

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2013-14 STAFF BUDGET BRIEFING
DEPARTMENT OF LABOR AND EMPLOYMENT**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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November 28, 2012**

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DEPARTMENT OF LABOR AND EMPLOYMENT

Department Overview

The Department of Labor and Employment administers six divisions. A brief description of each division and its primary functions is provided below.

Executive Director's Office

Provides administrative and technical support for department divisions and programs including accounting, budgeting, and human resources functions.

Division of Unemployment Insurance

Collects unemployment insurance premiums and surcharges from employers, administers the payment of unemployment insurance benefits to claimants, and conducts audits to ensure proper payment of premiums and benefits.

Division of Employment and Training

The Division of Employment and Training administers the following programs:

- Workforce Development Centers assist job seekers with job training and placement, work to ensure veterans, migrant seasonal farm workers, dislocated workers, youth, and displaced homemakers receive job services. During economic growth, workforce centers work closely with employers to identify qualified job seekers.
- The Workforce Development Council provides workforce policy recommendations, serves as a liaison between the business community and the Governor, offers technical support to local Workforce Investment Boards, and directs improvement of the workforce system.
- The Labor Market Information Sub-Division provides annual and monthly information on general labor market trends including: unemployment rates, industry trends, and employee compensation by region and industry.

Division of Labor

Administers laws and regulations governing wages, minimum wage, youth employment, certain union issues and grievances, and employment-related immigration laws.

Division of Oil and Public Safety

Conducts inspections of petroleum storage sites, and tests retail products for compliance with state quality standards. Licenses and inspects conveyances, conveyance inspectors, boilers, pressure vessels, explosive storage units, amusement park and carnival rides and mechanics and contractors.

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Division of Workers' Compensation

Oversees workers' compensation injury claims and compliance, mediates disputes, administers the Major Medical and Subsequent Injury Insurance Programs which provide medical benefits for workers who were permanently injured or disabled by at least one workplace injury.

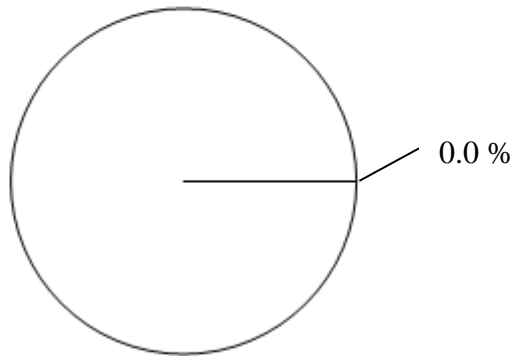
Department Budget: Recent Appropriations

Funding Source	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14 *
General Fund	\$0	\$0	\$0	\$0
Cash Funds	59,639,210	60,912,916	60,488,778	61,352,511
Reappropriated Funds	1,695,272	752,426	651,881	651,881
Federal Funds	<u>95,589,102</u>	<u>96,532,825</u>	<u>96,976,002</u>	<u>97,821,471</u>
Total Funds	\$156,923,584	\$158,198,167	\$158,116,661	\$159,825,863
Full Time Equiv. Staff	1,047.0	1,046.8	1,006.3	1,006.3

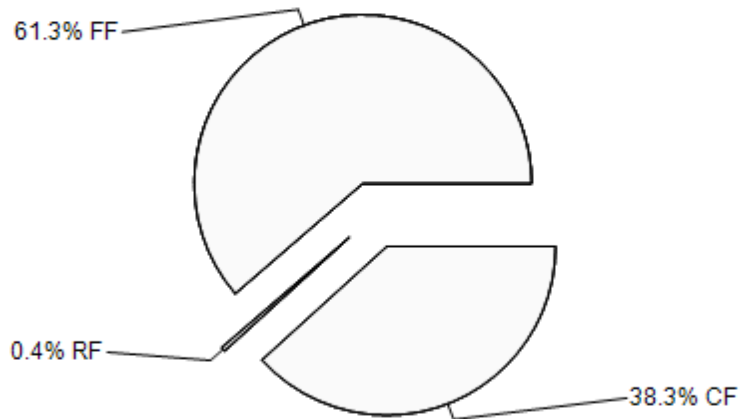
*Requested appropriation.

Department Budget: Graphic Overview

**Department's Share of Statewide
General Fund**



Department Funding Sources

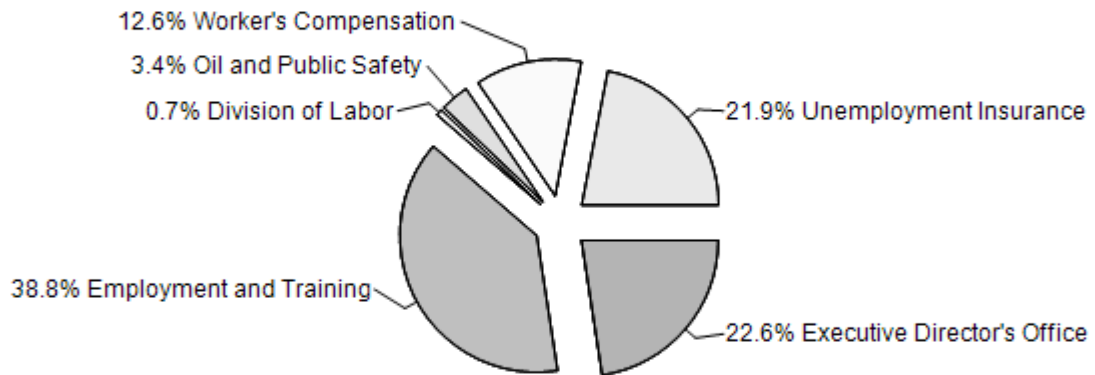


All charts are based on the FY 2012-13 appropriation.

Distribution of General Fund by Division

The Department of Labor and Employment did not receive a General Fund appropriation for FY 2012-13.

Distribution of Total Funds by Division



All charts are based on the FY 2012-13 appropriation.

General Factors Driving the Budget

Unemployment Insurance Programs

Unemployment Insurance Programs (UI Programs) provide temporary compensation to individuals who are laid off through no fault of their own. Benefits are awarded on a weekly basis and are paid bi-weekly. The weekly benefit amount for 2012 ranges from \$25 to \$513. UI Programs account for approximately 21.9 percent of the Department’s budget, yet 78.8 percent of UI Program funding is federal funds.

Workload for the UI Programs and the balance of the Unemployment Insurance Trust Fund (UITF) are counter cyclical. When the economy is growing, the number of applications for benefits is low, and the UITF balance grows. When the economy is slow, the number of benefit applications increases and the UITF balance decreases. The following table shows the variance in the amount of UI benefits paid from FY 2008-09 through FY 2012-13:

UI Benefit Payments from FY 2008-09 to FY 2012-13			
Fiscal Year	Benefit Payments	Change from Previous Year	Percent Change from Previous Year
FY 2008-09 Actual	\$1,053,793,289	\$698,826,584	196.9%
FY 2009-10 Actual	1,063,306,485	9,513,196	0.9%
FY 2010-11 Actual	761,771,730	(301,534,755)	(-28.4%)
FY 2011-12 Actual	606,531,633	(155,240,097)	(-20.4%)
FY 2012-13 Estimated	635,253,318	28,721,685	4.7%

Source: Department of Labor and Employment

In order to accommodate workload fluctuations, the Department utilizes a number of temporary and contract federally funded FTE. The work hours for these FTE are adjusted with the availability of federal funds associated with the workload of the Department. Generally, a high unemployment rate generates more federal funding dollars for the Department.

Workforce Development Programs

Employment and training programs provide employment services for businesses and job training and job placement services for job seekers through a network of state and county run one-stop workforce centers. Unemployment Insurance claimants are required to register with a workforce center, and can take advantage of an online database managed by the workforce centers, Connecting Colorado. Total funding for this division makes up 37.5 percent of the Department's budget; including 82.2 percent federal funds. Currently, economy workforce centers are focused on matching job seekers with employers and providing job training. In a strong economy an emphasis is placed on matching employers with qualified job seekers.

