

CC-IT: CAPITAL CONSTRUCTION IT REQUEST FOR FY 2011-12

Project Title:		Colorado Integrated Tax Architecture (CITA)		State Controller Project No. P-0655		Name and Email of Preparer:		Laura Sigrist lsigrist@spka.dor.state.co.us							
Project Year(s):		FY 2011 - 12		Signature of Department or Institution Approval:		<i>Randy Shuler</i>		Date: 24-Aug-10							
Agency or Institution:		Department of Revenue		Signature CCHE Approval:		N/A		Date: N/A							
Agency or Institution Priority Number:		1		Signature OIT Approval:		<i>approved via email</i>		Date:							
				Signature OSPB Approval:		<i>brm 26</i>		Date: 8/27/10							
Revision? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		Total Project Costs		Prior- Year Appropriation(s)		Current Request FY 2011-12		Year 2 Request		Year 3 Request		Year 4 Request		Year 5 Request	
If yes, last submission date: _____															
A. Land Acquisition															
(1) Land /Building Acquisition		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
B. Contract Professional Services															
(1) Consultants/Contractors		\$36,500,000		\$26,950,000		\$5,700,000		\$3,850,000		\$0		\$0		\$0	
(2) Quality Assurance		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(3) Independent Verification and Validation (IV&V)		\$350,000		\$300,000		\$50,000		\$0		\$0		\$0		\$0	
(4) Training		\$300,000		\$250,000		\$50,000		\$0		\$0		\$0		\$0	
(5) Leased Space (Temporary)		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(6) Feasibility Study		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(7a) Inflation for Professional Services		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(7b) Inflation Percentage Applied				0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	
(8) Other Services/Costs		\$10,063,748		\$8,041,648		\$1,887,100		\$135,000		\$0		\$0		\$0	
(9) Total Professional Services		\$47,213,748		\$35,541,648		\$7,687,100		\$3,985,000		\$0		\$0		\$0	
C. Associated Building Construction															
(1) (a) New (GSF):		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
New \$ /GSF															
(b) Renovate GSF:		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(2) Renovate \$ /GSF															
(3) Site Work/Landscaping															
(4) Other (Specify)		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(5a) Inflation for Construction		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(5b) Inflation Percentage Applied				0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	
(6) Total Construction Costs		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
D. Software Acquisition															
(1) Software COTS		\$3,940,000		\$3,460,000		\$480,000		\$0		\$0		\$0		\$0	
(2) Software Built		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(4a) Inflation on Software		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(4b) Inflation Percentage Applied				0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	
(5) Total Software		\$3,940,000		\$3,460,000		\$480,000		\$0		\$0		\$0		\$0	
E. Equipment															
(1) Servers		\$0		\$2,465,232		\$50,000		\$0		\$0		\$0		\$0	
(2) PCs, Laptops, Terminals, PDAs		\$1,224		\$816		\$408		\$0		\$0		\$0		\$0	
(3) Printers, Scanners, Peripherals		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(4) Network Equipment/Cabling		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(5) Other (Specify)		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(6) Miscellaneous		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(7) Total Equipment and Miscellaneous Costs		\$2,516,456		\$2,466,048		\$50,408		\$0		\$0		\$0		\$0	
F. Total Project Costs		\$53,670,204		\$41,467,696		\$8,217,508		\$3,985,000		\$0		\$0		\$0	
G. Project Contingency															
(1) 5% for New		\$2,174,644		\$1,564,519		\$410,875		\$199,250		\$0		\$0		\$0	
(2) 10% for Renovation		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
(3) Total Contingency		\$2,174,644		\$1,564,519		\$410,875		\$199,250		\$0		\$0		\$0	
H. Total Budget Request [F+G(3)]		\$55,844,848		\$43,032,215		\$8,628,383		\$4,184,250		\$0		\$0		\$0	
I. Source of Funds															
CCF		\$55,844,848		\$43,032,215		\$8,628,383		\$4,184,250		\$0		\$0		\$0	
CF		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
RF		\$0		\$0		\$0		\$0		\$0		\$0		\$0	
FF		\$0		\$0		\$0		\$0		\$0		\$0		\$0	

