Colorado Statewide Internet Portal Authority

Annual Legislative Report

November 1, 2016

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INTRODUCTION

The Statewide Internet Portal Authority (SIPA) is pleased to provide this report to the Joint Technology Committee of the Colorado General Assembly. C.R.S. **§ 24-37.7-113.5**, requires SIPA to submit an annual report to the Joint Technology Committee, the Joint Budget Committee of the General Assembly, the members of the Business, Labor, and Technology Committee of the Senate, and the Business Affairs and Labor Committee of the House of Representatives that includes:

(a) a complete and detailed operating and financial statement each fiscal year;
(b) the total amount of charges or fees imposed by each state agency for accessing electronic information, products, and services through the Statewide Internet Portal;
(c) the total amount of receipts and revenue derived by SIPA from the transactions in (b); and
(d) recommendations regarding additional legislation or other action that might be necessary to carry out the purposes of SIPA.

SIPA was created in 2004 by the Colorado General Assembly with a mandate to "develop the officially recognized statewide internet portal that provides one-stop access to electronic information, products, and services in order to give members of the public, state agencies, and local governments an alternative way to transact business with the state". C.R.S. § 24-37.7-105(1)(a).

SIPA is governed by a 15-member Board of Directors comprised of elected officials, government stakeholders, and private citizens. Four members of the board must be state legislators.

SIPA serves as the oversight body of the Colorado.gov portal, which is the gateway to Colorado government and is intended to be Colorado's single most comprehensive delivery channel for e-Government services.

SIPA, through its partnerships with governments across Colorado, is well positioned to engage in conversations that lead to more online services being available to Colorado's residents, businesses, and visitors. SIPA will continue to offer innovative services and solutions whereby costs can be controlled and services increased. Governments can create and maintain a web presence at no cost to the government, accept electronic payments without needing to procure a PCI-compliant system of their own, deploy mobile applications, and much more-- by using solutions provided through SIPA.

Online services allowing Coloradans to complete tasks such as renewing driver's licenses, vehicle registrations, and pet licenses are available. New businesses can register for a sales and unemployment tax number using the Colorado Business Express online registration system (www.colorado.gov/coloradobusinessexpress).

SIPA will continue working with eligible governmental entities (EGEs) to offer creative solutions that take advantage of new technologies and meet the fiscal challenges of today.

Using the services provided by SIPA, governments across Colorado save or avoid approximately $6 million in costs each year. SIPA continues to look for innovative ways to provide new services while continuing to improve the services it offers.

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STATUTORY MISSION

SIPA's statute, § 24-37.7-105, requires SIPA to, among other things, "*develop the officially recognized statewide internet portal that provides one-stop access to electronic information, products, and services in order to give members of the public, state agencies, and local governments an alternative way to transact business with the state.*"

What is SIPA's mission?

The mission of the authority is to . . .

- Develop the officially recognized statewide internet portal that provides one-stop access to electronic information, products, and services in order to give members of the public, state agencies, and local governments an alternative way to transact business with the state.
- Explore ways and means of expanding the amount and kind of electronic information, products, and services provided, increasing the utility of the electronic information, products, and services provided and the form in which it is provided, and, where appropriate, implementing such expansion or increase.
- Explore technological means of improving access for members of the public, state agencies, and local governments to electronic information, products, and services, and, where appropriate, implement such technological improvements.
- Explore options for expanding the statewide internet portal and its services to members of the public, state agencies, and local governments by providing add-on services such as access to other information, products, services, and databases or by providing electronic mail and calendaring to subscribers.

C.R.S. § 24-37.7-105 (1), (excerpts)

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STRATEGIC MISSION & VISION

SIPA is statutorily required to develop and annually update a strategic business plan for the implementation, maintenance, and enhancement of the Statewide Internet Portal. C.R.S. § 24-37.7-105(1)(c). SIPA's strategic business plan defines its mission and vision as follows:

- SIPA's mission is to provide efficient and effective services for citizens through the use of modern business practices and innovative technology solutions.
- SIPA's vision is to transform Colorado government service delivery through the use of technology, allowing a single point of contact for members of the public to access state and local government information, products, and services.

