estimated cost for an upgrade from SR 7.5 to SR 7.11 is $7.9 million - $11.8 million, dependent on whether a Software Maintenance Agreement is purchased.

<u>The ability to upgrade the network hardware and software to current SR versions is linked to the requirement to upgrade legacy site and dispatch console equipment as well.</u> System Release versions will eventually be unable to support the obsolete Quantar, STR3000 and Gold Elite equipment listed below.

<u>Site repeaters</u> – The Quantar and STR3000 series repeaters began shipping in 1991 and 1999 respectively. The majority of the DTRS is comprised of Quantars (1025), which will stop shipping at the end of 2011, and STR3000 (75), which stopped shipping in 2007. The end of parts support for Quantars and STR3000s is 2018 and 2014 respectively. Most recently, the site repeaters purchased have been the GTR8000s, of which there are now 128 on the network. Estimated costs for site repeater upgrades are $20 - $30 Million.

<u>Dispatch consoles</u> – The Gold Elite dispatch console was introduced in 1995, with the last shipment occurring in 2011. End of parts support occurs in 2018, which impacts 259 console positions at 52 dispatch centers. The MCC 7500 IP console is the replacement product, which is currently installed at 53 consoles in 8 dispatch centers. Estimated costs for dispatch console upgrades are $30 - $40 Million.

The microwave equipment provides the primary means of connectivity between the master zones, sites and dispatch consoles. The majority of the existing microwave is Alcatel brand, was built out in the mid 1990's, and has surpassed end of life with regard to the ability to obtain parts for maintenance and repair. As the DTRS network has grown, additional microwave capacity has augmented connectivity; however, the bulk of the network is antiquated and approaching obsolescence. The cost to replace the initial component of the microwave system built in the 1990's is estimated at $20 – 30 million. The system consists of approximately 115 hops, the majority of which are hot-switchover, providing redundant connectivity in case of equipment failure. The proposed replacement of obsolete equipment does allow for re-use of specific components, including power supplies (battery bank and charger) and antennas (dishes), except where tower loading, frequency or circuit bandwidth requires a modification. Part of the microwave obsolescence replacement plan is to implement <u>reliable</u> fault tolerant ring architecture, which is a closed, bi-directional path in which a signal may circulate. This proposed design will limit system isolation due to failure, by providing for automatic re-routing. This project requires comprehensive analysis and planning in order to identify the best technologies for Colorado and provide exact costs.

A critical dependency of the microwave project is ensuring that the radio towers are structurally sound to support existing and proposed equipment. In 2008, the structural integrity of 58 towers was assessed, with findings that 22 of 58 towers were recommended for replacement, 17 towers *required critical repairs, 18 towers required minor repairs and one tower be removed. OIT is working with the Office of the State Architect to begin this replacement and repair process. Six towers are slated for replacement in the 2011-2012 time periods.*

Finally, OIT has previously discussed with the Committee during OIT's quarterly JBC updates some of the upcoming capital needs anticipated for DTRS. This information on future needs for the state's public safety network has also been reviewed with JBC staff over the past few months upon completion of a statewide assessment of assets and infrastructure of DTRS. The following summarizes those capital needs and identifies the age of some of the most critical infrastructure:

DTRS Capital Projects – System Release Upgrades

Project Description	**Estimated Cost**	**Time Period**
System Upgrades to SR 7.11	$7.997 - $12.5 Million*	2011 – 2013
System Upgrades to SR 7.15	$5.34 - $6.76 Million**	2014 – 2016
*includes 3 yrs Software Maintenance Agreement (SMA) 'catch up' payments in 2012 (since 7.5 upgrade in 2008)		
**not included in original DTR Cost Assessment – may be required to support migration to Phase II TDMA		

DTRS Capital Projects – Infrastructure

Project Description	**Estimated Cost**	**Time Period**
Quantar/STR to GTR8000 Upgrade	$20 - $30 Million	2010 – 2018 (2018 – end of parts support)
Dispatch Consoles	$30 - $40 Million	2010 – 2018 (2018 – end of parts support)
Microwave System	$20 - $30 Million	2010 – Date Funded Parts support has already ended for much of this infrastructure
Tower Replacement	$5.5 - $10 Million	2010 – Date Funded 22 Towers Require Replacement, Add'l Towers Require Analysis and Repair

Total – System Release & Infrastructure	**$88.837 - $129.26 Million**

Year Towers Built	**Age**	**Number of Towers****
Built 1960 -1969	> 40 years	35
Built 1970 – 1979	> 30 years	24

Built 1980 – 1989	> 20 years	15
Built 1990 – 1999	> 10 years	17
Built 2000 – 2009	< 10 years	63
**Data provided covers 154 towers supporting DTRS or microwave infrastructure owned by the various State, Federal, Tribal or Local Partners. This sampling is not meant to represent all towers supporting DTRS equipment.		

