



JOINT BUDGET COMMITTEE STAFF FY 2019-20 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Labor and Employment

The Department of Labor and Employment is responsible for administering unemployment insurance programs, supporting the state's system of one-stop workforce centers and workforce development programs, enforcing the state's labor laws, regulating workers' compensation insurance, administering vocational rehabilitation programs, and inspecting a variety of industries from retail fuel locations to amusement park rides.. The Department's FY 2018-19 appropriation represents approximately 0.8 percent of statewide operating appropriations and 0.2 percent of statewide General Fund appropriations.

FY 2018-19 APPROPRIATION AND FY 2019-20 REQUEST

DEPARTMENT OF LABOR AND EMPLOYMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION:						
H.B. 18-1322 (Long Bill)	256,457,687	18,391,202	79,834,345	6,521,018	151,711,122	1,279.3
Other legislation	3,091,397	1,083,972	1,007,425	1,000,000	0	1.3
TOTAL	\$259,549,084	\$19,475,174	\$80,841,770	\$7,521,018	\$151,711,122	1,280.6
FY 2019-20 REQUESTED APPROPRIATION:						
FY 2018-19 Appropriation	\$259,549,084	19,475,174	\$80,841,770	\$7,521,018	\$151,711,122	1,280.6
R1 Unemployment Insurance migrated system operations	3,801,509	0	3,801,509	0	0	0.0
R2 Division of Workers Compensation Modernization Project	76,817	0	76,817	0	0	0.0
R3 Division of Labor Standards and Statistics claims system	34,802	0	34,802	0	0	0.0
R4 Division of Oil and Public Safety - Petroleum Program	50,000	0	50,000	0	0	0.0
R5 Replacement of the legacy field audit system	450,000	0	450,000	0	0	0.0
R6 Independent Living Services provider rate increase	67,335	67,335	0	0	0	0.0
NP7 Employment First initiatives and state programs for IDD	3,755,869	800,000	0	0	2,955,869	4.0
NP1-NP6 Non-prioritized requests (OIT and DPA initiatives)	736,701	89,030	317,671	0	330,000	0.0
Centrally appropriated line items	8,452,429	1,436,845	3,904,188	26,033	3,085,363	0.0
Depreciation-lease equivalent payments	386,562	0	386,562	0	0	0.0
Annualize prior year legislation	(1,120,774)	2,366,784	(5,913,120)	2,301,402	124,160	0.7
Indirect cost adjustments	(3,125)	0	(1,125)	0	(2,000)	0.0
Annualize prior year budget actions	(289)	(62)	1	0	(228)	0.0
TOTAL	\$276,236,920	\$24,235,106	\$83,949,075	\$9,848,453	\$158,204,286	1,285.3
INCREASE/(DECREASE)	\$16,687,836	\$4,759,932	\$3,107,305	\$2,327,435	\$6,493,164	4.7
Percentage Change	6.4%	24.4%	3.8%	30.9%	4.3%	0.4%

R1 UNEMPLOYMENT INSURANCE MIGRATED SYSTEM OPERATIONS: The Department requests an increase of \$3.8 million cash funds from the Employment and Training Technology Fund to support the production operations of the new UI claimants benefits processing system (CUBS) and UI employer premiums system (CATS). The General Assembly appropriated \$57,876,960 in the IT capital budget to construct the new system between FY 2016-17 and FY 2018-19. The FY 2019-20 request funds annual licenses for software products and 9.0 FTE in the Governor's Office of Information Technology (OIT) beginning in January 2020. The request includes \$3,200,000 in the Unemployment Insurance Program Costs line item and \$601,509 in the Payments to OIT line item for the additional OIT staffing costs. The request is for funding to continue at this level in future years; however, this reflects the expectation that annualization of the new OIT staff will occur through common policy adjustments. If this is taken into consideration, the annualized impact of this request is \$4,403,021 in FY 2020-21.

R2 DIVISION OF WORKERS COMPENSATION MODERNIZATION PROJECT: The Department requests an increase of \$76,817 cash funds from the Worker's Compensation Cash Fund to support ongoing operating costs for the Worker's Compensation Claims Management System. The General Assembly appropriated \$5,932,500 in FY 2014-15 in the information technology capital budget to construct the new system and provided an extension to complete the project through FY 2017-18. The Division of Workers' Compensation regulates benefits provided to injured workers. The modernized platform has capacity to provide on-demand electronic information for any reported worker's compensation claim. Stakeholders who request this information include insurance adjusters, employers, attorneys, claimants, and state staff. The request funds annual software licenses and subscription costs required for the new system. The Department requests that funding continue at this level in future years.