CC-C: CAPITAL CONSTRUCTION REQUEST FY 2011-12

1. SUMMARY INFORMATION	
a. Agency or Institution Name:	Department of Revenue
b. Project Name:	Colorado Integrated Tax Architecture (CITA)
c. State Controller Project Number:	P-0655
d. Project's Year (1, 2, etc.):	6
e. Date Sent to DHE:	Not Applicable
f. Date Sent to OSPB:	August 24, 2010
g. Date Sent to CDC with copy to JBC:	September 1, 2010
h. Date of Project's Most Recent Program Plan:	Not Applicable
i. Date of Governing Board Approval (for institutions of higher education):	_____ or <input checked="" type="checkbox"/> Not an institution of higher education
j. Continuation Project <i>(there is a corresponding project appropriated in prior year)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If yes, list project numbers here: #P-0655
k. Request 6-month encumbrance waiver?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (If yes, justify below)
l. Anticipated Project Completion Date:	June 30, 2012
m. Purpose Code	E1
n. New construction or modification?	<input checked="" type="checkbox"/> New <input type="checkbox"/> Modification
o. Facility Condition Index Score	_____ Date reported to the State Architect: ___/___/_____
p. Total Square Footage	_N/A_ ASF _N/A_ GSF
q. Cost per Square Foot <i>(using construction cost per section C of CC-C form and GSF)</i>	Not Applicable

2. TYPE OF REQUEST	"X" All that Apply	Instructions
a. State-funded Project – Higher Education		Requires CDHE then OSPB approval before submission to CDC and JBC. Use CC-C Excel Form and CC-C Word form.
b. State-funded Project – Non Higher Education	X	Requires OSPB approval only before submission to CDC and JBC. Use CC-C Excel Form and CC-C Word form.
c. 100% Cash Funded Project for higher education institution participating in the Intercept Program		Requires CDHE approval only before submission to CDC. Use CC-C Excel Form and CC-C Word form.
d. Under 100% Cash-Funded Project – Higher Education		Requires CDHE then OSPB approval before submission to CDC and JBC. Use CC-C Excel Form and CC-C Word form.
e. Cash-Funded Project – Non Higher Education		Requires OSPB approval only before submission to CDC and JBC. Use CC-C Excel Form and CC-C Word form.
f. Federally Funded Project		Requires CDHE (if Higher Ed) then OSPB approval before submission to CDC and JBC. Use CC-C Excel Form and Word form.
g. IT Project	X	Use CC-IT Excel form and CC-C Word form. Non Higher Ed agencies must approve with OIT before submission to OSPB.

3. CRITERIA FOR FY 2011-12 PROJECT	“X” Applicable Item(s)	Describe How Criterion is Met for Marked Items
a. 100% Cash or Federally Funded Project		
b. Priority #1 for department or #1-5 for DHS	X	CITA is the first priority project for the Department of Revenue.
c. Meets Priority Criteria for Higher Education		
d. Project Originally in HJR 08-1042		
e. Continuation Project from FY 2010-11 CCF Appropriation	X	The Department of Revenue has requested CITA as a phased project since FY 2006-07. Funding for FY 2010-11 is appropriated in H.B. 10-1376.
f. Statutorily required COP payment for capital construction		
g. Project requires CDHE approval for program review but does not meet FY 11-12 criteria for submission to OSPB. This request does not have OSPB review.		

