Colorado Department of State Long-Range Financial Plan

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Introduction to the Department of State

Background

The Colorado Department of State (Department) performs several functions, ranging from registering businesses to overseeing elections. The Department is organized into four divisions: Administration, Business and Licensing, Elections, and Information Technology.

The Business and Licensing Division receives filings such as business and nonprofit registrations, trade names, secured liens, notary public applications, and bingo and raffle reports. Additionally, the Business and Licensing Division licenses durable medical equipment providers, promotes availability of government data, and makes performing rights society information accessible. Most filings are submitted electronically and the Department disseminates this information to the public through its website (http://www.sos.state.co.us).

The Elections Division oversees state elections, campaign finance disclosure, statewide ballot initiative certification, and lobbyist registration.

The Administration Division and Information Technology Division (IT Division) provide support to the Department's programs. The Administration Division includes the Secretary of State's Executive Team, the Legal and Policy Unit, and also the E-Learning, Finance, Human Resources, and Operations Units that provide administrative support to the entire agency. The IT Division provides infrastructure and operations support as well as develops software to support the Department's processes and programs.

Cash funds generated by business and other filings support nearly all of the Department's activities. The Department does receive some funding from the Federal Government to support elections and distributes money from the General Fund to counties to cover the cost of Presidential Primary elections. As a result of HB19-1278, the Department also oversees the Local Elections Assistance Cash Fund, which will be used to provide grants to counties to assist them in complying with the requirements of the bill. The Department's Long Bill is organized into sections by division. Appropriations are allocated based upon the historical utilization of resources by each division.

Mission

We make government easy and accessible for people in order to further democracy, support economic opportunity for all Coloradans, and demonstrate a standard of integrity and excellence.

Vision

Our vision is to ensure all Coloradans have a voice in our future, help Coloradans and their businesses thrive, and be the best at what we do.

Major Functions of the Department of State

The major functions of the Department are laid out below by division.

Administration Division

The Administration Division of the Department of State provides operational support to the Department, including human resources, finance, office management, communications, and direct support to the Office of the Secretary. The Division works collaboratively to meet the needs of the Department staff and acts as a liaison between the leadership team and department staff. The Division regularly reviews and updates processes to ensure compliance, thoughtful decision-making and consistent messaging to its internal teams. Through the execution of each program, the Administration Division seeks to ensure alignment with the Department's key performance goals and to provide staff with the resources that they need to be successful in meeting their own division-level goals.

The Administration Division is broken into five units. The key duties of each are outlined below.

Communications and Legislation

The Communications and Legislation Unit engages with the public, media, advocates, stakeholders, and elected officials to provide information regarding department services and programs and to advocate on behalf of the Department. The Unit:

- Tracks the advancement of legislation in Colorado and other states to determine if there is a potential impact on the Colorado Department of State's budget, programs, or operations
- Develops legislation to support the organization's strategic initiatives
- Identifies significant policy issues on the Federal and State levels, and makes recommendations that best support the agency
- Evaluates the benefits and consequences of legislative policy changes within the office, throughout the State and nationally, and communicates that information to a variety of stakeholders.
- Analyzes regulatory and legislative trends
- Develops and fosters effective relationships with government agencies, government partners, key policymakers, the business community, and stakeholders
- Communicates with the media, constituents, and the general public
- Proactively communicates with and responds to inquiries from the general public and the media

Finance

The Finance Unit manages and oversees all aspects of the Department's accounting, budgeting, contracting for services, and procurement. The unit also cooperates with the Elections Division and Electronic Recording Technology Board (ERTB) on issuing grants to counties. The unit:

- Maintains responsibility for monthly, quarterly, and annual "close"
- Interprets and applies state fiscal rules and procedures, and federal guidelines and regulations
- Provides advice and assistance to Department leadership
- Executes an operating budget in cash and federal funds
- Develops processes for grants management
- Accounts payable and accounts receivable
- Ensures compliance with fiscal policies, rules, and procedures
- Coordinates with the Office of the State Auditor on annual financial audit
- Provides budget and policy analyses
- Assists with fiscal note analysis and preparation
- Collaborates with the Information Technology Division to maintain the Department's internal accounting system
- Prepares and submits the Department's annual budget request
- Processes and reconciles payroll
- Submits required financial reports to grantors

Human Resources

The Human Resources Unit is responsible for managing, planning, directing, and coordinating a wide array of administrative functions of the Department. The unit:

- Manages Department recruiting, interviewing, and hiring of new staff
- Creates and implements internal policies

- Develops and implements compensation policies in alignment with state requirements
- Interprets and applies state law, personnel rules and procedures, federal guidelines and regulations
- Provides advice and assistance to department leadership, managers, and staff, regarding personnel
- Oversees labor relations and employee relations
- Coordinates and administers department training program
- Monitors personnel matters regarding use of benefits such as Family and Medical Leave (FML), Leave Without Pay (LWOP), short term disability, etc.
- Monitors and assist with resolution of personnel matters
- Develops and administers performance management program
- Reviews and improves administrative business processes
- Establishes and maintains effective internal controls
- Provides mechanisms to monitor and enforce compliance
- Ensures compliance with state law, personnel rules, and procedures

<u>eLearning</u>

The eLearning Unit creates and maintains online trainings available to the public and Department employees.

- Identifies eLearning training goals and objectives
- Develops plan for eLearning course creation
- Works with subject matter expert to plan and organize course content
- Analyzes content to ensure that it satisfies the stated goals and objectives of the training
- Creates eLearning courses
- Ensures that training products conform to specified eLearning standards, including Americans with Disabilities Act (ADA) compliance
- Announces and publicizes new training courses
- Evaluates training effectiveness
- Provides customer service and technical support as it pertains to course participants

<u>Legal and Policy</u>

The Legal and Policy Unit reviews and oversees all aspects of the Department's legal compliance and policy matters. The unit:

- Receives and responds to all Colorado Open Records (CORA) requests
- Coordinates and ensures compliance with all administrative rulemaking matters for each of the Department's divisions
- Acts as liaison with the Colorado Attorney General's office on the Department's legal representation
- Reviews and provides guidance on legal and compliance matters for each of the Department's divisions
- Provides legal and policy support to the Secretary of State and Department executive team

Business and Licensing Division

Through its organization and execution, each major program aligns with the Department's mission ("We make government easy and accessible for people in order to further democracy, support economic opportunity for all Coloradans, and demonstrate a standard of integrity and excellence.") and key goals (over 80 percent of staff trained in LEAN-based process improvement; continued expansion of eLearning, data and analysis tools and consultative services, and delivery of innovative technology products). The sections below provide details on specific activities by major program that align with department goals.

