

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2009-10 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 2009-10 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE
DEPARTMENT OF LABOR AND EMPLOYMENT**

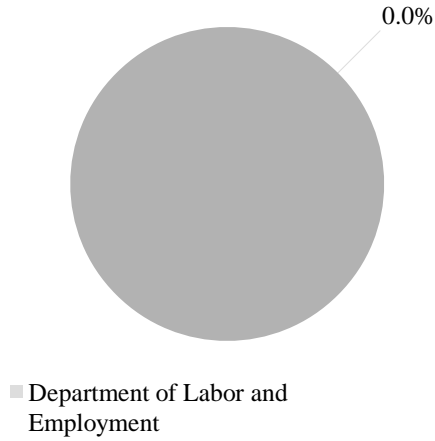
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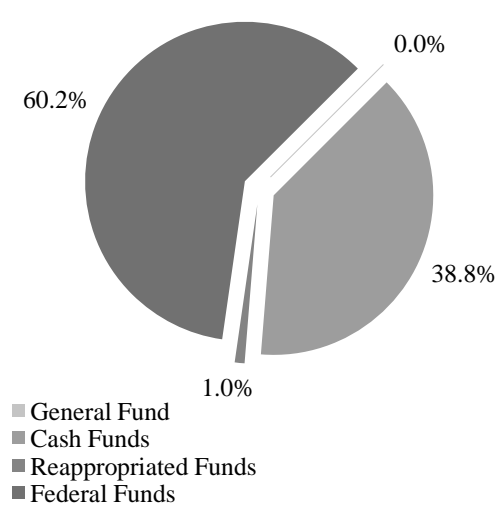
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GRAPHIC OVERVIEW

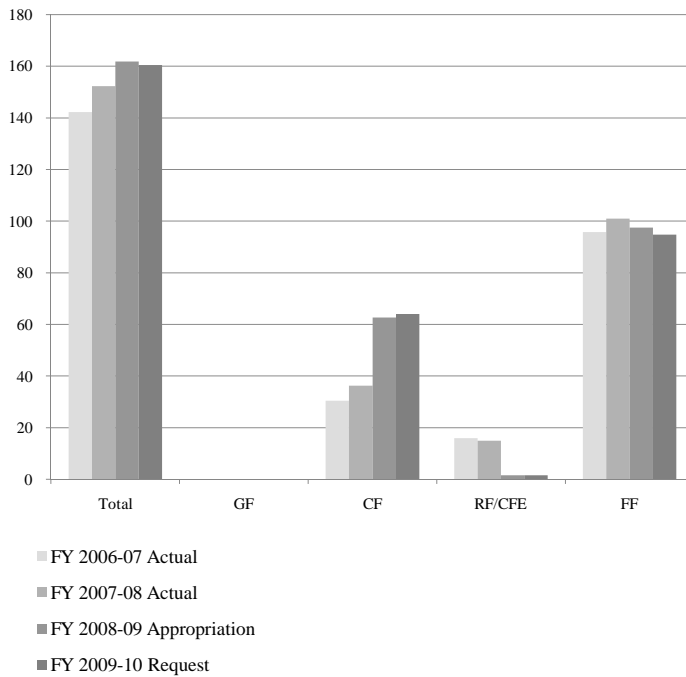
Department's Share of Statewide General Fund



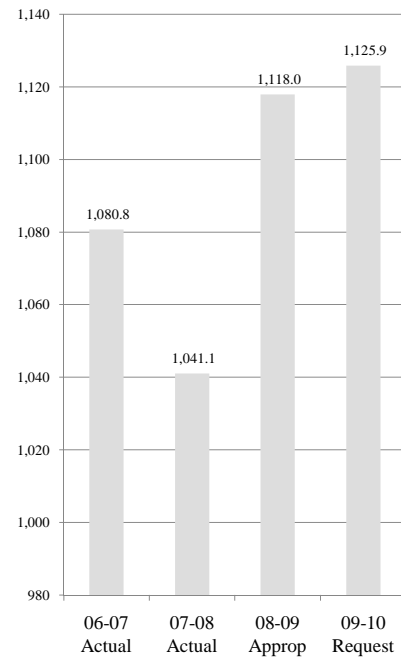
Department Funding Sources



**Budget History
(Millions of Dollars)**



FTE History

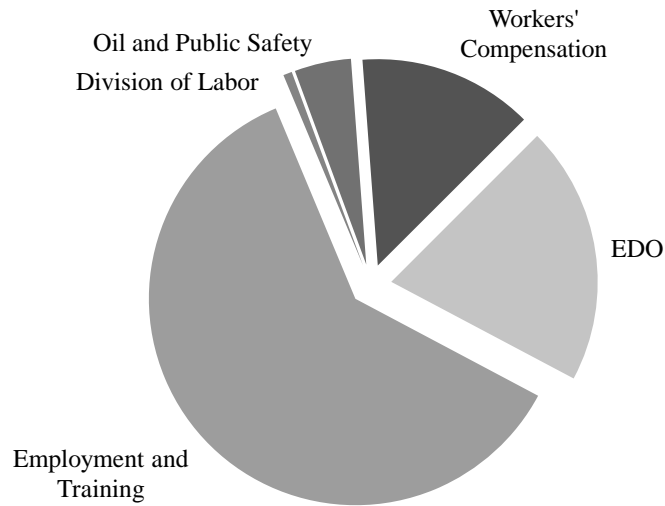


Unless otherwise noted, all charts are based on the FY 2008-09 appropriation.

