DEPARTMENT OF LABOR AND EMPLOYMENT
FY 2019-20 JOINT BUDGET COMMITTEE HEARING AGENDA

Monday, January 14, 2019
1:30 pm – 3:00 pm

1:30-1:45 INTRODUCTIONS AND OPENING COMMENTS

Presenter: Joe Barela, Executive Director

1:45-2:15 DIVISION OF UNEMPLOYMENT INSURANCE

Main Presenters:
- Joe Barela, Executive Director
- Matthew Blackmon, Budget Director
- Jeff Fitzgerald, Division Director

Topics:
- R1 Unemployment Insurance Migrated System Operations: Page 1, Questions 1-3 in the packet.
- Unemployment Insurance Trust Fund (UITF) Solvency: Page 2, Questions 4-5 in the packet.
- UI System Performance: Page 4, Question 6 in the packet
- On-line Job Search Preparedness Modules: Page 7, Question 7 in the packet

2:15-2:40 DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

Main Presenters:
- Joe Barela, Executive Director
- Matthew Blackmon, Budget Director
- Steve Anton, Division Director

Topics:
- Nonprioritized Employment First Request: Page 8, Questions 8-13 in the packet
- Vocational Rehabilitation Outcomes: Page 12, Question 14 in the packet
- Independent Living Centers: Page 12, Questions 15-16 in the packet

2:40-2:50 DIVISION OF OIL AND PUBLIC SAFETY

Main Presenters:
- Joe Barela, Executive Director
- Matthew Blackmon, Budget Director
- Mahesh Albuquerque, Division Director

Topics:
- Location of division: Page 13, Question 17 in the packet

2:50-3:00 COLORADO WORKFORCE DEVELOPMENT COUNCIL AND DIVISION OF EMPLOYMENT AND TRAINING

Main Presenters:
- Joe Barela, Executive Director
- Matthew Blackmon, Budget Director
- Lee Wheeler-Berliner, Colorado Workforce Development Council Director

Topics:
- Talent Pipeline: Page 15, Question 18 in the packet

DEPARTMENT OF LABOR AND EMPLOYMENT
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DIVISION OF UNEMPLOYMENT INSURANCE

R1 UNEMPLOYMENT INSURANCE MIGRATED SYSTEM OPERATIONS

[Background: Since FY 2016-17, the General Assembly has appropriated $57.8 million in the IT capital budget to migrate the unemployment insurance IT systems off the mainframe. The employer taxation system will remain on state servers; the benefits system will be further migrated to a system hosted by Amazon Web Services. The project is now approximately 50 percent complete and is scheduled to complete in February 2020.]

1. **Why has the State designed its *own* information technology systems for unemployment insurance, given that unemployment insurance systems exist across the country?**

The Federal-State Unemployment Insurance Program provides unemployment benefits to eligible workers who are unemployed through no fault of their own (as determined under distinct State law's), and meet other eligibility requirements of State law. Each State administers a separate unemployment insurance program within guidelines established by Federal law. Eligibility for unemployment insurance, benefit amounts and the length of time benefits are available are determined by the State law under which unemployment insurance claims are established. Premiums are also set by state law. Since each state has a different set of laws along with hundreds of interfaces with their other state agencies such as Departments of Revenue and Human Services, the ability to "copy and paste" an entire IT system from one state to another is not available.

So the Department's plan, developed in collaboration with OIT, was to set an effective course to move UI off the mainframe technology systems and upgrade or modernize our Premiums and Benefits systems. Further, the Department sought to do so in a manner that minimized risk, managed costs and timelines responsibly, and provided high return while spreading change management for internal (staff) and external customers.

Step one of the plan was to migrate the systems from the legacy code base (and mainframe) to a modern code language. The migration of the systems was completed in March 2018, and was a huge milestone for the program and for OIT. Step two is to upgrade or modernize the respective systems. The Department and OIT determined that the Unemployment Insurance Benefits system would not be easily or practicably upgradeable due to overwhelming "technical debt" resulting from years of added programming complexity. Fortunately, the project's vendor partner does in fact have a proven Unemployment Insurance system that has been implemented in other states, which the Division will be implementing to replace the legacy Unemployment Benefits System. This approach allows the program to modernize the Benefits system based on an established platform in a more efficient and cost effective manner versus home-grown design and programming work. The Unemployment Insurance Premiums system is being incrementally upgraded in its current migrated state. If future need and funding is available, and approved, the Department along with OIT will analyze a wholesale replacement of the premiums system, leveraging a proven, existing premiums system solution.

2. **Who is the State's current contractor for this project, and how much experience does the contractor have in doing these kinds of projects?**

The current contractor for the Unemployment Insurance Modernization Project is Deloitte. Deloitte has vast experience working in the UI space, having implemented a proven system in multiple states, most recently in New Mexico. Deloitte's system has been proven effective in administering unemployment insurance in 5 states as of this date.