27. What is the role of the federal government in supporting the long-range sustainability of DTRS? Can the federal government provide any "lessons learned" on how other states have financed the ongoing maintenance and capital expenditures associated with the operation of statewide, interoperable communications?

The role of the federal government in supporting long-range sustainability of DTRS is through adopting standards-based policy initiatives as well as through its various grant funding programs within the voice communications arena. Specifically, the Project 25 (P25) Suite of Standards were developed by the Association of Public-Safety Communications Officials – International (APCO) in cooperation with other entities in response to nationwide concerns that radio systems were incompatible and inoperable within the same community often due to outdated equipment, lack of frequencies, poor inter-agency planning, coordination and cooperation, and vendor's focus on providing only proprietary solutions. The US DHS has identified P25 as the standard for interoperable public safety communications systems, and requires that any DHS grant program funded equipment be P25-compliant.

When DTRS was implemented in the late 1990's, selection of the P25 standard as the DTRS platform was both technologically sound and fiscally prudent. Implementation of the P25 standard has allowed Colorado to build a standards based network, now a requirement for federal grant funding, which can be networked to other intra-state and interstate P25 systems (e.g. City of Lakewood, CO and the State of Wyoming). In addition, P25 has provided for all agencies to leverage competition between radio subscriber vendors on the DTRS infrastructure. For example, there are 5 vendors currently selling P25 mobile and portable subscriber equipment, allowing for local government agencies to purchase equal quality equipment at lower prices.

The federal government has not committed to any long-term sustainability programs for voice communications nationwide. While the voice and data technologies may someday converge in the broadband arena, broadband is not currently a technology which can support public safety grade voice communications. As a result, Colorado agencies and DTRS users specifically must be responsible for identifying and solidifying a long-term funding and sustainability plan for their network. Although the State of Colorado's DTRS system is essentially a one-of-a-kind, leading edge system, via interaction at the federal level in interoperability arenas and via engagement at the interstate level Colorado has identified similar systems from which to draw lessons learned and best practices for statewide systems. Systems similar to Colorado in breadth, scope and challenges include the State of Michigan, State of Minnesota, and State of Wyoming. Many states have their own models, ranging from assessment of users fees to taxes to *comprehensive state funding to hybrid approaches using elements of multiple options to ensure the system software and hardware are sustained and do not risk obsolescence due to lack of funding.*

4:45-5:00 COLORADO BENEFITS MANAGEMENT SYSTEM (CBMS)

28. Who is responsible for CBMS technology issues? The Governor's Office of Information Technology (OIT) or the Department of Human Services?

Effective July 1, 2010, OIT became budgetarily responsible for the computer system operation of CBMS. This includes providing the infrastructure for CBMS – that is the Storage Area Network (SAN), the Database (currently Oracle), EDBC, the primary application for eligibility determination and benefit calculation (currently operating on Websphere middleware), the overall communication between these components (currently TUXEDO), and all interfaces to other information systems (currently over 125 interfaces). OIT provides this overall functionality to the counties using a variety of software programs and applications operating on the infrastructure. CBMS also provides appropriate training for the county caseworkers administering the system to their clients. The table below outlines the roles and responsibilities for the various CBMS partners:

Entity	Roles & Responsibilities for Colorado Benefits Management System (CBMS)
OIT	*Infrastructure Maintenance and Support - including Servers, Database, Storage Area Network (SAN) and overall framework for operating applications.* *Application Development and Maintenance - all of the primary applications including Eligibility Determination and Benefit Calculation (EDBC)* *Management of Deloitte service contract for Infrastructure and Application Maintenance and support*
CDHS	*Policy formulation of benefits determination (definitions) and claims processing for Human Services public assistance programs - such as SNAP & TANF.*
HCPF	*Policy formulation of benefits determination (definitions) and claims processing for medical assistance programs such as Medicaid and Children's Basic Health Plan.* *Maintenance and Support of MMIS (provider approval and payment systems) which is not consolidated into OIT.* *Negotiation and Operation of MAXIMUS contract for "Eligibility & Enrollment Services for Medical Assistance Programs".*
64 Counties, Medical Assistance Sites, and Presumptive Eligibility Sites	*Operations and case management using the applications provided by OIT for EDBC in dealing with clients.*

