

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2011-12 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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**FY 2011-12 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF LABOR AND EMPLOYMENT

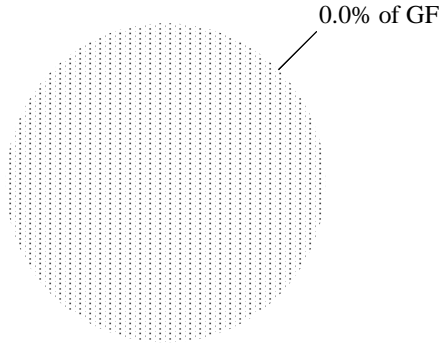
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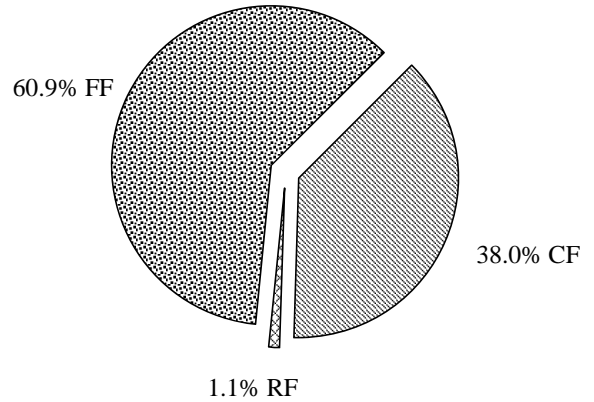
**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

GRAPHIC OVERVIEW

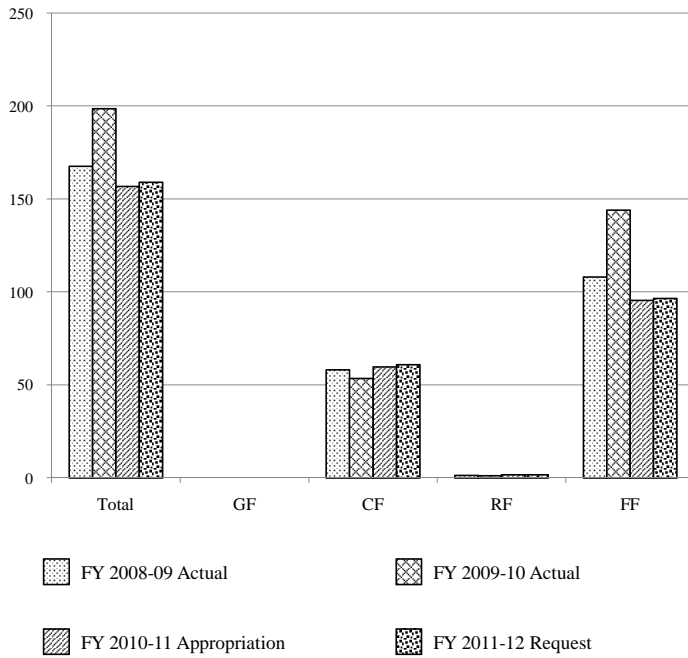
Department's Share of Statewide General Fund



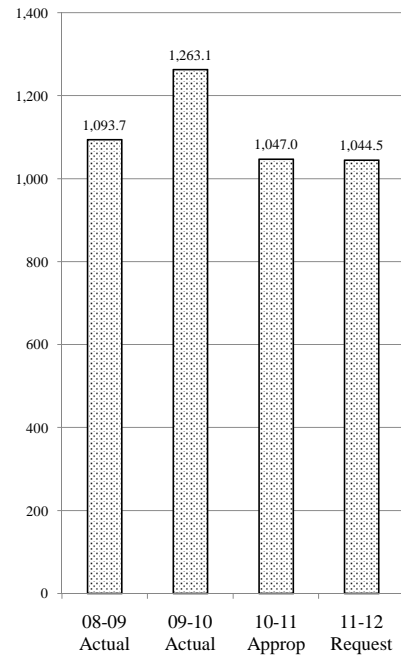
Department Funding Sources



**Budget History
(Millions of Dollars)**



FTE History

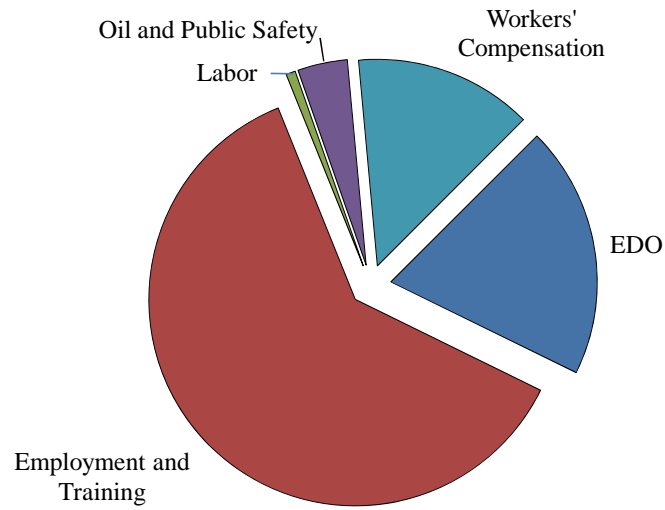


Unless otherwise noted, all charts are based on the FY 2010-11 appropriation.

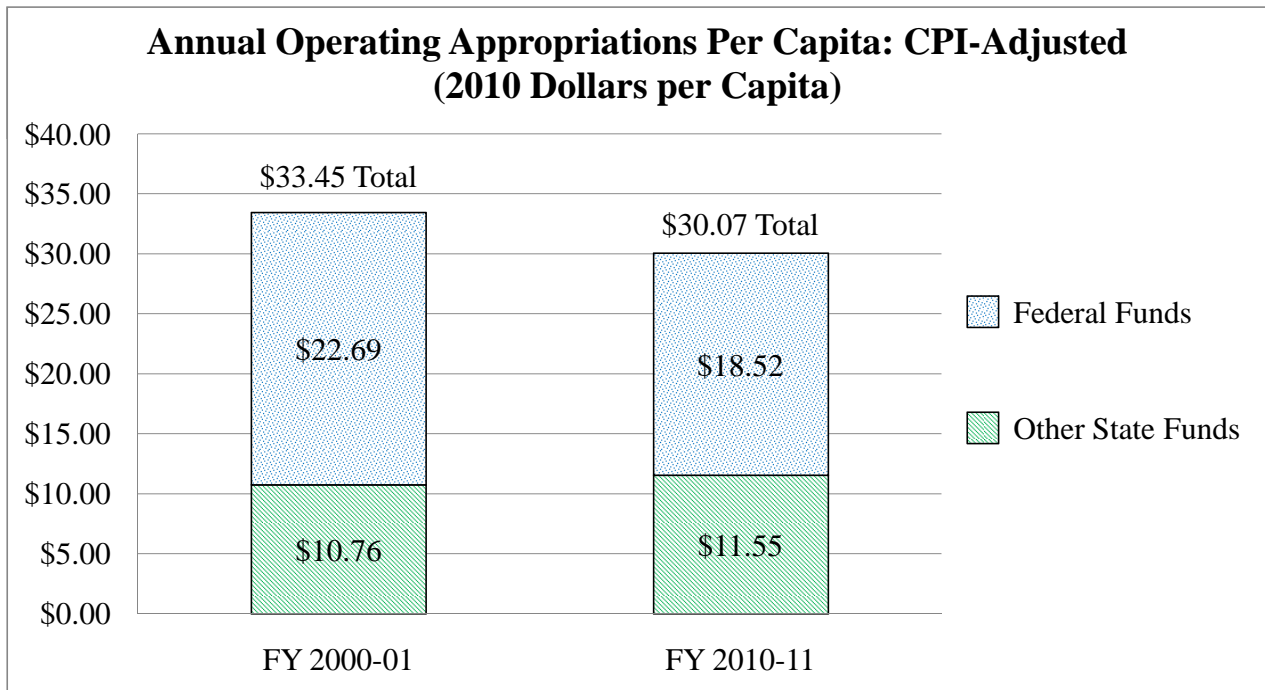
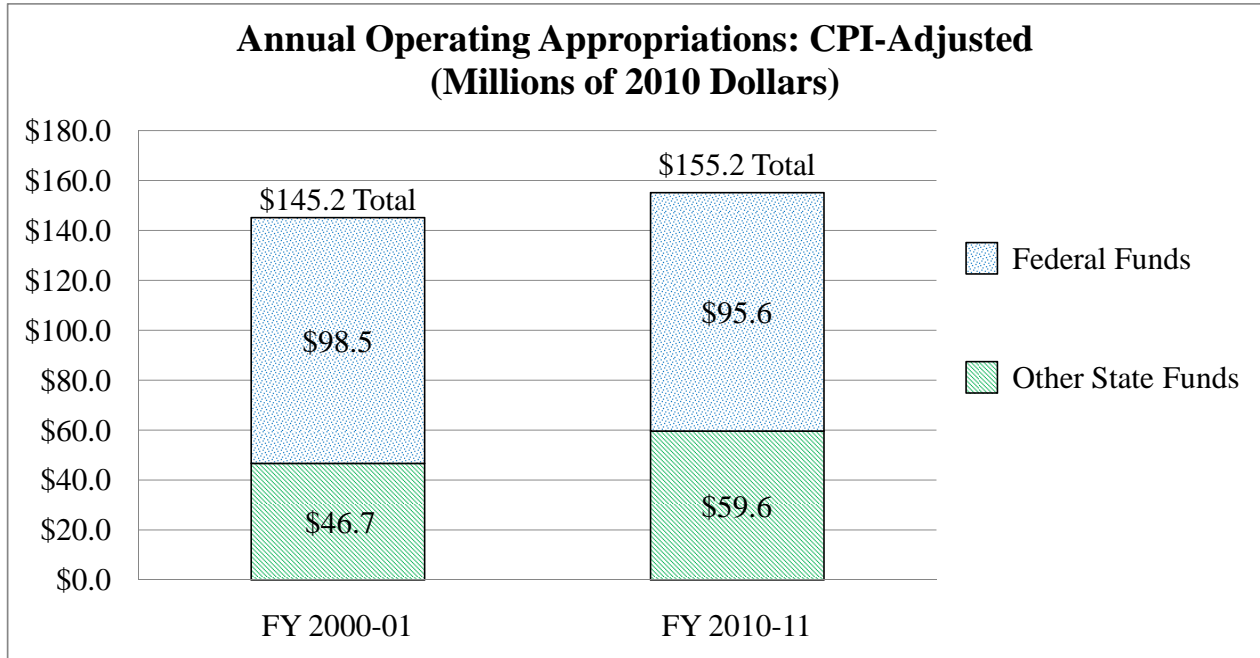
Distribution of General Fund by Division

The Department of Labor and Employment received no General Fund appropriation in FY 2010-11.

Distribution of Total Funds by Division



**FY 2011-12 Joint Budget Committee Staff Budget Briefing
 Department of Labor and Employment
 COMPARISON OF FY 2000-01 AND FY 2010-11 APPROPRIATIONS**



NOTES: (1) All appropriations above *exclude* duplicate appropriations (i.e., these appropriations exclude reappropriated funds for FY 2010-11 and, for FY 2000-01, exclude amounts that would have been classified as reappropriated funds). For this department, these excluded amounts primarily reflect transfers from the Department of Public Health and Environment and internal transfers of indirect cost recoveries.

(2) For the purpose of providing comparable figures, FY 2000-01 appropriations are adjusted to reflect changes in the Denver-Boulder-Greeley consumer price index (CPI) from 2000 to 2010. Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, the CPI is projected to increase 21.9 percent over this period.