[Background: The R1 request adds $1.2 million per year for 9.0 new FTE for the Office of Information Technology for ongoing operation of the new UI systems. Capital construction requests for the new UI systems indicated that ***no*** *new OIT staff would be required. OIT and the Department did not revise this position in a budget amendment for the project submitted in spring 2018.]*

3. **Explain why the estimates for ongoing costs for the new computer system were so far off? Did OIT and the Department know that additional OIT staff would be required when they submitted the spring 2018 budget amendment? If so, why wasn't the General Assembly informed?**

In February of 2018, when the budget amendment was submitted, the modernization phase of the project was in the planning stages so operational costs and staff (FTE) needs were not well known yet. New data had been obtained after the submission necessitating the need to request additional staff. The General Assembly has been updated when new information has been received that substantially modifies the success of the project.

UNEMPLOYMENT INSURANCE TRUST FUND (UITF) SOLVENCY

4. **Discuss how Colorado addressed insolvency in the UITF during the last recession. Were there any legal obstacles to issuing bonds?**

The Unemployment Insurance Trust Fund (UITF) became insolvent January 2010 and remained so until June 2012 when $657.1 million in UI compensation bonds were issued. Fortunately, the UI program had been established for many years with revenue and expenditure information that could be used to determine the bonds long-term debt rating. Without reliable financial information the markets would not have issued these bonds since a credit rating would not likely have been obtained. The Colorado Employment Security Act (CESA) gives the Colorado Housing Finance Authority (CHFA) permission to issue revenue bonds on behalf of the Department. The department utilized CHFA since it has expertise in submitting the required monthly and annual disclosure reports. The Department worked closely with CHFA, the State

Treasurer's Office, the State Controller's Office, the State Attorney General's Office, and various investment banks and bond rating agencies during the process.

Over this period the fund also borrowed about $1.1 billion from the Federal Unemployment Account (FUA). In response, several statutory changes were made with the support of various stakeholder groups, including the Colorado General Assembly and the Governor's Office. Among the most important were: 1) giving the UI Division within CDLE enterprise status for state budgeting purposes which eliminated UI trust fund revenues from TABOR budget rules; 2) increasing the UI taxable wage from $10,000 to $11,000 (it had been frozen at $10,000 from 1988 payroll rates) and indexing it to the change in average weekly wages thereafter; 3) updating the UI premium rate schedules and UI premium rates; and 4) making changes to the UI solvency surcharge.

Although the Department had advocated for these changes for many years, most of these modifications were designed to strengthen the long-term position of the fund and therefore had a very limited impact at that time. Moreover, while an improvement and critical to unfreeze, the increase in the wage base to $11,000 in 2012 was too small to significantly improve future fund solvency (the increase was well below that recommended both by the Department and the Office of the State Auditor in their 2010 audit of the UITF).

By mid-2012 the state was experiencing a nascent economic rebound from the Great Recession and most of the money borrowed from the FUA had been repaid. However, Department forecasts indicated the UI solvency surcharge would remain on for many years. The issuance of UI compensation bonds in June 2012 was intended to turn off the surcharge, relieving employers of the additional burden imposed by the surcharge.

5. **Does the Department have a recommendation for how to avoid projected insolvency of the UITF during the next recession? Are there changes the General Assembly should consider now, while the economy is still strong? Does the Department plan to reconvene a Solvency Committee to examine how to address solvency of the UITF?**

The Department convened a series of meetings with stakeholders from September to November 2016 in which it presented a set of proposals designed to protect the UI trust fund against the threat of future insolvency. The proposal included: 1) raising the taxable wage base to $16,000 and then incrementally increasing it over a three-year period to $24,000 (after which it would resume indexing); 2) temporarily freezing the maximum weekly benefit for UI claimants during the three-year period the wage base is increased (after which it would resume indexing); 3) cutting the base UI premium rate to zero for those employers with the highest experience-rating (i.e., those businesses with the best layoff history); and 4) reducing the base UI premium rate by 10 percent for those employers with good layoff histories.

The Department maintains its endorsement of this plan for consideration by the stakeholders who bear the burden of this financing. The Department did reconvene these stakeholders in 2017 and 2018 to further discuss advancing this plan (and plans to do so in 2019 as well). In both years there was not broad endorsement by the members to advance this concept to the General Assembly. The Department sees its role in this matter as advisory, in that our efforts are to attempt to protect the long term financial interests of the employers that finance the UI Trust Fund. Meaning with an insolvency event, the reality is that there will be a larger premium burden on the employer community during an already challenging recessionary period. The proposal is an attempt to avoid that outcome, but the Department recognizes that a potential new UI premiums structure puts a more immediate financial burden on this community. It should be noted that even in the event of an insolvent fund, because the UI program is a federal- state partnership, claimants would continue to receive due benefits, while it would mean higher premiums costs to the employer community.

UI SYSTEM PERFORMANCE

6. Why is the State not meeting an acceptable level of performance on federal measures for improper payments, tax quality, nonmonetary determinations, and facilitation of reemployment? Which of these issues is likely to be improved when the new UI system is completed? Which require some other intervention and what is the Department doing to address these issues?