GOVERNMENTS SERVED

- SIPA is a body corporate and political subdivision of the state that serves other governmental entities throughout Colorado. Eligible governmental entities (EGEs) are generally state agencies, county and municipal governments, public institutions of higher education, public school districts, and many other special purpose authorities. As of October 2016, SIPA had agreements in place with 371 governments or subdivisions, including all principal departments of state government, 46 counties, 117 municipalities, 46 water and/or sanitation districts, 17 fire protection districts, 6 public higher education institutions, and 12 school districts.
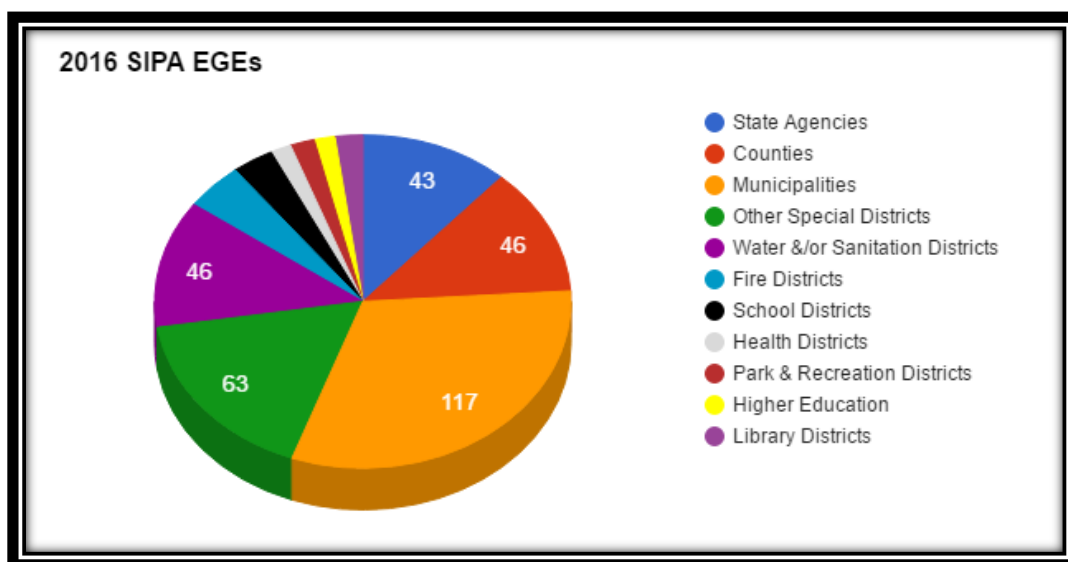
While many of SIPA's initial customers were state agencies predominately located in the Greater Denver metropolitan region, SIPA now serves governments across Colorado. SIPA entered into agreements with 45 new local governments over the past year.

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One of SIPA's major goals is to ensure that the citizen experience is the same for all Coloradans interacting with their governments whether they dwell in a large front-range city or a tiny town on the Western slope.
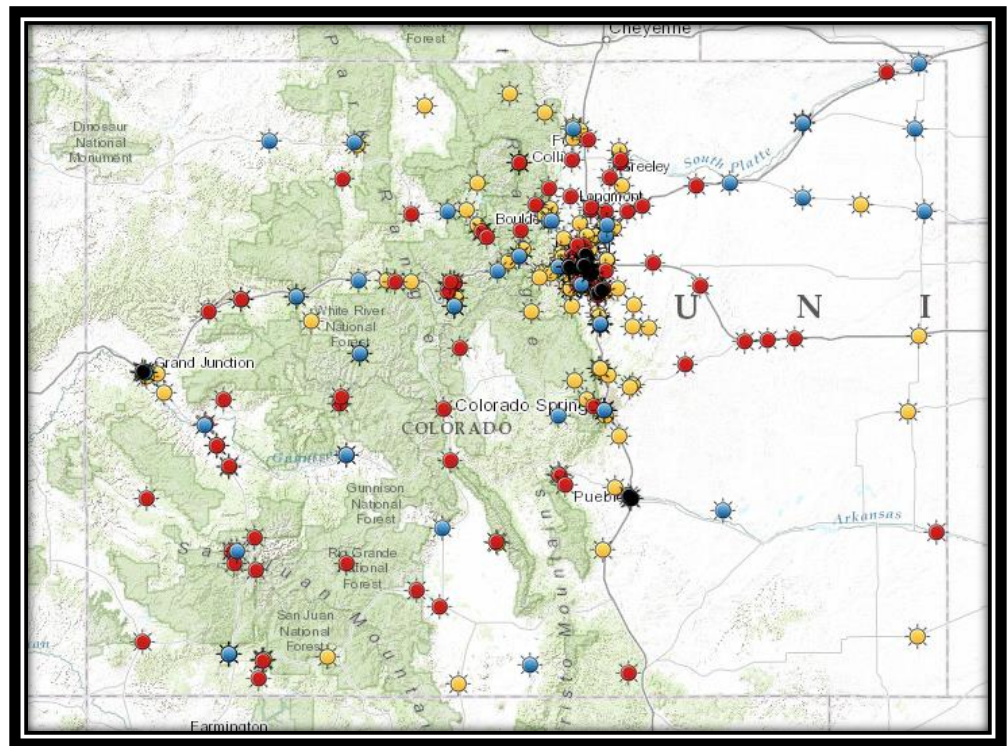
2016 SIPA CUSTOMERS