<u>Business Filings</u>[1]

The Business Filings Program serves business owners, managers, attorneys, and others. Approximately 950,000 business filings are processed each year. The vast majority of transactions are done online. The Department continues to add online services (e.g., Statements of Change and Correction, Online Certifications) and make enhancements as part of the Business Efficiency Suite. The Department is also in the midst of a complete re-write of the business filing system code base. In addition, the Business Filings Program:

- Maintains the State businesses registry
- Files business entity, trade name, and trademark records
- Allows customers to manage, search, copy, and certify records online
- Operates a customer service support center that provides in-person and telephone support

<u>Bingo-Raffle</u>[2]

The Bingo-Raffle Program licenses nonprofits to conduct Bingo-Raffle operations, including bingo, pulltabs, raffles, progressive bingo, progressive pulltabs, and progressive raffles. In so doing, the program:

- Oversees charitable gaming practices of qualified nonprofit organizations
- Regulates gaming related business enterprises, such as commercial bingo halls, manufacturers, and suppliers
- Licenses bingo hall landlords, bingo equipment manufacturers, and bingo-raffle suppliers
- Educates the public on The Bingo and Raffles Act
- Investigates complaints
- Conducts games manager certification classes
- Conducts on-site field inspections
- Processes quarterly reports from licensed entities

<u>Colorado Charitable Solicitations Act</u>[3]

The mission of the Colorado Charitable Solicitations Act (CCSA) Program is to provide transparency for donors to make informed giving decisions and to strengthen public trust in legitimate charities. The program is responsible for registering charities, paid solicitors, and professional fundraising consultants. As part of this, the program:

- Discourages unscrupulous practices by promoting transparency and accountability among charitable organizations
- Regulates and publishes public information for more than 15,000 registered charities operating in the state
- Educates the public on the CCSA
- Investigates complaints
- Publishes an annual report
- Works with other regulators and the nonprofit sector on national issues

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[1] §7-90-301 C.R.S.
[2] §24-21-6 C.R.S.
[3] §6-16-101 C.R.S.

Notary[4]

The Notary Program is responsible for the commissioning and regulating notaries public. The program also:

- Provides authentications or apostilles for documents to be used in foreign countries
- Provides service to verify notary information
- Processes notary commission applications and renewals
- Conducts notary training
- Investigates complaints

Business Intelligence Center (BIC)[5]

The Business Intelligence Center (BIC) Program engages state agencies, counties, and cities to make public data accessible by putting datasets on the Colorado Information Marketplace (CIM). It supports the only state-wide business app and data analytics challenge in the United States, the Go Code Colorado Challenge (https://gocode.colorado.gov/). The program is focused on:

- Serving as an online resource to help Colorado businessowners address decision-making challenges they face on a day-to-day basis
- Making more public data available for use by the business community through the CIM

Since FY 2015-16, the BIC program has had two dedicated line items within the Department's budget, one for personal services costs and another for operating expenses. In addition, the program is authorized by statute to accept and solicit gifts, grants, and donations.[6] The program submits an annual report detailing cash and in-kind donation revenues and expenses to the Joint Budget Committee (JBC) in response to a Request for Information (RFI).

Administrative Rules[7]

The Administrative Rules Program is responsible for the publication of the Code of Colorado Regulations (CCR) and Colorado Register. As of March 31, 2014, it is compliant with the Uniform Electronic Legal Material Act (UELMA). The program:

- Serves all State of Colorado agencies and any person researching Colorado rules and regulations
- Provides real-time online record of all state rulemaking activities, using an award-winning electronic filing system
- Files rulemaking notices for state agencies

Durable Medical Equipment (DME)[8]

The Durable Medical Equipment (DME) Program oversees the licensure of DME suppliers who conduct business in Colorado. It is also responsible for managing the complaint process for these entities.

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[4] §24-21-501 et seq C.R.S.
[5] §24-21-116 C.R.S.
[6] §24-21-116(8) C.R.S.
[7] §24-2-103 C.R.S.
[8] §24-21-115 C.R.S.

The Performing Rights Societies Program requires the Department to post an electronic copy of required information (each contract licensing the public performance of nondramatic musical works in the performing rights society's repertory to proprietors in the State of Colorado, together with the applicable schedule of royalty rates payable) on the Department's website:
(https://www.sos.state.co.us/pubs/performingRights/index.html).

Elections Division

Within the Elections Division, there are eight programs. Each of these programs is described below.

Voting Systems

The Voting Systems Program is responsible for certifying voting equipment for use in Colorado elections, administering the Risk-Limiting Audit (RLA), overseeing the Election Night Reporting (ENR) system, and conducting random security audits throughout the state.

SCORE

The Department maintains the Statewide Colorado Registration and Election (SCORE) system, which is the statewide voter registration database. Within the Elections Division, the SCORE Program is responsible for administering the database, assisting county elections officials in conducting elections, and providing data for the division, the Department, the media, and the public.

Training and Certification Program

The Elections Division's Training and Certification Program provides in-person and remote instructional classes for Colorado county officials who conduct elections. All county clerks and staff members with direct responsibility for conducting elections are required to complete the Colorado Election Official certification program within two years of starting their jobs. To achieve certification, a person must complete 12-13 online classes and 1-2 in-person classes for a total of 14 classes. Once a person is certified, he or she must take four classes each year to maintain certification. Currently, 325 Colorado election officials are certified. The program also provides county clerks with an Elections Planner, which is a daily, weekly, and monthly calendar that helps keep clerks on track with their election planning.

Ballot Access

The Ballot Access Program assists candidates and ballot initiative proponents in accessing the ballot, administers access to the ballot following state law and Department rules, and certifies elections results. The program also organizes and administers Title Board meetings where titles are set for ballot initiatives.

To process petitions, the program uses petition review software provided by an outside vendor, Runbeck Election Services (Runbeck), and collaborates with the Document Solution Group (DSG) at Integrated Document Solutions (IDS), a division of the Department of Personnel and Administration (DPA). IDS charges for this purpose are paid through a common policy line item that was established in FY 2019-20 (SB19-207). There is a dedicated line item in the Department's budget, Initiative and Referendum, that is used to pay Runbeck and other non-state personnel costs associated with processing petitions.

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[9] §6-13-102 C.R.S.

Campaign and Political Finance

The Campaign and Political Finance (CPF) Program administers and enforces the provisions of Colorado's campaign and political finance laws as set forth in the Colorado Constitution[10], statutes[11], and Department rules. In support of this, the program maintains and administers the Department's online filing system: Transparency in Contribution and Expenditure Reporting (TRACER). The program also staffs a CPF Help Desk that assist more than 5,000 filers at the state, county, school board, and special district levels in filing their legally required disclosure reports. The program also works closely with the Elections Legal Program to administer the campaign finance penalty and waiver processes.

