DEPARTMENT OF LABOR AND EMPLOYMENT
FY 2018-19 JOINT BUDGET COMMITTEE HEARING AGENDA

Wednesday, December 13, 2017
9:00 am – 10:30 am

9:00-9:20   **INTRODUCTIONS AND OPENING COMMENTS**

9:20-9:50   **UNEMPLOYMENT INSURANCE**

Solvency of the Unemployment Insurance Trust Fund (UITF)

1   **[The UITF is projected to become insolvent just a few months into a recession]. What are the benefits and costs of taking action now to improve UITF solvency, as opposed to delaying? How much more does it cost employers if the state has to issue bonds to cover UI deficits during a recession? How much more does it cost employers if the State has to rely on federal loans to cover UI benefits? Is it in businesses' interest to address this now? Why or why not? Have there been analyses by business schools or other entities on the incentive structure?**

There are two general ways of financing unemployment insurance-- forward financing or deficit (or pay as you go) financing. Forward financing requires that state trust funds build up an adequate level of reserves prior to recessions to allow payment of UI benefits during a downturn without having to borrow. Deficit financing requires borrowing to finance payment of benefits during economic contractions. USDOL, along with most analysts who have studied UI programs, recommend forward financing because deficit financing imposes a variety of costs upon employers (such as additional solvency surcharges, interest repayment expenses, and higher UI premium rates) at a time when these additional costs are most onerous. During economic expansions employers move to lower premium rate schedules because there are fewer benefits paid and because the reserves held in the trust fund are growing (both factors determine employer premiums). Moreover, employers move to the highest premium rate schedules when the fund becomes insolvent so it is beneficial to attempt to insure against this. Because Colorado's taxable wage base was fixed at $10,000 for so many years (1988-2011) the state has implicitly moved to a deficit-financing structure.

A cost comparison of federal borrowing versus private bond issuance is complicated and depends on many factors including, but not limited to, the expected length and amount of borrowing; the strength and timing of the subsequent economic recovery; the interest rate differential between federal borrowing and privately issued bonds; the availability, if any, of federal interest-free or interest deferred borrowing; and the term structure of the bonds and their repayment schedule.

Briefly, regardless of whether bonds are issued or borrowing is done through the Federal Unemployment Account, interest must be separately assessed and paid by employers (federal

law prohibits the repayment of interest from employer premium contributions). Federal borrowing is only done up to the amount needed to pay benefits each month based upon the state's estimate of what is needed which helps minimize interest costs. Bonds are generally issued for a fixed term and amount and are dependent upon forecasts of how much will be required. One of the risks associated with bonding is therefore over- or under-borrowing.

Principal repayment on federal borrowing is accomplished through a reduction in the federal unemployment tax credit given to states (the federal tax increases incrementally after two years of borrowing and the revenues are used to repay the principal). Bonds have a fixed repayment schedule and the principal is amortized through a separate bond principal surcharge assessed against employers over the term of the bonds-- the amount of this surcharge is dependent upon the size of the bond issuance and the term structure.

Whether paid from the UI Trust Fund, federal borrowing or through bonds, benefits to eligible claimants must be paid. Forward financing allows fund reserves to be built up during periods of economic growth when employer premium rates are relatively low. Since the highest employer premium rate schedules occur when the fund becomes insolvent, maintaining fund solvency provides an important benefit to employers. Should the fund become insolvent, employers would not only move to the highest premium rate schedule but would be assessed interest and principal repayment costs associated with borrowing.

2 **Elaborate on the UI stakeholder committee, who participated, and what process they used. Did a decision have to be unanimous? What options were discussed? What is the Department's preferred option? What did various stakeholders favor? Can you provide a rank order of preferred solutions? What were the biggest sticking points?**

CDLE first formed its broad-based UI stakeholder process (UI Task Force) in 2011, and since that time we have continuously convened and relied upon that advisory group for insights and recommendations on a variety of UI related public policy and legislative issues. While the process for decision making for the group has never been based on unanimous decision making, CDLE does seek broad support on the issues. The group is made up of various employer and employee and public representatives while the membership is not formally fixed. This process has been successful over the years in bringing about consensus on a variety of legislative issues, including the 2012 special session UI Trust Fund bonding bill.

Among those represented since the beginning of this effort are the Colorado Association of Commerce and Industry (CACI), the National Federation of Independent Businesses (NFIB), Colorado Concern, the Colorado Competitive Council (C3), and other business associations, as well as the AFL-CIO, the Colorado Fiscal Institute, and the Bell Policy Center. The specific attendees at the meetings this past spring-summer-fall of 2017 to address long term UI Trust Fund solvency included all of the above mentioned organizations, as well as senior leadership from both CDLE and OSPB. Discussion centered on the long-term solvency problem of the UI Trust Fund and the need to adjust the taxable wage base as this was

identified by the State Auditor's Office in their 2010 audit of the fund as needing remedial action. All of the participants in the stakeholder process agreed that at some point in the future the long-term solvency issue needs to be addressed, but the employers responsible for paying premiums on an expanded range of wages did not want to propose this solution in the 2018 legislative session nor was there any ranking of potential solutions. The committee did agree, however, that if any increase to the wage base be implemented it should occur gradually over several years to minimize the financial burden to employers. The Department's recommended proposal incorporated this suggestion as well as a temporary freeze to the maximum benefit amount and several changes to employer premium rates.

CDLE will continue to convene this valuable ongoing advisory stakeholder process on this and other UI-related matters, including at least one or two meetings between now and the conclusion of the 2018 session of the Colorado General Assembly.

3   **Did the Department and stakeholder group consider benefit *reductions*? Why or why not?**

Unemployment insurance acts as a temporary partial wage replacement program to those laid off through no fault of their own committee members did not support a benefit reduction. It is not an entitlement program. The federal recommendation has long been that wage replacement be around 50 percent of an employee's earnings and Colorado has been well below this level during the existence of its UI program. The Department's proposal of a temporary freeze on the maximum weekly benefit amount had mixed support from the members.

4   **How are state UI programs similar and different? (a) How do benefits differ, including size and maximum duration? Can they be shorter than Colorado's 26 weeks? (b) How do tax/premium structures differ? Do some states avoid our flawed/underfunded trust fund structure? Are there other models for providing UI benefits? (c) How much flexibility do states have in structuring their programs? Are there minimum federal program requirements?**

All state programs must conform with a variety of federal laws and standards. All states must incorporate an experience-rating structure in setting UI programs-- i.e., employer premium rates must be related to that employer's layoff history. In addition, state trust funds operate on a variety of premium rate schedules so that as the UI Trust Fund (UITF) balance increases premium rates decline and as the balance in the UITF is depleted premium rates rise. In general, however, states have some flexibility with respect to establishing benefits, maximum premium rates assessed, and the types and triggers of various supplemental solvency charges. USDOL has long recommended and supported a standard of 26 weeks as the maximum length of regular state UI eligibility although in the aftermath of the Great

Recession a small number of states reduced their maximum number of weeks (prior to 2011 all states adhered to the 26 week standard). The Department believes the reduction may make those states ineligible for zero-interest short-term borrowing but will need to confirm with USDOL.

5   **Are the specifics of the program set in statute? Could any solvency options be implemented using administrative authority? What statutes would the Department recommend changing to address solvency? Why not continue the bond surcharge that expires in 2017 and redirect the payments to improve the solvency of the UITF?**

The establishment of employer premium rates and claimant benefits are set in statute through the Colorado Employment Security Act. These include the UITF solvency surcharge as well as provisions for repayment of interest on federal borrowing. Continuing the bond surcharge beyond 2017 was not an option. The bond covenants associated with the sale of Colorado Unemployment Bonds in 2012 assessed a bond principal surcharge against employers to be used only to repay the annual bond principal due to bondholders ($125 million annually over five years). Once the bonds were repaid the surcharge simply expired since there is no authority for the Department to continue assessing or collecting the surcharge.

