



Colorado Department of State Long-Range Financial Plan

Submitted November 1, 2020

Jena Griswold
Secretary of State

Table of Contents

Introduction to the Department of State.....	1
Background	1
Mission.....	1
Vision	1
Major Functions of the Department of State.....	2
Administration Division.....	2
Business and Licensing Division	4
Elections Division.....	6
Information Technology Division.....	8
Electronic Recording Technology Board (ERTB).....	9
Program and Goal Evaluation	10
Administration Division.....	10
Business and Licensing Division	10
Elections Division.....	11
Information Technology Division.....	13
Financial Structure	15
Overview.....	15
Capital Expenditures.....	17
Long-Term Debt Obligations	17
Financial Forecast	17
Anticipated Funding Decreases.....	20

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 Elections Division also oversees grants and sub-grants made to counties from the Local Elections Assistance Cash Fund¹ and the Federal Elections Assistance Fund.²

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 the majority of the Department's activities. The Department administers funding from the Federal Government under the Help America Vote Act (HAVA) to support elections. Every four years, the Department receives a General Fund appropriation to cover counties' direct costs of conducting the Presidential Primary election. As a result of HB19-1278, the Department also oversees the Local Elections Assistance Cash Fund, which is 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.

¹ §24-21-104.9(2) C.R.S.

² §1-1.5-106(1)(a) C.R.S.

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)³ 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

³ §24-21-401 et seq C.R.S.

- 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
- Conducts all solicitations and ensures compliance with the Procurement Code and Rules
- Assists with the development of all contracts with financial terms and grant agreements (where the Department is the grantor)
- 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

eLearning

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

Legal and Policy

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.

Business Filings⁴

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 rewrite 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

Bingo-Raffle⁵

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

⁴ §7-90-301 C.R.S.

⁵ §24-21-6 C.R.S.

Colorado Charitable Solicitations Act⁶

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

Notary⁷

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)⁸

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.⁹ 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).

⁶ §6-16-101 C.R.S.

⁷ §24-21-501 et seq C.R.S.

⁸ §24-21-116 C.R.S.

⁹ §24-21-116(8) C.R.S.

Administrative Rules¹⁰

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)¹¹

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.

Performing Rights Societies¹²

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.

¹⁰ §24-2-103 C.R.S.

¹¹ §24-21-115 C.R.S.

¹² §6-13-102 C.R.S.

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.

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 Constitution¹³, statutes¹⁴, 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.¹⁵ 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. The program is also responsible for managing grants to the counties for CARES Act and HAVA funds. The team works closely with the Department Finance team to prepare grant agreements and manage county submissions for payment under those agreements.

¹³ Article XXVIII of the Constitution of Colorado

¹⁴ Title 1, Article 45 C.R.S. – Fair Campaign Practices Act

¹⁵ Article XXVII of the Constitution of Colorado, Title 1, Article 45, C.R.S., and 8-CCR 1505-6

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.

Elections Security

The Elections Security team, a newly formed team funded by federal HAVA funds, works to protect Colorado's elections from cyber-attacks, foreign interference, and disinformation campaigns. The team works hand in hand with the Department's Information Security team and counties to increase cyber preparedness and provide another important resource for counties.

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 importance of cybersecurity operations within the Department cannot be overstated. Along with the threats faced by any organization whose primary job functions include maintaining a website, accepting payments online, and managing official records in electronic form, the Department is also responsible for managing the security and operations of the state's election-related systems. The designation of election systems as Critical Infrastructure of the nation by the U.S. Department of Homeland Security has heightened the profile of our information security program. 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.

Since the time of the 2016 U.S. elections, the threats to election infrastructure and the conduct of elections have only become more well-known. The Department's information security program has responded by adding staff and capabilities to defend state assets and provide guidance and support to local election officials as well. Working together with our Elections Division, the division is also working to identify and combat foreign influence operations whose goal is to sow division and diminish voter's confidence in U.S. elections. The Department also is working closely with the Governor's Office of Information Security and local cybersecurity resources as a long-term "Whole of State" approach to cybersecurity develops.