4. BRIEF SUMMARY OF FY 2011-12 CAPITAL PROJECT	Enter summary below, this column
<p>State exactly what is requested, why, for how much, over what period of time.</p>	<p>The Department of Revenue requests \$8,628,383 capital construction funds for the fifth and final phase (sixth year of funding) of the Colorado Integrated Tax Architecture (CITA) project, which is comprised of food services licenses, gaming tax, off-highway, pari-mutuel racing fees, public utility commission, tobacco products tax, cigarette tax, vending machine stickers, and alcohol and fermented beverages tax.</p> <p>CITA is the Department of Revenue’s project for implementing Fast Enterprise’s GenTax commercial off-the-shelf tax administration software package. This funding will be sufficient to pay FAST Enterprises, Inc. its contract for this phase, and other needs for FY 2011-12, including other contractor costs, hardware and software maintenance, project management services, data conversion costs, and other miscellaneous costs. The Department has received appropriations since FY 2006-07 to update and replace its current infrastructure that is comprised of four separate systems for tax administration including one for income tax, two for business tax, and one for its delinquent accounts. These systems were developed at different times and are between 16 and 46 years old. The new system will also allow the Department to track other taxes and fees that are currently not contained within its current systems. When completed, CITA will provide the Department of Revenue with a completely updated and consolidated tax administration information technology system.</p>

5. CONTINUATION HISTORY		<p style="color: red;">If this is a continuation project (a project with a former appropriation), complete the following table including all appropriations and expenditures. Include the bill numbers for each appropriation. If not a continuation project, mark here: <input type="checkbox"/> N/A</p>			
	FY 2007-08 Appropriated	FY 2008-09 Appropriated	FY 2009-10 Appropriated	Spent to Date	FY 2010-11 Appropriated
Total Funds	\$9,515,475	\$7,817,037	\$7,444,908	\$23,181,854	\$10,177,308
General Fund	\$9,515,475	\$7,817,037	\$7,444,908	\$23,181,854	\$10,177,308
Bill Number(s)	S.B. 07-263	H.B. 08-1375	S.B. 09-259	--	H.B. 09-1376

6. OBJECTIVES	Enter summary below, this column
<p>a. List key objectives of the entire project – big picture</p> <p style="color: red;">This row not applicable as this is a single year project: <input type="checkbox"/> N/A</p>	<p>CITA will update and replace various information technology systems that support the Department of Revenue’s administration of the state’s tax laws. The age and the disparate nature of these systems make it very difficult for the Department to modify and maintain as requirements change and to perform industry-standard consolidated taxpayer reporting without great effort. CITA will allow the Department of Revenue to: (1) consolidate multiple, antiquated, disparate tax processing systems into a single, contemporary, integrated, taxpayer account-centric system that incorporates business best practices for state tax administration; (2) enhance the application of Generally Accepted Accounting Principals (GAAP); (3) reduce the amount of manual effort required for distribution of funds to the state, counties, cities, and special districts; (4) provide the Department of Revenue with more reliable data that can be used for better reporting and analytical capabilities; (5) improve its receivables management; (6) implement tax administration best practices; and (7) improve Department of Revenue productivity.</p>
<p>b. List key objectives of this year’s specific request - detailed</p>	<p>Work completed in FY 2011-12 will comprise of two major sections. The first component includes the completion of the International Fuel Tax Agreement (IFTA), alternative fuel tax, gasoline/special fuel tax, Taxpayer access point for business tax, and discovery (part 2 of 2). Additionally, beginning on August 30, 2011, the Department will begin the fifth and final phase of the project – food services licenses, gaming tax, off-highway, pari-mutuel racing fees, public utility commission, tobacco products tax, cigarette tax, vending machine stickers, and alcohol and fermented beverages tax. Key components of the objectives taking place in FY 2011-12 include preparation work, definition identification, development and configuration, data conversion, system testing, and employee training. Similar to previous phases, requested funding will be sufficient to pay for contractor costs and hardware and software needs.</p> <p>The project will follow the best practices identified by the Project Management Institute and tracked by Department of Revenue staff and CITA’s project management team. Specifically, the project will complete all work related to the various taxes and licenses listed above by June 30, 2012.</p>

7. ESTIMATED ENTIRE PROJECT TIMETABLE:

Delineate how many years this project crosses from start to finish, describing what portion of the project each year will accomplish.