Campaign and Political Finance Enforcement

The Campaign and Political Finance Enforcement Program ensures compliance with, and uniform enforcement of, Colorado's campaign and political finance disclosure laws and rules.[12] The program reviews TRACER filings, reviews campaign finance complaints, investigates potential violations of campaign finance law, and drafts notices of initial review, and prosecutes violations by filing enforcement actions with a hearing officer. The program is responsible for implementing new legislation and promulgating administrative rules with respect to campaign finance enforcement.

Lobbyist Registration

The Lobbyist Program regulates and administers the lobbyist statute and the Department's rules pertaining to the influencing, drafting, passage, and implementation of legislation, and other matters before state public officials. The program also enforces regulations by suspending or revoking noncompliant lobbyists from operating in the state for a period of up to a year.

The Lobbyist Program was recently relocated from the Business & Licensing Division to the Elections Division. The JBC approved the associated shift in funding between the two divisions in the Department's FY 2019-20 budget request.

Elections Legal

The Elections Legal Program provides support on legal issues to other programs within the division. The program is also responsible for advising the Secretary of State on potential legislative changes and coordinating rulemaking to incorporate legislative changes.

Elections Operational Support

The Elections Operational Support Program serves as an internal consulting group for the Elections Division. The program's business analysts analyze and evaluate program areas and business practices, defining customer needs and problems, gathering requirements, designing solutions, and ensuring the successful implementation and ongoing maintenance of those solutions. Program staff oversee projects throughout their lifecycle and work collaboratively with project stakeholders to establish success criteria and stakeholder expectations. The program also works to compile, maintain, and analyze data related to division programs; track performance metrics; and present data in a meaningful way for both internal and external consumption.

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[10] Article XXVIII of the Constitution of Colorado
[11] Title 1, Article 45 C.R.S. – Fair Campaign Practices Act
[12] Article XXVII of the Constitution of Colorado, Title 1, Article 45, C.R.S., and 8-CCR 1505-6

Information Technology Division

Through cooperation with the legislature and past administrations, the Department has expanded its customer service opportunities through its web portal and online services. The Information Technology (IT) Division has created and supported these efforts through software development, tutorials and filing and search features. The IT Division manages and supports the entire Department's various processes and programs through customer-friendly data collection and filings. In addition, that information is organized in a variety of searchable databases that are made available to the public via the department's website.

The online nature of our service delivery model requires the IT Division to ensure safe and secure access to our systems and the data collected and maintained by our systems. The Department continues to be recognized as a leader in the use of technology in multiple program areas within Colorado and nationally.

The highly-publicized efforts by malicious actors to affect the 2016 U.S. elections have brought new emphasis to the Department's focus on cybersecurity and information security. The IT Division added a dedicated security function shortly after the passage of the Colorado Information Security Act in 2006, but the increasing threats in the cybersecurity sphere generally and the specific threats to elections systems have only heightened the importance of our information security program. Colorado's initiatives to improve the security of state and county assets following the designation of election systems as Critical Infrastructure of the nation by the U.S. Department of Homeland Security have been recognized nationally. The department has played a crucial role in establishing a community of partners (including the U.S. Cybersecurity and Infrastructure Security Agency, the Elections Infrastructure Information Sharing & Analysis Center, the Colorado Division of Homeland Security & Emergency Management, the Colorado National Guard, the Governor's Office of Information Technology, the Colorado Threat Intelligence Sharing group, and Colorado county clerks and their support teams) to create a culture of cybersecurity awareness, institute information sharing practices to inform stakeholders of threats and incidents, and identify and respond to threats to election systems.

The IT Division's budget covers the vast majority of software license expenses that are required to support the Department's operations. This includes the maintenance costs associated with major elections-related systems, such as TRACER, UOCAVA, and ENR.

The IT Division is broken into two major work units: Software Development and Infrastructure and Operations. The responsibilities of these work units are outlined below.

Software Development

- Problem analysis, requirements gathering, and software design
- Software development
- Development database design, support, and development
- Production database support
- Software quality assurance
- Software configuration management
- Website design and support
- Maintenance and operations of customer and third-party software used in the software development lifecycle

Infrastructure and Operations

- Secure DevOps planning to support software development pipeline flow, feedback, and continual learning.
- Project management and support.
- Office security, including cybersecurity, physical security, and information security

- Agency infrastructure and operations (e.g., network devices; security devices and systems; database, application, and web servers; phone system; virtualized Windows and Linux servers; SharePoint intranet sites; Windows-based thin clients, desktops, and laptops; agency data center environmental systems)
- Office hardware (printers, scanners, monitors, etc.)
- Help Desk for internal agency personnel
- Agency disaster recovery and continuity of business

Electronic Recording Technology Board (ERTB)

SB16-115 created the Electronic Recording Technology Board (ERTB) within the Department of State. The ERTB is an enterprise for the purposes of Section 20 of Article X of the Constitution of Colorado. However, the ERTB largely operates outside of the day-to-day operations of the Department and is not included in the Department's Strategic Plan or SMART Act reporting. Its revenue and expenses are recorded in the Electronic Recording Technology Fund (ERTF).[13]

The ERTB has a mission to develop, maintain, improve, replace, or preserve land records systems in the state. In pursuit of this mission, the board uses revenue from a $2 per document surcharge on all documents received by a county clerk and recorder for recording or filing to make grants to counties to digitize, index, and secure aged documents, and improve their electronic recording systems.

Program and Goal Evaluation

All programs in all divisions within the Department are currently meeting their goals, objectives, and statutory responsibilities. Goals and metrics from Department's SMART Act[14] reporting are organized by division and provided below.

Administration Division

Goal: Engage, retain, and develop a high-performing workforce

Performance Measure		FY 2017-18	FY 2018-19
In-person training offerings	Target	25	32
	Actual	30	35

The Department has prioritized professional development over the last several years in an effort to retain, engage, and develop its workforce. Course offerings have ranged from in-person officewide presentations, to courses that are delivered online and assist employees in developing specific skill sets related to their job.

The Department seeks to increase the number of in-person training offerings every year. The Department continues to meet this goal year after year. Areas of focus include leadership, team development, management/supervision, customer service, and courses focused on technical skills. In-person training is utilized to develop job-related skills, encourage idea generation and continuous learning/improvement in a group setting, and to assist staff in cross training efforts.

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[13] §24-21-404(1)(a) C.R.S.
[14] §2-7-205 C.R.S.