(3) In the per capita chart, above, appropriations are divided by the Colorado population (for 2000 and 2010, respectively). Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, Colorado population is projected to increase by 18.9 percent over this period.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

DEPARTMENT OVERVIEW

Key Responsibilities

Division of Employment and Training

Unemployment Insurance Program

- ▶ Collects unemployment insurance taxes, premiums, and surcharges from employers;
- ▶ Administers the payment of unemployment insurance benefits to qualified claimants;
- ▶ Evaluates and rules on appeals of denied benefit claims; and,
- ▶ Audits employers to ensure proper payment of premiums and claimants to ensure proper payment of benefits.

Workforce Development Programs

- ▶ These programs provide a wide range of services employment seekers to both businesses and job seekers through a network of statewide workforce centers;
- ▶ The Colorado Workforce Development Council advises the Governor and General Assembly on workforce policy and monitors the expenditure of federal funds for workforce development programs.

Labor Market Information

- ▶ Provides monthly and annual information on general labor market trends in Colorado, including unemployment rates, industry trends, and employee compensation by region and industry.

Division of Oil and Public Safety

- ▶ Licenses and inspects boilers, pressure vessels, and explosive storage units for compliance with federal and state safety requirements;
- ▶ Licenses and inspects carnival and amusement park rides operating in Colorado;
- ▶ Licenses conveyance inspectors and mechanics, and conveyances that have passed required inspections.
- ▶ Licenses and inspects underground and above ground petroleum storage tanks, calibrates fuel pumps located throughout the state, and processes applications for reimbursement of petroleum spill clean up costs.

Division of Workers' Compensation

- ▶ Administers and enforces the Workers' Compensation Act. This includes adjudicating claims and resolving workers' compensation insurance disputes and medical claims.
- ▶ Administers the Major Medical Insurance and Subsequent Injury Programs.

Factors Driving the Budget

For FY 2010-11, funding for this department consists of 38.0 percent cash funds, 1.1 percent reappropriated funds, and 60.9 percent federal funds. The Department did not receive a General Fund appropriation in FY 2010-11.

Unemployment Insurance Program

The Unemployment Insurance Program (UI Program) provides temporary compensation to individuals who are laid off through no fault of their own. Benefits are paid on a weekly basis and range from a minimum of \$25 to a maximum of \$487 per week. The appropriation in the Long Bill reflects funds for the administrative expenses of the UI Programs. Pursuant to Section 8-77-104 (1), C.R.S. the funds used to pay benefits is not subject to appropriation by the General Assembly.

The UI Program appropriation accounts for 21.9 percent of the Department's total FY 2010-11 appropriation. Approximately 78.5 percent of the UI Program appropriation is federal funds. The administrative costs of Colorado's UI Program has steadily increased, but due to a decreasing amount of federal funds, state cash funds are funding an increasing percentage of the administrative costs, as outlined in the following table.

Comparison of UI Program Administrative Expenses FY 2005-06 to FY 2010-11			
Fiscal Year	Total Appropriation	Cash Funds	Federal Funds
FY 2005-06*	\$33,746,054	\$6,316,112	\$27,429,942
FY 2010-11	34,409,684	7,400,704	27,008,980
Dollar Change	\$663,630	\$1,084,592	(\$420,962)
Percent Change	2.0%	17.2%	(1.5)%

*Note the FY 2005-06 Cash Funds number includes what was classified as cash funds exempt in FY 2005-06 but would be classified as cash funds in FY 2010-11.

Claims are paid from the Unemployment Insurance Trust Fund (UITF), which resides in the federal treasury and is maintained by the federal Unemployment Insurance Program. The state of the local and national economy impact the number of UI claims and the balance of the UITF. In a healthy economy, the number of claims is lower resulting in less benefits being paid out of the UITF, and a build up of fund balance. During an economic downturn, the number of claims increase, increasing the amount of benefits paid, drawing down the balance of the UITF. The following table illustrates the relationship between the health of the economy, number of claims, and the UITF balance.

UI Benefit Payments for FY 2007-08 to FY 2011-12				
Fiscal Year	Benefit Payments	Change from Previous Year	Ending Trust Fund Balance	Change from Previous Year
FY 2007-08 Actual	\$354,966,705	n/a	710,948,628	n/a
FY 2008-09 Actual	1,053,793,289	\$698,826,584	368,770,714	(342,177,914)
FY 2009-10 Estimated	1,086,726,558	32,933,269	(182,904,013)	(551,674,727)

UI Benefit Payments for FY 2007-08 to FY 2011-12				
Fiscal Year	Benefit Payments	Change from Previous Year	Ending Trust Fund Balance	Change from Previous Year
FY 2010-11 Estimated	718,876,245	(367,850,313)	(691,406,458)	(508,502,445)
FY 2011-12 Projected	537,869,586	(181,006,659)	(761,245,618)	(69,839,160)

Source: Department of Labor and Employment FY 2011-12 Budget Request

Workforce Development Programs & Federal Funds

Workforce development programs are funded primarily with federal funds. These programs provide a variety of employment services for businesses and job training and placement services for job seekers through a statewide network of state and county run one-stop workforce centers. These programs account for 38.4 percent of the total funding for the Department. These programs have benefitted from additional federal funds made available in FY 2008-09, FY 2009-10 and FY 2010-11 by the American Recovery and Reinvestment Act.

Workers' Compensation

Colorado employers are required to have workers' compensation insurance to pay for medical expenses incurred during the treatment of work-related injuries, as well as partial wage replacement while the injured worker recovers. The Division of Workers' Compensation provides various services to support this mandate, including customer service, claims resolution, employer and employee education, and cost containment programs. The budget for the Worker's Compensation Division is driven by the number of workers injured in a given year, and the number of hearings requested by an employer/insurance company/injured worker to determine what benefits should be provided. The Workers' Compensation program offers claims intervention, mediation, pre-hearing conferences, settlement conferences, and arbitration to assist with dispute resolution.

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DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
NP-1 Statewide PERA Adjustment Various Divisions. The Department requests a continuation of the state's Public Employees Retirement Association (PERA) contribution reduction of 2.5 percent in FY 2011-12. This decision item was addressed during the Department of Personnel and Administration briefing. <i>Statutory authority: Section 24-75-401 (1.7) (f) (I), C.R.S.</i>	0	(605,829)	(4,591)	(967,366)	(1,577,786)	0.0
NP-2 Printing of Statewide Warrants and Mainframe Documents Various Divisions. The Department is requesting an increase to the operating expenses line item for increases in printing costs of warrants and other mainframe documents incurred by the Department of Personnel and Administration (DPA). This decision item was addressed during the DPA briefing. <i>Statutory authority: Sections 24-30-1101 and 24-30-1102 (4), C.R.S.</i>	0	1,638	0	2,263	3,901	0.0
NP-3 Annual Fleet Vehicle Replacement Executive Director's Office. The Department is requesting a reduction to the vehicle lease payments line item for changes in statewide vehicle costs. This decision item was addressed during the Department of Personnel and Administration briefing. <i>Statutory authority: Section 24-30-1104 (2), C.R.S.</i>	0	(713)	0	(872)	(1,585)	0.0
NP-5 Pro-Rated Benefits Executive Director's Office. The Department request a reduction of \$4,261 cash funds to pro-rate benefits for employees who work less than half time. This decision item was addressed during the Department of Personnel and Administration briefing. <i>Statutory authority: Section 24-50-104 (1), C.R.S.</i>	0	(56)	0	(199)	(255)	0.0
Total	0	(604,960)	(4,591)	(966,174)	(1,575,725)	0.0

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OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2010-11 appropriation and the Department's FY 2011-12 request.

Total Requested Change, FY 2010-11 to FY 2011-12 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2010-11 Appropriation	\$0.0	\$59.6	\$1.7	\$95.5	\$156.8	1,047.0
FY 2011-12 Request	0.0	60.8	1.7	96.5	159.0	1,044.5
Increase / (Decrease)	\$0.0	\$1.2	\$0.0	\$1.0	\$2.2	(2.5)
Percentage Change	n/a	2.0%	0.0%	1.0%	1.4%	(0.2)%

The following table highlights the individual changes contained in the Department's FY 2011-12 budget request, as compared with the FY 2010-11 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2010-11 to FY 2011-12

Category	CF	RF	FF	Total	FTE
Restore PERA reduction - all divisions	\$650,252	\$16,462	\$911,987	\$2,228,953	0.0
Common policy line item adjustments ¹ in EDO	866,996	4,781	1,131,162	2,002,939	0.0
Information technology common policy adjustments ² - Executive Director's Office	123,546	5,092	480,768	609,406	0.0
Administrative judges common policy increase - Workers' Compensation Division	246,025	0	0	246,025	0.0
Second year funding for Division of Oil and Public Safety enterprise database system	113,400	0	37,800	151,200	0.0
NP-1: Statewide PERA Adjustment - all divisions	(605,829)	(4,591)	(967,366)	(1,577,786)	0.0
Trade Adjustment Act federal funds	0	0	(549,757)	(549,757)	0.0
Eliminate Internet Self Service funding	(162,948)	0	0	(162,948)	(2.5)
Total Change	\$1,231,442	\$21,744	\$1,044,594	\$2,297,780	(2.5)

¹Includes changes to: health, life, and dental; short-term disability, PERA amortization equalization disbursement (AED) and supplemental AED, shift differential, and workers' compensation

²Includes changes to: purchase of services from the computer center, multiuse network payments, management and administration of OIT, and communication services payments.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

BRIEFING ISSUE

ISSUE: Significant Actions Taken from FY 2007-08 to FY 2010-11 to Balance the Budget

Total appropriations to the Department of Labor and Employment have decreased since FY 2007-08 due primarily to a decrease in federal funds for workforce development programs. Since the most recent economic downturn started in 2008, the General Assembly has enacted transfers of \$32.4 million from Department cash funds to the General Fund. The Department did not receive General Fund appropriations in any of the fiscal years between FY 2007-08 and FY 2010-11, and as a result the Department's budget presents limited options to assist with General Fund shortfalls.

SUMMARY:

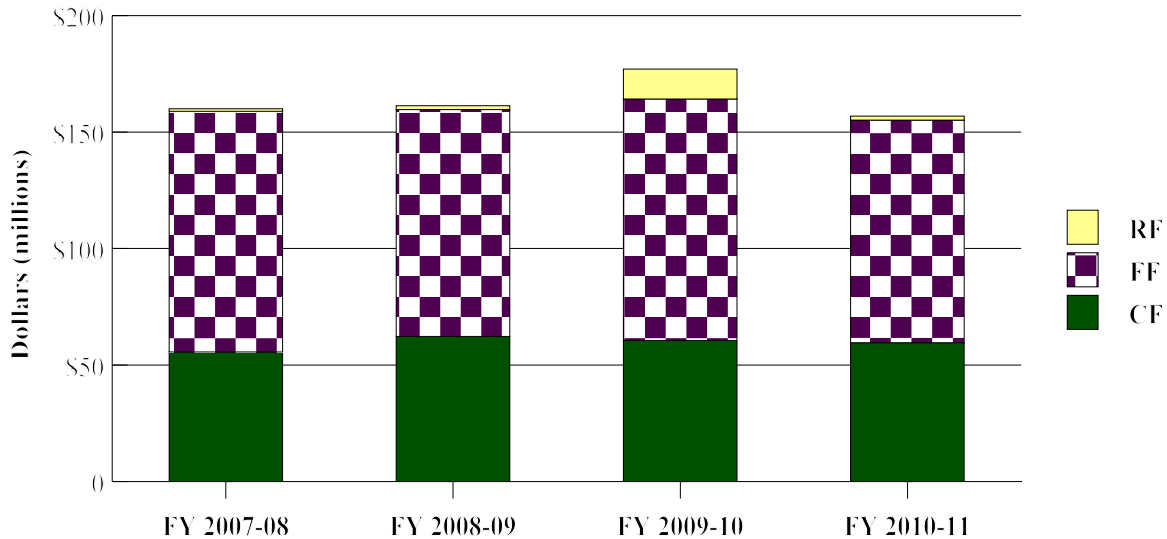
- The General Assembly transferred a total of \$116.7 million from four Department cash funds in FY 2008-09 via S.B. 09-208 (Tapia/Pommer).
- The General Assembly, via S.B. 09-279 (Tapia/Pommer) transferred \$26.5 million from the Major Medical Insurance Fund to the General Fund in FY 2009-10, and authorized, if needed, a one-day transfer on June 30, 2009 of \$25.0 million from the Employment Support Fund to the General Fund.