Steps to be Completed	Start Date(s)	Completion Date(s)	Year
Phase 1 - Site build and project preparation; severance tax and estate tax; and property tax credits	09/2007	11/2008	FY 2007-08
Phase 2 - Income tax, bankruptcy	11/2008	11/2009	FY 2008-09
Phase 2.5 / 2.6 – Discovery (part 1 of 2)	11/2008	3/2010	FY 2008-09
Phase 3 - State and local sales and use tax; wage withholding; base state vehicle registration fees (IRP); taxpayer access point (TAP) for individual income tax online file and pay.	11/2009	11/2010	FY 2009-10
Phase 4 – International fuel tax agreement (IFTA); alternative fuel tax; gasoline/special fuel tax; TAP for business taxes; discovery (part 2 of 2).	11/2010	08/2011	FY 2010-11
Phase 5 - Food services licenses; gaming tax; off-highway; pari-mutuel racing fees; public utility commission; tobacco products tax; cigarette tax; vending machine stickers; alcohol and fermented malt beverage taxes	08/2011	06/2012	FY 2011-12

8. FY 2011-12 SPECIFIC TIMETABLE:

Delineate the steps that will be taken in FY 2011-12 to complete this project or this phase of the project.

Steps to be Completed	Start Date(s)	Completion Date(s)
Phase 4 – IFTA, TAP and Discovery Training	7/25/2011	8/26/2011
Phase 4 – IFTA, TAP and Discovery Cutover	8/29/2011	8/29/2011
Phase 5 – Misc. Taxes / Licenses Preparation	8/30/2011	10/28/2011
Phase 5 – Misc. Taxes / Licenses Definition	9/26/2011	12/16/2011
Phase 5 – Misc. Taxes / Licenses Development and Configuration	10/17/2011	6/1/2012
Phase 5 – Misc. Taxes / Licenses Data Conversion	12/5/2011	6/25/2012
Phase 5 – Misc. Taxes / Licenses Testing	4/2/2012	6/22/2012
Phase 5 – Misc. Taxes / Licenses Training	5/21/2012	6/22/2012
Phase 5 – Misc. Taxes / Licenses Cutover	6/25/2012	6/25/2012

9. IMPACT

Enter summary below, this column

a. Describe actual impact to program if this year's project is not funded

If CITA is not funded for FY 2011-12, then the Department of Revenue will have a system that includes severance and estate taxes, the property tax credit, income tax, state and local sales and use taxes, wage withholding, IRP, IFTA, fuel taxes and discovery. These taxes will operate on updated information technology architecture and infrastructure while the remaining tax types will continue to operate on legacy systems. The Department will be forced to maintain numerous systems, similar to its current operational environment, which leads to inefficiencies. Moreover, the state will not be able to leverage its initial investment on CITA and transform the legacy systems into a single repository of tax information.

9. IMPACT	Enter summary below, this column
b. Describe how this project will affect State operating expenditures, including dollars and FTE for each project component.	<p>The capital appropriation will pay for hardware purchases and software maintenance through FY 2011-12. Beginning in FY 2012-13, the Department's operating budget will pay for these costs. At that time, the Department may submit a change request to pay for these items. The Department of Revenue will not need to submit an operating request related to CITA until FY 2012-13 as lease costs and required maintenance are covered in its capital appropriation until that point.</p> <p>The Department of Revenue is evaluating its current staffing level and organizational structure to determine what its appropriate resources will be once the system is fully deployed. It will submit any requests to alter its staffing levels once this analysis is complete.</p>
c. Describe consistency with Agency or Institutional Master Plan and 5-Year Capital Improvement Plan Schedule, explain variances	This section is not applicable.