Goal: Align learning opportunities with business objectives

Performance Measure		FY 2017-18	FY 2018-19
eLearning courses that support SOS programs	Target	40	51
	Actual	42	54

In addition to providing professional development for staff, the Department develops online courses for its customers. These courses assist the public in making informed decisions, includes content to learn specific details about department programs, and providing training in a format that can be utilized across the state.

The Department seeks to increase the number of course offerings each year in an effort to provide more resources to the public. This effort has been successful and the Department reviews current courses on a regular basis to improve and update existing content.

Business and Licensing Division

Goal: Enhance Division performance through employee development and process improvement.

Performance Measure		FY 2017-18	FY 2018-19
Percentage of critical division tasks with backup resources trained	Target	85.0%	85.0%
	Actual	95.0%	98.0%

As the Department's operations evolve from paper-based and in-person interactions to online and virtual ones, it is important to position ourselves for customer service success. This includes building upon individual skills and expanding current capabilities through focused cross-training. The Division took a full inventory of key tasks and skills in FY 2014-15, and since then has applied a training regimen to create redundancy and capacity across all division programs. The Division achieved 100 percent by the end of FY 2018-19. The Division actively manages the list to maintain full redundancy as tasks change and staffing levels change. The Division anticipates replacing this performance measure next fiscal year.

Goal: Increase customer satisfaction through improved system usability and efficiency.

Performance Measure		FY 2017-18	FY 2018-19
Percentage of electronic quarterly reports submitted	Target	62.5%	70.0%
	Actual	64.5%	71.0%

In the third quarter of FY 2014-15 the Bingo-Raffle Program introduced electronic filing for the statutorily-mandated quarterly reports. Because the demographics of the Bingo-Raffle community skew older, it was anticipated that moving a high percentage of the approximately 1,100 report filers to the online process would occur over several years. The Program is actively implementing strategies to increase electronic filing such as mailing informational postcards to nonprofit licensees. The program has surpassed the FY 2018-19 goal of 70 percent with 71 percent of licensees filing electronically. The program is currently developing training to assist target audiences with online filing.

Elections Division

Goal: Solidify and Improve Secretary of State and County Partnership

Performance Measure		FY 2017-18	FY 2018-19
Number of county support calls fielded by Statewide Colorado Registration and Election (SCORE) system team	Target	11,000	10,000
	Actual	12,648	14,516
Number of county support emails fielded by SCORE team	Target	8,500	5,500
	Actual	6,592	7,872
Number of consultative visits to Colorado counties	Target	N/A[15]	40
	Actual	32	16
Number of consultative visits to Colorado counties by Department staff	Target	N/A[16]	175
	Actual	165	122
County officials currently certified by Secretary of State	Target	360	320
	Actual	323	370

The Elections Division provides support to elections staff in all Colorado counties. The division and county staff must work together closely in order to effectively and efficiently execute elections. To solidify and improve the strength of this partnership, the division aims to provide high level technical and functional support to all elections officials and staff required to use the SCORE system. In addition, the division conducts consultative visits with county staff and collaborate with the Colorado County Clerks' Association (CCCA).

Goal: Improve Election Integrity and Operations

Performance Measure		FY 2017-18	FY 2018-19
Accountability in Colorado Elections (ACE) Compliance data points collected	Target	12	12
	Actual	12	12
ACE Voter Registration data points reported	Target	36	36
	Actual	36	36
ACE Voter Turnout and Ballot Method data points reported	Target	24	24
	Actual	21	21
ACE Web views by the public	Target	12,000	38,000
	Actual	36,924	41,539
Voters registered for the first time using the VSPC module	Target	1,000	14,000
	Actual	1,268	13,311
Voters who updated their registration, including residential and mailing addresses with VSPC module	Target	10,000	42,000
	Actual	8,727	40,596
Voters who were issued a ballot using the VSPC module	Target	10,000	100,000
	Actual	25,405	126,401
Voters who updated keyline or affiliation using VSPC module	Target	6,000	9,000
	Actual	1,365	9,803

The Elections Division is working to increase the transparency in Colorado elections in several ways. Among these is packaging publicly available data in an easily digestible format. Another example is Accountability in Colorado Elections (ACE), which was launched in 2014 and is a dedicated page on the Department's website (https://www.sos.state.co.us/pubs/elections/ACE/index.html). ACE provides public access to mountains of

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[15] No target measure for FY 2017-18. This performance measure was added to FY 2019-20 Strategic Plan.
[16] No target measure for FY 2017-18. This performance measure was added to FY 2019-20 Strategic Plan.

Colorado election data through data sets and interactive maps that visualize the data. ACE includes data on voter registration, election costs, vote method and ballot return, and compliance with legal requirements. ACE is a comprehensive repository of this data for each county for every election since 2014.

In addition, the division is working to improve the efficiency of elections operations, such by creating a single way for county officials to acquire the information necessary to register someone to vote or to update the voter's registration.

Goal: Update Voting System Technology

Performance Measure		FY 2017-18	FY 2018-19
Number of Colorado counties using the Dominion Voting system – certified by the Secretary of State	Target	62	62
	Actual	59	61
Number of Colorado counties using other new systems certified by the Secretary of State	Target	0	2
	Actual	1	2

The Elections Division is working to transition each Colorado county to a new voting system to ensure compliance with federal and state laws, as well as the administrative rules of the Department.

Goal: Expand Elections Public Outreach

Performance Measure		FY 2017-18	FY 2018-19
Online Voter Registration (OLVR) new registrants	Target	25,000	80,000
	Actual	21,235	32,188
OLVR updates	Target	185,000	20,000
	Actual	97,033	64,348
Email notifications of OLVR transaction	Target	226,500	225,000
	Actual	108,695	230,853
Number of Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) ballots accessed online	Target	4,500	15,000
	Actual	34,815	19,712
Number of total UOCAVA voters issued a ballot in November Election	Target	11,000	34,000
	Actual	53,715	28,929
Number of Voter Registration Drives using OLVR to register new voters	Target	12	80
	Actual	56	100
Number of mailings (Electronic Registration Information Center (ERIC))	Target	0	115,000
	Actual	0	112,224
Number of schools receiving the Eliza Pickrell Routt Award for registering 85% of senior class	Target	N/A[17]	25
	Actual	10	12

The Elections Division is constantly striving to improve the voter registration, campaign and political finance filer, voter registration drive, and UOCAVA voter experiences and to provide more and better-quality information.

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[17] No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.

<u>Goal: Improve Access to Commonly-asked Election Information on Website</u>

Performance Measure		FY 2017-18	FY 2018-19
Calls concerning elections	Target	N/A[18]	7,500
	Actual	7,339	7,260
Emails to the Public Elections Inbox	Target	N/A[19]	6,000
	Actual	6,730	9,015

The Elections Division currently receives a high volume of calls and emails for election-related information. The Division is working to improve the efficacy of communications of necessary information to the public in order to reduce the volume of calls and emails.