State Agencies
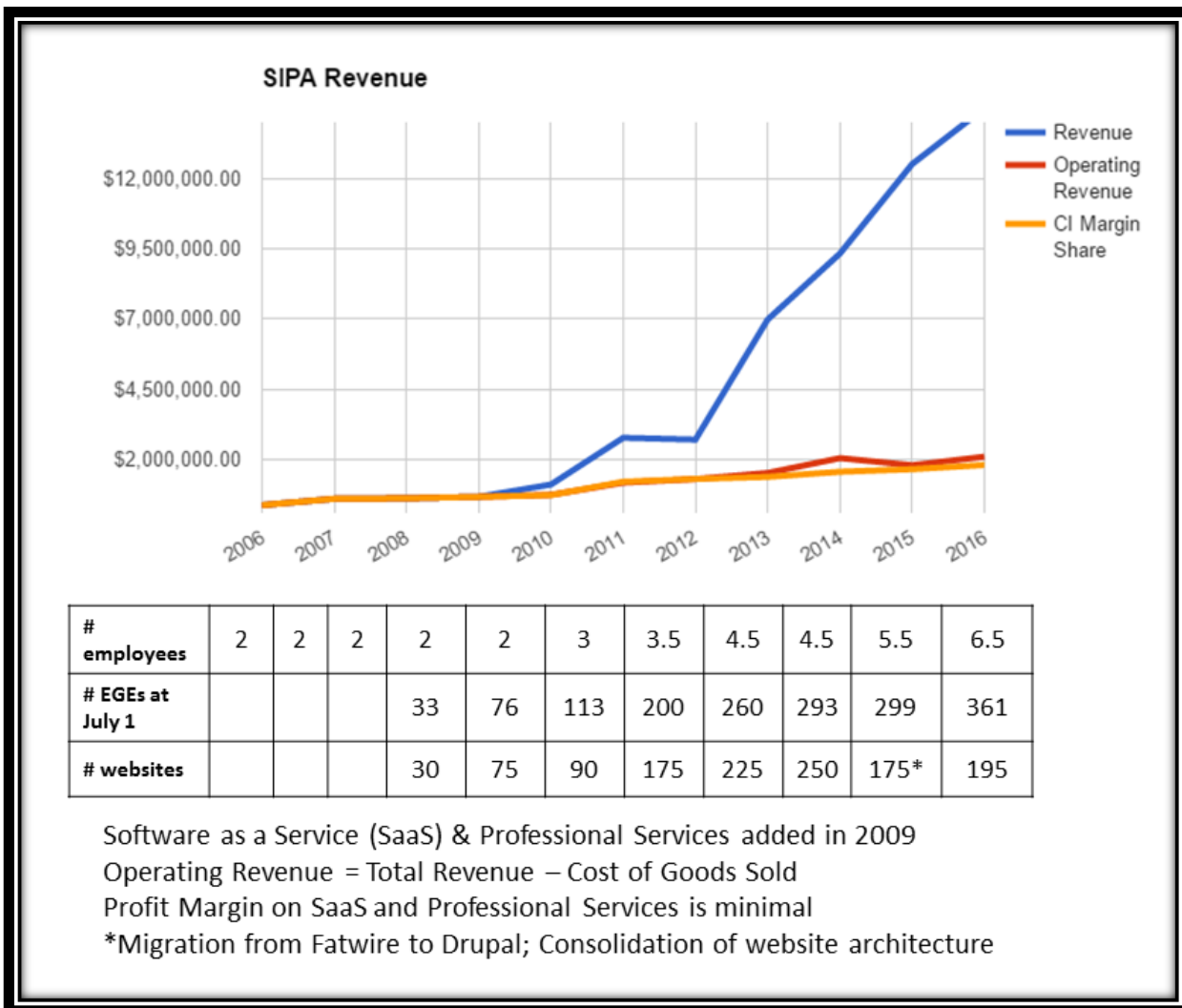
Counties

Cities and Towns

Other Local Governments

BUSINESS MODEL

SIPA is self-funded through its partnerships, the sale of licenses, and time and material consulting. No governments are required to acquire any services or products from SIPA's portfolio. To remain a viable and functioning organization, SIPA must offer products and services that are in demand by EGEs. Because SIPA is self-funded, the SIPA team and its vendor partners are highly motivated to ensure that industry-leading solutions are available at competitive prices. Governments will choose to acquire services and solutions through other mechanisms unless SIPA offers the best products, customer service, and prices.

SIPA's total revenue has grown as more cloud-based services have been added to SIPA's portfolio. However, operating revenue (total revenue minus the cost of goods and services sold) has not kept pace. This is because SIPA provides many services at **no additional cost** to EGEs. Almost all professional service contracts are provided for the convenience of the EGEs contracting with SIPA. Most of these professional service agreements tie to the configuration of some type of software license. With time, should the EGE retain the service (and licenses) over several years, SIPA begins to earn a predictable small margin on those software licenses. SIPA does not usually add a convenience fee for processing the invoices, managing contracts, or pre-paying vendors on behalf of governments. While governments

eventually pay, there are times when SIPA has paid a vendor for services or licenses 6 or more months before receiving payment from a government customer.