Colorado State Statute - Title 8 - Article 76 (8-76-102.5) dictates the rates effective upon fund solvency

6   **Please clarify how the federal (average high cost multiple) solvency measure is calculated. Does it assume a minimum standard of benefit? Is the calculation based on the current state benefit or a federal minimum benefit? Does it assume a recession? If so, how large a recession?**

The federal solvency standard (average high cost multiple or AHCM) simply measures how long each state's UITF could pay benefits if the state paid benefits equal to the average benefits paid out during the prior three recessions. It is therefore measured with respect to the individual state's experience and not to any assumed federally recommended level of benefits or contributions. USDOL has found that the average high cost multiple measured at the start of a recession is predictive of whether a state will need to borrow during economic slumps-- those states whose AHCM is one or greater borrow less frequently than those whose AHCM is less than one. Formally, the AHCM is defined as the (trust fund balance divided by total covered wages in the state) divided by (average benefits divided by total covered wages in the state over the past three recessions). Despite the state's strong economic performance over the past five years, Colorado's AHCM has remained at roughly 0.6 and is expected to stay about this level even under conditions of continued growth.

UI Computer Systems/R1 Reemployment Initiative/UI Administration

7   **[The General Assembly authorized over $50 million cash funds in FY 2016-17 to replace the current UI mainframe system] What kind of a project is this? Is it an outside project or internal? Did it go to the JTC? Please provide more detail on how the project is going and what is being anticipated. Will you be submitting a request to modify or expand the project?**

This is a joint technology project between OIT and the Department of Labor and Employment to modernize the underlying Unemployment Insurance technology platforms that provide critical services to both employers and claimants. The project did go before the JTC for introduction and approval. The project is being executed by OIT staff, UI staff as well as an outside vendor, Deloitte.

The UI Modernization Project Team has developed a project roadmap which breaks the project into three major phases:
- Phase 1 of the plan involves the "lift and shift" of the legacy system code to the modern Java code base.
- Phase 2 of the plan involves the restructuring of the backend database into a more business oriented structure to enable more long term modernization deployments to the system as well as configuring the data exchanges and system interfaces to utilize an enterprise service bus.
- Phase 3 will incrementally modernize the system to realize business operations and customer service improvements, including changes to the user interface, improved reporting capabilities, and more efficient business processes.

The UIM Project is currently in final testing and preparations for full migration of benefits and premiums systems which will provide a one to one conversion for internal users. This approach promotes better continuity of customer service operations, has reduced the need for extensive training and allows for more focused change management. This migration gets the UI program off the mainframe and the constraints of the legacy code and is a transformational step on the path to modernizing the system and the customer experience.

Finalization of modernization components are currently underway and will run concurrent with Phase 2 of the project. 2018 will bring internal and external systems enhancements with the full Phase 3 effort scheduled to end in December, 2019.

Based on progress on the project and total costs projected for the modernization the Department will be submitted a cash funded request for an additional $7.5- $10 million dollars.

8   **What has the Department done or is it planning to do to address or enhance call management at the UI call center? Discuss the status of the call center system. Could greater call center automation or other UI computer system changes improve customer support? For example, does CDLE plan to have expert opinions embedded in the UI system to give customers expert advice?**

The UI Benefits Customer Service Center (CSC) has taken several measures to drive improvements to service. As a result wait times from 2015 to 2016 dropped by an average of 25%. Wait times from 2016 to year to date 2017 have dropped by almost 50%. Some efforts include:

- Over the last several years UI has enhanced its self-service claim filing system to streamline the process for claimants. These system enhancements have provided a improved experience and driven down a need for claimant phone interaction with staff.
- Streamlined regulations that are simpler for claimants.
- Implemented web based chat functionality at the local Workforce Centers as an additional means of effective and efficient service to customers. Full chat expansion linked to our CDLE external website is expected in 2018. As UI expands chat we will look to utilize modern functionality that includes an interception feature in which the system first responds to a chat with information to common questions prior to directing to an agent. This automated feature would address some percentage of claimant questions without having to direct to an agent.

In the Fall of 2017, UI implemented a new telephony system. With the implementation of the new telephony systems, UI expects to realize gains now and over time to customer service due to systems features that directly impact the claimants as well as features that improve business operations which indirectly touch the customers we serve.

- Immediate improvements:
  - Cloud based system with full redundancy allows for failover and remote access. Provides continuity of operations for disaster recovery, inclement weather as well as allows for work from home options.
  - Enhanced system functionality for improved call service-autoscreen pop with complete claimant information saves agents/claimants time of manually entering information-also reduces call handle time which ultimately serves claimants faster; integration with current Salesforce claimant record for better documentation
  - Improved reporting capabilities and easy, intuitive access to real time and historical data affords better operations management to improve customer service.
  - Routing features include queue callback which will hold claimant's place in line and provide an automatic callback.
- Improvements with expected realized gains in 2018:

- o Improved chat capabilities-integration of call and chats for operational efficiencies. Allows for the ability to expand chat to larger public.
- o Improved workforce management capabilities leading to improved scheduling of staff based on anticipated demand.
- o Enhanced call review system to quickly identify agent performance opportunities. More intuitive, streamlined system should reduce agent training time.

9   **[R1 requests over $200,000 cash funds for a computer-based system that provides on-line instruction and activities for UI beneficiaries to assist them with job-search skills] Information on how to write a resume is already readily available on the internet. Why does the Department need to pay for an on-line system to teach unemployed people such skills? How would this differ from what is already available on the internet? Why does the Department believe such instruction will be effective?**

The department anticipates the $200,000 cash funded increase will result in an annual savings to the UI Trust Fund of $30 million. Many UI recipients, especially those that have been employed for a long period of time, do not know how to effectively approach searching for work. UI considers this a critical skill to getting back to work in a timely manner- which benefits everyone. The UI Division, based upon best practice models from across the nation, is seeking a way to efficiently and effectively introduce, and ideally enhance, job search preparedness skills across <u>all</u> of its claimants in a manner that is consistent and trackable.

While there are countless internet based programs that offer these services the quality of these services varies a great deal and more importantly voluntarily utilization by the claimant population of these online services is neither guaranteed nor consistent or trackable by the UI Division. Our proposal is to make a few common online job preparedness modules mandatory for all claimants as part of their required work search requirements to receive benefits. After the minimum requirements are met the claimant can either chose to further engage in other modules offered or not.

The Department does not <u>need</u> to teach claimants these skills, rather the Department is proposing that it would be a sound investment to leverage a small portion of penalty and interest revenue dollars to fund an online mechanism that requires all claimants have some exposure to these skills so as to better position them to start off their job search in an effective manner and improve the likelihood of rapid re-employment.

The Department believes this would be effective because there is sound evidence from across the nation that this approach does reduce overall average duration on benefits.

10   **Please bring in an example of a module to show the JBC how your proposed computer based instruction system might work.**

The UI Division is in the midst of a competitive RFP to procure a vendor solution. As such the Division cannot at this time bring in a specific example of how the system might work or look. The Division has seen demonstrations of a system in place in other states and be assured it can be rather straightforward in design and integration with state UI systems leveraging file transfers.

Conceptually the claimant would be given access to a online job readiness site along with a unique user password or key upon determination of rights to UI benefits. Within a period of time they would be required to complete 1) a brief self-assessment, 2) a minimum number of job search preparedness modules (perhaps some required and some elective), and 3) a post self-assessment. The claimant would have the capacity to go in and out of the system and it would save their work though, in total, it would likely take only 1- 3 hours to complete. Upon completion of the minimum modules that information would transfer to our UI system for tracking and verification purposes. As an added resource, for the duration of the time the claimant is on unemployment benefits he/ she would have access to that system for further self-guided exploration and learning at their own discretion.