Improper Payments:
As background, the acceptable rate for the Improper Payment Information Act (IPIA) Reporting Year is 10 percent. For the most recent calculated year (July 2017 through June 2018), the UI Division's statistically approximated improper-payment rate was 10.26 percent. For best context, it should be understood that this figure, as calculated by the US Department of Labor, is not a reflection of just improper payments generated through administrative error on the part of the state's Division of Unemployment Insurance. Rather, the vast majority (70-80%) of this figure is a reflection of errors from claimants and employers not taking appropriate action, reporting properly, and/or timely that ultimately lead to improper payments. Further, the federal laws that govern the UI program, in many instances, make the customer generated errors not feasible to catch prior to the resulting improper payment. Finally, this figure gives no attribution to amount of an improper payment (the Division has become adept at catching these customer errors early in the process and limiting the size of the improper payments) and it does not factor in recoveries of improper payments that the UI Division has made over the reporting period. In sum, this calculation does not measure Division performance or quality control in this area, but nonetheless the Division is taking possible measures to meet this performance metric. Below is a further analysis of the rate and approach to reaching this target.

The three main root causes for improper payments are:

- claimants not completing an appropriate work search (yet reporting that they did when filing for benefits),
- claimants not properly reporting earnings while receiving benefits (as an example if a claimant gets a new job but files for benefits through when they receive their first paycheck versus when they started the job),
- and claimants and employers not properly reporting other pay that impacts one's eligibility for benefits (as an example severance pay provided).

Another common problem is employers not responding to inquiries about an employee separation during the adjudication of the claim. If benefits are awarded to the claimant and subsequently the employer appeals the decision and presents new information on that separation, it can result in an improper payment if a decision reversal is rendered.

To address these top causes the Division has focused its efforts on communication, messaging, system enhancements, and data analysis to improve claimants' and employers' understanding of their requirements and obligations early in the process of filing a claim or setting up a new employer account. The Division follows up these early interventions with continued communication at opportune intervals, such as when claimants request benefit payment or when employers receive notices of benefit charges. Some system enhancements, such as requiring claimants to submit their detailed work-search activities when requesting payment, will be included in the new system.

The Division believes it is on the correct path to meet the acceptable level of performance and that the new system will further enhance the efforts put in place thus far. Generally the information gathered from claimants and employers under the new system should be more comprehensive, accurate, and timely, which will aid most performance metrics.

<u>Tax Quality</u>:
The Division's performance failure in Tax Quality is due to the Employer Services Collections functions related to the untimely release of liens after debt is paid. There is an additional performance challenge in that the measure is actually a two-year look back period, therefore it does not allow immediate corrections/improvements to necessarily result in improved scores during the next cycle. Basically, one error type can take two years to cycle out of the evaluation measurement.

On a positive note, because of focused process improvements in this area the Tax Quality Collections function passed for Calendar year 2018. Specifically this is attributable to creating and reviewing quarterly and monthly reports to avoid time lapses in releasing liens. Though the process is still highly manual it proved effective. On the horizon, this is one area that will become more automated through the system modernization via the development of an electronic workflow (being developed in 2019). Benefits of that enhancement will include:

- Increase visibility and more accountability of process and work completion
- Create opportunities to standardize processes
- Built-in reminders to review liens once debt is paid
- Better reporting capabilities
- Electronic recording of liens and lien releases
- Quicker and more efficient as compared to mailing with Colorado counties

<u>Nonmonetary Determinations in 21 days</u>:
As is reflected in the federal performance reports the UI Division has, for years, consistently met its performance metrics in first payment promptness of benefit claims to customers. This is the Division's foremost objective and highest priority related to timely benefit payments. This success is largely attributed to the current electronic workflow system and current manner of processing all issues on an initial claim. This process will be further enhanced with the new benefits system replacement.

The nonmonetary determinations in 21 days is a sub goal of the first payment promptness metric and it is measuring if the Division is able to resolve each issue that comprises an unemployment insurance claim within 21 days of the claim submission (note- an overall benefits claim is made up of one or more issues in the state of Colorado depending on the number of base period employers involved in that claim). It is possible to not pass this sub goal yet meet the larger goal of first payment promptness to claimants.

The largest barrier to meeting this federal performance metric is the incongruence between how it is measured and Colorado statute impacting the associated timelines. Specifically, in the adjudication process the statutorily provided response time of twelve calendar days for initial inquiry responses is one of the longest periods allowed for any of the states. This law was put in place when US mail was the primary means for communication between the Division and its customers. Since then electronic means have been put in place for customers to respond to separation questions, yet this response time remains in law. Human behavior is to push to the deadline for response. As an example in January 2018 (the Division's busiest month) 55.6% of the requests for separation information were returned either on the 12th day or not at all, thus not allowing many issues to be started until well into the time period. Further, many issues require contacting both the claimant, employer and follow up contacts for rebuttal, allowing 2 business days each time.

Division believes that the Legislature should consider reducing the existing twelve calendar days to a figure in line with the average response due date among all of the other states- specifically to seven calendar days. The Division believes this is a logical target as currently when requesting additional information the statutorily provided response time is seven calendar days. It stands to reason that if seven calendar days is acceptable for additional information requests, it should be acceptable for initial requests as well.