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Summary: FY 2012-13 Appropriation & FY 2013-14 Request

Department of Labor and Employment						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	\$158,069,463	\$0	\$60,441,580	\$651,881	\$96,976,002	1,006.3
HB 12-1272	<u>47,198</u>	<u>0</u>	<u>47,198</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$158,116,661	\$0	\$60,488,778	\$651,881	\$96,976,002	1,006.3
FY 2013-14 Requested Appropriation:						
FY 2012-13 Appropriation	\$158,116,661	\$0	\$60,488,778	\$651,881	\$96,976,002	1,006.3
R-1 Placeholder for Budget Amendment	0	0	0	0	0	0.0
NPI-1 Capitol Complex Building Upgrades	1,353	0	1,143	0	210	0.0
NPI-2 Employee Engagement Survey Adjustment	834	0	275	0	559	0.0
NPI-3 OIT Enterprise Management	19,462	0	9,925	0	9,537	0.0
Centrally Appropriated Line Items	2,242,274	0	1,134,572	0	1,107,702	0.0
Statewide IT Common Policy Adjustments	(507,523)	0	(234,984)	0	(272,539)	0.0
Annualize Prior Year Legislation	<u>(47,198)</u>	<u>0</u>	<u>(47,198)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$159,825,863	\$0	\$61,352,511	\$651,881	\$97,821,471	1,006.3
Increase/(Decrease)	\$1,709,202	\$0	\$863,733	\$0	\$845,469	0.0
Percentage Change	1.1%	0.0%	1.4%	0.0%	0.9%	0.0%

Issue Descriptions

R-1: This decision item requests an appropriation from the Training and Technology Fund. The request is presented as a placeholder for a budget amendment and indicates an estimated request of \$10.0 million for FY 2013-14 to fund technology initiatives associated with Colorado’s role in a multi-state consortium tasked with developing new unemployment insurance computer programs. *For more information on this budget request, see staff’s issue briefing Unemployment Insurance Technology.*

NPI-1 Capitol Complex Building Upgrades: The request includes an increase of total funds for FY 2013-14 to fund the Department’s share of building maintenance and upgrades in the State’s Capitol Complex. *This request item will be addressed in a separate staff briefing for the Department of Personnel and Administration scheduled for December 10, 2012.*

NPI-2 Employee Engagement Survey Adjustment: The request includes an increase of total funds for FY 2013-14 to fund the Department’s share of a survey to gauge employees’ attitudes towards their work, their work environment, overall satisfaction, and trends developing within the workforce. *This request item will be addressed in a separate staff briefing for the Department of Personnel and Administration scheduled for December 10, 2012.*

NPI-3 OIT Enterprise Management: The request includes an increase of total funds for FY 2013-14 to fund the Department’s share of an executive branch information technology asset

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management program and corresponding data system. *This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology scheduled for December 10, 2012.*

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; vehicle lease payments; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; Capitol complex leased space; and statewide indirect cost assessments. *This request item will be addressed in separate staff briefings for the Department of Personnel and Administration.*

Statewide IT common policy adjustments: The request includes adjustments to line items appropriated for: purchase of services from the computer center; multiuse network payments; management and administration of the Governor's Office of Information Technology (OIT); and communication services payments. *This request item will be addressed in a separate staff briefing for the Governor's Office of Information Technology scheduled for December 10, 2012.*

Issue: Unemployment Insurance Program Update

This issue brief provides a basic overview of Unemployment Insurance (UI) and the funding mechanisms for the Unemployment Insurance Trust Fund (UITF), as well as recent legislative changes to the program.

SUMMARY:

- Employers are assessed UI premiums based on each employee's first \$11,000 in taxable earnings per employee, commonly referred to as the wage base. In 2013, the wage base will increase to \$11,300; and
- Annual experience ratings and the balance of the Unemployment Insurance Trust Fund determine how much an employer pays in UI premiums for each employee on staff.
- Premiums and surcharges collected from employers pay for UI benefits, and support administration of programs within the Department of Labor and Employment;

DISCUSSION:

Background

The Unemployment Insurance (UI) Program is administered through a federal-state partnership. Federal laws establish broad guidelines for UI programs including benefit provisions, federal tax requirements, and general eligibility provisions. States enact state specific legislation for eligibility, state premiums, and weekly benefit amounts.

Colorado is responsible for providing 26 weeks of unemployment benefit payments to individuals who are unemployed through no fault of their own. Benefits are paid from the principal of the Unemployment Insurance Trust Fund. The UITF receives moneys from approximately 150,000 employers through two mechanisms: UI premiums, and a Solvency Surcharge. Benefit payments after the first 26 weeks are 100.0 percent paid through federal moneys. Through December 2012, claimants can qualify for 37 weeks of federal paid benefits for a combined total of 63 weeks.

House Bill 11-1288 (Liston/Morse) made significant changes to the way employers are assessed UI premiums. First, H.B. 11-1288 raised the wage base which premiums are charged from the first \$10,000 in reported earnings per employee to \$11,000 beginning in 2012. In successive years, the wage base will be indexed to the reported percentage change in average weekly earnings from experience rated employers. The wage base will increase approximately 2.7 percent to \$11,300 for 2013. The bill also simplified the standard premium rate table, modified the solvency surcharge rate table and changed UITF reserve requirements which determine when employers will be charged the solvency surcharge. The table below outlines employer federal tax and state premium and surcharge liabilities for 2013:

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Colorado Unemployment Insurance Trust Fund Revenue Sources				
Revenue Source	Low	High	Wage Base	Notes
Federal UI Tax	0.6%	0.6%	\$7,000	Employers pay 0.6%. Pays for 37 weeks of federal UI benefits and UI program administration. States can pay up to 6.0%.
Per employee	\$42	\$42		
UI Premium	.51%	10.39%	\$11,300	Premium rate is based on an employer's experience rating and the reserve ratio of the UITF.
Per Employee	\$58	\$1,174	\$11,300	Assumes 2013 wage base of \$11,300.
UI Solvency Surcharge	0.10%	2.32%	\$11,300	Activated when UITF balance is less than 0.5% of previous year's reported wages from experience rated employers (not active in 2013).
Per Employee	\$11	\$262	\$11,300	Assumes 2013 wage base of \$11,300.
Bond Principal	.19	.19		Added to UI premium rate (multiply premium by 1.19)
2013 State Total	.74%	9.73%	\$11,300	Range per employee, estimated .006 reserve ratio for 2013 UI premium rates.
Per Employee	\$83	\$1,099	\$11,300	

Calculation of Premium and Surcharge Obligations

Employer evaluations determine an employer's experience rating which ranges from a high of positive 20 to a low of negative 25 on the Standard Premium Rate Schedule (Appendix F). Experience ratings are provided to employers annually and are effective for one calendar year. On July 1 of each year the Department follows steps one through three to determine an employer's experience rating:

1. Subtracts the total of UI benefits charged from UI premiums paid to an employer's account;
2. Divides this amount by an employer's average annual payroll (last three fiscal years) to determine percent of excess; and
3. Locates the intersection of the UITF reserve ratio and the experience rating to determine premium rate.

House Bill 11-1288 included a provision which allows employers to make payments in excess of UI premium obligations to their unemployment insurance accounts. Payment made before the June 30 of each year can positively impact their experience rating. A higher dividend can translate to a higher experience rating, and lower UI premium obligations the following year.

Employers are assessed a solvency surcharge based on their experience rating (0.10 to 2.3 percent) when the UITF fund balance is equal to or less than 0.50 percent of the previous year's reported wages from experience rated employers. For the solvency surcharge to be activated in 2013, the balance of the UITF would have needed to fall from approximately \$527 million to \$429 million in June 2012. When the solvency surcharge is assessed, it continues to be charged until the UITF balance reaches 0.70 percent of the previous year's reported wages from experience rated employers.

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In contrast, once the UITF balance grows to 1.6 percent of total reported wages for the previous year, employers receive premium credits to their accounts which could lower premium obligations. Based on last year's reported wages the UITF would have needed a balance of \$1.37 billion for premium credits to be issued in 2013.

UI Premiums and Program Support

UI premiums pay for UI benefit payments and support a few programs in the Department of Labor and Employment. The Training and Technology Fund is credited with 0.04 percent of premiums assessed against employers, about \$5 per employee. The Training and Technology Fund is credited with up to \$10 million a year, and the balance of the fund reverts to the UITF if the UITF balance falls below \$100 million.