SIPA Revenue

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
# employees	2	2	2	2	2	3	3.5	4.5	4.5	5.5	6.5
# EGEs at July 1				33	76	113	200	260	293	299	361
# websites				30	75	90	175	225	250	175*	195

Software as a Service (SaaS) & Professional Services added in 2009
Operating Revenue = Total Revenue − Cost of Goods Sold
Profit Margin on SaaS and Professional Services is minimal
*Migration from Fatwire to Drupal; Consolidation of website architecture

SIPA's Exponential Total Revenue Growth - linked to Software as a Service (SaaS) and Professional Services added in 2009. Operating Revenue is not increasing at the same rate. Operating Revenue largely tracks CI Margin Share, which is the revenue SIPA receives from its portal integrator contract with Colorado Interactive, which runs the Colorado.gov internet portal and provides custom applications and payment processing for many state agencies and local governments in Colorado.

SERVICES

SIPA and its partners offer many services to the eligible governmental entities of Colorado and the members of the public that interact with these services.

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Internet Portal Services – Conducted in Partnership with Colorado Interactive

As required by SIPA's statute, § 24-37.7-104 (2), SIPA conducted a request for proposals in 2013 to identify a statewide portal integrator. In 2014, a five-year contract, expiring April 30, 2019, was entered into with Colorado Interactive. SIPA provides a variety of portal services in partnership with Colorado Interactive.

- **Electronic Payment Processing** - Integrated within Colorado.gov, SIPA's partnership with Colorado Interactive provides a convenient and efficient way for members of the public to pay for government services they receive online or over-the-counter by credit card or e-check. Colorado Interactive is a PCI (Payment Card Industry) Data Security Standards (DSS) Level 3 vendor. Colorado Interactive manages more than 600 independent payment systems for more than 130 Colorado governments, including 59 of Colorado's 64 counties.

  If the state agencies and local governments using SIPA's services were to independently set up and manage these transactions, they would carry costs of at least $29 million related to PCI compliance alone.[1] In FY 2015-2016 more than 5.3 million transactions for government payments of more than $1.3 billion were completed using SIPA's payment engine. SIPA's partner, Colorado Interactive, serves as the merchant of record on all financial transactions, thus providing EGE's with an added layer of protection. While Electronic Payment Processing is often provided as a standalone offering, many EGEs elect to integrate our payment processing solution into custom applications.

- **Custom Applications** - SIPA assists governments in developing custom applications that provide improved services to the citizens of Colorado. EGEs have partnered with SIPA to develop more than 200 custom applications since SIPA was created. These applications include the Online Transparency Portal, Sex Offender Registry, Colorado Business Express, Professional License Renewals, Driver's License Renewal, Online Vehicle Registration, Child Care Directories, Change of Address, Colorado Cold Case, and many more.

  The majority of these applications utilize a public-private partnership and **are not funded by taxpayer dollars**. Instead they are financed through a portal administration fee, whereby the direct beneficiary of the service pays a small amount to support the service.

- **Websites** - SIPA provides website creation and hosting at no charge to EGEs and has more than 195 websites in production today. These websites allow members of the public to gather valuable information regarding governmental services 24 hours a day, 7 days a week from their home, office,

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[1] PCI Compliance Costs are increasing. PCI Level 1 costs average $225,000 per merchant per year. PCI Level 2 setup averages $1.1 million per merchant, and PCI Level 3 setup averages $3.5 million per merchant. The estimate above is for PCI Level 1 compliance: 130 governments x $225,000 per merchant = $29,250,000. See e.g. https://www.cognia.com/pci-dss-compliance/pci-dss-compliance-minimizing-costs/