11   **Why do you need additional funding for R1? Why can't this be absorbed within existing resources?**

Federal funds are not allowed to be used for this project. Unemployment Insurance has no other funding source and does not have any excess funds for this new job search preparedness skills module. Further, absorbing this with existing funding would come at the expense of the service needs for employers and claimants alike. The Division's analysis is that leveraging a small portion of penalties and interest revenues is a very sound investment that has a high likelihood of reducing the overall UI benefits duration and thereby improving the state of the UI Trust Fund.

12   **Given that UI claims are low right now, has UI staffing also declined? Why or why not? Doesn't the current low demand for UI benefits provide additional "space" within the Department's budget for initiatives such as R1?**

The majority of funding for the UI staff comes from federal sources. The UI staffing model at present is designed to: 1) continue providing high customer service to employers and claimants including timely and accurate performance across the board, 2) to ensure that the integrity of the program is sound, including pursuing fraudulent activity, 3) to effectively staff the UI Technology project for successful migration and modernization (the legislature

approved 26 FTE to achieve this endeavor), and 4) to continuously improve and refine processes to better position UI to serve its customers now and through the next recession.

The UI staffing levels have declined since the Great Recession. While the staffing levels are higher than they were previous to the Great Recession the Division is quite confident that its staffing level is appropriate to meet the current demands and scope of total work at present, which may be more comprehensive, focused, and more customer service driven than previous iterations of the UI Division. The Division believes this is reflected in our current performance. Therefore, no, the Division does not believe that a reduction in staffing to create space for this initiative would be prudent.

9:50-10:10   EMPLOYMENT AND TRAINING/WORKFORCE DEVELOPMENT COUNCIL

13   **The General Assembly authorized a variety of workforce development programs in 2015 and 2016. Some of these programs are now ending. JBC Staff found that the Department provided little analysis of what has worked or not in these programs.] Why doesn't the Department have some type of analysis about whether these programs worked and are worthwhile? Wouldn't this be valuable even if not specifically mandated by legislation? Does the Department believe the repealing programs should be continued? Does it have any evidence of success of failure for the programs? What is the Workforce Development Council's assessment of these programs?**

Why doesn't the Department have some type of analysis about whether these programs worked and are worthwhile? Wouldn't this be valuable even if not specifically mandated by legislation?

Response:
CDLE fully supports additional evaluation of these pilots to determine their effectiveness and welcomes a collaborative effort if new legislation will be introduced. CDLE staff input can assist in establishing program guidelines, conducting oversight, and reporting outcomes.

The Division of Employment & Training at CDLE has a long-standing commitment to excellence in all we do. We have met or exceeded all federally mandated performance measures for the last 16 years. We have long-standing partnerships with other state agencies, which have funded us to implement new initiatives, based on our reputation that we get things done and done well. We have a high award rate with our applications for federal discretionary grants because of our proven performance, evaluation and oversight. We carry that commitment into these state pilot programs and take responsibility to administer them to the best of our abilities.

Many of the program staff that are currently responsible for state grants have their salaries supplemented with other funding from CDLE's budget to fill the gap between our request and the amount allocated for personnel. Our federal funds have decreased the last two years

and we expect additional cuts up to 40% once Congress acts to extend the current year's funding. As a result of the current funding situation, we are unable to allocate additional resources for analysis on these grants that goes "above and beyond" what the legislation mandates.

Does the Department believe the repealing programs should be continued?

Response: CDLE would support an extension of <u>Veterans Service-to-Career Pilot Program</u> with modifications. See recommended modifications in the response to question #14 below.

CDLE remains neutral on an extension of the <u>WORK Act</u>. It was intended as a temporary solution to build the capacity of programs to produce more skilled labor. The program is meeting its objectives to increase awareness of available training programs and successfully increasing enrollment and completion of skilled worker training programs. The result is more skilled workers in Colorado to meet industry need, and industry will continue to benefit from the impacts of this funding for years to come. The Legislature has invested a significant amount of state funds in this program and businesses are benefiting. If the program continues, CDLE would support a sustainability model for this program going forward that would gradually shift financial responsibility to businesses through a cash match requirement.

CDLE supports the continuation of and welcomes additional funding for the <u>Innovative Industries Internship Program </u>due to the high demand by employers (demand was three times the available funding). Additional funding would increase the number of internships in innovative industries and allow students to develop skills that would assist them in creating a sustainable wage while on a career pathway. Additional funding would also increase the opportunity for more employers statewide to offer internships, with a focus on rural communities and its needed resources.

Does it have any evidence of success or failure for the programs?

Response:

<u>Veterans Service-to-Career Pilot Program:</u> See responses to Question #14 below.

<u>WORK Act:</u>
- The six Cycle 1 Grantees exceeded their skilled worker training program enrollment goals by 34% and completion goals by 43%
- Two grantees outgrew their training facilities and secured new larger facilities which will afford them additional opportunities for more in-depth training
- Training curriculum has been modified to meet industry need (i.e. shorter more intense training for specific job openings)
- In Cycle 2 (currently underway), all grantees are on track, and many are exceeding targets at this point in their cycle

- In Cycle 3 (just awarded), two previous grantees requested funds for expansion efforts and nearly four times as many funds were requested as were available (indicating increased awareness of the WORK Act grant program and potential value)

Innovative Industries:
CDLE conducted an evaluation with participating businesses and interns. Based on that feedback, CDLE concluded that the program is meeting the defined objectives in the legislation to expose Colorado students to career opportunities in innovative industries while gaining work experience, and to incentivize businesses to create more opportunities for work experience for students while training potential long-term job candidates. Here are the results of the evaluation:
- 97% of participating businesses expanded their internship programs to include more interns, and paid interns higher wages, as a result of the Innovative Industries Internship program.
- Although direct hire/placement into the participating businesses is not an outcome expectation of the program, we know that approximately 25 interns were employed by an employer upon completion of internship. The goal of the internship is to provide a career experience, and most participants are enrolled in a secondary/post-secondary education program and are not seeking permanent employment yet. A longer-term follow-up (over 12 months) would be needed to determine permanent employment outcomes after students complete their education.
- 86% of interns stated they received quality training during their internships and were grateful that this program made it possible.

One business stated, "This is a great opportunity to grow the skilled workforce we need in the Front Range. What a great opportunity to encourage a small company to be able to offer an intern an opportunity like this. The intern comes away with real experience that can benefit his future employer (if not us) when he graduates." Another business states, "This program allowed us to hire an intern and address long term infrastructure projects that we would not otherwise have the bandwidth to complete."

What is the Workforce Development Council's assessment of these programs?

Response:

Veterans Service-to-Career Pilot Program (HB16-1267): The CWDC would support an extension of this program with modifications as recommended by CDLE above. Additional support to CDLE Workforce Development Programs to add a rigorous evaluation program should be included in any extension of the program.

WORK ACT (HB 15-1276): The CWDC's assessment of this legislation is that it has been successfully implemented by CDLE and grantees, and important structures have been built to increase recruitment of students into critical skilled trades training programs. Consideration for extending this legislation should include changes such as:

- require a sustainability plan for grantees, requiring a commitment to continue the funding with non-state funds beyond the grant period;
- provide support for alignment of marketing and brand messaging across grantees and with existing programs and efforts in alignment with statewide initiatives;
- grantees should be statewide or regional industry intermediaries, with a strategy for placing individuals in a variety of education and training providers rather than the current model which requires the grantee to be an education or training provider and funds benefit that program rather than the wealth of programs available to individuals.
- grants should be focused on expanding the awareness of good careers in many industries and multiple education and training options including work-based learning rather than single training programs.