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).¹⁶

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.

¹⁶ §24-21-404(1)(a) C.R.S.

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 Act¹⁷ 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	FY 2019-20
In-person training offerings	Target	25	32	34
	Actual	30	35	23 ¹⁸

The Department continues to prioritize training opportunities and professional development for staff. In addition to building upon the specific skillsets of Department staff, training will be offered that focuses on leadership development, management/supervision, compliance topics, technical expertise, and equity. As the Department continues to promote a more inclusive and equitable workplace, it will continue to seek out training opportunities that support this important goal. At the time of this report, in-person trainings have been postponed due to COVID-19.

Goal: Align learning opportunities with business objectives

Performance Measure		FY 2017-18	FY 2018-19	FY 2019-20
eLearning courses that support SOS programs	Target	40	51	62
	Actual	42	54	63

The eLearning program works with Department staff to develop interactive online training courses and video tutorials. The public can access these resources anytime, outside of a traditional classroom. Notable course offerings include Elections Security, Business Intelligence Center Data Tools, and Nonprofit Board Education. The Department continues to find ways to use eLearning to help Coloradans. As the catalog grows, the program also updates existing courses to keep them accurate and engaging. For example, Starting a Business in Colorado—one of the more popular courses—is getting a complete refresh and will be available this fiscal year in English and Spanish.

Business and Licensing Division

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

Performance Measure		FY 2017-18	FY 2018-19	FY 2019-20
Percentage of critical division tasks with backup resources trained	Target	85.0%	85.0%	100%
	Actual	95.0%	98.0%	100%

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 has maintained 100 percent in FY 2019-20 and anticipates replacing this performance measure next fiscal year.

¹⁷ §2-7-205 C.R.S.

¹⁸ No in-person trainings could be held during the last three and a half months of FY 2019-20 due to COVID-19.

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

Performance Measure		FY 2017-18	FY 2018-19	FY 2019-20
Percentage of electronic quarterly reports submitted	Target	62.5%	70.0%	75%
	Actual	64.5%	71.0%	82%

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 and offering consultative services to slow adopters. The program has surpassed the FY 2019-2020 goal of 75 percent with 82 percent of licensees filing electronically. The program is currently developing training to assist target audiences with online filing.

Elections Division

Goal: Effective Support Training and Guidance to Counties

Performance Measure		FY 2017-18	FY 2018-19	FY 2019-20
Number of consultative visits to Colorado counties by Department staff	Target	N/A ¹⁹	175	180
	Actual	165	122	38 ²⁰
County officials currently certified by Secretary of State	Target	360	320	375
	Actual	323	370	331
Online courses for Election Official Certification credit	Target	N/A ²¹	13	16
	Actual	13	15	16

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. Working collaboratively with the counties, the division will continue to enhance training and support through expanded online offerings, consultative visits with county staff, and collaboration with the Colorado County Clerks' Association (CCCA).

Goal: Enhance VSPC module of the SCORE system to improve usability and efficiency

Performance Measure		FY 2017-18	FY 2018-19	FY 2019-20
Voters registered for the first time using the VSPC module	Target	1,000	14,000	10,000
	Actual	1,268	13,311	25,643
Voters who updated their registration, including residential and mailing addresses with VSPC module	Target	10,000	42,000	25,000
	Actual	8,727	40,596	49,210
Voters who were issued a ballot using the VSPC module	Target	10,000	100,000	80,000
	Actual	25,405	126,401	79,327
Voters who updated keyline or affiliation using VSPC module	Target	6,000	9,000	4,000
	Actual	1,365	9,803	28,835

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.

¹⁹ No target measure for FY 2017-18. This performance measure was added to FY 2019-20 Strategic Plan.

²⁰ Travel during the second half of FY 2019-20 was restricted due to COVID-19.

²¹ No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.