DISCUSSION:

From FY 2007-08 to FY 2010-11, total appropriations to the Department of Labor and Employment decreased by 2.0 percent (\$3.1 million). Most of this decrease was due to a decrease of \$7.6 million (7.4 percent) in federal funds for workforce development programs, offset by an increase of \$4.0 million (7.1 percent) state cash funds primarily for the Unemployment Insurance Program and the Division of Oil and Public Safety.

Appropriations to the Department of Labor and Employment for FY 2007-08 through FY 2010-11 are illustrated in the bar chart and detailed in the table below.

Department Appropriations FY 2007-08 to FY 2010-11



Department of Labor and Employment Appropriations FY 2007-08 to FY 2010-11					
	Total Funds	General Fund	Cash Funds	Federal Funds	Reappropriated Funds
FY 2007-08 /a	\$160,004,291	\$0	\$55,659,170	\$103,194,924	\$1,150,197
FY 2008-09	161,288,257	0	62,309,957	97,356,819	1,621,481
FY 2009-10	177,028,794	0	60,585,018	103,611,625	12,832,151
FY 2010-11	156,869,500	0	59,616,360	95,561,803	1,691,337
Increase/(Decrease) /b	(\$3,134,791)	\$0	\$3,957,190	(\$7,633,121)	\$541,140
Percent Change /b	(2.0)%	n/a	7.1%	(7.4)%	47.0%

a/ FY 2007-08 Appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09. Source: Page 288 of the FY 2008-09 Appropriations Report.

b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

As illustrated in the bar chart above, appropriations to the Department peaked in FY 2009-10 primarily due to \$11.3 million in reappropriated funds from the Department of Human Services. These funds were used to encourage employers to hire employees by providing the employer with a subsidy to use to pay the employee for short-term non-recurrent work. The length of the subsidy ranged from a few weeks to six months.

Beginning in January of 2009 and continuing through the 2010 Session, the General Assembly has taken a number of actions that transferred the reserves in Department cash funds to the General Fund.

Actions Taken to Increase Available State Revenues

The General Assembly transferred a total of \$143.2 million from various Department cash funds in FY 2008-09 and FY 2009-10. These transfers are detailed in the following table.

FY 2008-09 and FY 2009-10 Cash Fund Transfers from Department of Labor and Employment Cash Funds to the General Fund		
Fund	Bill No.	Amount
<i>FY 2008-09 Transfers</i>		
Major Medical Insurance Fund	S.B. 09-208	\$69,500,000
Subsequent Injury Fund	S.B. 09-208	26,500,000
Workers' Compensation Fund	S.B. 09-208	15,700,000
Employment Support Fund	S.B. 09-208	5,000,000
Total FY 2008-09 Transfers		\$116,700,000
<i>FY 2009-10 Transfers</i>		
Major Medical Insurance Fund	S.B. 09-279	\$26,500,000
Total FY 2008-09 and FY 2009-10 Transfers		\$143,200,000

Senate Bill 09-279 authorized a one-day transfer of up to \$25.0 million from the Employment Support Fund in the event that FY 2008-09 General Fund revenue would be insufficient to cover expenditures. Pursuant to Executive Order D-013-09, \$25.0 million was transferred from the Employment Support Fund on June 30, 2009 to the General Fund. On July 1, 2009 \$25.0 million was transferred from the General Fund to the Employment Support Fund pursuant to Section 24-75-201.5 (1) (g) (III), C.R.S.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

INFORMATIONAL BRIEFING ISSUE

ISSUE: Update on the Internet Self Service Project

The Internet Self Service Project is schedule to be completed in March 2012 and will enable claimants and employers to access their unemployment insurance account information online, allow claimants to file unemployment insurance benefit claims and appeals on benefit decisions via the Internet, and allow employers to file wage and tax information over the Internet.

SUMMARY:

- ❑ The Internet Self Service Project, when completed, will enable claimants and employers to conduct business with the Unemployment Insurance Program over the Internet, reducing the volume of the call center and volume of paper mail.
- ❑ The Internet Self Service Project was initially set to be completed in December 2010 but due to project obstacles, the completion date is now March 2012. The Department has received a total of \$6.8 million cash funds from the Employment Support Fund for this project, and \$143,000 in one-time federal funds.
- ❑ The modernization and development of new applications for the Internet Self Service Project will be completed in seven phases. As of December 2010, phase one has been completed, and phase two, which is the largest and most complex of all the phases, is schedule to be launch in February 2011.

DISCUSSION:

The Internet Self Service Project (ISS) will enable claimants and employers to communication, submit information, and communicate with the Unemployment Insurance Program via the Internet. Claimants will be able to file initial and continued claims, access their account information, and appeal benefit decisions electronically instead of having to file paper copies or utilize the call center. Employers will be able to electronically submit tax and wage information, pay their taxes and premiums, and access their account information. When completed, ISS will consist of nine Internet applications, five of which have been modernized and four built new.

History of the Genesis Project

The ISS project stems from the State Unemployment Program E-government Resource System (SUPER) component of the failed Genesis Project. SUPER was intended to replace the Colorado Automated Tax System (CATS) and the Colorado Unemployment Benefits System (CUBS), based on the following problems that had been identified:

- ▶ Separate databases for the tax and benefits sides of the program (CATS and CUBS);
- ▶ Applications written in different languages that make ongoing support much more difficult;
- ▶ An inability for the two applications to communicate; and,
- ▶ An aging mainframe database.

Appropriations History for the Genesis Project

The Department contracted with Accenture to develop the components of SUPER, and a total of \$44.8 million cash funds was appropriated from the Employment Support Fund over three fiscal years (FY 2000-01 to FY 2002-03). Per the contract with Accenture, the initial delivery date of SUPER was April 2004, but due numerous issues the delivery date was moved to December 2004. Numerous deficiencies were identified during the testing phase, resulting in Accenture missing the December 2004 date. After multiple failed attempts by the Department to negotiate the schedule, scope, and cost of fixing and completing the SUPER components with Accenture, the contract was terminated in December 2005.

Accenture spent a total of \$28.0 million on the development of the SUPER hardware and software, and refunded \$8.2 million to the Department as part of the contract termination. A total of \$8.6 million was not spent by either the Department or Accenture. The \$8.2 million and \$8.6 million was credited back to the Employment Support Fund. The following table details of the appropriation and expenditures by Accenture.

History of Funds for the Genesis Project	
CF Amount	
<i>Appropriations from Employment Support Fund (ESF)</i>	
FY 2000-01	\$7,000,000
FY 2001-02	\$13,100,000
FY 2002-03	\$24,700,000
Total funds appropriated from ESF	\$44,800,000
<i>Expenditures</i>	
Total funds spent by Accenture	\$28,000,000
Unspent or Reverted Funds	
Funds returned to the Department from Accenture and reverted to the ESF	\$8,200,000
Fund not spent and remained in the ESF	\$8,600,000
Total funds reverted to the ESF	\$16,800,000
Total expenditures and reverted funds	\$44,800,000

Through a Project Recovery Assessment in 2006, the Department determine that none of the material delivered by Accenture was useable. The Department, prior to 2008, had done little work to enhance the existing unemployment insurance (UI) applications because Internet functionality

was one of the promised outcomes of SUPER. Once the PRA was completed at the end of 2006 and determined that none of the Accenture materials could be used, the Department put forth the request for the ISS project in FY 2008-09.

Funding for the Internet Self Service Project

The Department has been appropriated via the FY 2008-09, FY 2009-10, and FY 2010-11 Long Bills a total of \$6.8 million cash funds from the Employment Support Fund for the capital construction and operating costs. In addition to these cash funds, in FY 2008-09 the Department received one-time federal funds from the U.S. Department of Labor for the ISS Project which did not require an appropriation by the General Assembly and is shown in the following table as the Supplemental Budget Request.

Internet Self Service Project Budget			
	Appropriation	Total Expenses	Remaining Funds
Capital Construction Costs			
Contractor Costs	\$5,923,335	\$3,331,669	\$2,591,666
Training		9,859	(9,859)
Software		136,000	(136,000)
Hardware		185,998	(185,998)
Capital Construction Subtotal	\$5,923,335	\$3,663,526	\$2,259,809
Operating Budget			
Personal Service (FTE)	833,794	401,714	432,080
Supplemental Budget Request			
Tax & Wage Reports	53,025	53,025	0
Employer Demographics	90,375	90,375	0
Supplemental Budget Subtotal	143,400	143,400	0
Totals	\$6,900,529	\$4,208,640	\$2,691,889

The Department has assigned permanent department staff to ISS because of the importance of having experienced department personnel who understand the ongoing business processes involved in maintaining the applications. The 2.5 temporary FTE are utilized by the Department to hire temporary staff to assist with department functions normally handled by the staff assigned to ISS.

How Current Applications are Being Modernized

Prior to the ISS Project there were five Internet applications that claimants and employers could use, but these applications had the following issues: a dated appearance, functionality limitations, significant difficulty in integrating existing applications with new applications due to the operating platform of the existing applications.

The original applications operated on Visual Basic 6, which as of March 2008, are ineligible for free or paid technical support from Microsoft. The following table details how the existing applications will be modernized.

Modernization of Current UI Internet Applications		
Application	Original Functions	Functions After Modernization
Initial UI Claims	Enabled claimants to file their initial UI claim via an automated questionnaire.	Claimants will be walked through the entire claim application process. The application will capture additional information about the claimant used by the Department to determine the claimant's UI eligibility, and provide the claimant with interactive features to answer questions that arise during the filing process.
Continued UI Claims	Enabled claimants to file their continued UI claim.	Claimants will be able to fully explain their answers in the online application (prior to ISS, claimants would have to utilize the call center to do this). The application will streamline the continued claim process, enabling quicker payment of benefits.
Tax Reporting	Employers are able to file tax reports for the current quarter only online. Payments had to be mailed.	Employers are able to file tax reports and make payments online. Employers can file tax reports for any quarter (previously could only file for current quarter online).
Wage Reporting	Enables employers with fewer than 100 employees to file wage reports online.	All employers will be able to electronically file wage reports. Employers will also be able to modify current quarter wage data.
Customer Maintenance	Employers able to change their address electronically. Claimants can down load a change of power of attorney form.	Employers and claimants will be able to access their unemployment insurance account information, make changes to their information (address, telephone, etc.), view their unemployment insurance history, and submit a variety of forms electronically.

The ISS Project will development four new applications: additional and reopened claims, customer feedback, claimant and employer information, and appeals filing. The following table outlines the functions of these new applications. Additional claims are claims that have had a break in the consecutive request for benefits due to the claimant finding employment. Reopened claims are those claims that have had a break in consecutive request weeks not due to claimant employment.