Innovative Industries Internship Program (HB15-1276): The CWDC's assessment of this program is that it is one of the most successful and productive of the recent workforce development legislation. It addresses a common theme across all industries regarding the lack of employability skills of individuals upon graduation from high school and college. The solution is meaningful work-based learning embedded with classroom training, such as the Innovative Industries Internship Program.

This legislation was not intended to serve a specific population but rather to provide an opportunity for all students to receive quality, paid, work-based learning experience while still in school, providing critical employability skills. Additionally, to provide exposure to a variety of career opportunities in the innovative industries. Through this program businesses are exposed to the value of providing work-based learning opportunities and are expanding the number and scope of opportunities provided.

Internships are part of a continuum of work-based learning strategies ranging from short-term on-the-job training to full-time registered apprenticeships. Registered apprenticeships are considered the most comprehensive and desirable form of work-based learning and are a targeted strategy in the Governor's economic development plan for Colorado. **An interesting trend emerged during the first year; forty-four percent (44%) of participating employers expressed interest in creating registered apprenticeships**. Exposure to the Innovative Industries Internship program made it possible to have individual conversations with employers about expanding their work-based learning program to include apprenticeships.

Most higher education institutions provide internship programs for students, but many are not paid internships, there is little incentive for business to ensure that they are high quality experiences, and there is not integration between business organizations, education providers and workforce development.

This program is providing a unique opportunity to demonstrate the value of work-based learning to students, schools, businesses and business associations. As the state's talent development network invests in expanding work-based learning (earn and learn opportunities) for all students, this program is providing a platform for business and student

engagement. The program's 2017 annual report
(https://drive.google.com/file/d/1E_S2vqAkChDnYMuiB9fgCcijPisJFfd4/view) provides
testimonials from businesses and students on the value of this program.

The CWDC strongly recommends an extension of this program and in fact, as the coalition of
talent development systems, will include this recommendation in the 2017 Talent Pipeline
Report:

> **2B Expansion of WBL Opportunities Along the Continuum:** These initiatives
> include the expansion of adult and youth apprenticeships, internships and OJT.
>
> 2B.1 *Expand the model program that awards matching grants to businesses that
> offer internships so as to include apprenticeships and other types of WBL
> opportunities.* This program has proved very successful in increasing the number of
> internships offered and subsequent student enrollments.
>
> 2B.2 *Ensure that additional programs for WBL are integrated into the existing
> infrastructure at state agencies.* For example, programs that incentivize business to
> expand WBL opportunities can utilize the existing program infrastructure within the
> CDLE; programs that incentivize colleges and training providers can use the existing
> infrastructure at the CDHE, etc.

14 **Respond to the staff recommendations on the Veterans Service-to-Career Pilot
Program. Does this program meet a need or address a real problem? How do
stakeholders feel about it? Was it cost-effective? Are there other programs that benefit
veterans in finding employment that are more successful? Is there additional data
available that could be used for a more substantive evaluation? Does the Department
feel this program fits within its mission? Would the Department recommend
modifications to the program, if it is continued?**

Does this program meet a need or address a real problem?

Response: Yes, the Veterans Service-to-Career Pilot Program meets a need for funding
services that are not allowable under the primary federally-funded employment programs -
the Jobs for Veterans State Grant (JVSG) program - or in the case of WIOA where funds
may be limited. JVSG funds can't be used for training or supportive services. WIOA funds
can be used for these services, but funding is limited and the supply does not always meet
demand for funding.

How do stakeholders feel about it?

Response: The three local workforce areas that have received funding have voiced support
for the program. One stated that the program is an asset to the community that supplements

and enhances what the Workforce Center does with WIOA funding without duplicating services. Another mentioned the ability to access training not allowed under WIOA; two veterans were sent out-of-state to acquire helicopter pilot training not available in Colorado and ultimately received employment in the field. The third workforce area noted that the program provided an opportunity to expedite use of non-traditional approaches to wrap-around services to the veterans most in need while developing new partnerships in the community (with Mount Carmel Center of Excellence). The grantees did not recommend any significant changes in the program, citing the flexibility in use of funding as an asset. One local workforce area did suggest a revision in the language that mandates use of WIOA funding first or when WIOA funds not available, citing the lengthy WIOA screening process prohibited speedy delivery of funds to veterans in need. However, CDLE feels that this language in the bill is necessary to ensure that there is no redundancy in the services provided through this pilot and the federal WIOA program.

Was it cost-effective?

The average cost per enrollee for the first year of the Program was $1,484. The average cost per enrollee that entered employment was $4,726 (based on 55 enrollees entered employment and total expenditures of $192,000), To give some examples of the costs that are paid by this pilot, one local area provided transportation, lodging and training costs for helicopter training. Another provided a rebuilt transmission for a veteran so he could get to work at his new job. Certifications earned included Teaching (2), Certified Nursing Assistant (2), Network Administration (2), and Class A Commercial Driver's License (CDL) (2).

Are there other programs that benefit veterans in finding employment that are more Successful?

The Jobs for Veterans State Grant (JVSG) program provides federal funding, through a formula grant, to CDLE to hire dedicated staff to provide services to veterans and eligible persons with significant barriers to employment. JVSG staff exclusively serve eligible veterans with significant barriers to employment, which include service-related disabilities, the long-term unemployed, homeless, ex-offenders, low-income, and veterans lacking a high school diploma. These staff are housed in workforce centers around the state. Program overhead is low because staff are co-located in centers with other employment and social service programs. JVSG staff provide assessment of skills, individual employment plans, and career counseling. They also refer eligible veterans to supportive services, pre-vocational services, and other programs. Program funding may not be used to provide training or supportive services. This program is highly successful, consistently exceeding all performance measures. In Program Year 2016, nearly 22,000 veterans were served through workforce centers statewide. In the JVSG program, which exclusively serves veterans with significant barriers to employment, 59.54% of participants entered employment; 77.73% of these individuals retained employment for at least six months, and the average wage was $16.71/hour.

Is there additional data available that could be used for a more substantive evaluation?

Response: In order to allow a valid cross-program comparison, pilot program grantees should be required to report on the same data points required under the JVSG program with the same definitions for each data point. This would include adding the employment retention rate at the 6 month and 12 month marks, and whether employment is in an industry related to their training.

Does the Department feel this program fits within its mission?

Response: Training the unemployed and under-employed is at the core of the Department's mission and Veterans receive priority of service across all federally-funded employment and training programs, so this program definitively falls within the CDLE mission. To place is elsewhere could lead to redundancy and duplication of services.

Would the Department recommend modifications to the program, if it is continued?

Response: Yes, CDLE would recommend that the funding for this pilot program be directly administered by CDLE through the existing staff serving veterans in the workforce centers. CDLE has teams of veteran services representatives in every workforce center across the state through the JVSG program. These individuals are veterans themselves and they are all experts in how to leverage a variety of programs, both federal and community-based, to benefit veterans. They do this work without the added overhead cost related to contracting funding to local workforce areas and other providers. Since the JVSG program cannot pay for training or supportive services, this pilot funding should be leveraged to pay for these services to ensure that all funds are being used in a cost-effective way.

15 **Is the Innovative Industries Workforce Development Program the best way to expand students' exposure and engagement in innovative industries? Does this program actually widen the pool of students interested in this area or subsidize activities that would have happened anyway? Almost fifty-eight percent of internships have gone to students pursuing bachelor's degrees at CSU Fort Collins, CU Boulder, and the Colorado School of Mines. Seventy-four percent are men. Could the program be restructured to assist women, other under-represented groups, and younger students who might not already be heading toward careers in science, technology, engineering, and math?**

Response: Through collaboration with industry intermediaries, businesses, and institutions of higher education, the Innovative Industries Internship program creates opportunities for students to gain valuable work experiences that directly address the skills gap between education and job readiness, which is a well-documented and pervasive issue with employers not just in Colorado but nationwide. In STEM industries alone, the national ratio of open positions to qualified workers is 15 to 1.