<u>Goal: Create More Online Training Courses for Election Official Certification Credit</u>

Performance Measure		FY 2017-18	FY 2018-19
Online courses for Election Official Certification credit	Target	N/A[20]	13
	Actual	13	15

The Elections Division began creating and posting online classes for the Election Official Certification Program in 2010. These classes are reviewed and revised at least once per calendar year to keep up with rule and law changes. The division has created and posted several new courses for the public and election judges (e.g., Election Terms, Voter Intent, SCORE classes, etc.), but has not added new classes to the Certification Program since 2013.

<u>Goal: Colorado's first-in-the-nation risk-limiting audit (RLA) was a tremendous success. In the future, the Department will develop and fine tune the process to reduce erroneous "discrepancies" reported by county audit boards during the RLA, which in turn should enable the Department to issue comprehensive public reports analyzing all "discrepancies" immediately after completion of the audit and before canvas deadline.</u>

Performance Measure		FY 2017-18	FY 2018-19
Elections in which RLA Used	Target	N/A[21]	1
	Actual	2	1
Total Contests Audited	Target	N/A[22]	150,000
	Actual	104,025	164,797
Total Audited Contests with Zero Discrepancies	Target	N/A[23]	149,800
	Actual	103,698	164,396

Colorado implemented a first in the nation risk-limiting audit (RLA) of election results following the 2017 Coordinated Election. A risk-limiting audit is a type of post-election audit that provides strong statistical evidence that the election outcome is right – that the apparent contest winner actually won – and has a high probability of correcting a wrong outcome. Following the successful statewide implementation in 2017, Colorado counties conduct a risk-limiting audit following every coordinated, primary, and general election. Since the initial RLA, the Elections Division is working to improve the nascent RLA software application and to issue timely RLA reports to ensure sufficient transparency into the RLA results and procedures.

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[18] No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.
[19] No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.
[20] No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.
[21] No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.
[22] No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.
[23] No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.

Information Technology Division

Goal: Improve Visibility on Online Service Delivery to Department

Performance Measure		FY 2017-18	FY 2018-19
Percentage of major change activities communicated to business units	Target	100%	100%
	Actual	100%	100%
Percentage of web service outages communicated to office	Target	95%	95%
	Actual	95%	100%

The IT Division strives to provide timely insight into online service delivery metrics to Department staff. To achieve this, the division is working on enhancing its methods of providing customer support to business units throughout the Department in order to ensure effective response times. In addition, the division is working to improve communications with business units throughout the Department regarding support and expectations with a catalog of prioritized projects and services. In addition, the division is working to execute on the communications plan for major system changes.

Goal: Enhance Department's Technology Advantage

Performance Measure		FY 2017-18	FY 2018-19
Reduce the number of tracking systems	Target	5	5
	Actual	7	7
Number of business unit SharePoint environments established	Target	10	15
	Actual	13	15
Percent of devices being tracked against current compatible software releases/licenses	Target	85%	85%
	Actual	80%	85%

The IT Division is working to execute upon prioritized Department projects while simultaneously continuing work on ongoing projects. To achieve this, the division is working on increasing the visibility of work in progress and unplanned work. It is also improving deployment of collaborative environments for each business unit, enabling web applications to be integrated with diagnostic tools to help troubleshoot issues, and keeping equipment up-to-date with current compatible software releases (current compatible production release minus one). In addition, the division is continuing its efforts to consolidate test management tools and reducing the number of old development licenses that are no longer being used.

Goal: Enhance Department's Security Advantage

Performance Measure		FY 2017-18	FY 2018-19
Number of change management board reviews conducted	Target	50	50
	Actual	50	50
Percentage of critical vulnerabilities closed within time expectations	Target	100%	100%
	Actual	100%	100%

Colorado is regarded as a leader in security awareness and practices. The IT Division seeks to maintain and grow the state's leadership profile. In pursuit of this goal, the division continues to participate in and to lead national efforts to improve information sharing and incident response processes under the Department of Homeland Security's "Critical Infrastructure" designation. The Department also is focused on fulfilling its promise to counties to be an effective partner in cybersecurity events and incidents, and to build and enhance partnerships with federal, state, and local government entities in the area of cybersecurity.

Goal: Enhance Department's Resource Management Advantage

Performance Measure		FY 2017-18	FY 2018-19
Number of up-to-date SOPs published	Target	350	350
	Actual	320	350
Percentage of applications with skilled backup support	Target	95%	95%
	Actual	90%	92%
Number of LEAN processes implemented	Target	12	18
	Actual	12	15

The IT Division seeks to enhance the Department's Resource Management Advantage. This goal includes focusing on specific areas of improvement in our division's technology foundations, creating and updating standard operating procedures for common tasks, and providing effective employee training on new technologies. The division is implementing new, more secure technologies to enforce system access controls and is focused on building continuous integration and continuous delivery practices into our software development lifecycle.

Goal: Move toward DevOps Model

Performance Measure		FY 2017-18	FY 2018-19
Percentage of progress towards documenting DevOps plan	Target	50%	75%
	Actual	50%	75%
Percentage of IT managers trained in DevOps	Target	100%	100%
	Actual	100%	100%
Percentage of IT staff trained in DevOps	Target	50%	100%
	Actual	75%	100%
Percentage of line-of-business leadership trained in DevOps	Target	50%	80%
	Actual	50%	75%

As the IT Division adopted agile software development methods, it identified the need to achieve closer alignment between operations and software development work across the entire organization. Using funding from an FY 2017-18 supplemental and an FY 2018-19 decision item that provided ongoing funding, the Department is in the process of adopting a DevOps[24] model to gain efficiency while also improving the quality of software developed in-house.

As a part of the DevOps transition the division is revising its structure and identifying key Secure DevOps practices for application to new projects. The division is also working to implement a formal project authorization plan and to provide training on Secure DevOps practices.

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[24] Gartner defines DevOps as:

"DevOps represents a change in IT culture, focusing on rapid IT service delivery through the adoption of agile, lean practices in the context of a system-oriented approach. DevOps emphasizes people (and culture), and seeks to improve collaboration between operations and development teams. DevOps implementations utilize technology — especially automation tools that can leverage an increasingly programmable and dynamic infrastructure from a life cycle perspective."

Source: http://www.gartner.com/it-glossary/devops (accessed September 12, 2017).