Also of note, the new UI system that is currently underway will change the manner of processing issues to the next available issue ready to work. This new approach will be less reliant on other issues on a claim and in turn should improve this metric, as evidenced from results from other states.

Another Divisional consideration is updating regulations as to require employers to receive and respond to requests for separation information electronically. The new UI system is design with that means of interaction in mind and that would drive optimal performance.

<u>Facilitation of Reemployment</u>:
The Federal metric of Facilitating Reemployment is set at different rates for states depending on the state's unemployment rate and is generally set inverse to the unemployment rate. In other words, the lower the state's unemployment rate, the higher the expectation is for the Facilitating Reemployment metric. Due to Colorado's low unemployment rate, Colorado is expected to meet this measure at 68%.

The intent of this metric is to measure our success in assisting claimants to return to meaningful work quickly. While this is an important metric, it is not the only one to consider. Another important metric to consider is the average duration of UI benefits (in weeks). The most recent rolling six-month duration rate (June- November 2018) shows Colorado at 14.1 weeks average

duration on benefits, ranked 10th best in the nation. The national average duration rate is 15.4 weeks. The Division's conclusion considering both of these data points is that, due to the strong economy, a large percentage of claimants are returning to work quickly, however, the long term unemployed are more likely to have significant barriers to becoming reemployed.
The success of this metric depends upon collaborative efforts between UI and CDLE's Division of Employment and Training (E&T). Efforts have increased over the past few years by the UI Division to make headway in the area of reemployment, in partnership with the E&T Division. Two recent significant efforts are described below. Both are based on national best practices.

Colorado is assisting claimants returning to work quickly through the utilization of an interactive online job preparedness skill building website. This site would allow UI to connect every claimant required to look for work access to the self-navigating site to improve their search searching skills. Claimants can select from several modules to improve their skills in such areas as resume building and networking. This is currently in the pilot phase and is expected to be fully implemented in 2019.

In addition, Colorado is utilizing the grant program, Reemployment Services and Eligibility Assessment (RESEA). RESEA targets those mostly likely to exhaust benefits and provides such claimants an individual meeting at the workforce center to address their barriers and needs in returning to work. The E&T and UI Divisions are pursuing to make additional technology changes within the Connecting Colorado system to further refine electronic processes within the RESEA program. Further, the new UI system in development will also help in making processes of reemployment efforts, such as the RESEA program, more efficient through greater system integrations.

ON-LINE JOB SEARCH PREPAREDNESS MODULES

[Background: In FY 2018-19, the General Assembly added $180,900 cash funds for an initiative to add on-line job search preparedness modules that applicants for UI benefits will need to complete to receive benefits. During a pilot of the program, 28.7 percent did not complete the assignment and lost benefits. The Department was unable to determine why half of this group did not complete the assignment. The Department has indicated it plans to roll out the system in March 2019.]

7. The Department has indicated that the number of people who failed to complete assignments during the pilot was higher than anticipated, based on the experience of other states. How does the Department explain this? Is it possible that some individuals who lost UI benefits did so due to their inability to access or navigate the modules?

Overall, 71.3% of the participants included in the Job Search Preparedness pilot completed the required assignment. The 28.7% that did not complete the assignment appeared high based on data provided from other states on their comparable in-flight operational programs. However, a deeper analysis of the 28% that did not complete provided a good understanding of some of the variables that contributed to their failure to finish the requirements.

Nearly half of those that did not complete the assignment (the 28.7%) had a speedy return to work, and thus likely saw no need to complete the assignment. A handful of others were either disqualified for a myriad of reasons or simply were out of available fund balances for benefits. This further analysis demonstrated that 13.4% (or 128) of the participants from the total population neither completed the assignment (and thus did not receive benefits), nor, to our knowledge, returned to work. This percentage of non-completers (13.4% of total participants) is in line with data sets the Division has received from other states with similar, established programs. The Division is surveying this group to evaluate if access or navigation challenges were the issue to non-completion, though no evidence exists that this was the case. Further, the Division is monitoring weekly new-hire data to gain better insight, which may be useful in refining future efforts.

DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

NONPRIORITIZED EMPLOYMENT FIRST REQUEST

[Background: The CDLE request includes $3.8 million, including $800,000 General Fund, for a request initiated in the Department of Health Care Policy and Financing. In HCPF, the request refinances cash funds to "free up" General Fund for the CDLE initiative. The request in CDLE would add 4.0 FTE and a new Office of Employment First, to be contracted with a University Center for Excellence in Developmental Disabilities, to promote competitive integrated employment for people with most significant disabilities.]

8. Describe the coordination between HCPF and CDLE in serving people with developmental disabilities. In general, how closely do the departments coordinate in services for this population? Do the agencies duplicate efforts? How closely did they collaborate in developing this request?