This is a powerful program in creating industry investment through the matching grant of up to $5,000 per intern. The employer bears *at least* 50% of the cost. In many cases, the cost to the employer was three to four times the grant funding. Of the 179 participating businesses, over 83% are small to midsize businesses (under 100 employees). Such small firms often cannot absorb the costs of a paid internship or compete with larger companies for interns. This grant undoubtedly has created opportunities that would have not have been available otherwise.

Whether there are "better" approaches to creating internship opportunities would depend on how one defines "better". Cheaper? More students from less "prestigious" colleges? More underserved populations? In the Act's current form, no such targeting was mentioned.

Could the program be restructured to assist women, other under-represented groups, and younger students who might not already be heading toward careers in science, technology, engineering, and math?

Response: The program could certainly be restructured in any way that legislators wish through an amendment process. Regarding the diversity of the students participating in the program, aside from the number of women, we do not know the ethnicity or other distinguishing criteria of who might be considered from underrepresented populations. We don't know the demographics of the participants because that was not identified in the legislation as a criterion. The larger colleges that are participating in the program have larger career offices and resources to promote internships, so that may result in more students from these schools moving into internships. They also have very aggressive campaigns,including scholarships, to recruit underrepresented and underserved populations into their STEM and other academic programs. As far as the ratio of women participating in the program, it very closely mirrors the overall enrollments of women in post-secondary STEM programs nationwide.

CDLE makes the following recommendations to attract underserved and underrepresented students to the program:
- Require that a certain percentage of participants be recipients of the Pell Grant or other need-based financial aid, as well as first-generation college students.
- Focus recruitment with organizations that serve underrepresented populations (such as but not limited to):
  - American Indian Science and Engineering Society (AISES)
  - National Society of Black Engineers (NSBE)
  - oSTEM: Out in Science, Technology, Engineering and Math
  - Society of Asian Scientists & Engineers (SASE)
  - Society of Hispanic Professional Engineers/Society of Mexican American Engineers and Scientists (SHPE/MAES)
  - Society of Women Engineers (SWE)

- To recruit younger students, ask intermediaries to focus recruitment on concurrent enrollment high school programs (such as TCA College Pathways, which is one such high school which has participating student(s) in the III Grant Program.)

10:10-10:25   VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

16   **How is the Department feeling about transition of DVR to CDLE? What is going well? What are the major challenges? Please provide any available data on program outcomes under CDLE.**

The smaller size and flatter organizational structure of CDLE has led to expanded community engagement, more rapid decision making, strengthened linkages with workforce centers and improved coordination/collaboration between DVR and departmental central support functions (budget, controller, human resources and legislative).

In the near term, DVR continues to address operational initiatives related to more rapid implementations of Lean programs, employee retention amid a strong state labor market and maintaining the trend of improvements in its brand equity within the community. In the longer term, the most significant issues relate to uncertainties in federal funding and diversification of state funding match sources to fully draw down federal funds.

During the transition from CDHS to CDLE, DVR is building positive trends in performance:

	SFY15 (Pre-Transition)	SFY16 (Transition)	SFY 17
Employment outcomes	1,339	2,480	2,296
Average wage per hour	$11.62	$11.70	$13.17
Applications for services	5,159	6,821	7,610

DVR will be modifying its future reports because of federal rules promulgated by the Rehabilitation Service Administration (RSA) in August 2017 for WIOA. Because the WIOA standard will be base-lined through Federal Fiscal Year 2018, DVR will retain the current metrics (above) to gauge improvement from prior years. RSA will set an objective for the WIOA standard after the baseline period.

17   **Are the administrative burdens on counselors driven by state or federal law/rules? Does the Department see a way to lift the burden while maintaining accountability?**

Administrative burdens are driven primarily by new federal reporting requirements in the Workforce Innovation and Opportunity Act (WIOA) and DVR internal controls resulting from the 2013 audit.

Since moving to CDLE, the Division has participated in multiple Lean process improvement efforts to balance internal controls and administrative burdens with essential vocational rehabilitation counseling functions.

18   **What steps is the Department taking to increase VR enrollment? Does it have a way to get back people who were turned away when DHS had a waiting list for the program?**

The division is utilizing two main strategies to increase enrollments: Expand state-wide community engagements with stakeholders and re-brand the division through improvements and/or expansions in collateral materials, print media, social media and internet presence.

Examples of implementations include:
- Fourteen stakeholder town hall meetings hosted throughout the state in SFY16-17.
- DVR staff hosting Channel 9 News on-air employment lines during Disability Employment Awareness month.
- A series of op-eds published in regional newspapers.
- First annual DVR "Shining Star Awards" for exemplary clients, employers and advocates/community partners presented by the Governor.

In addition, WIOA and the placement of DVR within CDLE has effectively increased functional partnerships with the Workforce Development System. Additional partner entities resulting from this have provided another avenue for marketing and referral to DVR programming for Colorado citizens.

The division tracked the status of all applications received during the wait-list, and wait-listed individuals were directly contacted by DVR staff prior to the end of the wait-list.

19   **Provide feedback from the independent living centers about the transition to CDLE.**

Anecdotal feedback is mixed. Ultimately, most feel they need more time to evaluate the success of the transition, but are encouraged about the transition and feel that the potential for success is great. Some are questioning the increased oversight provided by the Department's technical assistance visits.

10:25-10:30   OTHER

20   **Provide additional information on the NP1 Cyber Security liability insurance policy request. What will this pay for?**

The Department of Personnel's Risk Management program is requesting funds to purchase a cybersecurity liability insurance policy which will be added to the Liability program. This insurance policy will provide cyber risk coverage and services to all participating agencies currently covered by OIT.

21   **With the new administration in DC, will states have more flexibility in reporting labor statistics?**
There is no expected change to BLS policy on how states report labor statistics.

22   **Provide an update on the disability transportation task force created by S.B. 17-011. How is the planning progressing? Discuss NCSL's interest in the program.**

A total of 37 state agencies, stakeholder organizations and transportation providers participated in the Transportation Task Force from July 2017 through November 2017. NCSL's representative participated in initial meetings as well as Task Force sub-group working meetings and had access to all versions of the draft report to comment and suggest edits.

The final draft of the Task Force report will be submitted before the end of December. The report identifies transportation barriers for people with disabilities; offers possible solutions for both El Paso and Teller counties, as well as generalized solutions that could apply across the state; and presents legislative recommendations.

23   **Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.**

CDLE has met all statutory deadlines for implementation of legislation.

24   **Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report: Status of Outstanding Audit Recommendations" that was published by the State Auditor's Office and dated June 30, 2017 (link below)? What is the Department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations?** Please indicate where in the Department's budget request actions taken towards resolving HIGH PRIORITY OUTSTANDING recommendations can be found.

http://leg.colorado.gov/audits/annual-report-status-outstanding-audit-recommendations-june-30-2017

The UI Modernization project supplanted the WyCAN project to replace CUBS and CATS. The modernization of the systems is being implemented in phases; the updates to the system that will address internal security issues and anomalous activity by staff will be designed and delivered in phases 2 and 3, both of which will be complete by December 31, 2018.

25   **If the Department receives federal funds of any type, please respond to the following:**
   a. **Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2017-18 or 2018-19.**

The department is not aware of any sanctions.

   b. **Are you expecting any changes in federal funding with the passage of the FFY 2017-18 or 2018-19 federal budget? If yes, in which programs, and what is the match requirement for each program?**

Unemployment Insurance Division received a 5% cut for FFY 2017-18.

The Rehabilitation Services Agency (RSA) notified DVR in mid-October that it appears that Congress may not provide funds for the State Supported Employment Services Program in FFY 2018. For the remainder of the department's federally funded programs,

it is indeterminate at this time if there will be any changes to federal funding.