The Employment Support Fund is credited with 0.11 percent of premiums assessed against employers, about \$12 per employee. This fund supports the following programs:

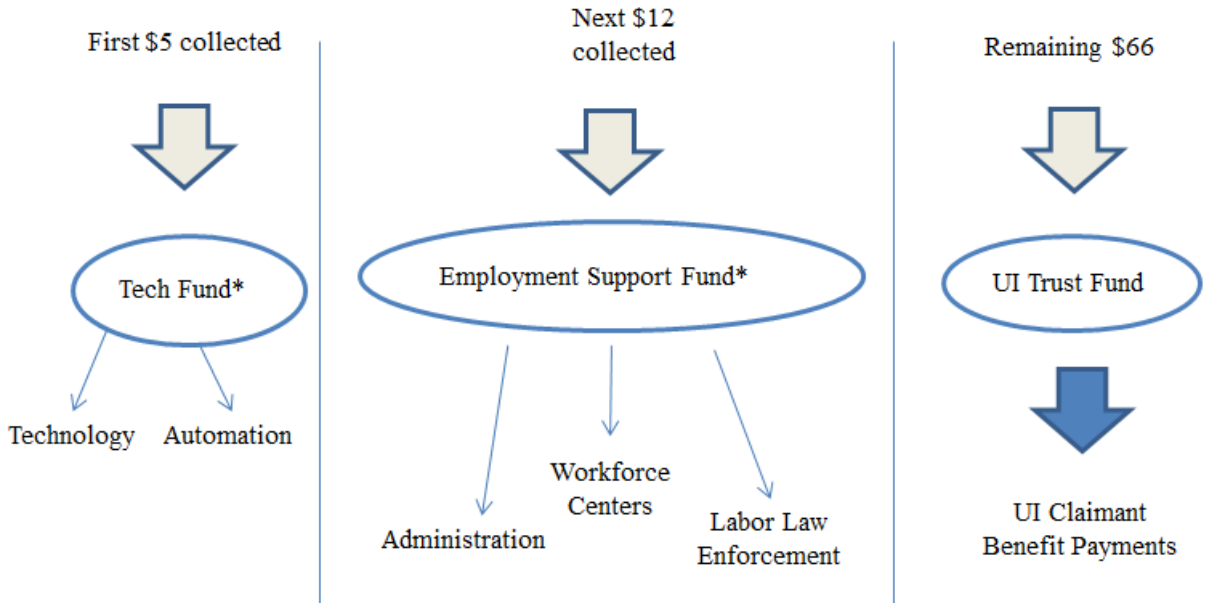
- \$5.6 million for administration of the UI Program;
- \$1.2 million for the Division of Labor; and
- \$9.9 million for Workforce Programs.

If the Employment Support Fund exceeds a balance equal to FY 2010-11 expenditures, indexed by the change in weekly earnings the excess would revert to the UITF. This allows for a maximum balance of approximately \$27.6 million in FY 2013-14.

Please refer to the following graphic to see an example of how UI premiums are divided:

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Employer Y has a positive 20 experience rating. In 2013, Employer Y will pay the State \$83 per employee in Unemployment Insurance Premiums. This assessment will be divided the following ways:



*When the UI Trust Fund balance falls below or above a set reserve these two funds revert to the UI Trust Fund.

UITF Bond Obligations

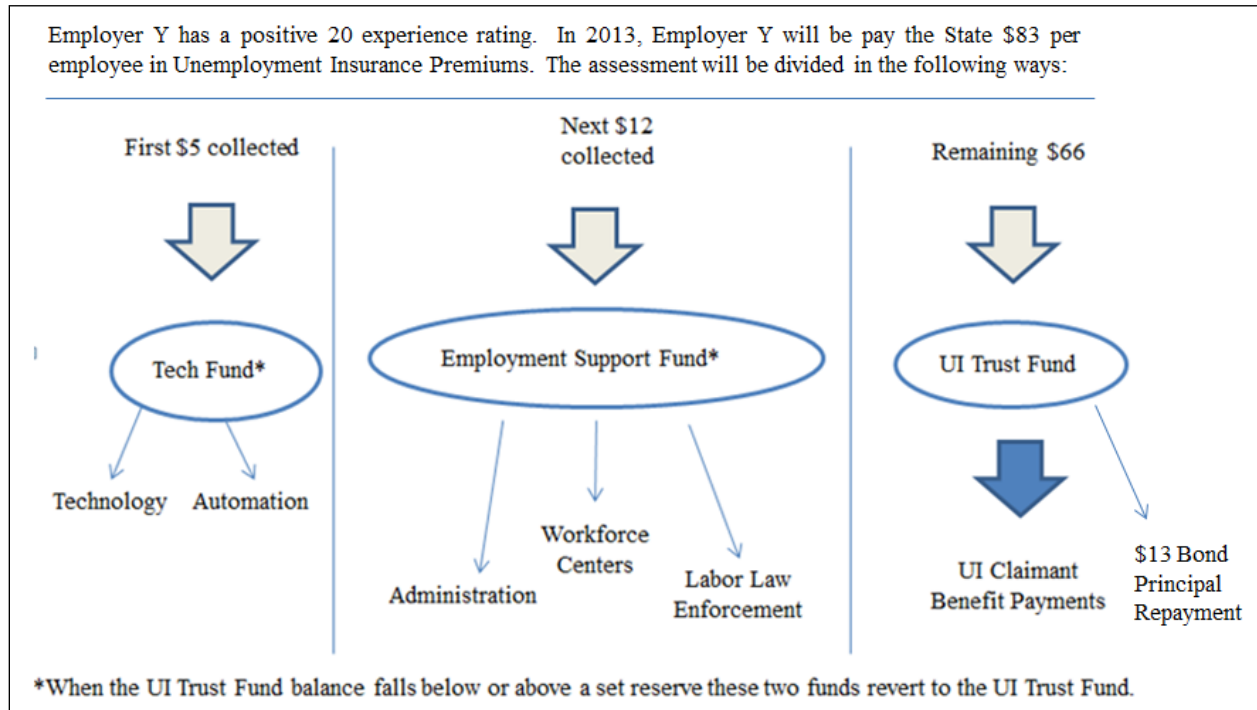
House Bill 12S-1002 (Liston/Jahn) authorized the Division of Unemployment Insurance to issue bonds for debt obligations in an effort to stabilize UI premium rates. Two bonds totalling \$625 million were issued in June 2012 to repay the outstanding federal debt and avoid a temporary federal tax credit reduction. The first bond of \$84.8 million paid the outstanding federal debt and has an interest rate of 5.0 percent. The Department estimates this bond will be repaid by May 2014. The second bond of \$540 million is scheduled to be repaid by 2017. The following table outlines the interest rate of the second bond:

\$540 Million Bond Repayment Schedule		
Year	Principal Payment Amount	Interest Rate
2013	\$124,960,000	0.450%
2014	40,170,000	0.852%
2015	124,960,000	1.162%
2016	124,960,000	1.600%
2017	124,965,000	1.850%

Employers will be assessed two premiums to repay bond principal and bond interest debt. The Bond Principal Surcharge has been set at 19.39 percent of an employer’s base premium for 2013. All experience rated employers are subject to this assessment, which will be due in April 2013. Any amounts paid toward bond principal will count toward an employer’s account and will be used when calculating the employer’s annual experience rating, which may result in lower

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premium obligations. The following graphic shows how the bond principal payments fit into the previous scenario:



A bond interest assessment was collected from employers in October 2012. Experience rated employers with a score below +7, and some unrated employers were subject to this assessment. The average assessment was approximately \$300 and was calculated by multiplying the bond interest assessment rate, 0.1141 percent, by the employer's second quarter wages for 2011.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

Performance measures related to this issue brief were not provided in the Department's FY 2013-14 Strategic Plan.

Issue: Unemployment Insurance Technology

This issue brief provides an overview of recent technology appropriations for the Department, the FY 2013-14 placeholder budget request, and the multi-state technology consortium efforts.

SUMMARY:

- Approximately \$33.3 million has been appropriated to the Department of Labor and Employment since 1999 to replace the benefit and tax systems used to administer Unemployment Insurance programs;
- Based on the UITF balance the Training and Technology Fund will receive moneys from UI premiums in 2013 for the first time since its creation pursuant to S.B. 09-076; and
- Colorado is a member of a multi-state consortium named WyCAN which has been tasked with developing an integrated benefit and tax system that all consortium states will be able to use and customize.

RECOMMENDATION:

Staff recommends that the Department submit a response to the following RFI in FY 2013-14. In addition staff recommends that the Department comment on this request during the Department's hearing.

Department of Labor and Employment – The Department is requested to submit a report by November 1, 2013, to the Joint Budget Committee outlining an annual technology plan related to Training and Technology Fund appropriations. The report should contain specific details of technology projects supported with these funds including: measureable project goals, project deliverables and dates, a summary of federal funds associated with technology projects supported by Training and Technology Fund appropriations, and the Office of Information Technology's role in these projects.

