SB13-190

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 13-0707	**Date:**	February 26, 2013
Prime Sponsor(s):	Sen Steadman Rep Gerou	**Bill Status:**	Senate Appropriations
		Fiscal Analyst:	Kori Donaldson (303-866-4976)

TITLE: CONCERNING THE IMPLEMENTATION OF THE COLORADO FINANCIAL REPORTING SYSTEM MODERNIZATION PROJECT.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures Reappropriated Funds	at least $3,861,000	at least $3,861,000
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: None.		
Local Government Impact: None.		

Summary of Legislation

The bill authorizes the State Treasurer to enter into lease-purchase agreements on behalf of the Governor's Office of Information Technology (OIT) for a period of up to nine years to complete the Colorado Financial Reporting System (COFRS) Modernization project. The bill also requires OIT to add specific functions to COFRS identified as important by various legislative agencies, or to provide an explanation as to why such functionality cannot be incorporated into the system. Finally, the bill requires OIT to report to the Joint Budget Committee regarding the progress of the project.

Background

Beginning in FY 2012-13, $8.6 million was appropriated to OIT to contract with a vendor to design and implement a replacement for COFRS, the state wide accounting system used by the Office of the State Controller to record all state revenues and expenditures. The new system is being built in the cloud environment by a private vendor in collaboration with state personnel. Cloud computing is a technology that allows consumers and businesses to maintain shared resources, software, and information on the Internet or a closed network.

OIT originally anticipated that the private vendor hired for the project would pay the up-front costs of designing and implementing the new state wide accounting system. The total cost of the new system would then be repaid over a ten-year period by state agencies through a new common figure-setting policy. However, OIT later determined that if the vendor financed the cost of the project, the total project cost would exceed that of state financing on behalf of the project because the state's rate to finance the project is several percentage points lower than that attainable by the private vendor. Issuing lease purchase agreements on behalf of the project will allow the state to pay the vendor for the system design and implementation from the proceeds of the sale of certificates of participation (COPs). The total project cost over a ten-year period, including management and maintenance fees, is projected to be about $86 million.

State Revenue

The bill authorizes the issuance of COPs in the amount of $33 million. Proceeds from the sale of the COPs will be held by a trustee, and so are not reflected as state revenue for purposes of this fiscal note.

State Expenditures

Some of the project costs associated with the design and implementation of a new state wide accounting system will be financed through the sale of COPs to be repaid through annual lease payments. This fiscal note assumes that OIT will begin making annual lease payments to repay the COPs in the current fiscal year from an existing appropriation. This fiscal note further assumes that $3.8 million will be appropriated for FY 2013-14 annual lease payments through the capital construction section of the Long Bill. The project is requested from reappropriated funds made available through an existing common policy and a subsequent transfer from the operating to the capital budget. On February 26, 2013, the project was recommended by the Capital Development Committee to the Joint Budget Committee for inclusion in the Long Bill. Capital projects are typically appropriated through the capital construction section of the Long Bill in order to subject them to fiscal rules unique to the capital budget, including the allowance of three years to expend an appropriation.

Departments Contacted

OIT	Governor's Office of State Planning and Budgeting
Treasury	Joint Budget Committee Staff