Employment & Training Division:
- For FY2017-2018, CDLE received an almost 10% reduction in federal funding totaling close to a $4 million cut. This reduction includes federal grants that make up 90% of E&T's funding. The CDLE receives other various federal grants that are on a Continuing Resolution through Dec. 8th, with less than a 1% reduction in the various federal funding streams thus far. Additional cuts are anticipated once Congress acts to extend the funding, and could range from 20% to 40%, One program, the Work Opportunity Tax Credit, was repealed (100% cut) in the House version of the tax reform act. The WOTC program certifies approximately $30 million in federal income tax credits for Colorado businesses each year.

- Federal funding for FY2018-2019 may be cut between 20% and 40% ($8million to $16 million) based on current Congressional budget resolutions. In addition, the House budget resolution has zeroed out one funding stream that currently brings in over $10 million to Colorado each year. This is the Wagner-Peyser (or Employment Services) program that supports basic career and job placement services in workforce centers across the state.

c. **Does the Department have a contingency plan if federal funds are eliminated?**

Each Division that receives federal funds has a plan a contingency plan to handle the cuts to their budget.

26 **Is the Department spending money on public awareness campaigns? If so, please describe these campaigns, the goal of the messaging, the cost of the campaign, and distinguish between paid media and earned media. Further, please describe any metrics regarding effectiveness and whether the Department is working with other state or federal departments to coordinate the campaign?**

Yes, the Colorado Department of Labor and Employment is the recipient of a $1.8 million Apprenticeship Accelerator Grant from the US Department of Labor. The Office of Workforce Development Programs (WDP) within CDLE has earmarked, per the grant agreement, a portion of grant funds to support the expansion of registered apprenticeships and work-based learning in Colorado via public awareness and outreach.

CDLE's Office of Workforce Development Programs, the Colorado Workforce Development Council and the partners on the Governor's Business and Experiential Learning (BEL) Commission which include the Department of Higher Ed, CareerWise Colorado and the Office of Economic Development and International Trade (OEDIT) will be allocating $60,000 from Jan - June 2018 for a Public Service Announcement (PSA) campaign. The PSAs will be made possible through a partnership with the Colorado Broadcaster's Association and their non-commercial supporting announcements program. The metrics

established for effectiveness (based on previous campaign and compared to traditional tv/radio broadcast advertising rates) yield an approximate ROI that ranges from 4:1 to 14:1.

For example, a 2016 federally funded, four-month campaign with a $60,000 investment yielded the equivalent of more than $390,000 in paid advertising with more than 10,000 spots running in every major TV and most radio markets in Colorado.

27 **Based on the Department's most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy? Do the statewide compensation policies administered by the Department of Personnel help or hinder in addressing vacancy or turnover issues?**

Appropriated FTE Vacancy	FY 2016-17
Executive Director's Office	4%
Division of Unemployment Insurance	0%*
Employment and Training Division	4%
Division of Labor Standards and Statistics	17%
Division of Oil and Public Safety	0%*
Division of Workers' Compensation	7%
Division of Vocational Rehabilitation	4%

*Federally funded positions created the lack of FTE vacancies.

DPA reports turnover data on a statewide basis in the annual workforce report, and will prepare this data for a single statewide response to the JBC.

28 **Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Chief Information Security Office (CISO) in the Office of Information Technology (OIT)? Have your information technology infrastructure and policies been audited for cybersecurity capabilities? If so, was the audit completed by the legislative auditor or an outside entity? Do you have dedicated cybersecurity personnel? How do your cybersecurity staff interact with the CISO in OIT? What unique security issues does your Department have? Do you handle private or sensitive data? What unique cybersecurity processes or tools do you use to protect this data?**

The Office of Information Security, under the leadership of the state CISO provides security governance, security architecture, risk management, compliance assessment support, and security operations functions for all executive branch agencies (with a few exceptions, such as: CDE, Department of State, Department of Law, Lottery). Agencies, except those mentioned as exceptions, do not have dedicated cybersecurity personnel.

The Office of Information Security has input into the 5-year plans for each Department, and has worked to prioritize projects benefiting each Department, such as: the Enterprise Firewall Refresh project, new quarterly security awareness training, two-step verification, and an enterprise security log collection and correlation engine.

Additionally, the Office of Information Security, within OIT, produces a quarterly risk report card, in which they measure risk for each Department, and have specific goals set, for reducing risk.

Annually, the CISO develops an enterprise information security plan, utilizing input from the Governor's goals, the 5 year plans for each department, and the OIT playbook. The information security plan includes communication and information resources that support the operations and assets of each department.

The Office of Information security, within the Office of Information Technology (OIT) implements enterprise-wide security controls, meant to secure sensitive data for each department. Some of these controls are: ensuring encryption is in place to secure data in transmission, utilizing Zix to encrypt sensitive data in email, implementing specific configuration and technologies to encrypt data in storage. Additionally, OIT has implemented two-step verification to add a layer of protection to email, contacts, and data stored within G-Suite. Each department implements additional procedures, such as training, data retention and access control policies, implemented at a department level to further protect and secure sensitive data. These local security procedures augment technical controls implemented by OIT to enhance the department's continued security health.

OIT supports all of the audits that occur for each department. OIT maintains a register of outstanding technology recommendations for each department, and works individually with the department to prioritize and secure funding to implement the recommendations. In addition to performing remediation, OIT continues to implement controls and improve processes in an attempt to proactively (rather than reactively) improve security.

The department utilizes OIT staff for their dedicated cybersecurity personnel. The department receives federal tax information.

29 **What impact do the SMART Act and Lean processes have on your budget requests? Could they be used more effectively?**

The SMART Act holds CDLE accountable for performing our mission in a manner that is transparent, effective and customer focused by requiring our budget requests be linked to our performance plan. As part of CDLE's performance plan, we have a strategic initiative of continuous process improvement in which we utilize the LEAN process to make major improvements. Process improvement, especially our early adoption of LEAN and LEAN training within our department has enabled CDLE to make many improvements within existing resources and to utilize additional resources in the most effective manner. CDLE

utilizes both the SMART Act and LEAN very effectively because performance management and process improvement are integral to the overall CDLE culture.

30   **Does your Department use evidence-based analysis as a foundation for your budget request? If so, please provide a definition for your use of "evidence-based," indicate which programs are "evidence-based," and describe the evidence used to support these programs.**

CDLE does not used evidence-based analysis as a foundation for its budget request. However, the department tracks and analyzes various data and processes associated with program delivery to help inform resource allocation and assess resource needs.

31   **Please identify how many rules you have promulgated in the past two years (FYs 2015-16 and 2016-17). With respect to these rules, have you done any cost-benefit analyses pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analyses pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.**

For fiscal years 2015-16 and 2016-17, CDLE made formal changes to 30 existing rules within the divisions of Unemployment Insurance, Worker's Compensation, Oil and Public Safety and Labor Standards and Statistics. Additionally, as part of the 2016 transfer of Division of Vocational Rehabilitation (DVR) from the Department of Human Services to CDLE, we also took formal rulemaking action on 10 previously existing DVR rules to transfer them over to CDLE and to update certain provisions. Combined, this constitutes 40 previously existing rules which were changed during these two fiscal years.

Only one of these rule changes required a cost-benefit analysis: 7 CCR 1101-2, Worker Classification. This analysis, which included broad stakeholder input from both employers and employees, concluded that the changes would not result in added costs to businesses in compliance with existing unemployment insurance statutes, nor would it add costs to the UI Division.

It's also worth noting that, although there is no formal requirement for cost-benefit analysis for the other rulemaking changes listed here, nonetheless, each rulemaking division at CDLE adheres to a policy of broad based stakeholder outreach and consultation prior to formal rulemaking--during this stakeholder process, all aspects of potential rule impacts, including costs and benefits to the economy generally, and to specific sectors as well, are taken into consideration. As a result, by the time the vast majority of CDLE rule making hearings take place, consensus has already been achieved.