10. JUSTIFICATION	Enter summary below, this column
	<p>The Department of Revenue has received appropriations for CITA since FY 2006-07 to replace several legacy computer systems which date from 1962. These systems are responsible for processing income taxes; recording, posting, and reporting business taxes, licenses, and fees; and issuing assessments for delinquent taxes, penalties, and interest. In FY 2008-09, these systems were responsible for collecting and tracking \$4.7 billion in income tax receipts and \$2.1 billion in business sales and use tax and licensing revenue. The Department's legacy systems utilize a patchwork of programming languages that do not communicate well with one another. Department programming staff must be conversant with, or trained on, programming languages no longer in common use among industry personnel or taught at institutions of higher learning.</p> <p>Managing these systems – both individually and together – is challenging because they are so antiquated. Colorado's population has almost tripled since 1962, which equates to a significant increase in the number of tax documents that require processing. Over the course of FY 2008-09, the Department processed more than 7.2 million tax-related documents. Additionally, Colorado's tax code has become increasingly complex and data intensive. The likelihood of a catastrophic system failure or a series of independent outages increases each year. Either of these possibilities could prevent the Department of Revenue from properly collecting, processing, and recording all or a portion of Colorado's various revenue streams. Moneys collected by the Department of Revenue support all of the state's General Fund operating and capital construction budgets.</p> <p>The Department's current information technology infrastructure has numerous shortcomings that CITA will specifically address and resolve.</p> <ul style="list-style-type: none"> • Tax Administration – The Department of Revenue oversees tax activity in 260 districts (cities, counties and special districts) as well as for individual and corporate income tax. As indicated above, the systems

	<p>currently in use were developed separately. This makes it difficult for Department staff to adequately and equitably administer tax law. The Department does not have the capability to view consolidated taxpayer information. Thus, timely and efficient resolution to customer inquiries is increasingly difficult.</p> <ul style="list-style-type: none"> • Legislative Initiatives – Updating the Department’s tax systems accurately and efficiently is critical. Annual changes to state and federal codes require ever increasing programming resources. Any failure to adopt these changes in a timely manner requires lead Department staff to conduct manual interventions, which is an inefficient use of resources. Issues associated with legislative initiatives have, in part, lead to a specific line item in the Department’s budget that is dedicated to providing appropriations for changes to the tax code. • Data Manipulation – Systems developed between 17 and 47 years ago are not readily able to provide the data that Department staff need in today’s business environment. Some of the original systems were designed with data fields that have grown restrictive, but which were not when they were created. For example, the length of data fields in the Income Tax System was set at seven, which means that a specific tax return’s maximum filing range is \$9,999,999. Corporate tax returns often exceed this amount today, and as such, pose logistical problems for Department staff. Prior to FY 2005-06, this limitation caused a \$54.8 million miscalculation of the State’s TABOR cap. <p>CITA will consolidate the multiple, antiquated, disparate tax processing systems described above into a single, contemporary, integrated, taxpayer account focused system that incorporates business best practices for state tax administration. The problems with the Department’s current capabilities will be resolved because GAAP can be easily applied and many current manual workflow processes can be automated.</p> <p>The Department’s current systems require administrators to submit a request for a report to mainframe programmers. This process is inherently slow. With CITA, staff in the Department’s Taxation Business Group will be able to create ad-hoc reports in a timely manner. Because the Department maintains four separate tax systems, it is very difficult for staff to have consolidated information on any one taxpayer’s account information. This leads to a decline in customer service for the public and in productivity for Department staff. With the implementation of CITA, all tax information on an account can be accessed via the same program. The Department believes that this will lead to higher service levels for the general public and higher standards for the Department.</p>
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11. CALCULATIONS	Describe how the numbers on the CC-C Excel form were calculated; describe in this column, FY 2011-12 only. Out years will be requested separately
Assumptions and calculations for land purchase	This section is not applicable.
Assumptions and calculations for professional services	\$5,700,000 for consultants and contractors includes contractual payments to Fast Enterprises for professional services, annual maintenance and support for the GenTax software, and the project site. \$50,000 estimated cost for one IV&V assessment for Phase 5. Training costs are estimated at \$50,000. This includes training for CITA team members and program staff on GenTax, including travel costs, and classes in areas such as SQL, VB, Microsoft.Net, Test Manager, and Rational Suite. The number of trainees at each class varies