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or mobile devices. Website hosting and development costs average $7,000 to $40,000 per site depending on complexity.[2]
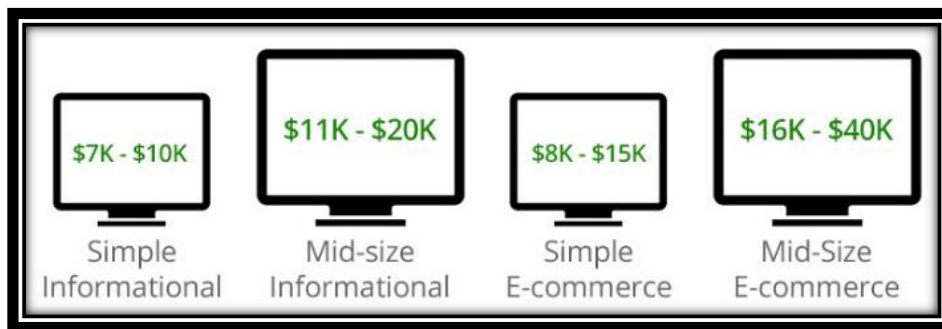
This cost is absorbed by SIPA and its partner Colorado Interactive. Colorado Interactive also ensures that the Colorado.gov portal and the websites hosted on it, are responsive (i.e. available on any device), accessible to people with disabilities, and maintain the highest security features. Using a conservative estimate of $11,500 per website, SIPA is saving governments ***approximately $2,242,500 for governments using this service.*** More information on the platform can be found at: www.colorado.gov/goingpacific
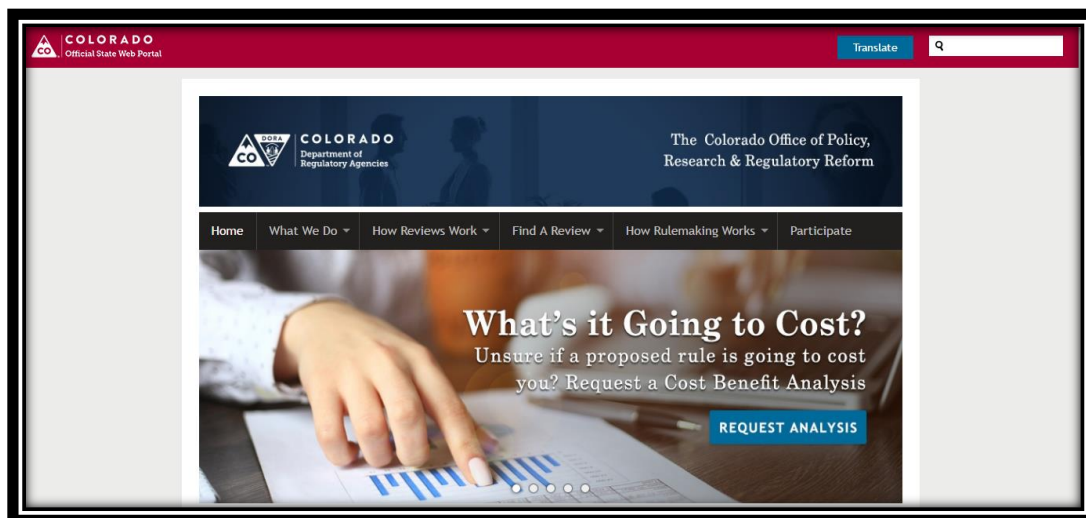

As mentioned above, SIPA's statute, § 24-37.7-105, requires SIPA to "develop the officially recognized statewide internet portal that provides one-stop access to electronic information, products, and services in order to give members of the public, state agencies, and local governments an alternative way to transact business with the state." Thus, SIPA oversees the State of Colorado's Internet portal, **www.colorado.gov**, which serves as the single and most comprehensive delivery channel for e-Government services available in Colorado. The portal links to state and local

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[2] See e.g. http://executionists.com/much-website-cost-2016/

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government websites and connects members of the public to the e-Government services they are seeking. Colorado.gov receives approximately 2.5 million visitors each year looking for information related to government services. The Colorado.gov portal was modernized and relaunched in May 2015.
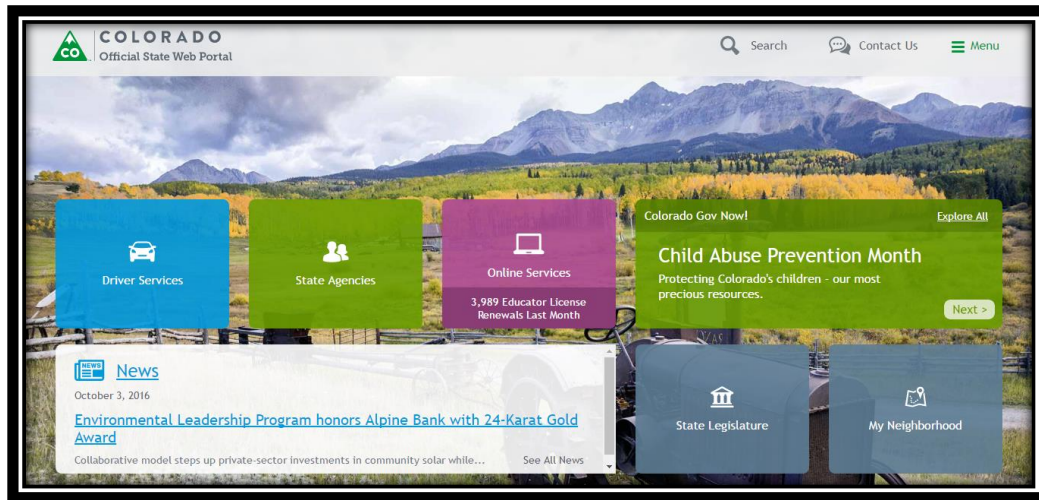
Cloud-Based Software Solutions

SIPA continues to have partnerships which allow EGEs to acquire a variety of productivity tools at competitive prices. These services are offered using an on-demand pricing model allowing EGEs to pay only for what they are using. These solutions include:

- **G-Suite (formerly Google Apps) -** G-Suite offers a state-of-the-art email and calendar system that provides 50x the storage of a typical inbox and dramatically lowers the total cost of ownership. In addition, G-Suite includes a full suite of modern productivity tools, such as built-in voice and video chat, document collaboration, and internal video sharing, to make the 21st century government workforce more productive. More than 33 EGEs take advantage of this service and have deployed more than 44,000 accounts to their employees.