New ISS Applications Functions	
Application	Function
Additional and Reopened Claims	Enable claimants to file additional or reopened claims electronically. Currently claimants have to do this via the call center or mail.
Customer Feedback	Enable claimants and employers to provide feedback to the UI Program on any topic via the Internet. Department staff will be able to respond to this feedback within the application and not have to use separate e-mail.

New ISS Applications Functions	
Claimant & Employer Information	Claimants and employers will be able to view their unemployment insurance account information online.
Appeals Filing	Enable claimants to file an appeal of a benefit decision electronically.

ISS Project Timeline

Due to delays in initial contract procurement and project staff, discussions with and eventually parting ways with the State Internet Portal Authority (SIPA) due to a difference in the needs of the Department versus the services provided by SIPA, and the development and launch of the Fast Track applications, the ISS completion date has been pushed back from December 2010 to March 2012.

The Fast Track applications were developed and deployed in response to the increased demand on the call center starting around September 2008. The Fast Track applications allow claimants to electronically reset a PIN, change or update an address, and delete a claim. Prior to Fast Track these functions had to be performed over the phone. While these applications provided a benefit to claimants, it delayed the development of the ISS applications by about four months, because the Fast Track applications were front-end only, meaning staff had to manually go in and change a claimants information after the claimant put the change request in through a Fast Track application.

ISS is divided into seven phases, which are outlined in the following table. It is important to note that while the percent complete column indicates the completion of deliverables and it does not account for the amount of completed work that does not directly result in a final deliverable.

Summary of the Internet Self Service Project Phases			
Phase	Target Completion Date	Description of Phase	Percent Complete
Phase 1 - MyUI Claimant	Oct. 27, 2009	Enables claimants to view their unemployment insurance account information online.	100.0%
Phase 2 - Smart Filing	February 28, 2011	Allow all claimants, regardless of their type of claim (initial, additional, continuation, or reopened) to file their UI claim electronically.	70.0%
Phase 3 - Continued Claims	February 28, 2011	Enables claimants to file the required information to continue receiving benefits online.	10.0%
Phase 4 - Employer Services Part 1	April 30, 2011	Enable employers to file wage, tax, and premium information electronically. Includes the option to pay UI taxes and premiums electronically.	7.0%
Phase 5 - My UI Employer	August 31, 2011	Allows employers and employer representatives to view the employers UI account information online.	0.0%
Phase 6 - Appeals	November 30, 2011	Allows claimants and employers to view appeals status and information about the appeals decision electronically.	0.0%

Summary of the Internet Self Service Project Phases			
Phase	Target Completion Date	Description of Phase	Percent Complete
Phase 7 - Communication and Enhancements	February 28, 2012	Allows employers and claimants to view, complete, and submit certain UI forms online.	0.0%
Project Close	March 31, 2012		

During each phase, at least one application will be built or modernized. The following table outlines the relationship between the seven phases, the applications being developed, and who will utilize that application (either the claimants or the employers).

Internet Self Service Application and Associated Development Phase			
Application	Phase Being Built In	Who Will Use	New or Modernized
Initial UI claims	Phase 2	Claimant	Modernized
Continued Claims	Phase 3	Claimant	Modernized
Tax and wage reporting	Phase 4	Employer	Modernized
Additional and Reopened Claims	Phase 2	Claimant	New
Customer Feedback	Phase 7	Both	New
Claimant Information	Phase 1	Claimant	New
Employer Information	Phase 5	Employer	New
Correspondence	Phase 7	Both	Modernized
Appeals	Phase 6	Claimant	New

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

BRIEFING ISSUE

ISSUE: Unemployment Insurance Trust Fund Revenue

The Colorado Unemployment Insurance Trust Fund is funded by employer paid premiums, surcharges, and due to the continued unprecedented level of benefits, funds loaned from federal Unemployment Insurance Fund. The June 2010 audit of the Unemployment Insurance Trust Fund identified significant problems with the funding structure of the Unemployment Insurance Trust Fund. As of December 9, 2010 Colorado's outstanding loan balance is \$381.0 million.

SUMMARY:

- Currently employers pay federal taxes on the first \$7,000 and state premiums on the first \$10,000 dollars of an employees wages each year. Colorado has not increased the state wage base of \$10,000 since 1988. Employees do not pay any unemployment insurance premiums or taxes.
- In order for the state wage base to match the growth in the benefit amount since 1988, the wage base would need to be increased to \$22,000.
- Due to the insolvency of the Colorado Unemployment Trust Fund, Colorado has had to borrowed funds from the federal Unemployment Insurance Program. As of December 9, 2010, Colorado's outstanding loan balance is \$381.0 million.

RECOMMENDATION: Staff recommends the following:

1. The Committee sponsor legislation to extend the funding of the Employment and Training Technology Fund to December 31, 2019.
2. The Committee have the Department address the report put forth in response to the June 2010 Unemployment Insurance Trust Fund Audit during the hearing.

DISCUSSION:

This issue addresses the funding mechanisms of the Colorado Unemployment Insurance Trust Fund (UITF) and how federal taxes paid by Colorado employers to the federal Unemployment Trust Fund (UTF) are used. The federal Unemployment Insurance Program (FUIP) is responsible for setting the minimum requirements for all the state unemployment insurance programs, maintaining the UTF, and determining how UTF funds are allocated to states for the state's UI Program administrative expenses. The FUIP does not pay any benefits.

June 2010 Unemployment Insurance Trust Fund Audit

The Office of the State Auditor conducted an audit of the funding mechanisms of the UITF and made seven recommendations regarding various aspects of the funding mechanisms to improve the long-term solvency of the UITF. The following table outlines the audit recommendations.

Recommendations Made in the June 2010 Unemployment Insurance Trust Fund Audit		
No.	Recommendation	Page No.
1	As part of a comprehensive assessment of the financing for the Unemployment Insurance (UI) Trust Fund, work ... to evaluate options for raising the maximum chargeable wage base. Recommend the best option to the General Assembly.	23
2	As part of a comprehensive assessment of the financing for the UI Trust Fund, work ... to identify options to adjust the statutory base contribution rate schedules. This should include assessing options for raising the maximum base rates, aligning the reserve level triggers in the base rate schedules, and adjusting the Trust Fund reserve that qualifies employers for a 20-percent credit on their base rate premium. Recommend statutory changes to increase the base contribution rates, as necessary.	21
3	As part of a comprehensive assessment of the financing for the UI Trust Fund, work ... to evaluate options for redesigning the solvency surcharge so that it serves as a short-term funding source to avoid or delay insolvency of the Trust Fund. Recommend statutory changes to adjust the solvency surcharge's rate structure to minimize the financial burden on employers, as necessary.	22
4	Enhance the equity of base contribution rates under the UI Program by: (a) work ... to identify options to minimize subsidization of benefits among employers, including raising base contribution rates, automatically converting certain employers at the maximum base rate to reimbursable employers, or levying an additional surcharge on employers with maximum base rates; (b) recommending statutory changes, as necessary, to minimize future subsidization of UI benefits among employers; and (c) periodically assessing the level of subsidization within the UI Program and the impact on the equity of premiums.	21
5	Improve the early detection of potential problems with the adequacy of the UI Trust Fund reserves by: (a) determining appropriate levels for the reserve ratio, high cost multiple, and average high cost multiple; (b) regularly assessing these solvency measures against established goals; (c) sharing material concerns identified from regular assessments of the solvency measures with the General Assembly and the Governor's Office; and (d) identifying and working to implement options to meet the solvency goals set by the USDOL, if approved.	25
6	Evaluate the potential cost burdens on Colorado employers resulting from federal loans to the State while the UI Trust Fund is insolvent, including: (a) exploring options to qualify for deferment of interest charges and assessing the implications of such deferments; and (b) estimating the potential interest charges on the loans and reductions in federal tax credits during the period the UI Trust Fund is insolvent and communicating this information to the General Assembly, the Governor's Office, and employers as early as possible.	21
7	Improve monitoring of and reporting on the solvency of the Trust Fund to the Governor's Office and General Assembly. Adopt a formal process to assess the financing structure, the Fund's solvency, and unemployment benefits on an ongoing basis, including any events affecting the Trust Fund, and report concerns and recommendations regarding the solvency of the Trust Fund as needed.	26

Unemployment Insurance Revenue Sources

The UITF is funded through statutorily established premiums and surcharges. All revenue from these premiums and surcharges is credited to the UITF or Employment Support Fund. Employers also pay a federal UI tax which goes to the UTF, and allocated back to Colorado for the administrative expenses (these federal funds are shown in the Long Bill). All taxes, premiums and surcharges are paid by the employer, not the employee.

Federal statute established the federal wage base of \$7,000 that is subject to the federal UI tax. States can, and some have elected to, increase the federal wage base, which for this issue is called the state wage base. Colorado increased the state wage base in 1988 via legislation to \$10,000. Due to Colorado's low wage base, the majority of revenue for the UITF is collected on wages paid in the first six months of the year. The following table outlines the UTF and UITF funding mechanisms.

Summary of Federal and State Unemployment Insurance Taxes, Premiums, and Surcharges				
Revenue Source	Low	High	Wage Base	Notes
Revenue to the U.S. Department of Labor - Federal Unemployment Insurance Program				
Federal UI Tax	0.8%	6.2%	\$7,000	Employers in good standing receive a tax break of 5.4%.
Federal Interest Assessment	varies based on employer		n/a	This assessment is charged to certain employers when Colorado has borrowed federal UI funds to pay benefits.
Revenue streams to Colorado's Unemployment Insurance Trust Fund				
Regular UI Premium	0.0%	5.4%	\$10,000	The regular premium rate is based on the employer's experience rating with the state.
UI Surcharge	0.22%	0.22%	\$10,000	Established in Section 8-76-102 (4) (d), C.R.S.
UI Solvency Premium	0.0%	5.4%	\$10,000	Dependent on UITF balance

Federal Taxes

The federal UI tax rate ranges from 0.8 percent to 6.2 percent on the first \$7,000 of an employees annual wages. The state can receive a tax credit of 5.4 percent for employers if the state is in good standing with the federal UI Program. The exception is for employers who are not in good standing do not qualify for the tax credit. The state can lose the tax credit for employers if they have borrowed a significant amount of funds to pay benefits and are not making a good faith effort to repay the loan in a timely manner.

The federal wage base is set by the federal government and cannot be changed by the state. Therefore, in Colorado, each employer, if qualified for the federal tax credit, pays \$56 each year to the UTF. The UTF revenue is used for the following purposes:

- Appropriated by Congress to states to pay for a portion of the state administrative costs;
- Appropriated to state's for the federal share of extended benefits; and,
- Loaned to states who require additional funds to pay for standard benefits.

Federal Interest Assessment - Audit Recommendation #6

Pursuant to federal law, when a state borrows federal UI funds to pay benefits, interest is charged to the state on the loan. For calendar year 2010, Congress waived the interest on any loans. As of December 9, 2010, Congress had not extended the interest waiver, and Colorado, along with the thirty-one other states that have borrowed, will be charged interest on their outstanding loan balance starting January 1, 2011. As of December 9, 2010, the total amount outstanding by all states who have borrowed from the UTF was \$41,695.6 million. Colorado has an outstanding balance of \$380,994,231.

Pursuant to Section 8-77-203 (2) (a), C.R.S. Colorado's UI Program is required to assess a separate assessment on employers to pay for the interest on loan. Those employers with no benefits charged against them (i.e. none of their employees have claimed UI benefits) or employers who experience rating is a positive seven or greater are exempt from the interest assessment pursuant to Section 8-77-203 (2) (a.1), C.R.S. All revenue from the interest assessment is deposited into the federal advance interest repayment fund and is used solely to repay the loan interest. Pursuant to 8-77-203 (2) (b), C.R.S. the federal interest assessment on employers is calculated as follows:

1. Multiply the interest rate, which is determined by the federal government, by the outstanding loan balance;
2. Sum the employers total wages;
3. Divide the sum of the wages into the interest amount as calculated in step 1; and
4. Multiple the fraction calculated in step 3 by the employer's total wages to determine the amount to be paid by the employer.

