

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Amanda Bickel, JBC Staff
DATE May 1, 2020
SUBJECT Addendum to Department of Labor and Employment Budget Balancing Packet

The following items expand or revise options listed in the staff balancing packet for the Department of Labor and Employment dated April 17, 2020.

→ PETROLEUM CLEANUP AND REDEVELOPMENT FUND, TRANSFER TO GENERAL FUND - ADDITIONAL OPTION

JBC ACTION AS OF 3/16/20 AND 4/14/20 STAFF RECOMMENDATION: In the JBC staff balancing packet dated 4/14/20 staff recommended transferring all unencumbered amounts in this cash fund (\$6.7 million) to the General Fund on June 30, 2020.

OPTION: Staff has since been notified that Petroleum Storage Tank Fund is projected to be insolvent by June and has become aware of a proposal that would involve temporarily using \$5.0 million in the Petroleum Cleanup and Redevelopment Fund to address the severe cash flow problem facing the Petroleum Storage Tank Fund. If the Committee were interested in this option:

- \$2.7 million from the Petroleum Cleanup and Redevelopment Fund would be transferred to the General Fund on or before June 30, 2020.
- \$5.0 million from the Petroleum Cleanup and Redevelopment Fund would be transferred to the Petroleum Storage Tank Fund upon enactment.
- \$5.0 million would then be transferred from the Petroleum Storage Tank Fund to the General Fund before the end of FY 2020-21.

ANALYSIS:

Key Considerations: The Petroleum Storage Tank Fund is an enterprise funded through a monthly assessment (environmental response surcharge) on licensed fuel wholesalers based on the gallons of fuel sold by each distributor. The revenue is used to address petroleum spills and related environmental response. Fuel demand in April and May has fallen sharply, and, as a result, the Petroleum Storage Tank Fund is anticipated to become insolvent. The Department's projection is shown below.

Month	Fund Balance	Revenue	Expenses	RAPs
Apr-20	\$728,483	\$2,000,000	-\$414,000	-\$966,998
May-20	\$1,347,485	\$1,000,000	-\$414,000	-\$2,300,000
Jun-20	-\$366,515	\$1,500,000	-\$414,000	-\$1,800,000
Jul-20	-\$1,080,515			

Note: RAPs are payments for reimbursements and consultants addressing environmental response activities.

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This proposal would provide somewhat later cash flow for the General Fund, but, as proposed, the General Fund would receive the full \$6.7 million before the end of FY 2020-21. The proposal would require an additional bill to allow for the proposed transfer of funds from the Petroleum Cleanup and Redevelopment Fund to the Petroleum Storage Tank Fund.

Additional Background: The Division of Oil and Public Safety appears to concur that the current problem is a cash flow problem, and that the Petroleum Storage Tank Fund will be able to repay the \$5.0 million in FY 2020-21. The Department indicates that the current Environmental Response Surcharge, used to fund the Petroleum Storage Tank Fund, is at its statutory maximum of \$100 per tanker load since January 2020, so higher fees would also require new legislation. The program indicates that, because it is an enterprise, it could theoretically issue bonds. However, this is typically a lengthy and expensive process that seems to make little sense for a \$5.0 million cash flow problem.

→ SKILLED WORKER OUTREACH RECRUITMENT AND KEY TRAINING GRANT PROGRAM, FUNDS PREVIOUSLY AWARDED

Staff recommends that the Committee only consider this option if it requires cuts deeper than 10.0 percent, i.e., staff believes this option should be in the “last cut” category.

JBC ACTION AS OF 3/16/20 AND 4/14/20 STAFF RECOMMENDATION: As discussed in the April, 17, 2020 packet, the JBC previously authorized an FY 2020-21 appropriation of \$3,300,000 General Fund in the Long Bill for the Skilled Worker Outreach Recruitment and Key Training Grant Program (Work Act). The program also received a \$3,300,000 General Fund appropriation in FY 2019-20. In the 4/17/20 Budget Balancing packet, staff recommended that the Committee sponsor legislation to repeal the program, eliminate the appropriation for FY 2020-21, and transfer unencumbered and unexpended funds to the General Fund.