	with program needs, but estimated costs range from \$1,900 to \$48,000 per class. Other services include \$67,200 for data conversion (480 hours at \$140/hour), \$765 to rent space to conduct CITA town hall meetings, \$1,282,135 to back-fill DOR resources working on the project in ITD and the Business Groups (5 agency temps for the Business groups at approximately \$25 per hour and 8 agency temps for ITD at pay rates ranging from \$35 to \$130 per hour), and \$537,000 for contractual payments to AdvanTech for project management services.
Assumptions and calculations for construction	This section is not applicable.
Provide list of equipment and furnishings to total on CC-C Excel form	This section is not applicable.
Art in public places: describe what portions of project apply and calculation used. The calculation should apply only to State funds (see SB 10-94)	This section is not applicable.
Discuss all inflation assumptions, as delineated on the CC-C form, by year and by component (professional services, construction or improvement, and equipment and furnishings)	This section is not applicable.
Discuss HPCP cost assumptions	This section is not applicable.
Other - Software Acquisition	This amount includes maintenance for production operations software, data conversion software and reporting software. The amount is estimated at 20% of the initial cost of software licenses, or \$480,000.
Other - Equipment	This amount includes annual maintenance for the SQL server and is estimated at 20% of the initial purchase amount, or \$50,000. The costs for the Project Sponsor's Blackberry are estimated at \$34 per month.
Other	

12. CASH FUND PROJECTION

Does request include cash funds?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (If no, proceed to question #13)				
If the project is being financed, describe the terms of the bond, including the length of the bond, the expected interest rate, when the agency plans to go to market, and the expected average annual payment.	<input checked="" type="checkbox"/> N/A				
	Actual FY 2009-10 Cash Fund Balance	End Fund Balance FY 2009-10	Projected FY 2010-11 End Cash Fund Balance	Projected End Cash Fund Balance FY 2011-12	Projected End Cash Fund Balance FY 2012-13
a. Fund Number: _____					
Cash Funds	\$	\$	\$	\$	\$
Described how revenue accrues to the fund					
Describe other obligations and encumbrances to the fund					

13. RELATED PROJECTS		<u>Delineate capital construction and controlled maintenance projects for this department, DHS Office, or higher education institution appropriated since FY 2007-08. 100% cash funded projects for higher education do not need to be listed.</u>		
Year	Project #	Item	CCF / HUTF Cost	Pending Underway, or Requested
FY 10-11	P1016	Mobile Scale Replacement	\$258,284	Pending
FY 10-11	P1014	Limon Port of Entry, WB Scale Lane Rplcmt	\$814,623	Pending
FY 10-11	P1013	Dumont Port of Entry, WB Scale Lane Rplcmt	\$768,678	Pending
FY 10-11	P1012	Limon Port of Entry, WB Building Replacement	\$487,451	Pending
FY 07-08	P0816	Limon Port of Entry, WB Scale Pit Rplcmt	\$414,918	Complete
FY 07-08	P0815	Ft Morgan Port of Entry, EB Scale Pit Rplcmt	\$290,234	Underway/Held
FY 06-07	P0705	Monument Port of Entry, SB Scale Pit Rplcmt	\$191,400	Complete

14. PROGRAM PLAN	
Describe any changes to this project on the Program Plan, Master Plan, or Five Year Plan since its submission to the Capital Development Committee	This section is not applicable to an information technology project.

15. ADDITIONAL INFORMATION	
Provide any additional information to best justify the request.	N/A