FINAL FISCAL NOTE

FISCAL IMPACT: ☒ State ☒ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

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Drafting Number:	LLS 16-0927	**Date:**	June 30, 2016
Prime Sponsor(s):	Rep. Hamner	**Bill Status:**	Signed into Law
	Sen. Lambert	**Fiscal Analyst:**	Amanda Hayden (303-866-4918)

BILL TOPIC: COLORADO CYBERSECURITY INITIATIVE

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	**Potential increase**	**Potential increase**
Cash Funds	Potential gifts, grants, and donations	Potential gifts, grants, and donations
State Transfers		
General Fund	(7,932,020)	
Cash Funds	7,932,020	
State Expenditures	**$8,013,366**	**$83,078**
General Fund	67,980	68,942
Cash Funds	7,932,020	
Centrally Appropriated Costs	13,366	14,136
FTE Position Change	0.9 FTE	1.0 FTE
Appropriation Required: $8 million - Multiple Agencies (FY 2016-17).		
Future Year Impacts: Ongoing potential increase in state revenue and increase in state expenditures.		

Summary of Legislation

This bill, ***recommended by the Joint Budget Committee***, creates the Colorado Cybersecurity Council (council) in the Department of Public Safety (DPS). The council operates as a steering group to develop cybersecurity policy guidance for the Governor; develop comprehensive goals, requirements, initiatives, and milestones; and to coordinate with the General Assembly and the Judicial Department regarding cybersecurity. The council is comprised of specified officers from the Governor's office, executive branch agencies, military organizations, institutions of higher education, the Attorney General's office, and the State Auditor's office.

DPS may coordinate with specific entities to define the operational requirements for in-state and interstate operational and training networks. The coordinating entities may:

- consider establishing memoranda of understanding or interstate compacts with entities that encourage information sharing for cybersecurity;
- support requirements for the fusion of cyber defense, cyber surveillance, and international and domestic intelligence and law enforcement operations;

- consider network infrastructures for interstate cyber training and operations;
- support requirements to identify threats and vulnerabilities, defend state cyber infrastructures, and investigate and enforce cyber-related crimes; and
- conduct training, inspections, and operational exercises.

The University of Colorado at Colorado Springs (UCCS), in partnership with a nonprofit organization that supports national, state, and regional cybersecurity initiatives, may establish and expand higher education programs in cybersecurity and establish needed cyber education and training laboratories in specified subject areas. In furthering efforts to establish cyber education and training, UCCS and the nonprofit organization may coordinate with national entities to certify cyber courses and curricula, coordinate educational planning with other institutions of higher education, and establish a public policy think tank as an academic research center.

UCCS and the nonprofit organization also may establish a secure environment for research and development, initial operational testing and evaluation, and expedited contracting for production for industrial cyber products and techniques.

The bill creates the Cybersecurity Cash Fund in the state treasury. Subject to annual appropriation, the regents of the University of Colorado may expend money from the fund for the purposes of the bill. For FY 2016-17, the bill transfers $7,932,020 from the General Fund to the fund, to be reappropriated to the Department of Higher Education for use by the regents of the University of Colorado. The bill creates the continuously appropriated cybersecurity gifts, grants, and donations account (account) in the fund. The regents of the University of Colorado may seek, accept, and expend gifts, grants, or donations from private or public sources for the purposes of the bill. The bill also appropriates $67,980 from the General Fund to DPS for use by the Office of Prevention and Security.

State Revenue

Beginning in FY 2016-17, the bill potentially increases state cash fund revenue from gifts, grants, and donations. As of this writing, no sources of such funding have been identified.

State transfers. In FY 2016-17 only, the bill transfers $7,932,020 from the General Fund to the Cybersecurity Cash Fund.

State Expenditures

The bill increases state expenditures by $8,013,366 and 0.9 FTE in FY 2016-17 and by 8$83,078 and 1.0 FTE in FY 2017-18. In FY 2016-17, it increases state General Fund expenditures by $67,980 and 0.9 FTE in DPS and increases cash fund expenditures by $7,932,020 in DHE from the Cybersecurity Cash Fund. In FY 2017-18, the bill increases state General Fund expenditures by $83,078 and 1.0 FTE in DPS. Costs are shown in Table 1 and explained below.

Table 1. Expenditures Under HB16-1453		
Cost Components	**FY 2016-17**	**FY 2017-18**
Personal Services	$62,327	$67,992
FTE	0.9 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	5,653	950
UCCS appropriation	7,932,020	0
Centrally Appropriated Costs*	13,366	14,136
TOTAL	**$8,013,366**	**$83,078**

Centrally appropriated costs are not included in the bill's appropriation.

Personal services. DPS requires a General Professional III to coordinate the activities of the council. First year costs have been prorated to account for the General Fund pay date shift.

UCCS appropriation. In FY 2016-17, the bill appropriates $7,932,020 from the Cybersecurity Cash Fund to the Department of Higher Education for use by the University of Colorado at Colorado Springs to carry out the activities specified by the bill. Although Table 1 shows all funds spent in FY 2016-17, the fiscal note assumes that expenditures may be incurred in future years.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB16-1453		
Cost Components	**FY 2016-17**	**FY 2017-18**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$8,033	$8,043
Supplemental Employee Retirement Payments	5,333	6,093
TOTAL	**$13,366**	**$14,136**

Other agencies. Beginning in FY 2016-17, the bill increases workload in the Governor's office, the Office of Information Technology, the Department of Military and Veterans Affairs, the Office of Economic Development, the Office of State Planning and Budgeting, the Department of Revenue, the Department of Personnel and Administration, the Department of Law, the Department of Regulatory Agencies, and the Office of the State Auditor. The bill requires participation from all of these agencies in the council. This increase in workload is expected to be minimal and no increase in appropriations is required.

Local Government Impact

To the extent that local governments are involved in the cybersecurity initiative, costs or workload may increase. The fiscal note has not estimated these impacts.

HB16-1453

Effective Date

The bill was signed into law by the Governor on May 20, 2016, and the bill take effect on July 1, 2016.

State Appropriations

In FY 2016-17, the bill requires and includes a General Fund appropriation of $67,980 and an allocation of 0.9 FTE to the Department of Public Safety. The bill also transfers $7,932,020 from the General Fund to the Cybersecurity Cash Fund and appropriates those funds to the Department of Higher Education.

State and Local Government Contacts

Economic Development Office	Governor's Office	Higher Education
Law	Military Affairs	Public Safety
Regulatory Agencies	Revenue	State Auditor
State Planning and Budgeting	Treasury	