32 **Describe the expected fiscal impact of proposed changes to PERA made by both the Governor's Office and the PERA Board of Directors. In addition to direct budgetary impacts, please describe any anticipated secondary impacts of an increase in employee contribution rates. For instance, does the Department anticipate a need to increase employee salaries to compensate for the increase in PERA contributions?**

The proposed changes to PERA made by the PERA Board of Directors include a 2.0 percentage point increase in employer contributions from 20.15% to 22.15%, which will have a direct budgetary impact on the department. DPA will provide a statewide estimate for this impact. PERA's proposal makes this change starting January 2020, thus it will affect the department's budget starting with FY 2019-20. The PERA Board proposal also includes a recommendation for contributions to be made on gross pay rather than net pay, which increases the salary base upon which the annual contribution is calculated for both employers and employees. This would have a direct impact on the department's budget as well as employee take home pay. OSPB and DPA are looking into whether this impact can be estimated, and if so, a statewide response will be provided by DPA. The PERA Board proposal also includes a 3.0 percentage point increase in employee contributions—from 8.0 percent to 11.0 percent of pay—beginning in January 2020. Without an increase in employee salaries, these changes would reduce take home pay for state employees beginning in FY 2019-20.

The Governor's proposed changes to PERA will not have a direct budgetary impact on the department, with the exception of maintaining the PERA Board's recommendation for employee and employer contributions to be made on gross pay rather than net pay. As mentioned above, this would increase the salary base upon which the annual contribution is calculated for both employers and employees. OSPB and DPA are looking into whether this impact can be estimated, and if so, a statewide response will be provided by DPA. The Governor's proposal includes a 2.0 percentage point increase in employee contributions— from 8.0 percent to 10.0 percent of pay—beginning in January 2019, a year earlier than the PERA proposal. The Governor's budget request includes an across-the-board salary survey increase of 3.0 percent for most state employees beginning July 1, 2018. With the proposed increase in employee contributions, this will average to a take home pay increase of 2.0 percent for the fiscal year. The proposed salary survey increase results in an increase of $2,651,053 total funds, and $134,693 General Fund for FY 2018-19 for the department.

33 Senate Bill 17-267 required Departments, other than Education and Transportation, that submit budgets to OSPB to propose a budget that is 2.0 percent below the total funds budget in FY 2017-18. Please highlight the following regarding the 2.0 percent reduction:

- **Where these reductions can be found in the Department's request;**
- **What programs are impacted by the reduction; and**
- **Total amount of the reduction.**

In the course of its statutory duties, the Office of State Planning and Budgeting complied with the provisions of S.B. 17-267. A provision of the bill required OSPB's consideration of proposed two percent reductions for certain principal department budgets. OSPB found the process to be useful. In recommending the budget request, especially in the General Fund, while considering each department's budget reduction items, OSPB also took into account the various pressures on spending and needs throughout the state. Additionally, S.B. 17-267's provisions informed decision making in the request, in particular the recommendation for a decrease in the Budget Stabilization factor in the School Finance Act as well as the recommendation to increase the statutory reserve in the General Fund. With respect to the two percent target of General Fund spending as defined in the bill, these two items exceeded the suggested target.

Below is the department's reduction's that meet a budget that is 2 percent below the total funds in FY 2017-18.

	Long Bill				
	GF	CF	RF	FF	Total
	21,380,958	72,525,276	9,515,450	145,439,550	248,861,234
	Not Subjected to 2% Budget Reduction (Informational)				
	GF	CF	RF	FF	Total
	(4,268,029)	(27,566,765)	(5,454,727)	(107,173,439)	(144,462,960)
	Budget that has the 2% reduction applied to it				
	GF	CF	RF	FF	Total
	17,112,929	44,958,511	4,060,723	38,266,111	104,398,274
	2% Reductions			2% Cut Target	($2,087,965)
	GF	CF	RF	FF	Total
All Divisions - Mandatory Increase due to Sal. Survey and Merit	132,360	813,237	19,033	297,037	1,261,667

3) Division of Employment and Training - Skilled Worker Outreach, and Key Training Program	(3,400,000)	0	0	0	(3,400,000)
3) Division of Employment and Training - Colorado Veterans' Service-to-Career Program	0	(165,296)	0	0	(165,296)
5) Oil and Public Safety – Operating - Conveyance FY18 R-01 DI	0	(445,000)	0	0	(445,000)
FY2018-19 R01 - UI DI		230,900			230,900
FY2018-19 R-02 1% Provider Rate increase for ILC's	66,668				66,668
Total Reduction					(2,451,061)

34   Please provide the following information for the Department's custodial funds and continuously appropriated funds:

- Name of the fund;
- Amount of funds received;
- Whether the revenues are one-time or multi-year;
- Current cash fund balance;
- Source(s) of the funds;
- A list of FY 2015-16 and FY 2016-17 expenditures from these funds;
- Expected uses of the funds in FY 2017-18 and FY 2018-19; and
- Legal authorization and restrictions/limitations on the Department's use of these funds.

Name of Continuously Appropriated Fund	Amount of Funds Received FY2016-17	Revenue: One-Time / Multi-Year	Cash Fund Balance	Source of Funds	FY 2015-16 Expenditures	FY 2016-17 Expenditures	Expected Use of Funds	Restrictions/ Limitations
4170 - Major Medical	$ 1,821,416	Multi-Year	$79,084,308	Cash	$5,553,642	$5,912,533	$7,000,000	8-46-202(1)(a)
2590 - Physician's Accreditation	$126,248	Multi-Year	$108,616	Cash	$92,783	$103,794	$98,288	8-42-101(3.6)(l)
13Q0 - PST Redevelopment Fund	$156,203	Multi-Year	$7,485,657	Cash	$187,706	$331,783	$259,745	8-20.5-103 (9)
2340 - Guarantee Fund	$862,794	Multi-Year	$637,253	Cash	$56,682	$227,848	$142,265	8-44-206(4)
4150 - Medical Disaster	$649	Multi-Year	$57,885	Cash	$244	$112	$178	8-46-302(1)

2330 - Immediate Payment	$7,297	Multi-Year	$641,540	Cash	$123	$58	$91	8-44-206(3)
4160 - Subsequent Injury	$1,846,000	Multi-Year	$7,537,470	Cash	$1,561,031	$1,478,633	$1,519,832	8-46-101(b)(I)
1300 - PST	$38,926,782	Multi-Year	$2,186,715	Cash	$43,205,266	$38,454,061	$40,000,000	8-20.5-103

35 **What is the Department's process for engaging in (or disputing) federal land, environmental, jurisdictional, and/or water policy issues? How do you coordinate with other departments, the Governor's Office, local governments, and/or citizens?** This is not applicable to the Department of Labor and Employment.

DEPARTMENT OF LABOR AND EMPLOYMENT
FY 2018-19 JOINT BUDGET COMMITTEE HEARING AGENDA

Wednesday, December 13, 2017
9:00 am – 10:30 am

9:00-9:20   INTRODUCTIONS AND OPENING COMMENTS

9:20-9:50   UNEMPLOYMENT INSURANCE

Solvency of the Unemployment Insurance Trust Fund (UITF)

1   [The UITF is projected to become insolvent just a few months into a recession]. What are the benefits and costs of taking action now to improve UITF solvency, as opposed to delaying? How much more does it cost employers if the state has to issue bonds to cover UI deficits during a recession? How much more does it cost employers if the State has to rely on federal loans to cover UI benefits? Is it in businesses' interest to address this now? Why or why not? Have there been analyses by business schools or other entities on the incentive structure?

2   Elaborate on the UI stakeholder committee, who participated, and what process they used. Did a decision have to be unanimous? What options were discussed? What is the Department's preferred option? What did various stakeholders favor? Can you provide a rank order of preferred solutions? What were the biggest sticking points?