Financial Structure

Overview

The Department's budget is structured around the four divisions. With the exception of Document Management[25], which resides in the Elections Division, all common policy line items are under the Administration Division. In FY 2019-20, the Department's expenses are in five funds:

- Department of State Cash Fund[26]
- Electronic Recording Technology Fund[27]
- Federal Elections Assistance Fund (a.k.a., the HAVA Fund) [28]
- Identity Theft Financial Fraud Fund[29]
- Local Elections Assistance Cash Fund[30]
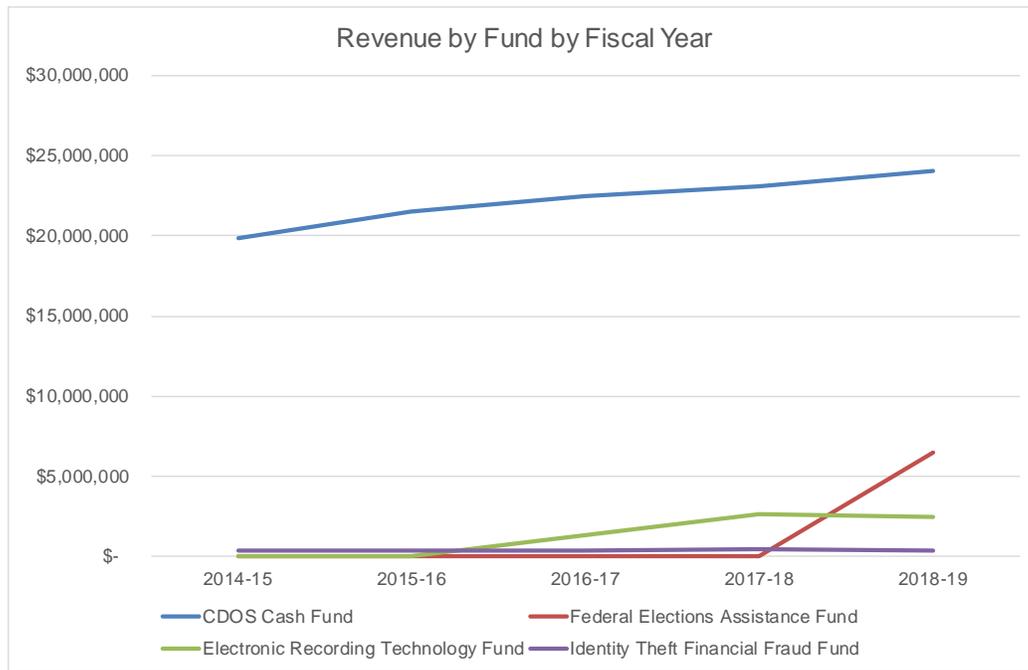
Figure 1   *The chart shows revenue by fund by fiscal year for FY 2014-15 through FY 2018-19, the five most recently completed fiscal years. The chart illustrates that the vast majority of the Department's revenue activity is in the CDOS Cash Fund.*

Notably revenue in the Federal Elections Assistance Fund in some years is limited to interest only. Under the Help America Vote Act (HAVA), the Federal Government advances the Department the full amount of the funding. Therefore, grants are recorded in full as revenue in the year that they are received. The recent 2018 HAVA Election Security Grant is responsible for the spike in revenue in this fund in FY 2018-19.

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[25] Document Management is a new common policy line item that was created in the FY 2019-20 budget request (SB19-207). It covers petition management services provided by the Document Solution Group (DSG) of Integrated Document Solutions (IDS), a division of the Department of Personnel and Administration (DPA).

[26] §24-21-104(3)(b) C.R.S.

[27] The Electronic Recording Technology Board and Fund were created by SB16-115 during the 2016 Legislative Session. §24-21-404(1)(a) C.R.S.

[28] §1-1.5-106(1)(a) C.R.S.

[29] §24-33.5-1707(1)(a) C.R.S.

[30] The Local Elections Assistance Cash Fund was established by HB19-1278 during the 2019 Legislative Session. §24-21-104.9(2) C.R.S.

While there is financial activity in the five aforementioned funds, the overwhelming majority is in the Department of State Cash Fund (CDOS Cash Fund) as illustrated in Figures 1 and 2. Department operations are almost entirely cash funded through revenue from business and other filing fees. This filing fee revenue and most day-to-day expenses associated with running the Department are recorded in the Department of State Cash Fund. For example, in FY 2018-19, 89.0 percent of all Department expenses and 71.8 percent of all Department revenue was recorded in the CDOS Cash Fund.

The Electronic Recording Technology Board (ERTB)[31], an enterprise for the purposes of Section 20 of Article X of the Constitution of Colorado, operates within the Department of State. The ERTB largely operates outside of the day-to-day operations of the Department and all of its financial activity is in the Electronic Recording Technology Fund (ERTF). The ERTF accounted for 7.5 percent of all Department revenue and 9.4 percent of all Department expenses in FY 2018-19.
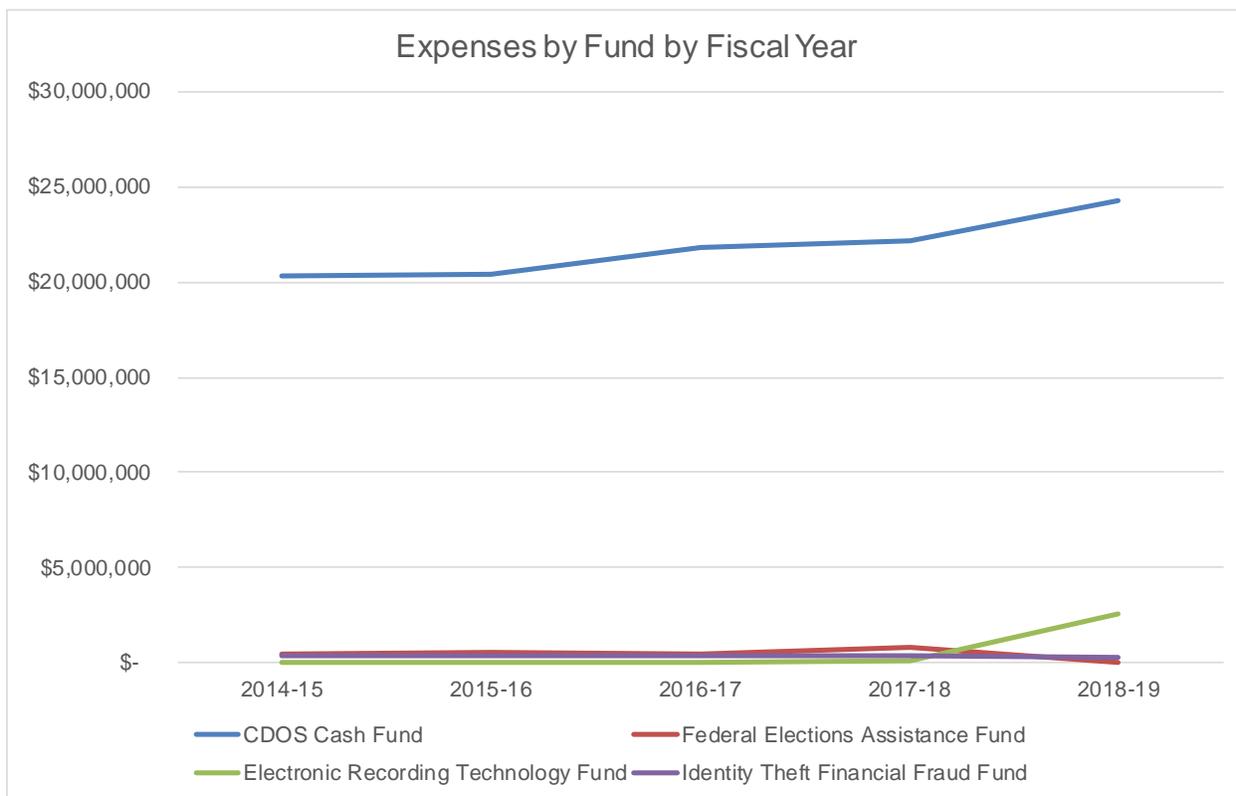
Figure 2   *The chart shows expenses by fund by fiscal year for FY 2014-15 through FY 2018-19, the five most recently completed fiscal years. As the chart illustrates, the vast majority of the Department's expenditures are in the Department of State Cash Fund.*