Goal: Expand Elections Public Outreach

Performance Measure		FY 2017-18	FY 2018-19	FY 2019-20
Online Voter Registration (OLVR) new registrants	Target	25,000	80,000	65,000
	Actual	21,235	32,188	75,280
OLVR updates	Target	185,000	20,000	150,000
	Actual	97,033	64,348	225,221
Number of Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) ballots accessed online	Target	4,500	15,000	40,000
	Actual	34,815	19,712	57,450
Number of total UOCAVA voters issued a ballot in November Election	Target	11,000	34,000	30,500
	Actual	53,715	28,929	26,985
Number of Voter Registration Drives using OLVR to register new voters	Target	12	80	80
	Actual	56	100	102
Number of mailings (Electronic Registration Information Center (ERIC))	Target	0	115,000	0
	Actual	0	112,224	0
Number of schools receiving the Eliza Pickrell Rountt Award for registering 85% of senior class	Target	N/A ²²	25	15
	Actual	10	12	10 ²³

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.

Goal: Continue to improve Risk-Limiting Audit (RLA) process to make it more efficient, reduce erroneous discrepancies, and increase public transparency

Performance Measure		FY 2017-18	FY 2018-19	FY 2019-20
Elections in which RLA Used	Target	N/A ²⁴	1	3
	Actual	2	1	3
Total Contests Audited	Target	N/A ²⁵	150,000	135,399
	Actual	104,025	164,797	123,598
Total Audited Contests with Zero Discrepancies	Target	N/A ²⁶	149,800	135,142
	Actual	103,698	164,396	121,670

Colorado implemented a first in the nation 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.

²² No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.

²³ The Department rebooted the program in FY2019-20, but COVID-19 affected school's registration efforts.

²⁴ No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.

²⁵ No target measure for FY 2017-18. This performance measure was added to FY 2018-19 Strategic Plan.

²⁶ 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	FY 2019-20
Percentage of major change activities communicated to business units	Target	100%	100%	100%
	Actual	100%	100%	100%
Percentage of web service outages communicated to office	Target	95%	95%	95%
	Actual	95%	100%	93.3%

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	FY 2019-20
Reduce the number of tracking systems	Target	5	5	4
	Actual	7	7	7
Number of business unit SharePoint environments established	Target	10	15	25
	Actual	13	15	30
Percent of devices being tracked against current compatible software releases/licenses	Target	85%	85%	85%
	Actual	80%	85%	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. At the end of FY 2019-20, the division was in the final stages of deploying a new activity and project tracking platform that is expected to replace several legacy tracking systems and help us achieve the first measure in this section.

Goal: Enhance Department's Security Advantage

Performance Measure		FY 2017-18	FY 2018-19	FY 2019-20
Number of change management board reviews conducted	Target	50	50	50
	Actual	50	50	50
Percentage of critical vulnerabilities closed within time expectations	Target	100%	100%	100%
	Actual	100%	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	FY 2019-20
Number of up-to-date SOPs published	Target	350	350	350
	Actual	320	350	350
Percentage of applications with skilled backup support	Target	95%	95%	95%
	Actual	90%	92%	92%

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

**NOTE: Prior fiscal year performance measures under this goal have been removed as the division matures in its adoption of agile development practices and Secure DevOps*

The Department is in the process of adopting a DevOps²⁷ model to gain efficiency while also improving the quality of software developed in-house.

The division has revised its structure and is applying Secure DevOps practices to new projects (e.g., integrating automated regression testing into all active development, incorporating "on demand" software build processes in the software development life cycle, building multi-disciplinary teams for all development projects). The division is also working to implement a formal project authorization plan. Future performance measures will be developed in collaboration with other divisions.

²⁷ 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 Management²⁸, which resides in the Elections Division, all common policy line items are under the Administration Division. In FY 2020-21, the Department’s expenses are in five funds:

- Department of State Cash Fund²⁹
- Electronic Recording Technology Fund³⁰
- Federal Elections Assistance Fund (a.k.a., the HAVA Fund)³¹
- Identity Theft Financial Fraud Fund³²
- Local Elections Assistance Cash Fund³³