DISCUSSION:

Recent Technology Appropriations

An information technology project called the Genesis project was initiated in 1999 with a goal of replacing the 40-year old unemployment insurance computer programs in order to create an integrated system combining the Colorado Automated Tax System and the Colorado Unemployment Benefits System into one database system. In December 2005, the contract with the developer was terminated. At that time three of the five major deliverables had been completed, yet in 2006, through a project recovery assessment it was determined that none of the completed deliverables were usable. The net cost of the contract was \$24.2 million cash funds from the Employment Support Fund; an additional \$2.3 million was appropriated for the project recovery assessment.

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Following the project recovery assessment the Department requested appropriations for the Internet Self Service Project (ISS). The goals of the ISS project were a subset of the Genesis Project; to enable claimants to apply for benefits and employers to submit information online and to reduce the workload for the UI call center. ISS project functions for employers included: electronic submission of tax and wage information, online UI premium payments and account information online.

Appropriations from the Employment Support Fund, for the ISS project, total \$6.8 million from FY 2008-09 through FY 2010-11 for capital construction and operating costs. The appropriations included 2.5 temporary FTE to offset the workload of individuals assigned to the project. The project's close date was March 31, 2012, yet, as evidenced by the table below the remaining deliverables of the project will be outstanding until 2013:

Summary of the Internet Self Service Project Phases			
Phase	Target Completion Date	Description of Phase	Percent Complete
Phase 1 - MyUI Claimant	October 2009	Enables claimants to view their unemployment insurance account information online.	100.0%
Phase 2 - Smart Filing	October 2012	Allow all claimants, regardless of their type of claim (initial, additional, continuation, or reopened) to file their UI claim electronically.	100.0%
Phase 3 - Continued Claims	February 2013	Enables claimants to file the required information to continue receiving benefits online.	90.0%
Phase 4 - Employer Services Part 1	December 2012	Enable employers to file wage, tax, and premium information electronically. Includes the option to pay UI taxes and premiums electronically.	90.0%
Phase 5 - My UI Employer	September 2013	Allows employers and employer representatives to view the employers UI account information online.	0.0%
Phase 6 - Appeals	July 2013	Allows claimants and employers to view appeals status and information about the appeals decision electronically.	10.0%
Phase 7 - Communication and Enhancements	September 2013	Allows employers and claimants to view, complete, and submit certain UI forms online.	0.0%
Project Close	March 31, 2012		

Training and Technology Fund

Senate Bill 09-076 (Health/Court) created the Employment and Training Technology Fund (Tech Fund), with the intent of transferring 20.0 percent of revenue collected from the Unemployment Insurance Surcharge to the Tech Fund. This created a dedicated fund for technology initiatives, instead of relying on the Employee Support Fund. It was estimated that the transfer would provide \$9.3 million for FY 2009-10 and \$9.5 million for FY 2010-11. The bill included a provision which would transfer the balance of the Tech Fund to the Unemployment Insurance

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Trust Fund, should the fund balance fall below \$25 million. The anticipated transfer to the Tech Fund never happened due to the balance of the UITF.

House Bill 11-1288 changed the way the Tech Fund receives premiums. Beginning in 2013, the lesser of the first .04 percent collected for UI premiums, or \$10 million will be credited to the Tech Fund annually. Should the UITF balance fall below \$100 million the balance of the Tech fund will revert to the UITF. The Department hopes to use the Tech Fund to support its role in a technology consortium, WyCAN.

WyCAN Consortium

Colorado joined a technology infrastructure consortium in September 2011 that includes Colorado, Arizona, North Dakota, and Wyoming. The consortium was awarded \$72 million federal funds to help complete the following tasks:

- Modify or develop a core benefit or tax and benefit system design;
- Design additional core benefit or tax systems that are exportable to other states; and
- Implement technology to decrease improper payments and increase recovery.

Colorado was named as the lead state in the WyCAN consortium so will be the recipient of additional federal funds associated with the project. The Department is collaborating with the Office of Information Technology to finalize a vendor to develop the UI replacement software. The deadline for vendor submissions was October 4, 2012. The systems that will be created through the consortium will replace the ISS project deliverables.

The Department's FY 2013-14 placeholder request indicates a need of \$10 million to be allocated toward the WYCAN consortium project, yet the actual amount is pending a contract with an IT vendor, and submission of a budget amendment.

Reporting Options

Since employers in the State have been subject to increased and varying UI premiums and UI surcharge schedules, and well as debt assessments, staff believes the Department should be subject to increased reporting on moneys used on technology projects.

Option One:

Staff recommends that the Department submit a response the following RFI beginning in FY 2013-14. In addition staff recommends that the Department comment on this request during the Department's hearing. Additionally, staff recommends that the Department make this information available online for employers.

Department of Labor and Employment – The Department is requested to submit a report by November 1, 2013, to the Joint Budget Committee outlining an annual technology plan related to Training and Technology Fund appropriations. The report should contain specific details of technology projects supported with these funds including: measureable project goals, project deliverables and dates, a summary of federal funds associated with technology projects

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supported by Training and Technology Fund appropriations, and the Office of Information Technology's role in these projects.

Option Two:

The JBC could sponsor legislation to amend Section 8-77-109, C.R.S. to include a requirement for an annual report on November 1 each year the General Assembly appropriates moneys from the Training and Technology Fund. The report should contain specific details of technology projects supported with these funds including: measureable project goals, project deliverables and dates, and a summary of any federal funds associated with technology projects supported by Training and Technology Fund appropriations.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

A performance measure related to employer utilization of online resources was included in the Department's Strategic Plan. The online resources are not operational, so there is no baseline data to evaluate this performance measure's success in FY 2013-14.

Major Medical Insurance Fund Transfers and the TABOR Reserve

This issue brief provides information about the relationship between the Major Medical Insurance Fund, the Subsequent Injury Fund, and the TABOR reserve.

SUMMARY:

- The Major Medical Insurance Fund and the Subsequent Injury Fund provide benefits to individuals with industrial injuries or disabilities occurring before 1994;
- Senate Bill 09-037 (Kopp/McNulty) modified the statute governing the fund balances of the Major Medical Insurance Fund and the Subsequent Injury fund so the funds maintain a reserve equivalent to one year worth of claims and program administration costs; and
- TABOR reserve transfers in FY 2011-12 from the Major Medical Insurance Fund will result in lower availability of funds for the TABOR reserve in future years.

DISCUSSION:

Major Medical Insurance Fund and Subsequent Injury Fund

The Major Medical Insurance Fund (MMIF) and the Subsequent Injury Fund (SIF) were originally created to maintain a competitive insurance market in Colorado. Insurers that existed before these programs were created had become less competitive in the insurance market due to pooled charges of industrial injuries.

The MMIF was established in 1971 to provide unlimited benefits to industrial workers who had sustained catastrophic injuries. The MMIF pays any moneys in excess of \$20,000 in medical expenses per claimant. Claims are approved for individuals who sustained qualified injuries from 1971 to 1981. The program is not open to new cases, but will occasionally add new individuals when an individual's cumulative medical expenses exceeded \$20,000.

The SIF was created to encourage employers to hire individuals that were partially disabled by limiting workers' compensation liability for employers. These injuries must have been sustained before 1993 for traumatic injuries and before 1994 for occupational diseases. The SIF covers the medical expenses of workers who became totally and permanently disabled from either: two or more industrial injuries that occurred prior to July 1, 1993; or from acquiring a permanently disabling occupational disease prior to April 1, 1994. Both funds receive moneys from the workers' compensation premium surcharge.

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Senate Bill 09-037

Prior to S.B. 09-037, the balance of the MMIF and SIF were to accumulate until the funds were deemed actuarially sufficient to pay all present and future insurance claims. Per S.B. 09-037 the funding mechanism was changed so that the balance of the funds is equal to one year of claims payments and the cost of administering the program. This estimate for FY 2013-14 is \$11 million and the current balance of the funds is approximately \$101.9 million. The bill also allows balances to be moved between the MMIF to the SIF. References to the MMIF can be a combination of moneys from both funds.