- **Salesforce -** Salesforce.com software allows state and local governments to collaborate openly and seamlessly through a state-of-the-art cloud-based solution, which provides all parties with the tools to satisfy their needs with desired convenience. Through Salesforce.com, governments are able to connect, engage, and create social communities. Partner communities are developed in order to increase employee productivity and cooperation. Citizen communities are developed to engage with the public across any device or social channel. More than 27 governments across Colorado have built custom applications using the Salesforce platform.

- **DocuSign -** DocuSign is a complete digital transaction management platform that includes payment integration, work flows, audit trails, and electronic signatures to facilitate accurate and secure

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transactions. With documents playing such a crucial role in business, DocuSign accelerates this often manual, paper-based process by helping organizations complete documents from start to finish online. Three governments have adopted this versatile platform.

- **Lexmark/Perceptive Software –** Five state agencies have adopted Lexmark/Perceptive Software as their content management solution. Lexmark/Perceptive software offers a wide range of content management software technologies including, business process management, enterprise content management, intelligent data capture, enterprise and federated search, and integration technology. These tools improve financial performance, reduce risk, and ensure flexibility.

Grant Program

SIPA is about to start the seventh year of its Micro-Grant Program. Each year SIPA awards approximately 20 grants and $100,000 to help governments put more resident-facing services online. Since the grant program's inception in 2010, SIPA has awarded 137 grants totaling $627,391 across the State of Colorado. The grant program is open to all state agencies, institutions of public education, and local governments in Colorado.

Our interactive web mapping application, which provides the grant winners, amounts awarded, and grant purposes, can be viewed at: http://arcg.is/1HbqIcu

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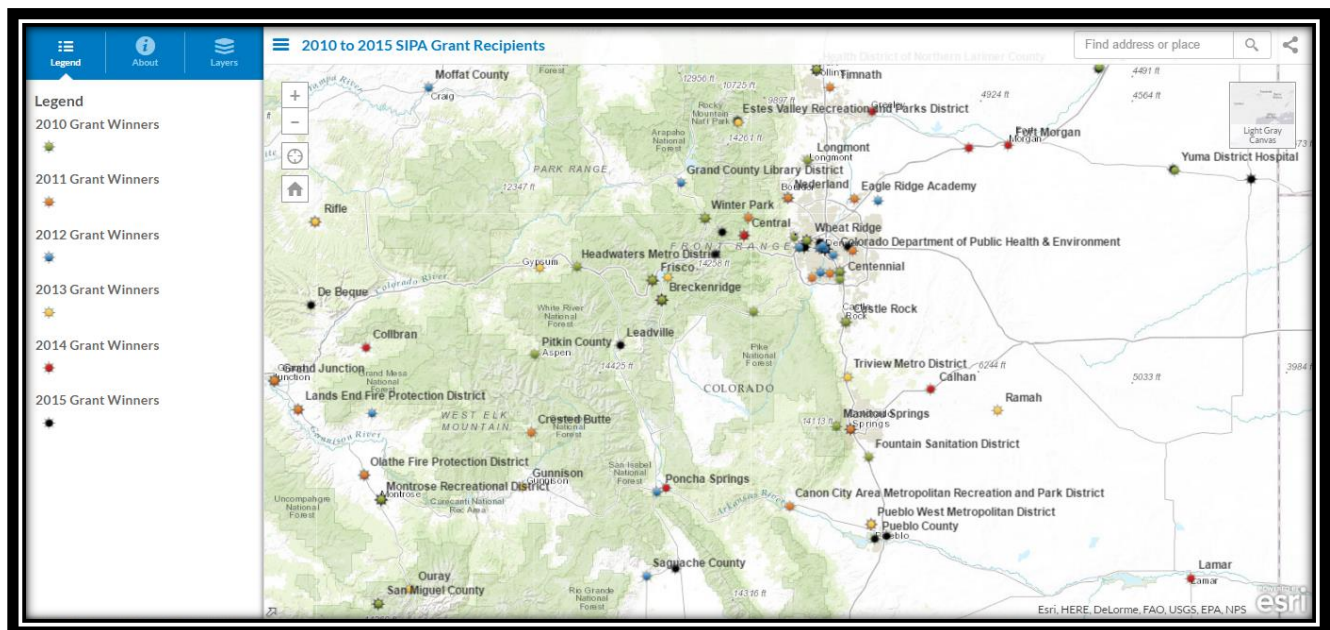
FINANCIAL INFORMATION

SIPA is self-funded and does not receive any appropriation from the Colorado General Assembly. SIPA is self-funded through its partnership with Colorado Interactive, the sale of licenses, and time and material consulting. To remain a viable and functioning organization, SIPA must offer products and services that are in demand by EGEs.