CDLE's Division of Vocational Rehabilitation (DVR) and HCPF have traditionally worked in close coordination to serve individuals with intellectual and developmental disabilities (I/DD). Together, they have established a Memorandum of Understanding (MOU) that guides joint work at the state and local levels. While DVR and HCPF collaborate closely to serve many of the same individuals as outlined in the MOU, services are not duplicated. DVR and its service providers work together to maximize vocational services that lead to competitive integrated employment for clients from both agencies, while HCPF's mission is to "improve health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources."

Below are several examples of the collaborative work of the partnership:

- Workforce Innovation Technical Assistance Center (WINTAC) Webinar. HCPF and DVR efforts are seen nationally as a model partnership. The agencies jointly presented a federal webinar on how Supported Employment services are implemented in Colorado. In addition to this webinar, DVR and HCPF have also made joint presentations at the Hacking Autism conference and Transition Nights with School Districts.

- State Employment Leadership Network (SELN). HCPF and DVR participate on monthly technical assistance calls facilitated by the Institute of Community Inclusion at the University of Massachusetts Boston. The purpose of the calls is to brainstorm ideas and solutions for more seamless service delivery for individuals with I/DD. In addition, HCPF and DVR jointly presented on braided funding and the sequencing of services between both agencies at the annual SELN conference in Virginia.

- Annual IDD "Roundtables." This year DVR and HCPF developed and presented full day regional workshops in Salida, Denver, Lakewood, Grand Junction, Durango and Fort Collins focused on how to best serve shared clients. Among the topics were sequencing of services, competitive integrated employment and benefits planning.

- Supported Employment Steering Committee for I/DD. DVR facilitates a bi-monthly full-day meeting in cooperation with I/DD Supported Employment DVR Counselors and HCPF staff to provide updates and discuss how to improve services for shared customers.

- Colorado Department of Education (CDE) Summer Institute. For the past 2 years, HCPF and DVR have presented together to education staff at the CDE Summer Institute conference in Keystone, CO. Presentations are focused on effective services to transitioning youth with I/DD.

- Employment First Advisory Partnership (EFAP). Created through SB16-045, HCPF, DVR and other state agencies meet for a full day each month to partner in developing policies and practices focused on the premise that all individuals with disabilities can fully participate at work and in their communities.

- Vendor certification. Through SB18-145, HCPF and DVR have partnered closely in stakeholder meetings to conduct the Benefits Collaborative process and will be collaborating to promulgate respective rules for credentialing of supported employment service providers as well as address implementation.

- Rate Setting and Fee Schedules. HCPF and DVR work together closely to align rates for service providers so that services to clients are seamless between organizations.

- New Patterns of Services. HCPF and DVR partner regularly to implement new patterns of services such as evidenced based and best practices in the areas of Individual Placement and Support (IPS) and Customized Employment.

9. In response to JBC staff questions, the Department indicated that the federal match available for this initiative could range from 0 to 78.7 percent. Based on this, funding for the Office of Employment First could fall between $432,220 and $3,376,323. What federal match does the Department think is most likely and why is it uncertain?

The amount of the federal funds that can be received is dependent on meeting the criteria under the federal award. In the first year, from the requested $800,000, $367,780 would be used to fund four FTE within DVR, and the remaining $432,220 to fund infrastructure investments in an Office of Employment First. The Department anticipates that the $367,780 for FTE will be an allowable match under the grant and enable DVR to draw down an additional $1,358,886 from its Basic Support grant. The Department also anticipates that the $432,220 earmarked for the Office of Employment First is likely to be determined an allowable match (pending completion of a detailed statement of work) enabling an additional draw down of $1,596,981 from DVR's Basic Support Grant.

The Department intends to use federal funds earned from match eligible expenditures to increase funding for cross-disability case services, expand training and curriculum, and provide support to the work of the Office of Employment First that may not be anticipated in the original statement of work.

10. If federal match is used and funding for this initiative does not continue beyond three years, what would be the implications for the "maintenance of effort" for vocational rehabilitation required under federal law? How would the State avoid federal penalties?

34 CFR 361.62 requires that if the Department fails to meet the same level of match as two years prior, the Department would not be able to access the corresponding federal amount in the same amount of the non-federal deficit. In the event that DVR is not able to acquire additional non-federal funds through the existing legislative flexibility, the Department will seek to cover any shortfall by continuing efforts through diversification of funding. Using the flexibility provided, the Department believes it can negate the MOE penalty.

11. Prior to figure setting, will the Department be able to provide a more specific proposal for the Office of Employment First including estimated numbers of trainings to be provided, participants, and potential impacts for people with most significant disabilities?

Yes. DVR is actively working with members of the Employment First Advisory Partnership (EFAP) and staff at JFK Partners to craft a statement of work and associated budget that will more clearly describe the activities the Office will undertake, including the scope and detail of the outreach and education events that will be provided, coordination and implementation of identified EFAP recommendations, and the vision for the overall impact of the Office's activities on individuals with the most significant disabilities.

12. Will baseline data be available prior to the start of this initiative, if it is approved? If not, how will the Department measure the program's impacts?

