

Schedule 13

Funding Request for the 2013-14 Budget Cycle

Department: Department of Revenue
Request Title: Colorado Integrated Tax Architecture (CITA) Annual Maintenance and Support
Priority Number: R-1

Dept. Approval by: Brian Broke 10/22/12
 Date

OSPB Approval by: Erin M. [Signature] 10/26/12
 Date

- ☒ Decision Item FY 2013-14
☐ Base Reduction Item FY 2013-14
☐ Supplemental FY 2012-13
☐ Budget Amendment FY 2013-14

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
	Fund	1 Appropriation FY 2012-13	2 Supplemental Request FY 2012-13	3 Base Request FY 2013-14	4 Funding Change Request FY 2013-14	6 Continuation Amount FY 2014-15
Total of All Line Items	Total	-	-	-	1,500,000	3,645,000
	FTE	-	-	-	-	-
	GF	-	-	-	1,500,000	3,645,000
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(4) Taxation Business Group, (A)	Total	-	-	-	1,500,000	3,645,000
Administration, Colorado	FTE	-	-	-	-	-
Integrated Tax	GF	-	-	-	1,500,000	3,645,000
Architecture Maintenance	GFE	-	-	-	-	-
and Support (new line	CF	-	-	-	-	-
item)	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: ☐ No: ☒ If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number:

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: ☒ No: ☐ Not Required: ☐

Schedule 13s from Affected Departments:

Other Information:



DEPARTMENT OF REVENUE

*FY 2013-14 Funding Request
November 1, 2012*

John W. Hickenlooper
Governor

Barbara J. Brohl
Executive Director

Barbara J. Brohl
Signature

10/22/12
Date

Department Priority: R-1

Request Title: Colorado Integrated Tax Architecture Annual Maintenance and Support

Summary of Incremental Funding Change for FY 2013-14	Total Funds	General Fund	FTE
Annual Maintenance and Support of the Colorado Integrated Tax Architecture (CITA) Project	\$1,500,000	\$1,500,000	0.0

Request Summary:

The Department of Revenue requests \$1,500,000 General Fund in FY 2013-14 for the annual maintenance and support of GenTax software. This is the commercial off-the-shelf tax administration software package implemented by Fast Enterprises for the Colorado Integrated Tax Architecture (CITA) project. This request annualizes to \$3,645,000 in FY 2014-15 and increases three percent per annum thereafter.

Problem or Opportunity:

After final acceptance of CITA, the Department of Revenue will need to maintain and support the system. While the Department has received funding in its capital construction appropriations for annual maintenance and support during development and implementation of the system, it does not have funding on an ongoing basis to ensure system operability.

Brief Background:

The Department completed the fifth phase of the CITA project in September, 2012, and it anticipates final acceptance of the system by December 31, 2012. This request would allow the Department to transition the system from an active project to a sustained business operation. The General Assembly previously appropriated the Department funds for annual maintenance and

support through January 2014 in the capital construction appropriation for CITA.

Proposed Solution:

A managed service contract would provide the state with benefits including, but not limited to:

- Software license;
- Application support of GenTax, Revenue Online, and a third party audit selection software package called KXEN;
- Production environment support including operations and on-call support, database and operating system support, resolution of configuration and site-specific component defects, installation and configuration of system service packs, and certain programming changes;
- Version upgrade and installation; and
- Training, documentation, and assessment reports of business processes to better align with system functionality.

The Department, OIT, and the contractor anticipate staffing levels would consist of 10 to 12 contractor personnel to perform tasks associated with performance metrics delineated below, six to eight OIT personnel to oversee the network, servers, and storage and to perform some development work, and four to five

Department personnel to serve as business analysts. Department and OIT personnel would be assigned from existing staff. This request represents the most advantageous funding alternative for the state and it ensures the initial investment performs to the Department's expectation, the software stays current, and each entity's expertise is utilized appropriately.

The proposed support model is similar to those in place in other states that utilize GenTax as their tax administration software. Appendix A provides an analysis of how GenTax is supported in other states.

Alternatives:

Previously, it was contemplated that the Governor's Office of Information Technology (OIT) would be responsible for maintaining the new system; however, the Department and OIT determined that a managed service contract with the contract vendor and support from Department and OIT staff would best position the state to fully leverage its \$53.6 million investment in the CITA project.

Anticipated Outcomes:

The Department, OIT, and the contractor have agreed to six objectives to ensure the performance of the system:

1. Availability will meet or exceed 99% during normal business hours (Monday through Friday, 6am to 6pm, excluding state holidays);
2. 90% of online transactions will complete within two seconds during normal business hours;
3. Analysis and implementation of service packs, corrections, changes, and enhancements will occur without major interruption to business functions upon deployment;
4. Adoption of a governance committee consisting of representatives of the

Department, OIT, and the contractor to review performance objectives quarterly;

5. Timely response to system issues based on an escalation process tied to the impact on system performance; and
6. Leverage access to contractor training and knowledge of GenTax for Department and OIT staff.

Assumptions for Calculations:

The Department has negotiated a fee of \$3.6 million for the first calendar year (payments begin in February, 2014, in equal monthly installments, and will increase three percent per annum thereafter). The following table shows the payment schedule through FY 2017-18.

Payments to Contract by Fiscal Year		
Fiscal Year	Payment	Change
FY 2013-14	\$1,500,000	n/a
FY 2014-15	\$3,645,000	\$2,145,000
FY 2015-16	\$3,754,350	\$109,350
FY 2016-17	\$3,866,982	\$112,632
FY 2017-18	\$3,983,003	\$116,021

Consequences if not Funded:

The state's computer system for tax administration will be unlicensed and unsupported. Such an outcome will jeopardize the \$53.6 million investment the State of Colorado has made over the last five years. This will negatively impact the services the Department of Revenue provides to taxpayers and endanger the accounting system for the state's General Fund and many local jurisdictions' sales tax collections. In FY 2011-12, the Department collected approximately \$9.6 billion in state sales, excise, and income taxes and fees and approximately \$1.5 billion in sales taxes for local jurisdictions and special districts. In FY 2012-13, the balance of the revenue the Department collects will be migrated onto GenTax totaling approximately \$842 million.

Impact to Other State Government Agency:
Office of Information Technology

Cash Fund Projections:

Not applicable.

Relation to Performance Measures:

This request relates to several Department goals and includes: Customer Service-be respectful to customers by providing processes that are clear, simple, timely, and convenient; Fiduciary Responsibility-provide responsible financial, resource, and project management that builds a sustainable foundation utilizing a high standard of care; Statutory Responsibility-promote fairness and consistency in the application of the law; and Public Confidence-maximize public trust through

responsible stewardship and transparent processes.

Supplemental, 1331 Supplemental, or Budget Amendment Criteria:

Not applicable.

Current Statutory Authority or Needed Statutory Change:

Broad statutory authority exists under Section 24-35-101, et seq., C.R.S., for the Department of Revenue to collect, administer, and enforce Colorado's tax laws.