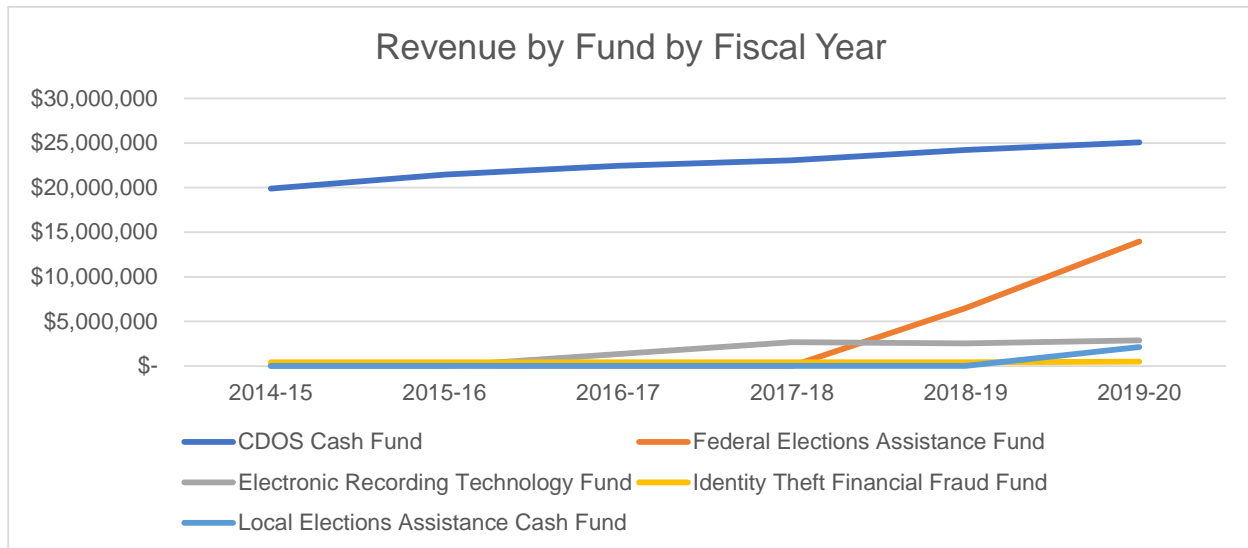


Figure 1 The chart shows revenue by fund by fiscal year for FY 2014-15 through FY 2019-20, the six most recently completed fiscal years. The chart illustrates that the vast majority of the Department’s revenue activity is in the CDOS Cash Fund.

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.

Day-to-day operations for the Department mostly are covered by the Department of State Cash Fund (CDOS Cash Fund). Revenue in the Federal Elections Assistance fund appears artificially high in FY 2018-19 and FY 2019-20 due to the timing of three federal grants. Significantly, the Election Assistance Commission (EAC)

²⁸ 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).

²⁹ §24-21-104(3)(b) C.R.S.

³⁰ 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.

³¹ §1-1.5-106(1)(a) C.R.S.

³² §24-33.5-1707(1)(a) C.R.S.

³³ The Local Elections Assistance Cash Fund was established by HB19-1278 during the 2019 Legislative Session. §24-21-104.9(2) C.R.S.

advances the Department the entire amounts of its federal grants, so these are recorded as revenue in the years the grants are received, even though the expectation of both parties is that the funds will be expended over years. Figures 1 and 2 show revenue and expenses by fund by fiscal year.

As described above, day-to-day operations are almost entirely cash funded through revenue from business and other filing fees paid into the CDOS Cash Fund. Most Department financial activity is recorded in this fund. For example, in FY 2019-20, 61.8 percent of all Department expenses and 56.3 percent of all Department revenue was recorded in the CDOS Cash Fund.

The Electronic Recording Technology Board (ERTB)³⁴, 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 6.4 percent of all Department revenue and 10.8 percent of all Department expenses in FY 2019-20.