Workers' Compensation insurers submit a premium surcharge based on the amount of premiums received each year. The surcharge rate is established annually by the Department and collected twice a year. In addition to the MMIF and SIF, the Workers' Compensation Cash Fund (WCCF) and the Cost Containment Cash Fund (CCCF) receive a portion of the surcharge. The WCCF pays for personal services and operating expenses in the Workers' Compensation subdivision. The CCCF provides funds to assist employers in reducing workers' compensation claims. The following table shows the allocation of the premium surcharge from FY 2007-08 through FY 2012-13:

Premium Surcharge Rates					
Fiscal Year	WCCF	Special Funds	CCCF	Total	Change
FY 2007-08	.80%	2.98%	.03%	3.81%	0
FY 2008-09	.80%	2.98%	.03%	3.81%	0
FY 2009-10	1.50%	2.08%	.03%	3.61%	(0.2)%
FY 2010-11	1.60%	.10%	.03%	1.73%	(95.2)%
FY 2011-12	1.60%	.10%	.03%	1.73%	0
FY 2012-13	1.60%	.10%	.03%	1.73%	0

TABOR Reserve

TABOR requires the General Assembly designate an emergency reserve equal to 3.0 percent of the fiscal year's non-exempt General Fund and cash fund revenue. This revenue can only be used for declared emergencies such as natural disasters. The reserve is designated annually from a combination of sources in the Long Bill.

Portions of the MMIF and SIF have been designated as TABOR reserve since 2004. These moneys cannot be used to pay claims or administration costs while they are designated as the TABOR reserve. The following table shows the amount designated as TABOR reserve since FY 2009-10, and the amount used each year:

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Fiscal Year	MMIF TABOR Reserve	Transfer Amount
FY 2009-10	\$94,000,000	\$200,000
FY 2010-11	94,000,000	8,600,000
FY 2011-12	92,500,000	19,650,000
TOTAL		\$29,200,000

The Department estimates that current TABOR reserve set in the FY 2012-13 Long Bill is at an acceptable level, as long as transfers do not exceed \$9.0 million. For FY 2013-14 the MMIF amount for the TABOR reserve will need to be reduced to approximately \$83 million. As the fund balance continues to decline with transfer, this amount will become less each year. This will require the General Assembly to secure additional funds for the reserve.

Unintended Consequences of MMIF Transfers

The immediate effects of replacing the TABOR reserve with alternative funding sources can be addressed in the Long Bill during FY 2013-14. Depleting the fund balances could eventually result in either a higher workers' compensation surcharge, a redistribution of funds from the worker's compensation surcharge, or a reduction in resources for programs supported by surcharge revenue.

The Governor's Budget Transmittal Letter included a broad objective to replenish moneys that were used in FY 2011-12 from the MMIF with federal FEMA reimbursements. Staff consulted OSPB and was informed that no specific details on a plan to replenish the MMIF has been finalized. This is partially due to the uncertain timing of FEMA reimbursements.

Option to Fund

The JBC could choose to replenish some of the moneys used for disaster declarations in FY 2011-12 with a transfer from another fund source. Since there is no obvious source for a transfer, General Fund may be an appropriate option. Staff is not making a recommendation on funding at this time.

RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

Performance measures related to this issue brief were not provided in the Department's FY 2013-14 Strategic Plan.

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Appendix A: Number Pages

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
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DEPARTMENT OF LABOR AND EMPLOYMENT
Ellen Golombek, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

Primary Functions: Performing departmental administrative functions, including accounting, budgeting, data processing and personnel management; adjudicating disputes related to unemployment insurance, labor standards, and workers' compensation.

Personal Services	<u>7,331,177</u>	<u>6,981,821</u>	<u>7,592,508</u>	<u>7,592,508</u>
FTE	91.7	91.7	99.9	99.9
Cash Funds	3,274,970	3,035,391	4,448,857	4,444,664
Reappropriated Funds	200,076	108,721	157,006	157,006
Federal Funds	3,856,131	3,837,709	2,986,645	2,990,838
Health, Life, and Dental	<u>5,342,993</u>	<u>5,799,564</u>	<u>6,749,767</u>	<u>6,806,678</u>
Cash Funds	2,337,284	2,278,695	2,755,851	3,065,062
Reappropriated Funds	190,231	0	0	0
Federal Funds	2,815,478	3,520,869	3,993,916	3,741,616
Short-term Disability	<u>79,048</u>	<u>77,289</u>	<u>103,330</u>	<u>105,529</u>
Cash Funds	34,158	40,444	42,322	49,206
Reappropriated Funds	3,045	0	0	0
Federal Funds	41,845	36,845	61,008	56,323
S.B. 04-257 Amortization Equalization Disbursement	<u>1,156,587</u>	<u>1,187,695</u>	<u>1,883,988</u>	<u>2,004,794</u>
Cash Funds	529,350	552,789	765,137	937,352
Reappropriated Funds	48,785	0	0	0
Federal Funds	578,452	634,906	1,118,851	1,067,442

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>841,254</u>	<u>946,604</u>	<u>1,619,052</u>	<u>1,805,311</u>	
Cash Funds	350,958	407,587	657,540	841,648	
Reappropriated Funds	35,421	0	0	0	
Federal Funds	454,875	539,017	961,512	963,663	
Salary Survey	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,021,709</u>	
Cash Funds	0	0	0	500,281	
Federal Funds	0	0	0	521,428	
Merit Pay	<u>0</u>	<u>0</u>	<u>0</u>	<u>773,319</u>	
Cash Funds	0	0	0	336,691	
Federal Funds	0	0	0	436,628	
Shift Differential	<u>11,084</u>	<u>9,734</u>	<u>14,460</u>	<u>9,852</u>	
Cash Funds	4,867	0	0	0	
Reappropriated Funds	395	0	0	0	
Federal Funds	5,822	9,734	14,460	9,852	
Workers' Compensation	<u>586,172</u>	<u>446,693</u>	<u>543,147</u>	<u>451,537</u>	
Cash Funds	178,731	128,731	180,806	127,249	
Reappropriated Funds	18,376	0	0	0	
Federal Funds	389,065	317,962	362,341	324,288	
Operating Expenses	<u>1,737,499</u>	<u>1,592,289</u>	<u>1,759,608</u>	<u>1,759,608</u>	
Cash Funds	686,747	593,057	1,254,666	760,376	
Reappropriated Funds	57,388	0	0	0	
Federal Funds	993,364	999,232	504,942	999,232	

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Legal Services	<u>569,193</u>	<u>594,886</u>	<u>610,661</u>	<u>610,661</u>	
Cash Funds	147,852	159,331	271,545	162,572	
Reappropriated Funds	92,007	0	0	0	
Federal Funds	329,334	435,555	339,116	448,089	
Purchase of Services from Computer Center	<u>5,822,847</u>	<u>6,323,857</u>	<u>7,665,687</u>	<u>7,884,458</u>	*
Cash Funds	3,135,290	2,897,958	3,608,705	4,021,073	
Reappropriated Funds	259,092	0	0	0	
Federal Funds	2,428,465	3,425,899	4,056,982	3,863,385	
Multiuse Network Payments	<u>698,637</u>	<u>909,030</u>	<u>745,029</u>	<u>316,833</u>	
Cash Funds	498,081	437,504	350,730	150,121	
Reappropriated Funds	9,041	0	0	0	
Federal Funds	191,515	471,526	394,299	166,712	
Management and Administration of OIT	<u>427,635</u>	<u>433,604</u>	<u>471,863</u>	<u>193,227</u>	
Cash Funds	63,914	208,581	222,146	92,749	
Reappropriated Funds	20,358	0	0	0	
Federal Funds	343,363	225,023	249,717	100,478	
Payment to Risk Management and Property Funds	<u>25,326</u>	<u>53,317</u>	<u>28,916</u>	<u>46,868</u>	*
Cash Funds	4,695	15,190	15,263	15,256	
Reappropriated Funds	2,971	0	0	0	
Federal Funds	17,660	38,127	13,653	31,612	
Vehicle Lease Payments	<u>108,366</u>	<u>98,370</u>	<u>105,258</u>	<u>105,258</u>	
Cash Funds	42,092	66,419	68,680	74,196	
Reappropriated Funds	30,053	0	0	0	
Federal Funds	36,221	31,951	36,578	31,062	

*This line item includes a decision item.