29. Is the loss of OIT leadership in the last year an issue with CBMS guidance?

Transitions in OIT leadership are neither an issue with regard to CBMS guidance nor any other consolidation initiatives. Although the former State CIO, Michael Locatis, did leave OIT and the state several months ago, the Executive Leadership Team remains in place and intact. In fact, OIT's senior management structure was built with an eye toward continuity of operations and secession planning such that turnover in key positions could be accommodated without negative impact to the organization. As a result, the statewide information technology consolidation has continued to proceed under the same governance structure, financial controls, etc as originally envisioned.

Since late June CBMS has had consistent and directed leadership working in close collaboration with CDHS and HCPF. Further, county leadership (CSSDA) has been engaged to participate in the overall implementation of the system within the counties so that the practical aspects of CBMS can be appropriately implemented within the counties. Additionally, CBMS leadership is also exploring how to engage various advocacy groups from around the state to ensure their voices and visions are heard and included in the planning process.

30. Does CBMS perform the tasks it was required to perform at the onset of the system in 2004? If not, why does the State continue to ask the system to do more and more when the system does not perform the core tasks originally required? Shouldn't the State focus on required functions things before trying to make upgrades in functionality?

Over the last 12 months, CBMS has processed over 850,000 applications and paid over $4.1 Billion in benefits. Each month, CBMS serves approximately 385,000 active cases supporting nearly 750,000 clients. All of this during a period of unprecedented increases in demand for services from the counties. For example, Supplemental Nutritional Assistance Program (SNAP) participation has increased 77% since September of 2007 and now covers 425,000 individuals. During this period, counties have seen little or no increase in state funding.

While CBMS software continues to perform all of this basic functionality, there are frequently changes required by Colorado legislation, Federal legislation, and policy changes from Federal programs that require additional software changes to CBMS for implementation within the counties. While OIT, CDHS, HCPF and the system itself are certainly capable of accommodating these required changes, they cannot always be implemented most effectively when done concurrently. For example, it is not uncommon that multiple divergent changes and enhancements to CBMS are required in any given fiscal year that may be driven by economic pressures, federal legislation, changes in Colorado statute, etc. Recognizing this factor, OIT and the CBMS Director have implemented a revised process to accommodate both core operations and system changes up-front in a more strategic and deliberative fashion that directly addresses the interdependencies, commonalities and occasional inconsistencies associated with initiatives that come from multiple stakeholders.

In addition, OIT and its partners (CDHS and HCPF) initiated discussions with many legislators on this topic this fall, and we are comfortable that this approach provides the best potential to *optimize available resources while delivering the most effective solutions for citizens and other stakeholders.*

31. Does CBMS currently have the ability to look for waste, fraud and abuse using data mining tools in the public assistance programs that use CBMS for eligibility determination and benefit calculation? If not, is the State familiar with the work in this area occurring in the State of Arizona? Could this be duplicated in Colorado? Would the implementation of data mining tools create system performance issues?

Yes, CBMS has the ability to utilize data mining tools to look for waste, fraud and abuse, and utilization of data mining tools would not create system performance issues. However, there is no organized group of individuals assigned to fraud detection. Additionally, OIT's partners (HCPF, CDHS and counties) already have their own fraud detection activities and processes in place. Note that there is a need for additional resources (operating and personnel) associated with the further development of this functionality.

32. Is it duplicative for the Department of Health Care Policy and Financing (HCPF) to contract with MAXIMUS to create a Medicaid eligibility tool in addition to CBMS when county social service agencies use CBMS to not only perform Medicaid eligibility determinations, but also for eligibility determination for the State's other public assistance programs?