3   Did the Department and stakeholder group consider benefit *reductions*? Why or why not?

4   How are state UI programs similar and different? (a) How do benefits differ, including size and maximum duration? Can they be shorter than Colorado's 26 weeks? (b) How do tax/premium structures differ? Do some states avoid our flawed/underfunded trust fund structure? Are there other models for providing UI benefits? (c) How much flexibility do states have in structuring their programs? Are there minimum federal program requirements?

5   Are the specifics of the program set in statute? Could any solvency options be implemented using administrative authority? What statutes would the Department recommend changing to address solvency? Why not continue the bond surcharge that expires in 2017 and redirect the payments to improve the solvency of the UITF?

6   Please clarify how the federal (average high cost multiple) solvency measure is calculated. Does it assume a minimum standard of benefit? Is the calculation based on the current state benefit or a federal minimum benefit? Does it assume a recession? If so, how large a recession?

7   [The General Assembly authorized over $50 million cash funds in FY 2016-17 to replace the current UI mainframe system] What kind of a project is this? Is it an outside project or internal? Did it go to the JTC? Please provide more detail on how the project is going and what is being anticipated. Will you be submitting a request to modify or expand the project?

8   What has the Department done or is it planning to do to address or enhance call management at the UI call center?   Discuss the status of the call center system. Could greater call center automation or other UI computer system changes improve customer support? For example, does CDLE plan to have expert opinions embedded in the UI system to give customers expert advice?

9   [R1 requests over $200,000 cash funds for a computer-based system that provides on-line instruction and activities for UI beneficiaries to assist them with job-search skills] Information on how to write a resume is already readily available on the internet. Why does the Department need to pay for an on-line system to teach unemployed people such skills? How would this differ from what is already available on the internet? Why does the Department believe such instruction will be effective?

10 Please bring in an example of a module to show the JBC how your proposed computer based instruction system might work.

11 Why do you need additional funding for R1? Why can't this be absorbed within existing resources?

12 Given that UI claims are low right now, has UI staffing also declined? Why or why not? Doesn't the current low demand for UI benefits provide additional "space" within the Department's budget for initiatives such as R1?

9:50-10:10   EMPLOYMENT AND TRAINING/WORKFORCE DEVELOPMENT COUNCIL

13 [The General Assembly authorized a variety of workforce development programs in 2015 and 2016. Some of these programs are now ending. JBC Staff found that the Department provided little analysis of what has worked or not in these programs.] Why doesn't the Department have some type of analysis about whether these programs worked and are worthwhile? Wouldn't this be valuable even if not specifically mandated by legislation? Does the Department believe the repealing programs should be continued? Does it have any evidence of success of failure for the programs? What is the Workforce Development Council's assessment of these programs?

14 Respond to the staff recommendations on the Veterans Service-to-Career Pilot Program. Does this program meet a need or address a real problem? How do stakeholders feel about it? Was it cost-effective? Are there other programs that benefit veterans in finding employment that are

more successful? Is there additional data available that could be used for a more substantive evaluation? Does the Department feel this program fits within its mission? Would the Department recommend modifications to the program, if it is continued?

15   Is the Innovative Industries Workforce Development Program the best way to expand students' exposure and engagement in innovative industries? Does this program actually widen the pool of students interested in this area or subsidize activities that would have happened anyway? Almost fifty-eight percent of internships have gone to students pursuing bachelor's degrees at CSU Fort Collins, CU Boulder, and the Colorado School of Mines. Seventy-four percent are men. Could the program be restructured to assist women, other under-represented groups, and younger students who might not already be heading toward careers in science, technology, engineering, and math?

10:10-10:25   VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

16   How is the Department feeling about transition of DVR to CDLE? What is going well? What are the major challenges? Please provide any available data on program outcomes under CDLE.

17   Are the administrative burdens on counselors driven by state or federal law/rules? Does the Department see a way to lift the burden while maintaining accountability?

18   What steps is the Department taking to increase VR enrollment? Does it have a way to get back people who were turned away when DHS had a waiting list for the program?

19   Provide feedback from the independent living centers about the transition to CDLE.

10:25-10:30   OTHER

20   Provide additional information on the NP1 Cyber Security liability insurance policy request. What will this pay for?

21   With the new administration in DC, will states have more flexibility in reporting labor statistics?

22   Provide an update on the disability transportation task force created by S.B. 17-011. How is the planning progressing? Discuss NCSL's interest in the program.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1   Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented.   Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

2   Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report: Status of Outstanding Audit Recommendations" that was published by the State Auditor's Office and dated June 30, 2017 (link below)? What is the Department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations? Please indicate where in the Department's budget request actions taken towards resolving HIGH PRIORITY OUTSTANDING recommendations can be found.

     http://leg.colorado.gov/audits/annual-report-status-outstanding-audit-recommendations-june-30-2017

3   If the Department receives federal funds of any type, please respond to the following:
     a.   Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2017-18 or 2018-19.
     b.   Are you expecting any changes in federal funding with the passage of the FFY 2017-18 or 2018-19 federal budget? If yes, in which programs, and what is the match requirement for each program?
     c.   Does the Department have a contingency plan if federal funds are eliminated?

4   Is the Department spending money on public awareness campaigns? If so, please describe these campaigns, the goal of the messaging, the cost of the campaign, and distinguish between paid media and earned media. Further, please describe any metrics regarding effectiveness and whether the Department is working with other state or federal departments to coordinate the campaign?

5   Based on the Department's most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy? Do the statewide compensation policies administered by the Department of Personnel help or hinder in addressing vacancy or turnover issues?

6   Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Chief Information Security Office (CISO) in the Office of Information Technology (OIT)? Have your information technology infrastructure and policies been audited for cybersecurity capabilities? If so, was the audit completed by the legislative auditor or an outside

entity? Do you have dedicated cybersecurity personnel? How do your cybersecurity staff interact with the CISO in OIT? What unique security issues does your Department have? Do you handle private or sensitive data? What unique cybersecurity processes or tools do you use to protect this data?

7   What impact do the SMART Act and Lean processes have on your budget requests? Could they be used more effectively?

8   Does your Department use evidence-based analysis as a foundation for your budget request? If so, please provide a definition for your use of "evidence-based," indicate which programs are "evidence-based," and describe the evidence used to support these programs.

9   Please identify how many rules you have promulgated in the past two years (FYs 2015-16 and 2016-17). With respect to these rules, have you done any cost-benefit analyses pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analyses pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.

10   Describe the expected fiscal impact of proposed changes to PERA made by both the Governor's Office and the PERA Board of Directors. In addition to direct budgetary impacts, please describe any anticipated secondary impacts of an increase in employee contribution rates. For instance, does the Department anticipate a need to increase employee salaries to compensate for the increase in PERA contributions?

11   Senate Bill 17-267 required Departments, other than Education and Transportation, that submit budgets to OSPB to propose a budget that is 2.0 percent below the total funds budget in FY 2017-18. Please highlight the following regarding the 2.0 percent reduction:
   • Where these reductions can be found in the Department's request;
   • What programs are impacted by the reduction; and
   • Total amount of the reduction.

12   Please provide the following information for the Department's custodial funds and continuously appropriated funds:
   • Name of the fund;
   • Amount of funds received;
   • Whether the revenues are one-time or multi-year;
   • Current cash fund balance;
   • Source(s) of the funds;
   • A list of FY 2015-16 and FY 2016-17 expenditures from these funds;
   • Expected uses of the funds in FY 2017-18 and FY 2018-19; and
   • Legal authorization and restrictions/limitations on the Department's use of these funds.

13 What is the Department's process for engaging in (or disputing) federal land, environmental, jurisdictional, and/or water policy issues? How do you coordinate with other departments, the Governor's Office, local governments, and/or citizens?