Regular UI Premium - Audit Recommendations #2 and #4

The regular UI premium ranges from 0.0 percent to 5.4 percent pursuant to Section 8-76-103 (3) (b) (II) (B), C.R.S. If an employer has been in business for at least a full year, they will be notified by the Department before the end of the current calendar year, what their tax rate for the next calendar year will be. Employers in business less than a year pay the standard premium rate of 1.7 percent. The exception to this is for construction companies in business less than a year are required to pay the industry average rate.

An employer's premium rate is based on the employer's experience rating. The experience rating is equal to the ratio of the amount of premiums the employer has paid to the amount of benefits employees of that employer have drawn. The lower the amount of benefits, the better the experience rating and the lower the premium rate. For the purpose of the premium table in statute, the higher the positive number the better the experience rating and the lower the premium rate.

UI Surcharge

The UI surcharge is set at 0.22 percent pursuant to Section 8-76-102 (4) (d), C.R.S., and is assessed on the state wage base. Employers who have had no benefits drawn on their account are exempt from the UI surcharge. Revenue from the surcharge revenue is used to pay benefits filed against employers who are no longer in business. The following table outlines the distribution of the UI surcharge.

Distribution of UI Surcharge				
Fund	Percent of UI Surcharge	Actual FY 2009-10 Revenue	Estimated FY 2010-11 Revenue	Estimated FY 2011-12 Revenue
UITF	30.0%	\$18,846,178	\$19,329,109	\$19,425,755
Employment and Training Technology Fund	20.0%	0	0	0
Employment Support Fund	50.0%	18,846,178	19,329,109	19,425,755
Total	100.0%	\$37,692,356	\$38,658,218	\$38,851,510

Pursuant to 8-77-109 (2) (a.9), C.R.S. the Employment and Training Technology Fund (Technology Fund) only receives 20.0 percent of the UI surcharge if the UITF has a balance greater than \$25.0 million. Due to the UITF insolvency, the Technology Fund is not projected to begin receiving revenue until FY 2012-13. The Technology Fund was created to provide a source of funds to re-engineer the UI computer programs, and is scheduled to receive revenue through the end of CY 2016. Since the Technology Fund has yet to receive any revenue, **staff recommends the Committee sponsor legislation to extend the transfer of 20.0 percent of UI surcharge revenue to the Employment and Training Technology Fund to December 31, 2019.**

UI Solvency Surcharge - Audit Recommendation #3

The UI solvency surcharge is triggered when the UITF balance is equal to or less than 0.9 percent of the previous years total reported wages. The UI solvency surcharge compounds each year it is on and ranges from 0.0 to 1.1 percent in the first year. For each year there after the UI solvency surcharge ranges from 0.0 percent to a maximum of 5.4 percent. New employers are not subject to the UI solvency surcharge. The UI solvency surcharge was initially created to provide short-term revenue to the UITF, but has morphed into the largest revenue source for the UITF. Currently the UITF balance required to turn off the solvency surcharge for CY 2011 would be \$730.7 million on January 1, 2011. The following table shows an example of how the UI solvency surcharge compounds each year it is on.

Example of How UI Solvency Premium is Calculated				
Year	Experience Rating	Previous Year's UI Solvency Premium	Current Year UI Solvency Premium Increase	UI Solvency Premium for Current Year (Previous Year + Increase)
Year 1	-5	0.6%	0.7%	1.3%
Year 2	-4	n/a	0.6%	0.6%
Year 3	-3	1.3%	0.6%	1.9%
Year 4	-1	1.9%	0.6%	2.5%
Year 5	+1	2.5%	0.4%	2.9%

Funds from the American Recovery and Reinvestment Act

The funds the state received after passing S.B. 09-247 totaled \$127.5 million for FY 2009-10. These funds were deposited into the UTF in two parts: \$42.5 million on September 10, 2009 and \$85.0 million on October 16, 2009. Colorado does not have to pay back these funds as they were intended to help Colorado pay regular UI benefits.

State Wage Base - Audit Recommendation #1

The state wage base is the amount an employer must pay state premiums and surcharges on. The state wage base resets at the beginning of each calendar year and is established in statute. Colorado's wage base is \$10,000 and has not been adjusted since 1988, when the General Assembly passed H.B. 86-1012. House Bill 86-1012, set the wage base for calendar years 1984 to 1986 as \$8,000, \$9,000 in 1987, and \$10,000 in 1988 and beyond. As of CY 2010 only five states have not increased the wage base from \$7,000. For CY 2010 the average state wage base is \$19,200.

Overview of Wage Bases	
Colorado's Base	\$10,000
States with a wage base >\$30,000	5
States with a wage base \$20,000-\$30,000	10
States with a wage base \$10,000 - \$20,000	16
States with a wage base >\$10,000	15
States with a \$7,000 wage base	5
51 State/D.C Average	\$19,200

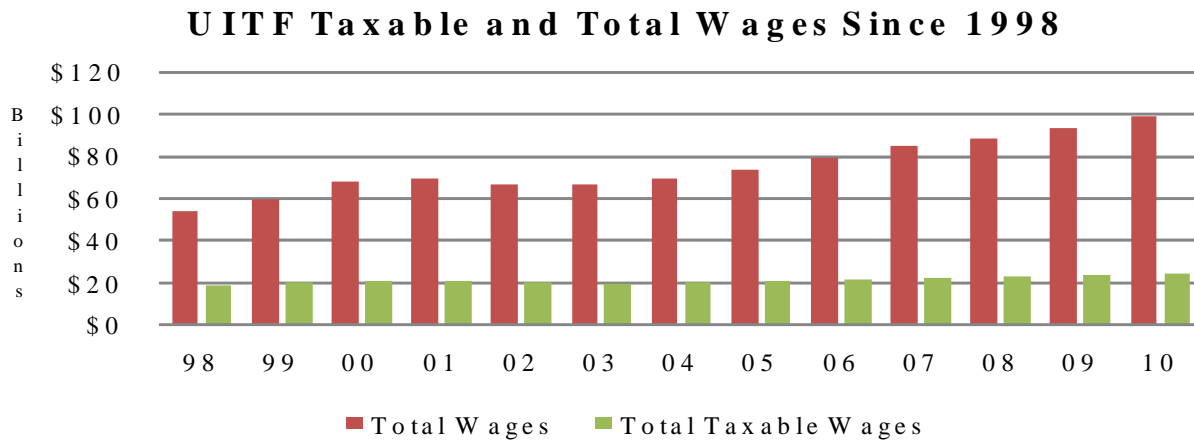
The states surrounding Colorado have a wide range of wage bases, ranging from a high in Utah of \$28,300 to a low in Arizona of \$8,000 for CY 2010. Colorado's wage base falls in the middle of the surrounding state's wage bases. The states with wage bases higher than Colorado have a flexible wage base which means that the wage base is automatically adjusted on an annual basis. For CY 2010 twenty-two states have a flexible wage base, with an average wage base of \$22,865.

State	Flexible or Fixed?	CY 2008 Wage Base	CY 2009 Wage Base	CY 2010 Wage Base
Arizona	Fixed	\$7,000	\$7,000	\$7,000
Colorado	Fixed	10,000	10,000	10,000
Kansas	Fixed	8,000	8,000	8,000
Nebraska	Fixed	9,000	9,000	9,000
Nevada	Flexible	24,600	26,600	27,000
Oklahoma	Flexible	13,600	14,200	14,900

State	Flexible or Fixed?	CY 2008 Wage Base	CY 2009 Wage Base	CY 2010 Wage Base
Utah	Flexible	25,400	27,800	28,300
Wyoming	Flexible	20,100	21,500	22,800
Average		\$14,713	\$15,513	\$15,875

Problem with Colorado's Wage Base

Colorado UI revenues do not increase to match inflation or the growth of the average private sector wage because employer premiums and surcharges are calculated based on the employer's experience rating and/or the balance of the UITF. The following graph outlines the growing difference between the chargeable wage base, and the individual claimants benefits since 1998.



Impact to Employers of Increasing the Wage Base

The first recommendation in the audit report was to evaluate the state wage base as a means of ensuring the long-term solvency of the UITF. **If the state wage base had increased over time to match the increase in wages and inflation, the state wage base today would be \$22,000.** The following table shows the impact per employee on employers if the state wage base was to increase.

Cost to Employers of Increasing the State Wage Base					
Wage Base	Employer Costs at Low Rates	Employer Costs at Middle Rates	Employer Costs at High Rates	Average	Difference from \$10,000 Wage Base
\$10,000	\$98	\$528	\$1,536	\$721	n/a
12,000	106	622	1,756	828	\$108
14,000	115	717	1,977	936	215
16,000	123	811	2,197	1,044	323
18,000	132	906	2,418	1,152	431

Cost to Employers of Increasing the State Wage Base					
Wage Base	Employer Costs at Low Rates	Employer Costs at Middle Rates	Employer Costs at High Rates	Average	Difference from \$10,000 Wage Base
20,000	140	1,000	2,638	1,259	539
22,000	148	1,094	2,858	1,367	646
24,000	157	1,189	3,079	1,475	754

Rates used to calculate the low, middle, and high employer costs are outlined in the following table.

Rates Used to Calculate Employers Costs at Colorado Rates				
	Federal UI Tax	Regular UI Premium	UI Surcharge	UI Solvency Surcharge
Low Employer Rates	0.8%	0.0%	0.2%	0.2%
Middle Employer Rates	0.8%	1.7%	0.2%	2.8%
High Employer Rates	6.2%	5.4%	0.2%	5.4%

Solvency Standards - Audit Recommendation #5

There are three possible measures that can be used to assess the adequacy of the UITF reserve levels and help detect potential problems with the reserve level.

1. Reserve Ratio;
2. High Cost Multiple; and,
3. Average High Cost Multiple.

Reserve Ratio

The Department only monitors the reserve ratio to measure the solvency of the UITF. The reserve ratio is Colorado's trust fund reserve as a percentage of total wages for the past twelve months. This measure reflects the size of the state's economy in the short term. In a 2003 study by the Department of the UITF, the Department recommended a reserve ratio of 1.4 percent, which is on the low end of what is recommended by the U.S. Department of Labor.

High Cost Multiple

This solvency measure is equal to the state's reserve ratio divided by the highest historical ratio of benefits to wages during a twelve month period. This measure assesses the long term risk of insolvency because it uses the worst benefit period in history of the fund.

Average High Cost Multiple

This solvency measure is calculated by dividing the state's reserve ration by the average three highest cost rate experiences during a calendar year over the last twenty years. This measure was developed in response to the criticisms that the High Cost Multiple was too conservative and a reserve based on the High Cost Multiple would not be adequate during a down turn.

The following table provides what the solvency measures were for Colorado's UITF from CY 2005 to CY 2009. While the solvency measures provide a good measurement standard, the amount of benefits drawn from the fund are almost four times the amount drawn during the last downturn.

Colorado's UITF Solvency Measures						
Solvency Measure	Standard	CY 2005	CY 2006	CY 2007	CY 2008	CY 2009
Reserve Ratio	1.4% to 2.0%	0.39%	.62%	.74%	.70%	0.08%
High Cost Multiple	1.5 to 3.0	0.31	0.49	0.59	0.56	0.06
Average High Cost Multiple	1.0	0.35	0.56	0.67	0.64	0.07

Source: June 2010 Evaluation of the Unemployment Insurance Trust Fund.