An overview of SIPA's financial operation is presented below.

FY 2015-2016: Unaudited SIPA Profit and Loss July 1, 2015 to June 30, 2016		
REVENUE		
	Colorado Interactive Margin Share	$1,785,001.46
	EGE Revenue	$3,546,664.72
	SaaS License Revenue	$9,200,936.06
	Interest	$9,347.30
COST OF SERVICES		
	EGE Engagement Expense	$3,468,683.72
	SaaS License Expense	$8,916,041.96
	Colorado Interactive Projects	$46,524.86
	CMS Hosting & SIPA University Portal	$19,100.08
	OPERATING REVENUE	**$2,091,598.92**
OPERATIONS		
	Personnel, Travel, Training	$823,586.77
	Office Operations - Insurance, Equipment, Lease, Phones, Office Supplies, etc.	$170,558.01
	Functions - Board, Annual Micro Grants, Marketing, Meetings & Events	$166,787.20
	Professional fees - accounting, audit, legal, consulting, technical assistance	$165,058.50
	OPERATING EXPENSES	**$1,325,990.48**
	NET INCOME	**$765,608.44**

SIPA's primary financial risk is whether the amount of cash it has on hand is sufficient to cover vendor invoices between the time an EGE requests licenses or services to be ordered, and the time the EGE remits payment to SIPA. SIPA's retained earnings fund size was increased to $2,000,000 when SIPA's board of directors approved its annual Strategic Business Plan and Budget in June 2016. The majority of SIPA's net income for this fiscal year has been moved to its retained earnings fund.

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FINANCIAL TRANSACTION DATA

C.R.S. § 24-37.7-113.5 requires SIPA to report the total amount of charges or fees imposed by each state agency for accessing electronic information, products, and services through the statewide internet portal and the total amount of receipts and revenue derived by SIPA from those transactions. Both of these reporting requirements are for the preceding fiscal year, which for this reporting period is Fiscal Year 2015-2016.

Fees charged by State Agencies

For most payment transactions, the fees are simple and posted to SIPA's website. Agencies can choose to absorb these fees or pass them down to the end user as a convenience fee for transacting online. The latter is the most common choice.

> **eCheck Transactions:**
>
> Transaction Amount + $1.00
>
> **Credit Card Transactions:**
>
> Transaction Amount + ((Transaction Amount + $0.75) x 2.25%) + $0.75
>
> www.colorado.gov/SIPA

For some specialized transactions, Colorado Interactive and state agencies have agreed to exceptions to these standard fees. For example, motor vehicle-related transactions are a flat 2.7% unless the transaction is less than $10.00, in which case no fee is charged. Judicial fees are $1.90 per statutory filing and $0.50 per case history. Gambling intercept has a fee of $10.00 per intercept. In some cases Colorado Interactive helps state agencies to deliver bulk records electronically to others. These fees range from $0.005 to $5 per type of record being looked up and delivered.

SIPA, through its partnership with Colorado Interactive, processed more than 5 million transactions for state agencies, which collected more than $1.2 billion for their information, products, and services. More than 50 million records were delivered on behalf of the Department of Revenue, generating an additional $685,819 for that agency.

The table on the next page provides information related to the charges imposed by state agencies as a result of laws, rules, or regulations and includes the list of available state agency services, the number of transactions completed, and the total amount of charges associated with processing the transactions. The vast majority of transactions listed reflect a single payment for a single item.

FY 2015 – 2016			
Fees & Payments Collected by State Agencies (Online & Over the Counter)			
Department or Agency	**Standard Fee Exceptions**	**Transactions**	**Agency Payment**
Department of Agriculture		10,146	$ 3,641,511
Department of Education		40,415	$ 3,053,166
Department of Higher Education		873	$ 174,154
Department of Labor & Employment		1,713	$ 251,607
Department of Local Affairs		5,245	$ 456,283
Department of Natural Resources		58	$ 55,804
Department of Personnel & Administration		17,571	$ 2,680,295
Department of Public Health and Environment		6,546	$ 2,251,956
Department of Regulatory Agencies			
Insurance		403	$ 8,273,230
Premium Tax		2,901	$ 182,756,382
Professions & Occupations		22,393	$ 2,751,488
Public Utilities Commission		1,030	$ 154,178
Registrations		216,104	$ 16,567,426
Real Estate		44,765	$ 7,164,557
Department of Revenue			
General (Driver License, OTC & Online)		565,106	$ 14,190,349
Motor Vehicle (Online & OTC)	CC: 2.7% on transactions over $10.00; under is $0.00	1,936,639	$ 377,088,591
Taxation (Multidirectional Tax & CBE)		364,164	$ 566,413,980
Department of Public Safety		11,997	$ 2,680,912
Colorado District Attorney's Council		351	$ 17,117
Colorado Judicial Branch	$1.90/Statutory Filing; $0.50/Case History	1,826,521	$ 39,312,118
Colorado State University		16,331	$ 22,105,111
Office of Economic Development and International Trade		13	$ 6,001
Office of the Attorney General		276	$ 319,350
Multiple Agencies (Gambling Intercept)	$10.00/intercept	749	$ 1,184,230
Subtotal		**5,092,310**	**$ 1,253,549,793**
Bulk Record Deliveries (DOR)	**Standard Fee Exceptions**	**Transactions**	**Agency Payment**
Bulk Motor Vehicle Records	$0.005 per record	23,494,032	$ 585,625
Crash Data Records	$0.075 per record	38,646	$ 193
Additional Record Delivery	Varies per lookup type: $0.03 - $5.00	27,380,924	$ 100,000
Subtotal		**50,913,602**	**$ 685,819**
		Transactions	**Agency Payment**
Total State Agency		**56,005,912**	**$1,254,235,612**