R3 DIVISION OF LABOR STANDARDS AND STATISTICS CLAIMS SYSTEM: The Department requests an increase of \$30,180 cash funds from the Employment Support Fund for software licenses and subscription costs for the new Labor Standards Claims System. The Labor Standards section is responsible for assisting Colorado employees in recovering earned compensation from employers who violate labor laws. The staff of 28 is responsible for investigating approximately 3,500 complaints and responding to 2,000 emails and 40,000 calls per year. In FY 2017-18, the Division internally funded (through vacancy savings) a \$206,000 project to migrate its five older software systems to a centralized database. The database uses the Salesforce platform and integrates with other software tools. The software allows investigators to review and create needed documents and enables employees and employers to submit documentation on line, check the status of claims, and correspond with the Division by text message. The Department requests that funding continue at this level in future years.

R4 DIVISION OF OIL AND PUBLIC SAFETY - PETROLEUM PROGRAM: The Department requests \$50,000 cash funds from the Petroleum Storage Tank Fund to replace equipment and supplies for testing fuels. The agency tests the quality of petroleum pumped at gas stations to ensure fuels comply with legal requirements and are accurately labeled. Through a joint agreement with the Department of Public Health and Environment, the Division also conducts vapor monitoring to ensure that petroleum delivery carriers are capturing vapors when delivering fuel. An average of 2,980 inspections are conducted each year. Some of these are in response to consumer complaints (averaging 175 per year). Over the past eight years, the number of gas stations and associated testing required has increased by 8.0 percent. The Department's fuel testing equipment is aging and must be replaced, and supply costs have increased. The request is for an ongoing \$50,000 increase for this program. In the first two years, the Department will replace the Sulphur analyzer and vapor pressure analyzer (each estimated at \$26,400) and will address higher costs for waste disposal, helium, heptane, and other supplies (estimated at \$23,600 per year).

R5 REPLACEMENT OF THE LEGACY UI FIELD AUDIT SYSTEM: The Department requests \$450,000 cash funds from the Employment Support Fund to replace the information technology system that supports its Unemployment Insurance field audit staff. This staff is responsible for auditing businesses to ensure that they are correctly calculating

their unemployment insurance contributions. The federal government requires the State to audit at least 1.0 percent of contributing employers representing at least 1.0 percent of total wages annually. It also requires that these audits result in changes in total wages on which UI taxes are assessed of at least 2.0 percent, that audits result in an average of at least 1 worker reclassified per audit, and that the sum of the audit effectiveness measures (percent of employers audited, percent of wages audit, percent change to wages, and average number of workers reclassified per audit) be at least 7.0. The Department must therefore track these measures for the approximately 2,500 field audits completed annually by its 32-member audit staff. It seeks a workflow application that supports staff in performing and completing audits and produces an audit record to federal specifications. The system must be able to download employer and worker wage information from the Department’s employer premiums and benefits systems, ensure that additional premiums that result from the audit process are added back into the premiums system, and store audit results in a database. The Department currently uses a legacy system that uses a combination of Access databases and Excel spreadsheets. It has had difficulty maintaining the system as newer versions of Excel are released. Based on responses to Request for Information, it believe there is at least one nationally successful vendor-built system that it could purchase that would require limited customization to align with Colorado’s UI premiums and benefits systems. The request would annualize to \$40,000 cash funds from the Employment Support Fund in FY 2020-21 and subsequent years for licensing and subscription costs.

R6 INDEPENDENT LIVING SERVICES PROVIDER RATE INCREASE: The request includes a common-policy 1.0 percent provider rate increase for independent living centers in the Division of Vocational Rehabilitation and Independent Living Services.

NP7 EMPLOYMENT FIRST INITIATIVES AND STATE PROGRAMS FOR IDD: The Department requests \$3,755,869 total funds, including \$800,000 General Fund, \$2,955,869 federal funds, and 3.7 FTE for the Department’s share of request submitted through the Department of Health Care Policy and Financing on Employment First initiatives. Employment First is a nationally recognized model for achieving increased, successful employment outcomes for people with disabilities. In CDLE, the request would add a new line item in Vocational Rehabilitation Programs to create an Office of Employment First, fund four new positions, and fund training for providers of supported employment services and vocational rehabilitation program staff. The Office of Employment First would be implemented through a contract with a “University Center of Excellence in Developmental Disabilities,” which would work with five affected state departments to identify policies, regulations, and practices that present barriers to Employment First implementation. The Office would also be responsible for disseminating information to individuals with disabilities, families, service providers, and educators about competitive employment for people with disabilities and conducting training on this topic. The four new vocational rehabilitation program staff would create curriculum and training for state agency staff; create a hiring model for employing individuals with disabilities in state government; develop and lead state efforts to provide braided benefits planning services to clients; and manage a program to ensure that contractors correctly implement the evidence-based Individual Placement and Support model. Funding at this level is requested through FY 2021-22, after which future funding would be requested through the budget process.