Yes, the following baseline data will be available prior to launching the initiative:

- Number of individuals working in competitive integrated employment.
- Number of individuals working in sub-minimum wage employment.
- Number of individuals served by mental health/supported employment service providers.
- Number of skilled DVR staff trained in Employment First principles and practices.
- Number of partners, families, and other stakeholders trained in areas of supported employment and benefits planning.

13. If the Division were provided an additional $800,000 General Fund on an ongoing basis with a goal of assisting young people with the most significant disabilities to transition from school to competitive integrated employment, are there other ways the Department would suggest directing vocational rehabilitation funding for maximum impact?

The additional $800,000 of General Fund and the associated federal match funds are anticipated to be used, per the budget request, on providing statewide services to all eligible individuals and not only young people transitioning from school to employment. These funds would be used for the previously noted areas:

- Establish an Office of Employment First to coordinate state efforts and implement EFAP recommendations leading to increased competitive integrated employment for people with significant disabilities through implementation of evidenced-based and best practices;
- Fund four FTE within DVR to:
    - Develop and train excellent skills and competencies in the provision of supported employment, including Discovery and Customized employment, for DVR staff,
    - Provide business outreach activities to establish CDLE and the state of Colorado as a model employer for people who have disabilities,
    - Lead DVR in the provision of benefits planning to allow individuals with disabilities to overcome barriers preventing full participation in competitive integrated employment,
    - Enhance and expand the effective use of the IPS evidenced-based model of supported employment across all disabilities.
- Enhance the implementation of DVR's current Customized Employment pilot, beyond four participating communities, to ensure Customized Employment mechanisms are available statewide to individuals with the most significant disabilities to fully participate in competitive integrated employment.
- Ensure sufficient funding, in addition to joint DVR and HCPF efforts, to facilitate the effective training and credentialing of supported employment service providers per SB 18-145.
- Augment DVR's case services budget to ensure sufficient funding for direct cross-disability vocational rehabilitation services based on growth of the client census, disability-type trends, and necessary staffing.

And for maximum impact, depending on the amount of federal match available:

- Expand the quantity and quality of business outreach programs to promote work based learning and skills-based hiring of people with disabilities.
- Broaden DVR's programmatic reach into secondary and post-secondary education.
- Accelerate DVR programs to train and qualify vendors.

Vocational Rehabilitation Outcomes

14. Provide statistics on vocational rehabilitation outcomes. How many of those who apply for vocational rehabilitation services ultimately complete the program? Of those who complete, how many find meaningful employment?

During the past three state fiscal years, DVR has recorded the following average annual statistics:

- 6,566 applications taken
- 6,078 eligibility determinations made
- 4,030 Individualized Plans for Employment established
- 2,210 participants successfully employed in competitive integrated employment (59.19% Rehabilitation Rate)

Independent Living Centers

15. How do the services offered by independent living centers overlap with home- and community-based services provided by the Department of Health Care Policy and Financing? Should this program be in HCPF?

Centers for Independent Living (CILs) have a service model focused on independent living within the community. They are consumer-controlled, community-based, cross-disability, nonresidential, private, nonprofit agencies that are designed and operated within a local community by individuals with disabilities and provide an array of independent living services, but do not manage residential facilities. Each CIL is a non-profit grassroots organization authorized by the Rehabilitation Act of 1973, as amended. CILs promote the Independent Living philosophy (IL philosophy) and provide, at minimum, five core services:

1. Information/Referral to identify available local resources and services.
2. Individual/Systems Advocacy to assist in finding information, people and tools necessary to overcome individual or community issues related to disabilities.
3. Independent Living Skills Training to assist individuals to develop the skills necessary to navigate the daily tasks necessary for independently living.
4. Peer Mentoring to help individuals achieve employment, personal and independent living goals.
5. Transition to assist young adults from high school to adulthood into job seeking, higher education or other vocational activities to reduce the potential institutionalization; and, to transition people with disabilities of all ages from nursing homes and institutions to community based living.

Contrary to the CILs, HCPF is oriented more toward a medical service model. They oversee and operate Health First Colorado (Colorado's Medicaid Program), Child Health Plan *Plus* (CHP+), and other public health care programs for Coloradans who qualify. HCPF's mission is to "improve health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources."

So, given the difference in service models and the logical intersection of the DVR mission (to assist people with disabilities to succeed in meaningful employment and live independently through collaboration with business, community and workforce partners) with the core services of independent living, the Department does not believe that CILS should be housed at HCPF.

16. What efforts are being made by the Department to streamline paperwork required for independent living centers?

The Office of Independent Living Services (Office) oversees the contracts with the Centers for Independent Living. As part of its work, during the summer of 2018, the Office solicited input from the CILs to develop and implement a customized contract management tool. The tool assesses the robustness of each CIL's financial controls and then correlates the assessment with the amount of supporting documentation required when submitting invoices for reimbursement.