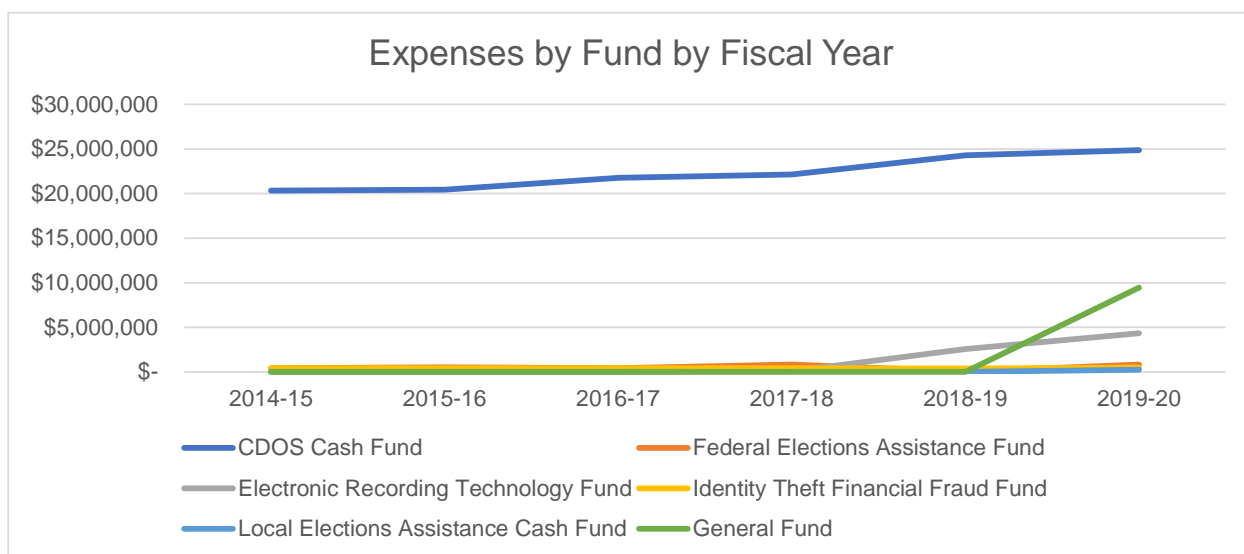


Figure 2 The chart shows expenses by fund by fiscal year for FY 2014-15 through FY 2019-20, the six most recently completed fiscal years. As the chart illustrates, the majority of the Department’s expenditures are in the Department of State Cash Fund.

The Federal Elections Assistance Fund is used to pay all expenses associated with the Department’s Federal Funds from the HAVA grants. Expenditures from these grants must be to improve the administration of *federal* elections. 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 2019-20, 31.4 percent of all Department revenue and 2.1 percent of all Department expenses involved the Federal Elections Assistance Fund.

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 began making grants to counties for one-time purchases of voting equipment from this fund in late FY 2019-20 and this activity has continued in

³⁴ §24-21-401 et seq C.R.S.

FY 2020-21. 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, 2021.³⁵

Figure 2 shows \$9.45 million in General Fund expenses in FY 2019-20. Approximately \$7.4 million of this amount represents the cost of reimbursing counties for the cost of the March Presidential Primary Election in accordance with §24-21-104.5(2) C.R.S. The balance is accounted for by the cost of the one-time transfer to the LEAF as described in the previous paragraph.

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 2020-21 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Surcharge on documents presented to a county clerk and recorder for recording or filing • General economic activity drives filings, so a prolonged slowdown or recession is expected to impact revenue collected
Local Elections Assistance Cash Fund	<ul style="list-style-type: none"> • One-time transfer in FY 2019-20 from the General Fund under HB19-1278 • Interest
Identity Theft Financial Fraud Fund	<ul style="list-style-type: none"> • 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 2020-21.

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

³⁵ §24-21-104.9(6) C.R.S.

CDOS Cash Fund revenue actually increased. During the current COVID-19 pandemic-related recession, CDOS Cash Fund revenue is tracking roughly seven percent above pre-pandemic projections for FY 2020-21.