OIT was not involved in the solicitation or award of this contract and is not involved in the management of the contract. Please refer to the full text of the response provided by HCPF on this topic below:

HCPF Response
The Colorado Department of Health Care Policy and Financing (the Department) contracted with MAXIMUS to conduct eligibility and enrollment services for Colorado's medical assistance programs, including the Children's Basic Health Plan (marketed as CHP+). Since August 2003, the Department has hired a contractor to process applications for CHP+. MAXIMUS has not created a new eligibility tool. MAXIMUS employees enter application data into CBMS, the eligibility and enrollment system for medical assistance programs. MAXIMUS is using technology to streamline the current eligibility and enrollment service model and supplement the role of the county departments of human/social services (county offices) and Medical Assistance (MA) sites that currently perform eligibility and enrollment services. The responsibilities of MAXIMUS include:

- *Processing new enrollment applications and renewals of enrollment for medical assistance programs;*
- *Conducting routine case maintenance;*
- *Increasing client retention rates by expanding clients' renewal options and simplifying the renewal process;*
- *Operating a comprehensive customer service center (CSC); and*

- *Developing efficiencies in the current service delivery model by leveraging technologies such as electronic document management and other industry technologies.*

The technology tools MAXIMUS is using are not duplicative of CBMS, but merely ways to create efficiencies in their business model.

33. Should the current CBMS improvement initiatives (technical refresh and process improvements, the deployment of the PEAK system and the statewide Colorado Process Improvement Collaborative) be afforded time to demonstrate their effectiveness before the State moves to create a new centralized, privatized system of eligibility determination for Medicaid as envisioned by HCPF's contract with MAXIMUS?

Similar to question #32 above, OIT has provided the full text of HCPF's response below:

HCPF Response
The Department of Health Care Policy and Financing is not creating a new centralized, privatized system of eligibility determination for Medicaid based on its contract with MAXIMUS. The Department has always used a private vendor to process applications for the Children's Basic Health Plan (marketed as CHP+). Prior to the implementation of CBMS in 2004, the private vendor used its own system to make eligibility determinations. With the implementation of CBMS in 2004, the eligibility and enrollment determinations for all medical assistance programs is performed in CBMS. However, due to Federal statutes, applicants must be screened for Medicaid eligibility first and denied before applicants can be determined eligible for CHP+. All medical assistance programs use a joint application for Medicaid and CHP+ that can be submitted either to the local county departments of human/social services or the CHP+ vendor since an applicant does not know which program (Medicaid or CHP+) they might be eligible for. Almost 75% of all new enrollments in the CHP+ program are processed at the local county level. Likewise, when a medical assistance site like Denver Health or the private vendor, MAXIMUS, processes an application, some of those applying for medical benefits are Medicaid eligible and those cases are maintained by the entity that processed the original application. The majority of CHP+ redeterminations are processed by MAXIMUS. If an applicant is applying for both medical and financial benefits like food assistance, those applications are processed by the counties and the ongoing case maintenance is performed by the counties.

34. Are business requirements for CBMS change requests defined properly prior to implementation of the changes? If so, is the business requirement process administered by State employees or contract staff? In general, is there a distinction between what services are provided and driven by State employees and services provided by contract staff?

Yes, in general, there is a distinction between services provided by State employees and contract staff regarding the elicitation of business requirements. State employees are responsible for the elicitation and documentation of Business Requirements, Business Rules, and Use Cases, which result in a Business Requirements Document (BRD). State Employees work closely with contract staff during the development of the BRD and in some instances the technical expertise of *contract staff is required for certain requirements related to the problem domain. This is both normal and expected as the development process is complex, as are the operating requirements. The contractor then uses the Business Requirements Document as the starting basis for their creation of the Technical Design. This is a monitored and controlled process that is iterative in nature. There are numerous decision points and robust reviews that help ensure nominal requirements definition.*

Since August of 2010, CBMS has revamped and improved the formal System Change Process to ensure even better elicitation and elaboration of Business Requirements are routinely performed. This new process will help ensure that all stakeholders, from the counties to the Programs to the contractor, have full and detailed understanding of the roles and responsibilities of all involved parties.

As a benchmark, since July 2009, contract staff and State employees have completed 102,387 hours of changes to software applications, including: PEAK (phase 1 & 2), CBMS Web (IDE), etc. Approximately, 20,753 hours of contract services were devoted to 33 changes relative to HCPF; 30,504 hours were devoted to 80 changes relative to CDHS; and just over 51,130 hours were devoted to 33 changes appropriate for both departments. In addition, over 6,077 help desk tickets have been successfully resolved since July 2009 (2344 State, 1648 Med, and 2085 Contractor).

35. Are there currently any lawsuits pending against (or rumored to be pending against) the State for issues in the delivery of public assistance programs related to CBMS performance issues?

At this point OIT has not been named as a party in any litigation involving CBMS.