DIVISION OF OIL AND PUBLIC SAFETY

17. Why is the Division of Oil and Public Safety in this department?

There is a long history and numerous reasons why the Division of Oil and Public Safety (OPS) resides within the Colorado Department of Labor and Employment (CDLE). The Office of the State Inspector of Oils was created over a century ago, in 1899, and resided in the Department of Oil Inspection. Official reports from as early as 1913 indicate the Department of Oil Inspection was responsible for setting standards for the safe storage and sale of fuel products, tracking shipments of fuel in and out of Colorado, and the collection of fuel taxes. In the mid 1900's, approximately 50 or 60 years ago there was a consolidation of departments in state government in which many larger departments absorbed smaller departments. At that time part of the Department of Oil Inspection was merged into the CDLE, as the Oil Inspection Section (OIS), while the other part related to fuel taxes was merged into the Department of Revenue.

In 1989, following the US EPA's implementation of regulations related to Underground Storage Tank (UST), Colorado's General Assembly adopted a comprehensive UST law through HB 89-1229, which included enforcement of tank regulations, cleanup regulations and administration of the Petroleum Storage Tank Fund. Since the OIS at CDLE had historically been effectively regulating fuel products, the General Assembly split the implementation of the new UST program between the OIS at CDLE and the Colorado Department of Public Health and Environment (CDPHE).

The OIS was given the responsibility for enforcement of tank regulations because of its historical responsibility for enforcing fire code regulations concerning petroleum storage tanks (underground and aboveground) and the retail sale of motor fuel products. OIS was also given partial responsibility for reviewing State Fund applications in the areas of tank compliance. The oversight of cleanup of petroleum releases was assigned to the CDPHE because of their experience in dealing with environmental contamination. They were also given the overall responsibility of administration of the Petroleum Storage Tank Fund.

In 1995, following significant backlogs on UST cleanup and unpaid reimbursement applications at CDPHE, the General Assembly, through HB 05-1183, consolidated the entire Storage Tank Program transferring CDPHEs responsibilities to the OIS at CDLE. The reason for this legislation was to create efficiency by consolidating the entire administration of the program within one department. Since then the Petroleum Storage Tank program has functioned well at the CDLE and has received national recognition. Consolidation has allowed comprehensive communication between inspection, cleanup and fund programs, enabling quicker and more cost effective cleanup.

In 2001 the General Assembly, through HB 01-1373, created the OPS within CDLE by consolidating the OIS with other CDLE public safety programs (boiler inspection, explosives, public school construction and carnival and amusement parks) that were also focused on worker protection. The purpose of this legislation was to create efficiency through consolidation of administration.

In 2007, the General Assembly established statewide regulation of conveyances through passage of the elevator and Escalator Certification Act (SB 07-123), and delegated this new program to OPS. In 2009 the General Assembly, through HB 09-1151, consolidated Public School Construction Program at CDLE-OPS with the Division of Fire Safety's Public School Construction Program in the Department of Public Safety.

In 2014, the General Assembly established statewide regulation of retail natural gas facilities through passage of the HB 13-1110, and delegated this new program to OPS.

In 2016, the General Assembly established statewide regulation for retail hydrogen fueling facilities through passage of the HB 16-1053, and also delegated this new program to OPS.

And, most recently in 2018, the General Assembly assigned the Underground Damage Prevention Safety Commission to OPS through passage of the SB 18-167.

The consolidation of these environmental and safety programs at CDLE has proven to be very effective in protecting the health and safety of Colorado workers and citizens. OPS is viewed by partners and stakeholders at the local, state, and federal government level as one of the most successful programs in the country. This viewpoint is also shared by persons subject to OPS regulations, who have specifically cited that they wished other state agencies provided service like OPS. Part of this success relates to the way OPS engages with businesses everyday, which is unmatched in other state regulatory agencies. All of the programs administered by OPS play a significant, yet often unnoticed role in the daily lives and well-being of most Colorado citizens and businesses. OPS at CDLE truly helps "Keep Colorado Working".

COLORADO WORKFORCE DEVELOPMENT COUNCIL AND DIVISION OF EMPLOYMENT AND TRAINING

18. The Talent Pipeline Report includes recommendations, many aligned with recommendations of the Education Leadership Council, for helping to change Colorado's educational and training systems. Does the Council or the Department have specific proposals for moving these forward, including for funding these? Could the Employment Support Fund, which supports much of the activity within this department, be used on a short-term basis to support some of these initiatives, such as work-based learning pilot programs?

The CDLE and CWDC welcome the opportunity to work with legislators to flesh out the recommendations in the Talent Pipeline Report into viable bills during this session. The recommendations in the report are intentionally left broad for policymakers to customize solutions based on their constituents' needs and areas of interest. Based on the recommendations, below are more detailed proposals.

- Barrier Removal: Authorize research to examine state-level impediments to work based learning in state agencies and in local education districts and post-secondary educational systems. The research may examine licensing procedures for in-demand occupations, limitations on work experiences and activities prior to receiving licenses, policies for leaving high school campuses, or academic credit for work experiences. Funding may be necessary to cover an FTE or a contractor to conduct the research and produce a report with specific solutions to mitigate barriers.