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Leased Space	<u>3,257,226</u>	<u>3,440,703</u>	<u>3,719,723</u>	<u>3,719,723</u>	
Cash Funds	1,429,345	1,608,095	1,946,617	2,096,169	
Reappropriated Funds	172,121	0	0	0	
Federal Funds	1,655,760	1,832,608	1,773,106	1,623,554	
Capitol Complex Leased Space	<u>31,812</u>	<u>29,169</u>	<u>21,882</u>	<u>22,901</u> *	
Cash Funds	3,533	24,639	18,579	19,347	
Reappropriated Funds	21,106	0	0	0	
Federal Funds	7,173	4,530	3,303	3,554	
Communication Services Payments	<u>1,108</u>	<u>1,183</u>	<u>0</u>	<u>0</u>	
Cash Funds	351	262	0	0	
Reappropriated Funds	35	0	0	0	
Federal Funds	722	921	0	0	
COFRS Modernization	<u>0</u>	<u>0</u>	<u>476,256</u>	<u>476,256</u>	
Cash Funds	0	0	185,370	185,370	
Federal Funds	0	0	290,886	290,886	
Utilities	<u>260,308</u>	<u>256,775</u>	<u>260,309</u>	<u>260,309</u>	
Federal Funds	260,308	256,775	260,309	260,309	
Information Technology Asset Maintenance	<u>553,573</u>	<u>541,228</u>	<u>553,627</u>	<u>553,627</u>	
Cash Funds	159,082	142,882	196,009	175,343	
Reappropriated Funds	16,260	0	0	0	
Federal Funds	378,231	398,346	357,618	378,284	

*This line item includes a decision item.

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Statewide Indirect Cost Assessment	<u>499,121</u>	<u>432,233</u>	<u>749,654</u>	<u>1,028,796</u>	
Cash Funds	499,121	172,606	381,990	345,656	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	259,627	367,664	683,140	
TOTAL - (1) Executive Director's Office	29,340,966	30,156,044	35,674,725	37,549,762	5.3%
<i>FTE</i>	<u>91.7</u>	<u>91.7</u>	<u>99.9</u>	<u>99.9</u>	<u>0.0%</u>
Cash Funds	13,380,421	12,770,161	17,370,813	18,400,381	5.9%
Reappropriated Funds	1,176,761	108,721	157,006	157,006	0.0%
Federal Funds	14,783,784	17,277,162	18,146,906	18,992,375	4.7%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
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(2) DIVISION OF UNEMPLOYMENT INSURANCE

Primary Function: Provide supplemental income benefits to individuals who have lost their job through no fault of their own; and identifying, investigating and prosecuting individuals who attempt to receive unemployment benefits to which they are not entitled.

Program Costs	<u>40,449,066</u>	<u>39,662,255</u>	<u>34,698,482</u>	<u>34,651,284</u>	
FTE	501.5	542.4	467.1	467.1	
Cash Funds	7,180,355	7,179,709	7,364,002	7,316,804	
Federal Funds	33,268,711	32,482,546	27,334,480	27,334,480	
Internet Self-Service	<u>162,948</u>	<u>115,054</u>	<u>0</u>	<u>0</u>	
FTE	2.4	2.4	0.0	0.0	
Cash Funds	162,948	115,054	0	0	

TOTAL - (2) Division of Unemployment Insurance	40,612,014	39,777,309	34,698,482	34,651,284	(0.1%)
FTE	<u>503.9</u>	<u>544.8</u>	<u>467.1</u>	<u>467.1</u>	<u>0.0%</u>
Cash Funds	7,343,303	7,294,763	7,364,002	7,316,804	(0.6%)
Federal Funds	33,268,711	32,482,546	27,334,480	27,334,480	0.0%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
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(3) DIVISION OF EMPLOYMENT AND TRAINING

The Division of Employment and Training administers two programs: Employment and Training Programs, and Labor Market Information.

(A) Employment and Training Programs

The services offered to job seekers by the Employment and Training Programs include job search assistance, additional job training, and classes to improve interview and resume skills. All services are free of charge. These services are offered through one-stop centers which can be run by either the state or county. Services are also offered to employers seeking qualified candidates. Funding for these programs consists of cash funds, primarily from the Employment Support Fund and federal funds primarily from the Workforce Investment Act and Trade Adjustment Act.

State Operations	<u>14,254,659</u>	<u>13,632,715</u>	<u>13,816,930</u>	<u>13,816,930</u>
FTE	136.7	143.7	143.7	143.7
Cash Funds	9,180,109	9,113,772	9,262,895	9,262,895
Reappropriated Funds	6,652	0	9,541	9,541
Federal Funds	5,067,898	4,518,943	4,544,494	4,544,494
One-Stop County Contracts	<u>9,769,463</u>	<u>10,090,326</u>	<u>9,164,335</u>	<u>9,164,335</u>
Federal Funds	9,769,463	10,090,326	9,164,335	9,164,335
Trade Adjustment Act Assistance	<u>3,040,716</u>	<u>2,087,822</u>	<u>3,288,070</u>	<u>3,288,070</u>
Federal Funds	3,040,716	2,087,822	3,288,070	3,288,070
Workforce Investment Act	<u>39,702,423</u>	<u>34,273,390</u>	<u>32,184,493</u>	<u>32,184,493</u>
FTE	47.8	67.1	61.2	61.2
Cash Funds	725,000	807,540	807,540	807,540
Reappropriated Funds	0	0	0	0
Federal Funds	38,977,423	33,465,850	31,376,953	31,376,953

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
Workforce Development Council	<u>280,360</u>	<u>428,831</u>	<u>466,016</u>	<u>466,016</u>	
FTE	1.9	3.8	4.0	4.0	
Reappropriated Funds	0	0	466,016	466,016	
Federal Funds	280,360	428,831	0	0	
Workforce Improvement Grants	<u>55,000</u>	<u>52,031</u>	<u>400,000</u>	<u>400,000</u>	
Cash Funds	0	0	0	0	
Federal Funds	55,000	52,031	400,000	400,000	

SUBTOTAL - (A) Employment and Training					
Programs	67,102,621	60,565,115	59,319,844	59,319,844	0.0%
FTE	<u>186.4</u>	<u>214.6</u>	<u>208.9</u>	<u>208.9</u>	(0.0%)
Cash Funds	9,905,109	9,921,312	10,070,435	10,070,435	0.0%
Reappropriated Funds	6,652	0	475,557	475,557	0.0%
Federal Funds	57,190,860	50,643,803	48,773,852	48,773,852	0.0%

(B) Labor Market Information

Labor Market Information (LMI) provides information on long-term employment trends across the state, monthly unemployment numbers, and job growth information. LMI collaborates with one-stop centers to provide relevant training classes in fields that have potential long-term growth in Colorado. Federal funds make up 99.4 percent of LMI's funding, and the remaining 0.6 percent are cash funds from the sale of publications.

Program Costs	<u>1,440,279</u>	<u>2,110,689</u>	<u>2,022,666</u>	<u>2,022,666</u>	
FTE	22.4	21.7	30.3	30.3	
Cash Funds	0	0	11,323	11,323	
Federal Funds	1,440,279	2,110,689	2,011,343	2,011,343	
SUBTOTAL - (B) Labor Market Information					
FTE	<u>22.4</u>	<u>21.7</u>	<u>30.3</u>	<u>30.3</u>	0.0%
Cash Funds	0	0	11,323	11,323	0.0%
Federal Funds	1,440,279	2,110,689	2,011,343	2,011,343	0.0%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
TOTAL - (3) Division of Employment and Training	68,542,900	62,675,804	61,342,510	61,342,510	0.0%
<i>FTE</i>	<u>208.8</u>	<u>236.3</u>	<u>239.2</u>	<u>239.2</u>	<u>(0.0%)</u>
Cash Funds	9,905,109	9,921,312	10,081,758	10,081,758	0.0%
Reappropriated Funds	6,652	0	475,557	475,557	0.0%
Federal Funds	58,631,139	52,754,492	50,785,195	50,785,195	0.0%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
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(4) DIVISION OF LABOR

Primary Functions: Gathering and disseminating labor market and economic trend information.

Program Costs	<u>1,161,478</u>	<u>1,143,712</u>	<u>1,171,056</u>	<u>1,171,056</u>	
FTE	14.1	13.1	15.0	15.0	
Cash Funds	1,161,478	1,143,712	1,171,056	1,171,056	
TOTAL - (4) Division of Labor	1,161,478	1,143,712	1,171,056	1,171,056	0.0%
FTE	<u>14.1</u>	<u>13.1</u>	<u>15.0</u>	<u>15.0</u>	<u>0.0%</u>
Cash Funds	1,161,478	1,143,712	1,171,056	1,171,056	0.0%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
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(5) DIVISION OF OIL AND PUBLIC SAFETY

Primary Functions: Inspecting and calibrating petroleum measuring devices; evaluating clean-up actions at locations where petroleum releases have been discovered and administering the associated reimbursement program; inspecting and testing the quality of fuel products; issuing explosive permits to qualified individuals, conducting annual inspections of all boilers and pressure vessels in commercial and multi-unit residential buildings, licensing of conveyances, conveyance inspectors, mechanics and contractors; registers and inspects amusement park rides, carnivals and other rides.