NP1-NP6 NON-PRIORITIZED REQUESTS (OIT AND DPA INITIATIVES): The request includes the Department’s share of requests in the Governor’s Office of Information Technology and the Department of Personnel.

NP1-NP6 NON-PRIORITIZED REQUESTS (OIT AND DPA INITIATIVES)						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
OIT Securing IT operations	\$506,371	\$0	\$206,371	\$0	\$300,000	0.0
OIT Essential database support	86,439	0	56,439	0	30,000	0.0
OIT Application refresh and consolidation	74,791	74,791	0	0	0	0.0
DPA IDS Increased Input Costs	54,861	0	54,861	0	0	0.0
OIT Optimize self-service capabilities	14,239	14,239	0	0	0	0.0

NP1-NP6 NON-PRIORITIZED REQUESTS (OIT AND DPA INITIATIVES)

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
TOTAL	\$736,701	89,030	\$317,671	\$0	\$330,000	0.0

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; leased space; Capitol complex leased space; payments to OIT; CORE operations: and PERA direct distributions.

DEPRECIATION-LEASE EQUIVALENT PAYMENTS: Pursuant to Section 24-30-1310 (2)(a), C.R.S., the request creates a new \$386,562 depreciation-lease equivalent line item for projects funded with cash funds on or after FY 2015-16. The amount due is based on a building's depreciation schedule and is placed in a capital reserve account established by the state agency associated with that cash fund.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes the following adjustments for the second-year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize SB 18-200 (PERA)	\$225,524	\$13,084	\$86,880	\$1,400	\$124,160	0.0
Annualize SB 18-167 Locate Underground Facilities	55,831	55,831	0	0	0	1.2
SB 18-167 Underground facilities change line item location	0	0	0	0	0	0.0
Annualize HB 18-1343 Veterans' Service-to-Career Program	(1,000,000)	0	(1,000,000)	0	0	(0.5)
Annualize HB 18-1316 Extend CDLE WORK grant program	(399,998)	2,300,000	(5,000,000)	2,300,002	0	0.0
Annualize SB 18-145 Implement Employment First Recommend	(2,131)	(2,131)	0	0	0	0.0
TOTAL	(\$1,120,774)	2,366,784	(\$5,913,120)	\$2,301,402	\$124,160	0.7

INDIRECT COST ADJUSTMENTS: The request includes an adjustment to the Department's indirect cost assessment for FY 2019-20.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request annualizes prior-year salary survey appropriations.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

THE UNEMPLOYMENT INSURANCE SYSTEM AND REQUEST R1: Department Request R1 is for \$3.8 million cash funds (annualizing to \$4.4 million) for ongoing annual operating support for the Department's new Unemployment Insurance (UI) information technology systems. The State is in the process of migrating its UI systems from older mainframe technology at a cost of \$57.8 million. The project is scheduled to complete in February 2020. The request for ongoing operating costs is \$1.4 million greater than projected. Although capital IT requests indicated that no new staff would be required, the request includes 9.0 new OIT staff at a cost of \$1.2 million.

NON-PRIORITIZED EMPLOYMENT FIRST REQUEST: The Department of Health Care Policy and Financing Request R16 proposes a new line item in the Department of Labor and Employment, Vocational Rehabilitation Programs for “Employment First” programs. The request for \$3.8 million would fund 4.0 FTE and a new Office of Employment First, housed in a University Center for Excellence in Developmental Disabilities at the University of Colorado. The Office would be responsible for a range of coordination and training functions to promote competitive integrated employment for people with severe disabilities. Some details of the proposal are still unclear.

COLORADO WORKFORCE DEVELOPMENT COUNCIL AND EDUCATION AND TRAINING INITIATIVES: The Colorado Workforce Development Council brings together multiple agencies and business partners to align state workforce training needs and educational systems. Funding for innovation comes primarily from private philanthropic resources, industry participation, and federal funds, although the State supports several targeted programs.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2019-20_labbrf.pdf