Expense Drivers

As previously discussed, in FY 2020-21 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	<ul style="list-style-type: none"> • Personal Services Costs (employees and contractors) – approximately 61 percent of total expenses • Statutory Local Election Reimbursement payments to counties³⁶ accounted for approximately 11.4 percent of the Department’s FY 2019-20 cash fund expenses • Office rent – approximately 3.1 percent of FY 2019-20 expenses
Federal Elections Assistance Fund	<ul style="list-style-type: none"> • 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, pandemic-related federal elections preparations, etc.
Electronic Recording Technology Fund	<ul style="list-style-type: none"> • Grants approved by the Electronic Recording Technology Board (ERTB): <ul style="list-style-type: none"> ○ Grants to counties to establish, maintain, and improve electronic recording systems ○ Grants to counties to digitize, index, and secure aged documents
Local Elections Assistance Cash Fund	<ul style="list-style-type: none"> • Grants to counties to reimburse counties for the purchase of voting equipment to meet the requirements of HB19-1278
Identity Theft Financial Fraud Fund	<ul style="list-style-type: none"> • 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 2020-21.

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 and the pandemic thus far has not had a significant impact on IT contractor rates.

Slightly more than three percent of the expenditures from the CDOS Cash Fund cover office rent. In early April 2020, the Department signed a new lease on its premises at 1700 Broadway. The new lease, as a result of growing staff and evolving space needs, results in an approximately 25 percent increase in rentable space. The new lease will result in a significant increase in lease expenses beginning in mid-FY 2020-21, as new lease rates will not apply until construction is substantially complete in the Department’s new space.

As illustrated in Table 2, statutory Local Election Reimbursement payments to counties³⁷ accounted for approximately 11.4 percent of the Department’s FY 2019-20 cash fund 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 FY 2020-21, the Department will expend approximately \$135,000 to communicate through a mailing with all known eligible,

³⁶ §1-5-505.5 C.R.S.

³⁷ §1-5-505.5 C.R.S.

but unregistered voters. This additional funding was approved specifically by the JBC as Decision Item R-1 in the Department’s FY 2020-21 budget request. 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 2019-20 revenue in the CDOS Cash Fund increased by 3.46 percent relative to FY 2018-19. Revenue has increased significantly in early FY 2020-21. Through the first quarter CDOS Cash Fund revenue was up almost 12 percent year-over-year. This revenue growth is being driven by increased UCC filings, new business registrations, and business renewals. These have more than offset the decrease in revenue from the Bingo-Raffle Program as a result of the pandemic.

The Department projects revenue of approximately \$28 million in FY 2020-21, although there is significant uncertainty in this forecast. It is currently unclear whether the Federal Government will continue to intervene in the economy by providing support, particularly to small businesses. Absent this support, it is possible that many small businesses could fail and this poses a downside risk to the Department’s revenues. Regardless, it is unreasonable to expect this strong CDOS Cash Fund revenue growth to continue in perpetuity. Most current economic forecasts call for a slow return to economic growth in calendar year 2021 and beyond. As a result, the Department expects that revenue growth will return to its historical long-term growth rate (3.89 percent) in FY 2021-22.

Projecting revenue in the medium-term has a greater margin for error, but the Department expects that revenue will continue to grow at the historical long-term growth rate in the coming years.