The Federal Elections Assistance Fund is used to pay all expenses associated with the Department's Federal Funds from the HAVA grants. The Federal Elections Assistance Commission (EAC) advances the Department the entire amount of the HAVA grants, which the Department then expends for allowed purposes. The Department is required to report regularly to the EAC on these expenses. It should be noted that the required state matching funds were not credited to the Federal Elections Assistance Fund and these expenses were instead paid from the CDOS Cash Fund. In FY 2018-19, 19.4 percent of all Department revenue and 0.1 percent of all Department expenses involved the Federal Elections Assistance Fund.

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[31] §24-21-401 et seq C.R.S.

The Department's activity in the Identify Theft Financial Fraud Fund is entirely related to transfers of surcharge revenue on uniform commercial code filings to the Department of Public Safety in accordance with §24-33.5-1708(2)(I)(A) C.R.S.

HB19-1278 created the Local Elections Assistance Cash Fund (LEAF), which was funded by a one-time FY 2019-20 transfer of $2,096,000 from the General Fund. The Department will be making grants to counties for one-time purchases of voting equipment from this fund starting later in FY 2019-20. Any money in the LEAF that is unexpended or unencumbered by the end of FY 2020-21 is to be transferred to the General Fund on June 30, 2021.[32]

Capital Expenditures

The Department of State's only capital assets, based upon an accounting definition, are related to information technology, which is specifically excluded from the statutory definition of capital asset in §24-30-1301(1)(b) C.R.S.

Long-Term Debt Obligations

The Department does not have any long-term debt obligations.

Financial Forecast

Revenue Drivers

As discussed in the preceding section, in FY 2019-20 the Department operates primarily in five funds. The key drivers of revenue vary by fund as discussed below.

Fund	Key Revenue Drivers
CDOS Cash Fund	• Business and other filings. Top 20 filings generate approximately 90 percent of revenue and include annual reports, statements of foreign authority, trade names, uniform commercial code (UCC) filings, late fees, etc. • Campaign and political finance penalties and fines • Lobbyist fines
Federal Elections Assistance Fund	• Federal grants – as long as election security remains a top national priority, it is possible that the Federal Government could grant additional funds to Colorado • Interest
Electronic Recording Technology Fund	• Surcharge on documents presented to a county clerk and recorder for recording or filing • General economic activity drives filings, so a slowdown or recession will impact revenue collected
Local Elections Assistance Cash Fund	• One-time transfer in FY 2019-20 from the General Fund under HB19-1278 • Interest
Identity Theft Financial Fraud Fund	• Surcharge on electronic and paper UCC filings with the Department

Table 1 *The table highlights key revenue drivers for each of the five funds in which the Department operates in FY 2019-20.*

As detailed in the preceding section, the vast majority of the Department's revenue is in the CDOS Cash Fund and is driven by business and other filing fees. The varied nature of the Department's filings mitigates the

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[32] §24-21-104.9(6) C.R.S.

impact of recession on CDOS Cash Fund revenue. During the Great Recession (December 2007 – June 2009), CDOS Cash Fund revenue actually increased.

Expense Drivers

As previously discussed, in FY 2019-20 the Department operates primarily in five funds. The key drivers of expenses for each fund are outlined in the table below.

Fund	Key Expense Drivers
CDOS Cash Fund	• Personal Services Costs (employees and contractors) – approximately 65 percent of total expenses • Statutory Local Election Reimbursement payments to counties[33] accounted for approximately 11.3 percent of the Department's FY 2018-19 expenses • Office rent – approximately 3 percent of total expenses
Federal Elections Assistance Fund	• Expenses restricted by grant requirements • Expenses for the purpose of improving the administration of federal elections, including security training, software development, secure ballot drop boxes, etc.
Electronic Recording Technology Fund	• Grants approved by the Electronic Recording Technology Board (ERTB): o Grants to counties to establish, maintain, and improve electronic recording systems o Grants to counties to digitize, index, and secure aged documents
Local Elections Assistance Cash Fund	• Grants to counties to reimburse them for the purchase of voting equipment to meet the requirements of HB19-1278
Identity Theft Financial Fraud Fund	• Transfer to the Department of Public Safety pursuant to statute (§24-33.5-1707(2)(a)(I)(A) C.R.S.)

Table 2 *The table highlights key expense drivers for each of the five funds in which the Department operates in FY 2019-20.*

With respect to the CDOS Cash Fund in particular, the Department expects expenses to increase significantly in the coming years. In recent years, the Department has seen contractor costs increase at a greater rate than employee costs. Contractors have cited their increasing operating costs as well as increased cost of living for their staff members. With the economy at full employment, the Department expects increased pressure on personal services costs, especially for positions in highly competitive fields like information technology and finance.

Slightly more than three percent of the expenditures from the CDOS Cash Fund cover office rent. The Department's current lease was executed in early calendar year 2014. As a result, the Department is currently paying rent at a rate that is estimated to be 50 percent below current market rates. In addition, with a growth in staff and evolving space needs, the Department plans to expand its office space under lease by 20-25 percent. Therefore, the Department expects a significant increase in lease expenses starting in FY 2020-21.