Personal Services	<u>4,597,811</u>	<u>4,695,393</u>	<u>4,652,538</u>	<u>4,652,538</u>	
FTE	63.6	65.3	67.0	67.0	
Cash Funds	3,671,912	3,831,335	4,068,820	4,068,820	
Reappropriated Funds	14,572	19,488	19,318	19,318	
Federal Funds	911,327	844,570	564,400	564,400	
Operating Expenses	<u>478,593</u>	<u>605,960</u>	<u>705,680</u>	<u>705,680</u>	
Cash Funds	401,053	462,821	560,659	560,659	
Federal Funds	77,540	143,139	145,021	145,021	
Indirect Cost Assessment	<u>895,838</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	895,838	0	0	0	

TOTAL - (5) Division of Oil and Public Safety	5,972,242	5,301,353	5,358,218	5,358,218	0.0%
FTE	<u>63.6</u>	<u>65.3</u>	<u>67.0</u>	<u>67.0</u>	<u>0.0%</u>
Cash Funds	4,968,803	4,294,156	4,629,479	4,629,479	0.0%
Reappropriated Funds	14,572	19,488	19,318	19,318	0.0%
Federal Funds	988,867	987,709	709,421	709,421	0.0%

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(6) DIVISION OF WORKERS' COMPENSATION

The Division of Workers' Compensation is comprised of five major units that provide: claimant customer service, dispute resolution of frequently contested issues, medical cost containment, workers' compensation employer services, and special fund management.

(A) Workers' Compensation

Personal Services	<u>6,672,437</u>	<u>6,728,141</u>	<u>6,862,640</u>	<u>6,862,640</u>	
FTE	86.9	86.7	102.1	102.1	
Cash Funds	6,672,437	6,728,141	6,862,640	6,862,640	
Operating Expenses	<u>513,929</u>	<u>513,929</u>	<u>680,780</u>	<u>680,780</u>	
Cash Funds	513,929	513,929	680,780	680,780	
Administrative Law Judge Services	<u>2,550,825</u>	<u>2,582,398</u>	<u>2,789,339</u>	<u>2,670,702</u>	
Cash Funds	2,550,825	2,582,398	2,789,339	2,670,702	
Physicians Accreditation	<u>115,553</u>	<u>100,651</u>	<u>120,000</u>	<u>120,000</u>	
Cash Funds	115,553	100,651	120,000	120,000	
Utilization Review	<u>41,360</u>	<u>17,920</u>	<u>35,000</u>	<u>35,000</u>	
Cash Funds	41,360	17,920	35,000	35,000	
Immediate Payment	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>1,000</u>	
Cash Funds	0	0	1,000	1,000	
SUBTOTAL - (A) Workers' Compensation	9,894,104	9,943,039	10,488,759	10,370,122	(1.1%)
FTE	<u>86.9</u>	<u>86.7</u>	<u>102.1</u>	<u>102.1</u>	0.0%
Cash Funds	9,894,104	9,943,039	10,488,759	10,370,122	(1.1%)

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
(B) Major Medical Insurance and Subsequent Injury Funds					
Personal Services	<u>1,074,872</u>	<u>1,115,445</u>	<u>1,258,824</u>	<u>1,258,824</u>	
FTE	13.2	13.7	16.0	16.0	
Cash Funds	1,074,872	1,115,445	1,258,824	1,258,824	
Operating Expenses	<u>57,266</u>	<u>64,657</u>	<u>88,324</u>	<u>88,324</u>	
Cash Funds	57,266	64,657	88,324	88,324	
Major Medical Benefits	<u>5,220,180</u>	<u>5,893,652</u>	<u>6,000,000</u>	<u>6,000,000</u>	
Cash Funds	5,220,180	5,893,652	6,000,000	6,000,000	
Major Medical Legal Services	<u>24,937</u>	<u>22,926</u>	<u>7,725</u>	<u>7,725</u>	
Cash Funds	24,937	22,926	7,725	7,725	
Subsequent Injury Benefits	<u>1,710,679</u>	<u>1,477,441</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Cash Funds	1,710,679	1,477,441	2,000,000	2,000,000	
Subsequent Injury Legal Services	<u>56,779</u>	<u>22,769</u>	<u>27,038</u>	<u>27,038</u>	
Cash Funds	56,779	22,769	27,038	27,038	
Medical Disaster	<u>628</u>	<u>323</u>	<u>1,000</u>	<u>1,000</u>	
Cash Funds	628	323	1,000	1,000	
SUBTOTAL - (B) Major Medical Insurance and Subsequent Injury Funds	8,145,341	8,597,213	9,382,911	9,382,911	0.0%
FTE	<u>13.2</u>	<u>13.7</u>	<u>16.0</u>	<u>16.0</u>	<u>0.0%</u>
Cash Funds	8,145,341	8,597,213	9,382,911	9,382,911	0.0%

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	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2013-14 Request	Request vs. Appropriation
TOTAL - (6) Division of Workers' Compensation	18,039,445	18,540,252	19,871,670	19,753,033	(0.6%)
<i>FTE</i>	<u>100.1</u>	<u>100.4</u>	<u>118.1</u>	<u>118.1</u>	<u>0.0%</u>
Cash Funds	18,039,445	18,540,252	19,871,670	19,753,033	(0.6%)
TOTAL - Department of Labor and Employment	163,669,045	157,594,474	158,116,661	159,825,863	1.1%
<i>FTE</i>	<u>982.2</u>	<u>1051.6</u>	<u>1006.3</u>	<u>1006.3</u>	<u>0.0%</u>
Cash Funds	54,798,559	53,964,356	60,488,778	61,352,511	1.4%
Reappropriated Funds	1,197,985	128,209	651,881	651,881	0.0%
Federal Funds	107,672,501	103,501,909	96,976,002	97,821,471	0.9%

Appendix B: Recent Legislation Affecting Department Budget

2011 Session Bills

S.B. 11-076 (PERA Contribution): For the 2011-12 state fiscal year only, reduces the employer contribution rate for the State and Judicial divisions of the Public Employees' Retirement Association (PERA) by 2.5 percent and increases the member contribution rate for these divisions by the same amount. In effect, continues the FY 2010-11 PERA contribution adjustments authorized through S.B. 10-146 for one additional year. Reduces the Department's total appropriation by \$1,631,728 total funds, of which \$610,007 is cash funds, \$3,600 is reappropriated funds, and \$1,018,121 is federal funds.

S.B. 11-143 (Supplemental Appropriation): Supplemental appropriation for the Department of Labor and Employment for FY 2010-11.

S.B. 11-164 (General Fund Transfers): Makes the following transfers from various cash funds to the General Fund in FY 2010-11.

Name of Fund	Department	Transfer Amount
Major Medical Insurance Fund	Labor and Employment	\$10,000,000
Drug Offender Treatment Fund	Judicial	672,725
Contingency Reserve Fund	Education	2,853,383
Colorado Travel and Tourism Promotion Fund	Governor	2,500,000
Supplemental Old Age Pension Health and Medical Care Fund	Health Care Policy and Financing	2,000,000
Local Government Permanent Fund	Local Affairs	4,800,000
Local Government Mineral Impact Fund	Local Affairs	15,000,000
Colorado Domestic Abuse Program Fund	Human Services	200,000
Perpetual Base Account of the Severance Tax Trust Fund	Natural Resources	5,000,000
Local Government Severance Tax Fund	Local Affairs	60,000,000
Total		\$103,026,108

H.B. 11-1288 (Unemployment Insurance Reforms): Appropriates \$62,900 cash funds from the Employment Support Fund to the Division of Employment and Training, Unemployment Insurance Programs. Makes the following changes to the financing of the unemployment compensation system:

- Increases the taxable wage base from the first \$10,000 to the first \$11,000 in calendar year 2012. Beginning in the first year after solvency the taxable wage base will be indexed annually to the percentage change in Colorado's unemployment insurance average weekly earnings.
- In the first year after solvency is achieved, consolidates two of the three current assessments (base premium and socialized surcharge) and part of the third (solvency surcharge) into one combined premium and a new solvency surcharge.
- In the first year after solvency is achieved, applies the consolidated premium to a new rate schedule based on employer experience and the balance of the Unemployment Insurance Trust Fund. Creates new fund balance intervals, adjusted annually based on a 1.4 percent solvency standard.
- In the first calendar year after solvency is achieved, puts in place a premium credit based on a 1.6 percent solvency standard for employers with a positive experience history that have paid more into the unemployment compensation system than was charged in benefits during the calendar year in which the 1.6 percent solvency standard is exceeded.
- Requires the Department to develop an internet self-service project to allow employers anytime access to their account information, and submit an annual report on the status of the Unemployment Insurance Trust Fund to the General Assembly.
- Clarifies provisions relating to fraud and overpayments to claimants and requires notice to claimants of penalties for fraud and overpayments.