- Pilot Programs: Various incentives could be tested to determine their effectiveness in encouraging employers to engage in work-based learning opportunities. The financial cost will vary based on the idea that is being tested. A brief list of options include the following:

    1. Amend state procurement rules to allow for points to be given to bidders who employ apprentices as a part of the proposal.
    2. Amend economic development incentive award criteria to include employing apprentices.
    3. Waive/reduce the unemployment insurance premiums for apprentices hired by small businesses.
    4. Waive/reduce the workers' compensation premiums for apprentices hired by small businesses.

Each of these options could be customized to serve specific populations, such as veterans, opportunity youth, or individuals with disabilities. Launching a pilot program with veterans has been discussed as a first opportunity.

- Public Private Partnerships: The CWDC has successfully implemented the Thriving Work-Based Learning Communities grant providing funding to ten communities across the state. These communities are setting up internship or apprenticeship programs and strengthening the connections between educational institutions and businesses. The grantees engage in an ongoing Learning Lab to share ideas and best practices. This program has been funded by federal dollars, and a matching investment of state dollars would allow it to serve more communities and/or continue programs in the existing communities.

Research has not yet been done to identify specific sources of funding or offsets for these ideas.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED. PLEASE RETAIN THE NUMBERING IN ORDER TO MAINTAIN CONSISTENT LABELING FOR COMMON QUESTIONS ACROSS DEPARTMENTS.

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.**

CDLE has met all statutory deadlines for implementation of 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, 2018 (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-30-2018

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 March 31, 2020.

3 If the Department receives federal funds of any type, please respond to the following:

a. **Are you expecting any changes in federal funding with the passage of the FFY 2018-19 or 2019-20 federal budget? If yes, in which programs, and what is the match requirement for each program?**
The Unemployment Insurance Division received a 3% cut for FFY 2018-19.

b. **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.

c. **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 2018-19 or 2019-20.** The department is not aware of any sanctions.

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?**

The Department of Labor and Employment did not spend money on public awareness campaigns during the prior state fiscal year.

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?**

Appropriated FTE Vacancy	FY 2017-18
Executive Director's Office	5%
Division of Unemployment Insurance	0%*
Employment and Training Division	1%
Division of Labor Standards and Statistics	23%
Division of Oil and Public Safety	0%
Division of Workers' Compensation	10%
Division of Vocational Rehabilitation	2%

*Federally funded positions created the lack of FTE vacancies.

6 **Please identify how many rules you have promulgated in the past two years (FYs 2016-17 and 2017-18). 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 2016-17 and 2017-18, CDLE made formal changes to 27 existing rules within the divisions of Unemployment Insurance, Worker's Compensation, Oil and Public Safety, Labor Standards and Statistics and Vocational Rehabilitation.

Only two of these rule changes (UI division) required cost-benefit analysis. In each case, 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 they 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.

7 **What are the major cost drivers impacting the Department? Is there a difference between the price inflation the Department is experiencing compared to the general CPI? Please describe any specific cost escalations.**

The Department's costs have remained relatively flat over the past three years; however, the largest increases have been seen in the areas of the School to Work Alliance Program, Payments to OIT, and in postage. For the School to Work Alliance Program, increases are due to the targeting of expenditures to students with a disability as a result of federal legislative changes that occurred with the Workforce Innovation and Opportunity Act (WIOA). WIOA mandated a new requirement that 15 percent of the Vocational Rehabilitation State Grant ("termed Basic Support" in Colorado) be spent on students with a disability.

For the Payments to OIT appropriation, the growth of appropriations is shown below.

Fiscal Year	FY 2020	FY 2019	FY 2017 HB 16-1405
Appropriation	$16,634,901	$12,287,049	$11,981,089
Growth from SFY 2017	39%	3%	

Using the Bureau of Labor Statistics "Consumer Price Index: Information Technology, Hardware and Services" for the United States, the rate of technology, from June 2016-June 2018, the growth over the CPI growth formula was approximately $800,000 higher than the rate of inflation from the same time period (-4.1%). The growth from FY 2020 was $5.1 million over inflation.

The Postal Act of 2006 caps postage price increases at CPI-U and postage increases are in direct proportion to rate increases.

8 **How is the Department's caseload changing and how does it impact the Department's budget? Are there specific population changes or service needs (e.g. aging population) that are different from general population growth?**

The open caseload grew from 7,943 at the close of SFY15 to 8,210 in SFY18. A growing proportion of this caseload was from youth services (as a result of WIOA) and a shift in the disability prevalence from physical to mental impairments.

9 **Please provide an overview of the Department's current and future strategies for the use of outward facing technology (e.g. websites, apps) and the role of these technologies in the Department's interactions with the public.**

The Department of Labor and Employment's strategy is to review, manage and optimize our technology investments so that they yield the highest benefit to the CDLE Users, and citizens of the State of Colorado. Our approach is to optimize service through technology solutions that are affordable, sustainable, adaptable, accessible, secure and productive. We believe in promoting deeper insights and better conclusions through the value of shared data. Through technology, we enable exceptional customer service via self-service where appropriate, accountability of systems and people, engagement of staff and stakeholders, and continuous process improvement.