As illustrated in Table 2, statutory Local Election Reimbursement payments to counties[34] accounted for approximately 11.3 percent of the Department's FY 2018-19 expenses. Colorado continues to be a leader in the percentage of eligible voters who are registered to vote. In addition, the Department continues to boost this percentage higher through outreach to eligible voters who are not yet registered. In its FY 2020-21 budget request, the Department has requested an additional $135,000 in spending authority to communicate through

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[33] §1-5-505.5 C.R.S.
[34] §1-5-505.5 C.R.S.

a mailing with all known eligible, but unregistered voters. As the number of active registered voters continues to increase through inward migration and voter registration activity, the Department expects to need to increase this appropriation in years ahead.

Anticipated Trends and Potential Impact Factors

FY 2018-19 revenue in the CDOS Cash Fund increased by almost five percent relative to FY 2017-18. The Department expects this trend to continue and for CDOS Cash Fund revenue to grow by 4.48 percent to $26.10 million in FY 2020-21. This is consistent with most economic forecasts – including the Office of State Planning and Budgeting's Colorado Economic and Fiscal Outlook from September 2019 and the Quarterly Business and Economic Indicators Report for the Second Quarter of 2019 produced by the Department of State in collaboration with the Leeds School of Business at the University of Colorado – which predict continued, but slowing economic growth in the State of Colorado.

Projecting revenue in the medium-term has a greater margin for error, but the Department expects that revenue will continue to grow at a slow and steady pace in the coming years. As described above, the Department is responsible for a wide variety of filings, so in the past, recessions have had a limited impact on revenue in the CDOS Cash Fund. Figure 3 below shows actual and projected revenue from FY 2005-06 through FY 2023-24.
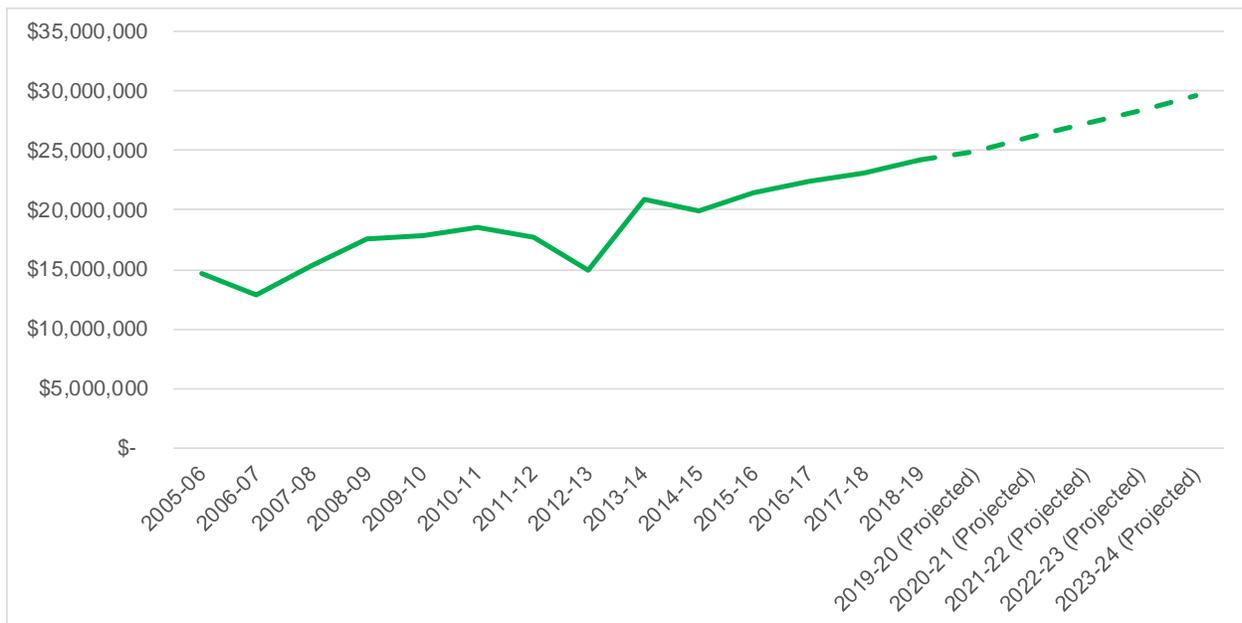
Figure 3   *The chart shows actual revenue in all Department cash funds from FY 2005-06 through FY 2018-19. For FY 2019-20 through FY 2023-24, the chart shows projected revenue.*

The *Griswold v. National Federation of Independent Business (NFIB), 2019 CO 79 (Sept. 23, 2019)* challenged how Colorado pays for elections. The Colorado Supreme Court recently issued a narrow decision in this case, which allows the Department to maintain the current model for paying for elections. However, the decision did not rule on the ultimate issue – whether the Department's fees constitute a tax that is subject to the Taxpayer's Bill of Rights (TABOR).

While the CDOS Cash Fund is somewhat insulated from the impact of recession, a slowdown would have an adverse impact on revenue collected by the Department in the Electronic Recording Technology Fund and Identity Theft and Financial Fraud Fund.

Anticipated Funding Decreases

The Department is funded primarily through cash funds, but has received Federal Grants under the Help America Vote Act (HAVA). It has not received direct funding from the Federal Government for any other purpose. It has authority to receive gifts and grants, including Federal Grants, for the purpose of exercising the powers and performing the duties of the Secretary of State as specified in §1-1-107 C.R.S. (this section is focused on various duties related to elections).[35] These funds are retained in the Federal Elections Assistance Fund.

In fiscal year 2018-19, the Department received $6,342,979 in federal funding through a HAVA Election Security Grant. The State of Colorado was required to provide five percent ($317,149) in matching funds under this grant, for a total of $6,660,128. The grant expires five years from the date that the US Congress authorized these funds, which is on March 22, 2023.

The Department has used and continues to use these funds to upgrade critical elections infrastructure, including SCORE, the state voter registration database, and to provide elections security training for county and state elections officials. Threats to our elections system are always evolving and the Department must remain vigilant and continue to dedicate resources to ensuring elections security. There is currently significant national attention to elections security and it is plausible that the Federal Government could provide additional funding in the coming years.

However, with no guarantee that the Federal Government will continue to provide funding, the Department has been cautious about establishing ongoing obligations with money using a one-time source of funding. Instead, the Department has focused HAVA funds on one-time expenses that have a significant impact in improving elections security throughout the State. Once the current HAVA funds are exhausted, and if no new Federal Government funding is forthcoming, the Department may need to seek additional state funding for elections in order to continue to be a national leader in secure and accurate elections. If this is necessary, the Department will address it through a future budget request.

The Department does not currently anticipate a decrease in available cash funds.

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[35] §24-21-104.7 C.R.S.