Human Services and Health Care Policy and Financing response
Yes, Anna Davis, et.al. Vs. Henneberry and Beye, Case No. 04CV7059 is still an active case. The Colorado Department of Health Care Policy and Financing and Colorado Department of Human Services have been in a settlement agreement with the plaintiffs, which is focused on the timely processing of applications and redeterminations.

On September 14, 2010, the plaintiffs to the original CBMS litigation filed a Motion for Contempt Citation, Proposed Order and Proposed Contempt Citation in Denver District Court against the Department of Health Care Policy and Financing alleging the Department has not complied with the conditions of the Stipulation and Order of Settlement which was approved by the court on January 3, 2008 relating to the timely processing of applications.

36. Is there a communication issue between HCPF and the Department of Human Services regarding the prioritization and implementation of CBMS changes that negatively impacts system performance?

OIT has provided below the responses from the Department of Health Care Policy and Financing and the Department of Human Services since they are indicative of the strong spirit of cooperation that we believe exists currently between the two departments and OIT.

Human Services response
The Department of Health Care Policy and Financing, Department of Human Services and the Governor's Office of Information Technology work together in a very strong partnership in the prioritization and implementation of CBMS changes and the ongoing maintenance and operation of CBMS. This is a model for partnership and collaboration across state government.

Health Care Policy and Financing response
The Department of Health Care Policy and Financing and the Colorado Department of Human Services have an outstanding and productive relationship and are in regular communication regarding the prioritization and implementation of CBMS changes.

37. What is the OIT and DHS Office of Information Technology Services (OITS) opinion on the current governance structure of CBMS? Is the formal structure adequate to address current and future issues related to system changes? Is a different governance structure required, and if so, does it require statutory change?

At the policy and financial resource levels, OIT believes that the governance structure could be improved. However, CBMS has well-organized business processes dedicated to providing resources necessary for maintaining stability and providing any required changes to either the infrastructure or the operating software. The plan and approach also includes a fiscal strategy that provides a framework to optimize available funding sources and to leverage the contracted resource to the fullest extent possible for technical changes. CDHS, HCPF, and OIT all agree that this approach to the management and operation of the CBMS infrastructure and software is flexible, viable, and able to meet the needs of the counties in administering the day-to day operation of CBMS for their clients.

In support of the current governance structure, CBMS leadership has developed a comprehensive 18-month plan for management of the infrastructure and application development. This operating plan has been reviewed with CDHS and HCPF, and the partners have ongoing operations meetings to ensure all parties are current on the state of the execution. The plan is comprehensive in nature and CBMS leadership can provide the details of the plan at a time that is convenient to committee members and staff members.

Human Services response
All of the automated systems utilized by the Department of Human Services have been consolidated within the Governor's Office of Information and Technology (OIT) including CBMS. The Department of Human Services supports the OIT in the decision to appoint a

permanent CBMS Director and the current governance structure of CBMS which includes strong partnerships with HCP&F and CDHS in the decision making process with input from CBMS users and community stakeholders.

Health Care Policy & Financing response
The current governance structure of CBMS between OIT, DHS and HCPF is effective. Any changes to the current governance structure would severely disrupt the operations and management of CBMS.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

38. Please provide a table comparing the actual number of department FTEs in FY 2000-01 and the requested number of department FTEs in FY 2011-12, by division or program.

Governor's Office, Lt. Governor's Office, and OSPB

Staffing Summary	FY 2000-01 Actual	FY 2011-12 Requested
Governor's Office	39.4	32.4
Lt. Governor's Office	6.0	6.0
OSPB	19.5	19.5

Office of Economic Development and International Trade
OEDIT was not able to locate the information from FY01. In an effort to respond, OEDIT reviewed its archived files, tried to obtain the information from the state's accounting system (verified with the State Controller's Office that this information is no longer maintained) and contacted the Governor's Office to determine if this information was quickly available but to no avail.

Governor's Energy Office
GEO could not locate FTE information for FY01. Prior to FY10 the GEO budget was consolidated in the Governor's Office line in the Long bill. The office has provided information showing the increased funding in GEO over the last several years. See Answer #39

Governor's Office of Information Technology

Staffing Summary	FY 2008-09 Actual	FY 2009-10 Actual
Governor's Office of Information Technology	206.7	201.4

39 Please provide a table comparing the actual number of FTEs in FY 2008-09 and FY 2009-10 to the appropriated level of FTE for each of those fiscal years, by division or program.