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Fees charged by Local Governments

In addition to processing payments for state agencies, SIPA processed more than 211,000 transactions, collecting $114 million, for local Colorado governments. The transaction fees for local governments are the same as for state agencies. Payments transactions processed for local governments are shown below.

FY 2015 – 2016 Fees & Payments Collected by Local Governments (Online & Over the Counter)		
Counties	**Transactions**	**Government Payment**
Assessor, Public Trustee	93	$ 9,623
Building Departments	5,967	$ 1,930,812
Clerk & Recorder - Misc./Unspecified	57,316	$ 1,578,009
District Attorney / Courts	4,853	$ 59,334
Fairgrounds, Events, Parks, Community Development	769	$ 273,275
Finance Departments - Misc./Unspecified	336	$ 57,516
General / Misc.	2,727	$ 212,193
Health & Human Services	1,933	$ 496,530
Planning and Use, Public Works	1,235	$ 215,749
Sheriff Departments (Traffic Tickets, Community Justice)	18,383	$ 2,014,339
Treasurer - Misc./Unspecified	5,742	$ 5,296,600
Utility Payments (Water, Sewer, Waste Disposal, etc.)	1,492	$ 239,805
Subtotal	**100,846**	**$ 12,383,785**
Municipalities	**Transactions**	**Government Payment**
Building Departments	8,908	$ 2,789,526
Clerk - Misc./Unspecified	237	$ 36,272
Fairgrounds, Events, Parks, Community Development	4,555	$ 299,943
Finance Departments - Misc./Unspecified	3,835	$ 478,214
Finance Departments - Sales Tax	42,484	$ 82,567,530
General	9,320	$ 1,419,659
Licenses & Permits	1,506	$ 55,678
Municipal Courts	2,299	$ 239,584
Planning and Use, Public Works	6,078	$ 9,442,719
Police Departments (Traffic Tickets, Community Justice)	123	$ 1,447
Utility Payments (Water, Sewer, Waste Disposal, etc.)	10,734	$ 2,094,809
Subtotal	**90,079**	**$ 99,425,382**
Special Districts	**Transactions**	**Government Payment**
District - Fire Districts	369	$ 64,502
District - Health & Human Services	7	$ 410
District - Utility Payments (Water, Sewer, etc.)	19,264	$ 2,360,179
Subtotal	**19,640**	**$ 2,425,091**
All Government Types	**Transactions**	**Government Payment**
Event Registration	854	$ 246,204
Subtotal	**854**	**$ 246,204**
	Transactions	**Government Payment**
Total Local Government	**211,419**	**$114,480,426**

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Receipts & Revenues

Colorado Interactive shares revenue, generated by offering portal services, with SIPA through a formula set by contract. For Fiscal Year 2015-2016, SIPA was paid a flat fee ($38,250 to $39,015 per month) and a percentage (7%) of the portal services revenue collected after expenses (credit card company fees, payment processing fees, and additional payments to agencies). Last year, SIPA received a total of $1,785,001 from Colorado Interactive. This number includes services for municipalities, counties, special districts, and public institutions of education. It also includes professional services.

State agencies account for 99.6% of the transactions (if Bulk Records are included) and 97% of the portal service fees collected by Colorado Interactive. The revenue (unaudited) SIPA received for FY 2015-2016 related to the transaction services provided to state agencies is approximately $1,731,451 (i.e. 97% of the margin share received from Colorado Interactive).

It is important to note that the citizens and residents of Colorado who use these services have many alternatives available and are generally not required to use them, but elect to use them because of their convenience and ease of use.

RECOMMENDED LEGISLATION

As previously noted, C.R.S. **§ 24-37.7-113.5** requires that SIPA's report to the Joint Technology Committee include any recommendations regarding additional legislation that might be necessary to carry out the purposes of SIPA.

SIPA is not recommending any legislative changes this year.

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