Audit Recommendation #7

The Department stated in the response to recommendation number seven that they would be submitting a report by December 2010 to the General assembly. **Staff recommends at the Department's hearing they discuss the recommendations in the report with the Committee.**

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

BRIEFING ISSUE

ISSUE: Unemployment Insurance Benefits

The amount of regular unemployment insurance benefits paid through the Unemployment Insurance Program over the past two calendar years has reached almost \$2.0 billion. There have been additional extended benefits paid by the federal Unemployment Insurance Program, but as of December 9, 2010 Congress has failed to extend these benefits.

SUMMARY:

- ❑ As of December 9, 2010 Congress has not passed an extension to the extended unemployment insurance benefits. This means that for claimants whose benefits have run out after December 1, 2010, there are currently no additional unemployment insurance benefits they can claim.
- ❑ The Colorado's regular unemployment insurance benefit amount ranges from a low of \$25 per week to a high of \$487 per week. Colorado's unemployment insurance benefit amount is calculated based on the claimant's wage history.
- ❑ For calendar year 2009, Colorado paid \$1,060.8 million in regular UI benefits. Through October 2010, Colorado has paid \$795.6 million in regular UI benefits from the Colorado Unemployment Insurance Trust Fund.

DISCUSSION:

A person is eligible for regular unemployment insurance benefits (regular UI benefits) if they are laid off from their job through no fault of their own. As of December 9, 2010, claimants are only eligible for regular UI benefits because Congress has not yet extended the federal Emergency Unemployment Compensation benefits. If these extended benefits are extended by Congress, a claimant in Colorado can be eligible to receive a total of three types of benefits.

1. Regular UI benefits paid by the state from the Unemployment Insurance Trust Fund.
2. State extended benefits paid by the federal Unemployment Trust Fund (UTF), but these have expired as of December 4, 2010.
3. The third type, which as of December 9, 2010 had not been renewed by Congress, are federal Emergency Unemployment Compensation benefits paid entirely out of the federal UTF.

Regular UI Benefits

Regular UI benefits are paid for twenty-six weeks from the UTF. Colorado statute requires a claimant's regular UI benefits be calculated based on the claimant's earnings history. Benefits in Colorado are capped at 50.0 percent (or under certain circumstances, 55.0 percent) of the claimant's

average weekly earnings in covered industries. The minimum a claimant can receive is \$25 per week, and the high is \$487. The following table provides a comparison of the January number of initial claims and the average weekly benefit each since 2000.

Comparison of Colorado's Monthly Initial UI Claims and Average Weekly Benefit Amount from January 2001 to January 2010				
Year	No. Initial Claims	Avg. Weekly Benefit	Maximum Benefit Amount	Avg. Weekly Benefit as Percent of Max. Benefit
2001	13,976	\$268.82	\$358.00	75.1%
2002	20,026	\$312.42	\$390.00	80.1%
2003	19,677	\$312.71	\$390.00	80.2%
2004	16,867	\$301.81	\$398.00	75.8%
2005	14,618	\$300.72	\$407.00	73.9%
2006	12,429	\$307.19	\$421.00	73.0%
2007	15,052	\$324.13	\$435.00	74.5%
2008	14,955	\$336.51	\$455.00	74.0%
2009	27,445	\$352.16	\$475.00	74.1%
2010	23,790	\$355.46	\$487.00	73.0%

Source: U.S. Department of Labor, Comparison of State Unemployment Laws

Colorado has seen an unprecedented amount of benefit claims in the last two years. There have been four months, March 2009, May 2009, August 2009, and January 2010 where benefits paid out of the UTF have exceed \$100.0 million in one month. To compare these benefit amounts to the downturn in the early 2000's, the highest amount of benefits paid in one month was March 2002, when \$53,606,832 was paid. The following table illustrates the amount of benefits paid from 2000 through October 2010 on an annual basis.

Total Regular UI Benefits Paid and Average Monthly Number of Initial Claims			
Year	Total Benefits Paid	Avg. Monthly Amount	Avg. Monthly Initial Claims
2000	\$156,887,727	\$13,073,977	7,951
2001	315,897,101	26,324,758	13,624
2002	538,438,971	44,869,914	14,637
2003	529,933,676	44,161,140	14,721
2004	382,887,804	31,907,314	11,966
2005	305,941,763	25,495,147	10,888

Total Regular UI Benefits Paid and Average Monthly Number of Initial Claims			
2006	288,594,506	24,049,542	9,665
2007	304,802,199	25,400,183	9,842
2008	412,583,079	34,381,923	13,595
2009	1,060,781,653	88,398,471	22,344
2010	795,601,628	79,560,163	18,419

State Extended Benefits

State extended benefits (SEB) are benefits paid by the federal UTF pursuant to the American Recovery and Reinvestment Act. Without ARRA, SEB would be paid 50.0 percent by the state and 50.0 percent by the federal UTF. These benefits are in addition to the 26 weeks of regular benefits and are equal to the claimant's regular UI benefit amount. Since Congress has not yet passed an extension of the extended benefits, these benefits were not longer paid as of December 4, 2010.

Federal Benefit Extensions

The federal extension of benefits is called Emergency Unemployment Compensation (EUC), and benefits paid with this program are called EUC benefits. All of these benefits are paid with federal funds from the federal Unemployment Trust Fund (UTF). There are four tiers for EUC benefits, and a claimant starts on Tier 1 and ends on Tier 4, but the economy in Colorado is such that Colorado does not qualify for Tier 4 benefits at this time.

Tier 1 - First tier a claimant is eligible for after exhausting their regular UI benefits.

- ▶ Adds up to 20 weeks or the number of weeks a claimant needs to reach 80 percent of the claimants regular UI benefits, whichever is reached first;
- ▶ Claimants receive weekly benefit checks equal to their regular UI benefit;
- ▶ Claimants cannot be eligible for a new claim in any state;
- ▶ Once a claimant has exhausted their regular UI benefits, the claimant must apply for Tier 1 benefits; and,
- ▶ A claimant must exhaust their regular UI benefits prior to December 19, 2009 to qualify for Tier 1 benefits.

Tier 2 - A claimant moves to Tier 2 after the Tier 1 maximum is reached.

- ▶ Adds either 14 weeks or the number of weeks a claimant needs to reach 54 percent of the claimants regular UI benefits, whichever is first;
- ▶ A claimant must run out of Tier 1 benefits by December 26, 2009 to be eligible for Tier 2 benefits; and,
- ▶ A claimant will automatically move from Tier 1 to Tier 2.

Tier 3 - A claimant movements to this tier after Tier 1 and Tier 2 are exhausted

- ▶ Adds either 14 weeks or the number of weeks a claimant needs to reach 50 percent of the claimants regular UI benefits, which ever is first;
- ▶ A claimant must run out of Tier 2 money by December 26, 2009 to be eligible for Tier 3;
- ▶ A claimant automatically moves from Tier 2 to Tier 3;

Tier 4: Currently the final Tier of EUC benefits

- ▶ Adds the amount of benefits that are the lesser of either: 24.0 percent of the claimants regular UI benefits or six times the claimants weekly regular UI benefits.
- ▶ Colorado does not qualify for this tier because the unemployment rate has not been at or above 8.5 percent for 3 consecutive months.

Summary of Federal Benefit Extensions That Colorado Qualifies For				
Tier	Maximum Benefit	Apply or Automatically Qualify?	Date must exhaust previous extended benefits by	Benefit extension end date
Tier 1	20 weeks or 80% of regular UI benefits	Apply after exhausting regular UI benefits	November 20, 2010	April 30, 2011
Tier 2	14 weeks or 50% of regular UI benefits	Automatic after exhausting Tier 1	November 27, 2010	April 30, 2011
Tier 3	14 weeks or 50% of regular UI benefits	Automatic after exhausting Tier 2	November 27, 2010	April 30, 2011
Tier 4	the number of weeks to reach either: 24.0% of regular UI benefits or 6 times the claimant's weekly regular UI benefits	Colorado does not qualify for this tier because the employment rate has not been equal to or greater than 8.5 percent for three consecutive months,		

Source: Department of Labor, Unemployment Insurance Benefits website.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

INFORMATIONAL BRIEFING ISSUE

ISSUE: American Recovery and Reinvestment Act Funds

The Department of Labor and Employment since FY 2008-09 through FY 2010-11 has received \$61.5 million in federal American Recovery and Reinvestment Act funds. These funds have gone to the Unemployment Insurance Program, Labor Market Information, and Workforce Development Programs.

SUMMARY:

- The Unemployment Insurance Program has received/expended a total of \$18.9 million federal American Recovery and Reinvestment Act funds since FY 2008-09 through FY 2010-11.
- The Labor Market Information Program has received \$214,500 federal American Recovery and Reinvestment Act Funds in FY 2010-11 for modernization of the projections infrastructure.
- The Workforce Development Programs have received/expended a total of \$42.3 million federal American Recovery and Reinvestment Act funds since FY 2008-09.

DISCUSSION:

The federal American Recovery and Reinvestment Act funds have gone to the Unemployment Insurance Program, Labor Market Information, and Workforce Development Programs for FY 2008-09 through FY 2010-11. The Department is not anticipating receiving an additional ARRA funds in FY 2011-12. The following table outlines the expenditures and anticipated funds for these three program areas. All of these funds did not require an appropriation by the General Assembly and are not reflected in any Long Bill as a result.

Summary of ARRA Funds Received by the Department of Labor and Employment			
	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp.
Labor Market Information	\$0	\$0	\$214,500
<i>UI Programs</i>			
Emergency Unemployment Compensation	\$398,337	\$5,270,043	\$5,890,337
Unemployment Insurance Special Transfer Funds	0	1,280,082	5,137,070
State Extended Benefits Administration	0	616,936	280,147
UI Programs Subtotal	\$398,337	\$7,167,061	\$11,307,554
<i>Workforce Development Programs</i>			
Community Service Block Grant	\$0	\$7,034	\$89,414
Workforce Investment Act	1,595,970	22,330,344	6,941,506
Wagner Peyser	132,008	4,209,222	1,286,201
Green Jobs	0	69,555	5,715,321
Workforce Development Programs Subtotal	\$1,727,978	\$26,616,155	\$14,032,442
Total ARRA Funds	\$2,126,315	\$33,783,216	\$25,554,496

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BRIEFING ISSUE

ISSUE: Unintended Consequences of S.B. 09-37 on the TABOR Reserve

Senate Bill 09-037 changed the funding mechanism for the Division of Workers' Compensation Special Funds. The Special Funds contain \$94.0 million of TABOR reserve, which prior to S.B. 09-037, could be rebuilt each year. After S.B. 09-037, if any of the TABOR reserve is used it cannot be rebuilt the next year because the funding mechanism for the Special Funds is now a pay-as-you-go mechanism.

SUMMARY:

- ❑ Senate Bill 09-037 changed the funding mechanism for the Special Funds to a pay-as-you-go mechanism, where the previous mechanism was designed to enable the funds to build a balance until they were deemed actuarially sound.
- ❑ \$94.0 million of the Major Medical Insurance Fund is designated as TABOR reserve for FY 2010-11 and can only be used for declared emergencies. If any this TABOR reserve money is spent, there is no mechanism in place to rebuild the TABOR reserve, and another source will need to be used for the spent portion of the TABOR reserve.