Governor's Office, Lt. Governor's Office, and OSPB

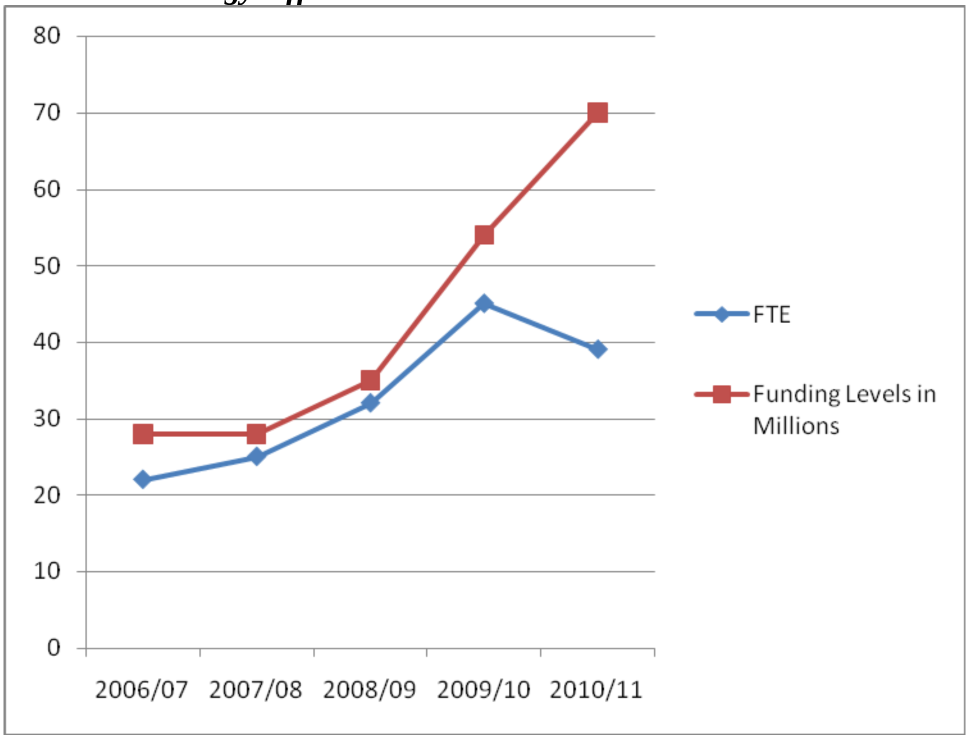
Staffing Summary	FY 2008-09 FTE Per Long Bill	FY 2008-09 Actual	FY 2009-10 FTE Per Long Bill	FY 2009-10 Actual
Governor's Office	36.4	35.9		32.4
Lt. Governor's Office	6.0	6.0	6.0	6.0
OSPB	19.5	19.5	19.5	19.5

Office of Economic Development and International Trade

Description	FY 2008-2009 FTE Per Long Bill	FY 2008-2009 Actual FTE	FY 2009-2010 FTE Per Long Bill	FY 2009-2010 Actual FTE
Administration	6.0	6.0	6.0	5.5
Business Development *	9.2	8.2	8.2	7.8
Grand Junction Satellite Office *	1.0	.6	1.0	.3
Minority Business Office *	2.5	2.5	2.4	2.2
Small Business Development Centers	4.0	3.5	4.0	3.5
International Trade Office *	6.0	6.0	6.4	4.5
Colorado Office of Film, Television & Media	0	0	4.5	2.9
Colorado Promotion – Colorado Welcome Centers	3.3	3.3	3.3	3.0
Colorado Promotion – Other Program Costs	3.0	3.0	4.0	2.9
Economic Development Commission General Economic Incentives & Marketing	3.0	3.0	3.5	3.0
CAPCO Administration	2.0	1.6	2.0	1.6
Council on The Arts	2.9	2.9	3.0	3.0
Bioscience Discovery Evaluation	.6	.6	.6	.6

*For FY 2010-2011, Business Development, Grand Junction Satellite Office, Minority Business Office and International Trade Office were combined into Global Business Development.

Governor's Energy Office



Governor's Office of Information Technology

Staffing Summary	FY 2008-09 FTE Per Long Bill	FY 2008-9 Actual FTE	FY 2009-10 FTE Per Long Bill	FY2009-10 Actual FTE
Governor's Office of Information Technology	227.3	206.7	227.3	201.4