2012 Session Bills

H.B. 12-1120 (Unemployment Insurance Division): Relocates the existing unemployment insurance subdivision in the Department of Labor and Employment by creating a new Division of Unemployment Insurance within the Department.

H.B. 12-1127 (New Business Premium Rate): Sets the default premium rate that new employers are charged for unemployment insurance at 1.7 percent unless they have benefits charged against them from involvement in an earlier business entity.

H.B. 12-1188 (Supplemental Appropriation): Supplemental appropriation for the Department of Labor and Employment for FY 2011-12.

H.B. 12-1272 (Enhanced Unemployment Benefits): Extends enhanced unemployment insurance compensation benefits for eligible unemployment insurance claimants engaged in an approved training program until June 30, 2014. This bill authorizes the CDLE to obligate the remaining \$8.0 million federal funds for FY 2012-13 and FY 2013-14.

H.B. 12-1335 (Long Bill): General appropriations act for FY 2012-13.

H.B. 12S-1002 (Unemployment Insurance Bonds): Authorizes the Division of Unemployment Insurance (the UI division) to issue bonds, as an alternative to Colorado Housing and Finance Authority issuance of bonds on its behalf, to stabilize unemployment insurance rates paid by employers. Allows special assessments to be charged to employers for bond principal repayment, bond interest, and other administrative bond costs. Allows employer assessments to be used to increase experience ratings of employers.

Appendix C: Update on Long Bill Footnotes & Requests for Information

Long Bill Footnotes

None.

Requests for Information

- 4. All Departments, Totals --** Every department is requested to submit to the Joint Budget Committee, by November 1, 2012, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2011-12. The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2012

Comment: This information was submitted in the FY 2013-14 budget request.

Appendix D: Indirect Cost Assessment Methodology

Description of Indirect Cost Assessment Methodology

The Department of Labor and Employment indirect cost assessment methodology is calculated based on actual employee work hours, and the associated cash or federal funds to which the work hours are associated.

The *Indirect Cost Pool* is comprised of personal services and operating expense line items in the Executive Director’s Office, and the statewide indirect cost assessment. For FY 2013-14 the Department’s Indirect Cost Pool as requested is \$23,852,300. The *Indirect Cost Rate* is calculated based on staff’s work time in each division. Staff members log their work activities by minutes, and each work activity is assigned a specific code associated with the funding source of the work activity (cash or federal funds). These funds are appropriated directly to the line items that make up the indirect cost pool based on the total time charged to a specific fund. Actual assessment is based on monthly reports of work time during the budget fiscal year. Table 1 shows the line items receiving indirect cost recoveries.

Table 1 Department of Labor and Employment FY 2013-14 Indirect Cost Plan	
	FY 2012-13 Request
Indirect Cost Pool EDO:	
Personal Services	\$ 7,592,508
Merit Pay	77,576
Salary Survey	126,640
Health, Life, Dental	699,533
Short-Term Disability	11,844
SB 04-257 AED	224,725
SB 06-235 SAED	202,876
Workers Compensation	451,537
Operating Expenses	1,759,608
Legal Services	610,661
Purchase of Services from Computer Center	7,884,458
Multiuse Network Payments	316,833
Management and Administration of OIT	193,227
Payment to Risk Management and Property Funds	2,812
COFRS Modernization	476,256
Vehicle Lease Payments	2,105

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Leased Space	1,636,678
Information Technology Asset Maintenance	533,627
Statewide Indirect Cost Share	<u>1,028,769</u>
Total Indirect Cost Pool	\$23,852,300

FY 2013-14 Indirect Cost Assessment Request

For FY 2013-14 the Department has requested \$23,852,300 for indirect cost assessments. Staff believes adding **Indirect Cost Assessment** line items to the Long Bill for this Department would not be useful since the Department of Labor and Employment does not receive a General Fund appropriation. Therefore reappropriating moneys from other divisions would not result in an associated reduction of General Fund.

Appendix E: Change Requests' Relationship to Performance Measures

This appendix will show how the Department of Labor and Employment indicates each change request ranks in relation to the Department's top priorities and what performance measures the Department is using to measure success of the request.

Change Requests' Relationship to Performance Measures			
R	Change Request Description	Goals / Objectives	Performance Measures
R-1	Placeholder for Budget Amendment	Relationship to objective not provided.	Performance measures are not provided.
NPI-1	Capitol Complex Building Upgrades	N/A	N/A
NPI-2	Employee Engagement Survey Adjustment	N/A	N/A
NPI-3	OIT Enterprise Management	N/A	N/A

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Appendix F: Standard Premium Rate Schedule

	Reserve Ratio	Reserve Ratio	Reserve Ratio	Reserve Ratio	Reserve Ratio	Reserve Ratio	Reserve Ratio
	0.014 or Greater	0.011 to 0.014	0.008 to 0.011	0.006 to 0.008	0.004 to 0.006	0.000 to 0.004	0.000 to Deficit
Eligible Employers Percent of Excess							
+20 or more	0.0051	0.0056	0.0058	0.0062	0.0066	0.0071	0.0075
+18 to +19	0.0057	0.0062	0.0064	0.0069	0.0073	0.0078	0.0082
+16 to +17	0.0058	0.0063	0.0065	0.0070	0.0074	0.0079	0.0084
+14 to +15	0.0061	0.0067	0.0069	0.0075	0.0080	0.0086	0.0091
+12 to +13	0.0066	0.0072	0.0075	0.0082	0.0088	0.0095	0.0101
+10 to +11	0.0075	0.0083	0.0087	0.0094	0.0102	0.0110	0.0118
+8 to +9	0.0095	0.0105	0.0110	0.0120	0.0130	0.0140	0.0150
+6 to +7	0.0116	0.0129	0.0135	0.0148	0.0160	0.0173	0.0186
+4 to +5	0.0138	0.0154	0.0161	0.0177	0.0192	0.0207	0.0223
+2 to +3	0.0193	0.0214	0.0225	0.0247	0.0269	0.0291	0.0313
+0 to +1	0.0271	0.0302	0.0317	0.0348	0.0379	0.0410	0.0441
Unrated	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
-0 to -1	0.0346	0.0386	0.0406	0.0447	0.0487	0.0527	0.0568
-2 to -3	0.0368	0.0412	0.0433	0.0476	0.0519	0.0562	0.0606
-4 to -5	0.0391	0.0437	0.0460	0.0506	0.0552	0.0598	0.0644
-6 to -7	0.0414	0.0462	0.0487	0.0535	0.0584	0.0633	0.0682
-8 to -9	0.0436	0.0488	0.0514	0.0565	0.0617	0.0668	0.0720
-10 to -11	0.0459	0.0513	0.0540	0.0595	0.0649	0.0703	0.0758
-12 to -13	0.0481	0.0539	0.0567	0.0624	0.0681	0.0738	0.0796
-14 to -15	0.0504	0.0564	0.0594	0.0654	0.0714	0.0774	0.0834
-16 to -17	0.0527	0.0589	0.0621	0.0683	0.0746	0.0809	0.0872
-18 to -19	0.0549	0.0615	0.0648	0.0713	0.0779	0.0844	0.0910
-20 to -21	0.0572	0.0640	0.0674	0.0743	0.0811	0.0879	0.0948
-22 to -23	0.0594	0.0666	0.0701	0.0772	0.0843	0.0914	0.0986
-24 to -25	0.0617	0.0690	0.0727	0.0801	0.0875	0.0949	0.1023
More than -25	0.0628	0.0703	0.0740	0.0815	0.0890	0.0964	0.1039