DISCUSSION:

Special Funds

The Major Medical Insurance Fund (MMIF) and the Subsequent Injury Fund (SIF) make up the Special Funds. The MMIF covers the medical expenses of individuals who sustained catastrophic injuries between July 1, 1971 and June 30, 1981, once that individual's medical expenses exceed \$20,000. The program is not open to new cases, but will occasionally add new individuals because an individual's cumulative medical expenses exceeded \$20,000. 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.

Medical Insurance as of July 1, 2008.

Senate Bill 09-037

Prior to S.B. 09-037 the balance of both funds was to be built up until the funds were deemed actuarially sufficient to pay all present and future claims. Per S.B. 09-037 the funding mechanism was changed so that the balance in the funds is equal to one year's expenses plus a reserve equal to one year's expenses (pay-as-you-go).

Fee Changes as a Result of S.B. 09-037

The Special Funds are funded by a portion of the premium surcharge rate (surcharge) which is established by the Director of the Division of Workers' Compensation (DoWC) in May each year. In addition to the Special Funds, two other funds receive revenue from this rate: the Workers' Compensation Cash Fund (WCCF) and the Cost Containment Cash Fund (CCCF). The WCCF covers the expenses of the Division of Workers' Compensation, Workers' Compensation subdivision. The CCCF provides funds to the subdivision so staff can work with employers to reduce potential areas of workers' compensation claims. The following table shows the distribution of the surcharge over the last five fiscal years.

Premium Surcharge Rate Since FY 2000-01					
Fiscal Year	WCCF	Special Funds	CCCF	Total	Change
FY 2006-07	1.0%	2.788%	0.03%	3.818%	
FY 2007-08	0.8%	2.988%	0.03%	3.818%	0.0%
FY 2008-09	0.8%	2.988%	0.03%	3.818%	0.0%
FY 2009-10	1.5%	2.088%	0.03%	3.618%	(0.2)%
FY 2010-11	1.6%	0.100%	0.03%	1.730%	(1.9)%

For FY 2009-10, the portion to WCCF increased by 0.7 percent because of the \$15.7 million transfer in FY 2009-10 and because the premium base decreased. Due to S.B. 09-037 the rate for the Special Funds decreased by 0.9 percent. Resulting in a net surcharge change of a negative 0.2 percent. The balance of the Special Funds is now more volatile because the funds are more sensitive to changes in expenditures and revenue. This means the surcharge will most likely not remain the same from year to year, as it has done in the past. A decrease in the surcharge does not result in a direct decrease in premiums paid by employers because the surcharge is paid by insurance companies.

TABOR Reserve in the Special Funds

TABOR requires the General Assembly designate an emergency reserve equal to 3.0 percent of the fiscal year's expected revenue, which can only be used for declared emergencies.

TABOR Reserve in the Special Funds Since FY 2005-06			
Fiscal Year	MMIF TABOR Reserve	SIF TABOR Reserve	Total Special Funds TABOR Reserve
FY 2005-06	\$20,000,000	\$35,000,000	\$55,000,000
FY 2006-07	40,000,000	40,000,000	80,000,000
FY 2007-08	64,000,000	16,000,000	80,000,000
FY 2008-09	94,000,000	0	94,000,000
FY 2009-10	94,000,000	0	94,000,000

Use of the TABOR Reserve

The use of the TABOR reserve dollars has occurred at least once in each of the last four fiscal years. The current MMIF funding mechanism no longer allows for the replenishment if TABOR reserve funds are used. The MMIF still has a reserve large enough to absorb the \$2.9 million used in September 2010 for the Reservoir Road Fire, and the General Assembly will not have to make up that \$2.9 million elsewhere for FY 2011-12.

Use of MMIF TABOR Reserve Dollars				
Fiscal Year	Executive Order	Order Date	Title of Order	Amount
FY 2005-06	D001 06	1/09/06	Mauricio Canyon Fire	\$240,000
FY 2006-07	D014 06	6/21/06	Mato Vege Fire	3,000,000
	D017 06	7/13/06	Tyndal / Garfield Fire	1,500,000
	D020 06	7/19/06	Amends D 014	500,000
	D009 07	4/3/07	Prowers Tornado	1,000,000
FY 2006-07 Total				6,000,000
FY 2007-08	D009 08	4/17/08	Crowley Fire	500,000
	D011 08	5/23/08	Northern Colorado Tornado	500,000
FY 2007-08 Total				1,000,000
FY 2008-09	D005 09	3/26/09	Severe Blizzard	200,000
FY 2010-11	D014 10	9/13/10	Reservoir Road Fire	2,900,000

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DEPARTMENT OF LABOR AND EMPLOYMENT					
Executive Director: Donald J. Mares					
(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	11,976,705	12,951,514	7,580,021	7,555,974	NP-1
FTE	163.7	159.6	99.9	99.9	
Health, Life, and Dental	4,961,728	5,504,347	5,456,497	6,671,602	NP-5
Short-term Disability	84,509	82,762	91,080	111,658	
S.B. 04-257 Amortization Equalization Disbursement	1,040,110	962,259	1,410,278	1,766,337	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	487,552	708,481	1,028,327	1,419,378	
Salary Survey and Senior Executive Services	2,545,895	0	0	0	
Performance-Based Pay	957,125	0	0	0	
Shift Differential	28,162	26,300	11,084	12,979	
Workers' Compensation	754,527	581,066	589,990	555,150	
Operating Expenses	1,488,760	1,547,169	1,759,608	1,763,509	NP-2

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Legal Services	588,753	539,757	579,990	579,990	
<i>Hours</i>	7,840	7,160	7,905	7,905	
Purchase of Services from Computer Center	1,427,980	1,379,133	5,823,292	6,329,189	
Multiuse Network Payments	74,994	75,210	817,771	912,274	
Management and Administration of OIT	112,757	101,565	428,818	437,805	
Payment to Risk Mgmt. and Property Funds	124,214	84,141	25,327	72,603	
Vehicle Lease Payments	94,066	93,905	106,535	104,950	NP-3
Leased Space	3,200,786	3,024,919	3,896,503	3,896,503	
Capitol Complex Leased Space	27,324	35,389	31,812	30,521	
Communication Services Payment	1,175	1,181	1,110	1,132	
Utilities	245,884	238,017	260,309	260,309	
Information Technology Asset Maintenance	553,147	536,767	553,627	553,627	
Statewide Indirect Cost Assessment	511,933	1,087,610 /1	525,190	599,280	
Disaster Recovery	484,030	0	0	0	
					<i>Request vs. Appropriation</i>
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	31,772,116	29,561,492	30,977,169	33,634,770	8.6%
FTE	<u>163.7</u>	<u>159.6</u>	<u>99.9</u>	<u>99.9</u>	0.0%
Cash Funds	14,392,768	11,591,901	13,602,774	14,663,223	7.8%
Reappropriated Funds	1,525,062	1,187,471	1,102,674	1,113,658	1.0%
Federal Funds	15,854,286	16,782,120	16,271,721	17,857,889	9.7%

/1 - The Department received \$612,000 in federal American Recovery and Reinvestment Act dollars for monitoring and oversight.

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	Change Request
(2) DIVISION OF EMPLOYMENT AND TRAINING					
(A) Unemployment Insurance Programs					
Primary functions: Provide supplemental income benefits to individuals who have lost their job through no fault of their own; Identifying, investigating and prosecuting individuals who attempt to receive unemployment benefits to which they are not entitled					
Program Costs	34,387,154	40,893,611	34,246,736	34,121,040	NP-1
FTE	<u>466.1</u>	<u>542.8</u>	<u>467.1</u>	<u>467.1</u>	
Cash Funds	4,271,489	6,707,773	7,237,756	7,190,195	
Federal Funds	30,115,665	34,185,838	27,008,980	26,930,845	
Internet Self-Service - CF	503,338	167,126	162,948	0	
FTE - CF	1.6	2.3	2.5	0.0	
<i>Unemployment Benefits (not appropriated, non-add) (not appropriated pursuant to Section 8-77-104 (1), C.R.S.)</i>	<i>1,053,793,289</i> <i>Actual</i>	<i>1,086,726,558</i> <i>Actual</i>	<i>718,876,245</i> <i>Estimated</i>	<i>537,869,586</i> <i>Projected</i>	<i>Request vs. Appropriation</i>
Total - (2) (A) Unemployment Insurance Programs	34,890,492	41,060,737	34,409,684	34,121,040	-0.8%
FTE	<u>467.7</u>	<u>545.1</u>	<u>469.6</u>	<u>467.1</u>	-0.5%
Cash Funds	4,774,827	6,874,899	7,400,704	7,190,195	-2.8%
Federal Funds	30,115,665	34,185,838	27,008,980	26,930,845	-0.3%
Unemployment Insurance Fraud Program - Moved into Unemployment Insurance Programs in FY 2009-10 Long Bill					
Program Costs - CF	1,493,213	n/a	n/a	n/a	
FTE	22.6	n/a	n/a	n/a	
					<i>Request vs. Appropriation</i>
Total - Unemployment Insurance Fraud Program	1,493,213	n/a	n/a	n/a	n/a
FTE	22.6	n.a	n.a	n.a	n/a

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	Change Request
(B) Employment and Training Programs					
Primary functions: Providing job placement and related services to job-seeking applicants and employers					
State Operations	15,250,381	13,295,700	13,782,415	13,742,967	NP-1
FTE	<u>148.1</u>	<u>124.6</u>	<u>143.7</u>	<u>143.7</u>	
Cash Funds	9,008,592	9,325,351	9,263,889	9,270,580	
FTE	66.5	66.5	93.4	93.4	
Reappropriated Funds	6,561	8,400	9,600	9,600	
Federal Funds	6,235,228	3,961,949	4,508,926	4,462,787	
FTE	81.6	58.1	50.3	50.3	
One-Stop County Contracts - FF	9,785,383	11,017,634	9,123,544	9,164,335	
FTE - FF	12.2	24.6	28.0	28.0	
Trade Adjustment Act Assistance - FF	1,916,145	2,965,597	3,837,827	3,288,070	
Workforce Investment Act - FF	40,814,243	28,452,423	32,245,041	32,230,133	
FTE - FF	<u>54.1</u>	<u>47.8</u>	<u>61.4</u>	<u>61.4</u>	
Cash Funds	711,046	725,000	807,540	807,540	
Reappropriated Funds	0	0	100,000	100,000	
Federal Funds	40,103,197	27,727,423	31,337,501	31,322,593	NP-1
Workforce Development Council Staff	398,082	390,267	459,547	462,416	NP-1
FTE - RF/CFE	<u>4.0</u>	<u>3.9</u>	<u>4.0</u>	<u>4.0</u>	
Reappropriated Funds	237,878	214,440	459,547	462,416	
Federal Funds	160,204	175,827	0	0	
Workforce Improvement Grants	1,052,273	587,733	860,036	870,000	
FTE - FF	<u>5.4</u>	<u>3.5</u>	<u>10.0</u>	<u>10.0</u>	
Cash Funds	0	0	20,000	20,000	
Federal Funds	1,052,273 /1	587,733	840,036	850,000	
TANF-Support Subsidized Employment - RF	n/a	11,250,000	n/a	n/a	