ADDITIONAL OPTION: In addition to stopping any new grants, the Committee could consider pulling back funding in *existing* Work Act contracts for funds not expended by the end of FY 2019-20. *Staff does not recommend this option but is identifying it as a possibility for the Committee’s consideration.*

ANALYSIS:

Key Considerations: The structure of this program is such that funds are expended over a long period of time, and contracts are typically for 17 to 19 months. As of 4/21/20, the Work Program had \$3.4 million in previously appropriated funds that were encumbered but not yet expended. Setting aside funds awarded in FY 2018-19 that are likely to be expended by the end of FY 2019-20, **this includes \$2,925,745 in funds awarded during FY 2019-20 but not yet expended and with contract end dates falling between 5/31/2021 and 7/15/2021.** For four of the seven FY 2019-20 grants, no invoices had been submitted as of 4/21/20.

Breaking a previously-approved contract is an unappealing option. However, consistent with most state contracts, the contract for this program states:

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B. FUND AVAILABILITY. §24-30-202(5.5), C.R.S.

Financial obligations of the State payable after the current State Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.

As discussed in the previous staff write-up, this program was designed to increase awareness of training and job opportunities in the trades, and support such training, in light of a shortage of skilled workers and low unemployment. Given the massive shift in the economic and employment situation and state budget shortfalls, this may no longer be the best use of state resources.

Additional Background: **If the Committee proceeds with approach reflected in staff's original recommendation (only take un-granted funds), staff estimates that \$500,00-\$750,000 in un-granted funds may ultimately be available for transfer to the General Fund in FY 2020-21 and early FY 2021-22.** There is currently \$160,300 un-granted in the WORK fund. Further, of the FY 2018-19 grants of \$1,000,000, \$230,201 (23.0 percent) was returned by grantees to be re-granted. Assuming this percentage holds, approximately \$760,000 of FY 2019-20 grants of \$3.3 million could be returned. However, it is unclear how the current economic situation and the end of the program is likely to affect this pattern. **Alternatively, if the General Assembly halts the program by the end of FY 2019-20 and transfers any unexpended funds to the General Fund, staff anticipates that \$2.0-\$2.5 million of the previous appropriation could be recaptured in FY 2020-21.**

→ HOSPITALITY CAREER SECONDARY EDUCATION GRANT PROGRAM

Staff recommends that the Committee only consider this option if it requires cuts deeper than 10.0 percent, i.e., staff believes this option should be in the "last cut" category, based on feedback previously received from the Department.

JBC ACTION AS OF 3/16/20: The JBC approved an appropriation of \$401,947 General Fund and 0.5 FTE for this program for the FY 2020-21 Long bill.

RECOMMENDATION/OPTION: The Committee could consider reducing funding by 20 percent (\$80,389) or suspending support for this program entirely (\$401,947) in FY 2020-21 and FY 2021-22.

ANALYSIS:

KEY CONSIDERATIONS: This program was first added in FY 2014-15 and supports programs for high school students. The hospitality sector appears to be significantly disrupted due to the current pandemic. Unemployment in the hospitality sector is likely to be extremely high in the coming year. Furthermore, in the absence of a COVID-19 vaccine, staff assumes there will be risks to both high school students and employers in the hospitality sector associated with providing high school students work experiences in the sector. Given this, staff anticipates there will be less interest in this program than in the past and believes the General Assembly may want to consider reducing or even temporarily suspending funding for the program. Staff notes that the Department has indicated it considers the program valuable and would like to see it sustained.

Additional Background:

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Senate Bill 14-015 (Hospitality Career Education Grant Program) created the hospitality career secondary education grant program in CDLE. The program is authorized at Section 24-46.3-201, C.R.S., and awards grants to increase the number and quality of hospitality programs operating in secondary schools through program development, grant administration, and grant awards to hospitality programs. In response to staff questions, the Department indicated that it awarded the grant funds (\$362,000 in FY 2019-20) to the Colorado Restaurant Association Education Fund. The Restaurant Association operates the ProStart Program, which, according to its website, is a two year high school program that serves more than 900 students from 27 high schools across Colorado. The program provides high school and college academic credit through Metropolitan State University of Denver, scholarships, and employment opportunities.