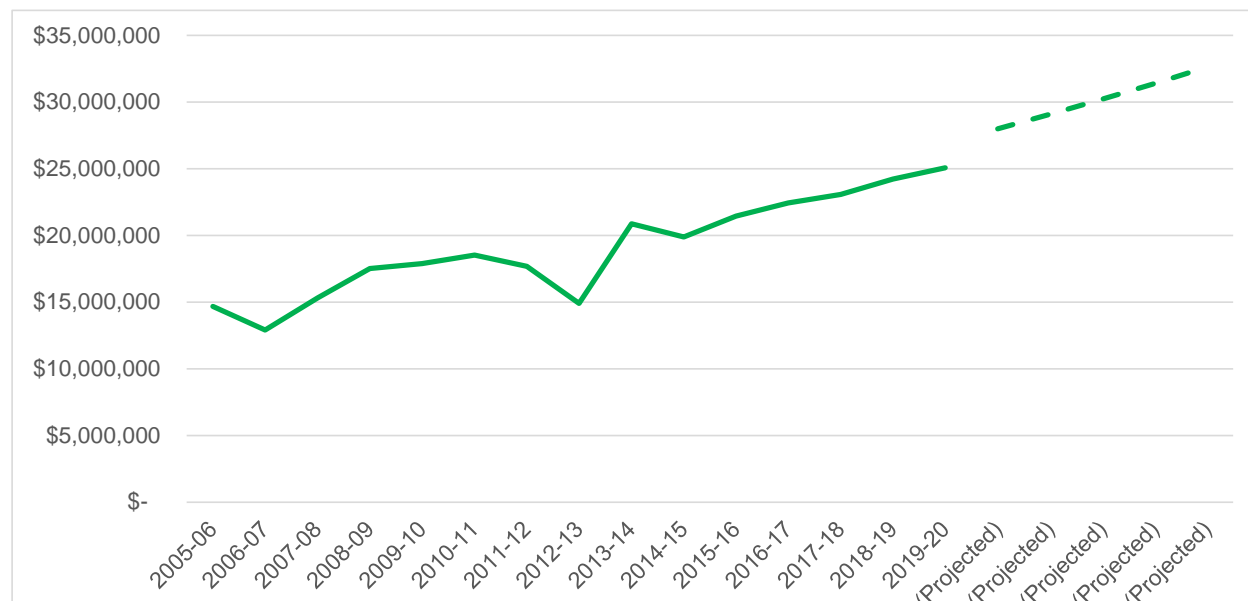


Figure 3 The graph shows actual (solid line) and projected (dotted line) revenues for the Department of State Cash Fund (and other filing fee-based cash funds that existed in FY 2012-13 and prior years).

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). The HAVA funding broadly is required to be expended on improving the administration of *federal* elections, although individual grants carry additional restrictions upon their expenditure. 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).³⁸ These funds are retained in the Federal Elections Assistance Fund.

Over the past three years, the Department has received three HAVA grants from the Election Assistance Commission (EAC). Each of these grants requires a state match as shown in Table 3 below. These amounts are in addition to the approximately \$535,000 remaining available from a HAVA Title II Grant received over 15 years ago.

Grant Name	Federal Amount	State Match	Total Funding	Notes
2018 HAVA Election Security Grant	\$6,342,979	\$317,149 (5.0%)	\$6,660,128	The State has met its matching funds obligation for this grant.
2020 HAVA Election Security Grant	\$7,133,864	\$1,426,773 (20.0%)	\$8,560,637	The Department will request spending authority for the match for this grant as part of its FY 2021-22 budget request.
2020 Supplemental HAVA Funds provided by CARES Act ³⁹	\$6,691,472	\$1,338,294 ⁴⁰ (20.0%)	\$8,029,766	In late August 2020, the EAC added \$26,137 to the initial award amount for Colorado.
Total	\$20,140,718	\$3,076,696	\$23,217,414	

Table 3 The table shows grants received from the EAC in the past three years together with the required state matching funds obligations.

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.

³⁸ §24-21-104.7 C.R.S.

³⁹ Coronavirus Aid, Relief, and Economic Security (CARES) – The CARES Act was signed into law on March 27, 2020.

⁴⁰ Based on the initial award amount of \$6,665,335, HB 20-1360 provided \$1,333,067 in spending authority for the State to meet its matching funds obligation under this grant award. The EAC subsequently awarded the Department an additional \$26,137 in funding under this grant. This requires an additional \$5,227 (20.0%) in state matching funds, for which the Department intends to request spending authority in a future request.

As shown in Table 3 above, the Department received \$6,691,472 in supplemental HAVA funding from the CARES Act. This money is being expended on grants to counties, a public awareness campaign educating voters on procedures during the COVID-19 pandemic, anti-foreign misinformation and disinformation efforts, etc. The sub-grants to counties have provided for additional secure ballot drop boxes, supplemental election judge pay, and other general election safety goods and services that are required as a result of the COVID-19 pandemic.

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 most 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.

Through the first quarter of FY 2020-21, CDOS Cash Fund revenue is tracking over seven percent above projection. If the pandemic continues unabated and there continues to be no agreement on additional federal government intervention in the economy, it is likely there could be a decline in Department revenues in the long-term. There is greater uncertainty in the Department's revenue forecast than in past years.