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					<i>Request vs. Appropriation</i>
Total - (2) (B) Employment and Training Programs	69,216,507	67,959,354	60,308,410	59,757,921	-0.9%
FTE	<u>223.8</u>	<u>204.4</u>	<u>247.1</u>	<u>247.1</u>	0.0%
Cash Funds	9,719,638	10,050,351	10,091,429	10,098,120	0.1%
FTE	66.5	66.5	93.4	93.4	0.0%
Reappropriated Funds	244,439	11,472,840	569,147	572,016	0.5%
FTE	4.0	3.9	4.0	4.0	0.0%
Federal Funds	59,252,430	46,436,163	49,647,834	49,087,785	-1.1%
FTE	153.3	134.0	149.7	149.7	0.0%
/1 FY 2008-09 expenditures include a one-time increase of \$248,067 federal funds.					
(D) Labor Market Information					
Primary functions: Gathering and disseminating labor market and economic trend information					
Program Costs	1,590,525	1,657,590	1,995,724	1,997,257	
FTE - Federal	<u>24.7</u>	<u>25.8</u>	<u>30.3</u>	<u>30.3</u>	
Cash Funds	2,684	0	11,509	11,509	
Federal Funds	1,587,841	1,657,590	1,984,215	1,985,748	NP-1
					<i>Request vs. Appropriation</i>
Subtotal - (D) Labor Market Information	1,590,525	1,657,590	1,995,724	1,997,257	0.1%
FTE - Federal Funds	<u>24.7</u>	<u>25.8</u>	<u>30.3</u>	<u>30.3</u>	0.0%
Cash Funds	2,684	0	11,509	11,509	0.0%
Federal Funds	1,587,841	1,657,590	1,984,215	1,985,748	0.1%
					<i>Request vs. Appropriation</i>
TOTAL - (2) DIVISION OF EMPLOYMENT AND TRAINING	107,190,737	110,677,681	96,713,818	95,876,218	-0.9%
FTE	<u>738.8</u>	<u>775.3</u>	<u>747.0</u>	<u>744.5</u>	-0.3%
Cash Funds	15,990,362	16,925,250	17,503,642	17,299,824	-1.2%
Reappropriated Funds	244,439	11,472,840	569,147	572,016	0.5%
Federal Funds	90,955,936	82,279,591	78,641,029	78,004,378	-0.8%

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(3) DIVISION OF LABOR					
Primary functions: Providing assistance and ensuring compliance with Colorado wage, youth employment and labor practice laws					
Program Costs - Cash Funds	1,055,658	1,072,938	1,163,596	1,165,144	NP-1
FTE	13.0	12.7	15.0	15.0	
					<i>Request vs. Appropriation</i>
TOTAL - (3) DIVISION OF LABOR - CF	1,055,658	1,072,938	1,163,596	1,165,144	0.1%
FTE - CF	13.0	12.7	15.0	15.0	0.0%

(4) 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	5,026,609	4,698,283	4,665,365	4,665,792	NP-1
FTE - CF	<u>67.7</u>	<u>63.8</u>	<u>67.0</u>	<u>67.0</u>	
Cash Funds	4,204,352	3,522,914	4,089,842	4,107,144	
Reappropriated Funds	19,516	19,050	19,516	19,516	
Federal Funds	802,741	1,156,319	556,007	539,132	
Operating Expenses	<u>1,033,853</u>	<u>387,465</u>	<u>497,780</u>	<u>648,980</u>	
Cash Funds	986,453	315,508	404,734	518,134	
Federal Funds	47,400	71,957	93,046	130,846	
Statewide Indirect Cost Assessment - CF	944,999	781,284	941,780	952,827	NP-1

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					<i>Request vs. Appropriation</i>
TOTAL - (4) DIVISION OF OIL AND PUBLIC					
SAFETY	7,005,461	5,867,032	6,104,925	6,267,599	2.7%
FTE	<u>67.7</u>	<u>63.8</u>	<u>67.0</u>	<u>67.0</u>	0.0%
Cash Funds	6,135,804	4,619,706	5,436,356	5,578,105	2.6%
Reappropriated Funds	19,516	19,050	19,516	19,516	0.0%
Federal Funds	850,141	1,228,276	649,053	669,978	3.2%
(5) DIVISION OF WORKERS' COMPENSATION					
(A) Workers' Compensation					
Primary functions: Assuring the quick and efficient delivery of disability and medical benefits to injured workers at a reasonable cost to employers, without the necessity of litigation.					
Personal Services - CF	6,638,962	6,704,162	6,880,849	6,893,423	NP-1
FTE	96.1	90.2	102.1	102.1	
Operating Expenses - CF	584,024	463,603	680,780	680,780	
Administrative Law Judge Services -CF	2,377,666	2,610,443	2,550,825	2,796,850	
Physician's Accreditation - CF	118,383	77,033	140,000	140,000	
Utilization Review - CF	28,159	24,549	60,000	60,000	
Immediate Payment - CF	0	0	10,000	10,000	
					<i>Request vs. Appropriation</i>
Total - (5) (A) Workers' Compensation - CF	9,747,194	9,879,790	10,322,454	10,581,053	2.5%
FTE - CF	96.1	90.2	102.1	102.1	0.0%

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(B) Major Medical Insurance and Subsequent Injury Funds					
Primary functions: Providing medical benefits and compensation payments to eligible injured workers					
Personal Services - CF	1,086,803	958,587	1,260,197	1,258,536	NP-1
FTE - CF	12.7	11.9	16.0	16.0	
Operating Expenses - CF	71,191	62,848	88,324	88,324	
Major Medical Benefits - CF	5,940,487	4,996,836	7,000,000	7,000,000	
Major Medical Legal Services - CF	17,166	14,329	7,337	7,337	
Hours	228.6	190.1	100.0	100.0	
Subsequent Injury Benefits - CF	1,967,306	1,865,805	3,200,000	3,200,000	
Subsequent Injury Legal Services - CF	15,555	57,605 /1	25,680	25,680	
Hours	207.1	764.2	350.0	350.0	
Medical Disaster - CF	794	651	6,000	6,000	<i>Request vs. Appropriation</i>
Total - (5) (B) Major Medical Insurance and Subsequent Injury Funds	9,099,302	7,956,661	11,587,538	11,585,877	0.0%
FTE	12.7	11.9	16.0	16.0	0.0%
/1 Additional \$20,133 was spent from the Subsequent Injury Fund which has continuous spending authority.					
<i>Request vs. Appropriation</i>					
TOTAL - (5) DIVISION OF WORKERS' COMPENSATION	18,846,496	17,836,451	21,909,992	22,166,930	1.2%
FTE	108.8	102.1	118.1	118.1	0.0%

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					<i>Request vs. Appropriation</i>
GRAND TOTAL - DEPARTMENT OF LABOR AND EMPLOYMENT	165,870,468	165,015,594	156,869,500	159,110,661	1.4%
FTE	<u>1,092.0</u>	<u>1,113.5</u>	<u>1,047.0</u>	<u>1,044.5</u>	-0.2%
Cash Funds	56,421,088	52,046,246	59,616,360	60,873,226	2.1%
Reappropriated Funds	1,789,017	12,679,361	1,691,337	1,705,190	0.8%
Federal Funds	107,660,363	100,289,987	95,561,803	96,532,245	1.0%

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APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 10-013 (Hodge/Ryden): Workers' Compensation Accountability.** Requires workers' compensation insurers to survey a limited number of injured workers and report survey findings annually to the Division of Workers' Compensation (Division). The Division must post the survey results on its web site as well as the procedures for an injured worker to file a complaint with the Division. Requires Pinnacle Assurance to submit an annual report to the Governor and the General Assembly on its business operations, resources and liabilities. Makes an appropriation of \$3,756 cash funds from the Division of Workers' Compensation Cash Fund and 0.1 FTE to the Department of Labor and Employment, Division of Workers' Compensation.

- ❑ **H.B. 10-1038 (Miklosi/Carroll M.): Workers' Compensation Claims Process Brochure.** Requires the employer or the employer's insurance carrier to provide a brochure to a workers' compensation claimant in a form developed by the Director of the Division of Workers' Compensation that describes the entities the claimant may contact for information, the claimant's rights related to his or her medical treatment and rights to receive benefit payments, and the claims process. Reduces the appropriation to the Department of Labor and Employment, Division of Workers' Compensation by \$18,000 cash funds from the Workers' Compensation Cash Fund.

- ❑ **H.B. 10-1333 (Vigil/Schwartz): Green Jobs Colorado Training Pilot Program.** Creates the two-year pilot program called the Green Jobs Colorado Training Program which offers grants to entities to provide job training for wind, solar, renewable energy, and energy efficiency industries. Specifies the requirements applicants must meet in order to qualify for these grants. Creates a seventeen member Green Jobs Colorado Advisory Council (Council) that administers the Program, reviews grant applications, awards grants, and establishes reporting requirements for grantees. Requires the Council to give priority to individuals and programs that target low-income individuals, entry-level or incumbent workers, or dislocated workers from industries in decline. Allows the Council to coordinate the activities of any state department, office or agency related to green jobs and allows the Council to accumulate data relating to such activities. Requires the Colorado Workforce Development Council to carry out the coordination of these powers. Requires the Department of Labor and Employment to evaluate the Program and report the findings to the Governor and the business affairs committees of the House and Senate. Makes an appropriation of \$100,000 reappropriated funds and 1.4 FTE to the Department of Labor and Employment.

- ❑ **H.B. 10-1376 (Pommer/Keller): Long Appropriations Bill.** General appropriations act for FY 2010-11.

- ❑ **S.B. 09-037 (Kopp/McNulty): Subsequent Injury and Major Medical Insurance Fund.** Amends existing statute regarding the Major Medical Insurance Fund (MMIF) and the Subsequent Injury Fund (SIF), by requiring the funds to carry a balance equal to the next fiscal years projected expenditures and maintain a reserve equal to a years total expenditures. The MMIF and SIF are no longer required to build up balances until the funds are actuarially sound.
- ❑ **S.B. 09-076 (Heath/Court): Employment and Training Technology.** Creates the Employment and Training Technology Fund (Fund), and amends statute so thirty percent of the surcharge paid by employers is deposited into the Fund until December 31, 2016. Effective January 1, 2017 the Fund shall receive 0.0 percent and 50.0 percent of the surcharge shall go into the Unemployment Compensation Fund.
- ❑ **S.B. 09-247 (Tochtrop/Pace): Expand UI Benefits Federal Stimulus Moneys.** Broadens the availability of unemployment insurance (UI) compensation benefits to certain unemployed individuals, enabling the state to receive and expend funds made available through the American Recovery and Reinvestment Act of 2009. The following changes to UI laws are included in S.B. 09-247: a component that allows an unemployed individual to designate an alternative base period, establishes a trigger based on Colorado's unemployment rate that determines when Colorado will be eligible for additional federal funding for extended benefits, and provides \$15 million in enhanced UI compensation benefits for claimants participating in an approved training program for the next three fiscal years. Makes an appropriation of \$734,192 from the Unemployment Compensation Fund, and \$1,055,392 federal funds, along with 6.2 FTE.

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**APPENDIX C: UPDATE OF FY 2010-11
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

The Department of Labor and Employment did not have any footnotes in the FY 2010-11 Long Bill.

Requests for Information

- 1 All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee, by November 1, 2010, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2009-10. 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 2010-11.

Response: The Department submitted the requested information, as outlined in the following table, as part of their FY 2011-12 budget submission.

Summary of ARRA Funds and Associated FTE Received by the Department of Labor and Employment in FY 2009-10		
	FY 2009-10 Actual	FTE
<i>Unemployment Insurance Programs</i>		
Emergency Unemployment Compensation	\$5,270,043	85.2
Unemployment Insurance Special Transfer Funds	1,280,082	23.7
State Extended Benefits Administration	616,936	6.0
Unemployment Insurance Programs Subtotal	\$7,167,061	114.9
<i>Workforce Development Programs</i>		
Workforce Investment Act	22,330,344	19.0
Wagner Peyser	4,209,222	15.1
Green Jobs	69,555	0.6
Workforce Development Programs Subtotal	26,609,121	34.7
Total Department ARRA Funds and FTE	33,776,182	149.6