Distribution of General Fund by Division

The Department of Labor and Employment received no General Fund appropriation for FY 2008-09.

Distribution of Total Funds by Division



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DEPARTMENT OVERVIEW

Key Responsibilities

Unemployment Insurance Program

- ▶ Collects unemployment insurance tax from employers, administers unemployment insurance payments to qualified claimants, conducts audits to ensure proper payment of taxes and benefits.

Workforce Development Centers and Employment and Training Programs

- ▶ Assists job seekers with training and placement in unsubsidized employment, specifically targeting client groups such as economically disadvantaged, veterans, migrant seasonal farm workers, dislocated workers, youth, older workers, and displaced homemakers. Also, works with employers to identify qualified job seekers.

Labor Market Information

- ▶ Provide monthly reports on Colorado's unemployment rate, as well as information on labor market trends and employee compensation.

Division of Oil and Public Safety

- ▶ Conducts inspections of petroleum storage sites, and tests retail products for compliance with state quality standards.
- ▶ Licenses conveyance inspectors, mechanics and contractors. The State does not conduct the inspections, but maintains a database of all registered conveyances.
- ▶ Reviews building plans for all public school and junior community colleges and conducts required site inspections.

Division of Workers' Compensation

- ▶ Workers' Compensation Program assures quick and efficient delivery of disability and medical benefits to injured workers at a reasonable cost to employers, and minimizes the necessity of litigation.
- ▶ Oversees the Special Funds Program that provides medical benefits for catastrophic injuries which occurred prior to 1981, and for workers who have become permanently disabled from two or more work related injuries prior to 1993.

Factors Driving the Budget

Unemployment Insurance (UI)

Unemployment Insurance (UI) is a joint federal and state program where the state is responsible for establishing employer tax rates and collecting taxes. Taxes are deposited into the Colorado portion of the UI Trust Fund (UITF) which is maintained by the federal government, and benefit payments are made out of this fund. The UI Program makes up approximately 22% of the Department's budget. The UI Program is counter cyclical, meaning when the economy is strong and growing workload numbers are low and the UITF balance is large and grows. When the economy is slow workload increases and the UITF balance decreases. Unemployment benefits are not appropriated, but taxes and fines count toward the TABOR revenue limit. Return to Legacy is the name of the Department's on going effort to recover from *Genesis*, and re-engineer the UI business process.

Unemployment Insurance - Factors Driving the State Budget					
	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Estimate
Initial Benefit Claims	137,785	126,647	119,726	135,684	120,074
New Employer Accounts	25,073	24,387	24,827	27,317	28,103
Appeals Decisions Rendered	22,778	19,804	17,632	17,315	18,904
Claims Involving Fraud	2.0%	1.7%	1.1%	1.3%	1.0%
UITF Revenue	\$483,069,661	\$530,248,580	\$409,278,675	\$413,739,635	\$426,151,824
UI Benefits Paid	\$362,210,806	\$305,587,789	\$316,646,005	\$354,966,705	\$408,211,711
UITF Ending Balance	\$254,737,920	\$545,830,764	\$608,847,705	\$710,948,628	\$777,008,824

Workforce Development Programs

Workforce Development Programs (WDP) provide employment and training services for businesses and job seekers through a statewide network of workforce centers. WDP Centers can be state run, county run or a combination of state and county run. Eighty two percent of WDP funding is federal and a requirement of federal funding is priority services must be offered first to veterans. Over the last three years federal funding has steadily declined, causing the Department to supplement WDP funding with cash fund dollars. In a slow economy WDPs focus on matching job seekers with employers, and in a strong economy emphasis is placed on matching employers with qualified job seekers.

Employment and Training – Factors Driving the State Budget				
	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Estimate
Total Applicants	356,953	351,576	400,662	350,000
Total Applicants Referred to Jobs	159,670	156,740	162,228	155,000
Percent of Individuals Working in the Next Quarter after Receiving Services	58.9%	60.6%	61.7%	62.0%
Total Received Job Openings	104,638	112,058	128,749	110,000

Conveyance Inspector Licenses

S.B. 07-123 created the Conveyance Section in the Division of Oil and Public Safety. The Conveyance Section licenses inspectors, contractors and mechanics, maintains a database of conveyances within the state, but does not conduct required inspections. There are approximately 19,000 conveyances in Colorado, and 6,000 are located within the City and County of Denver (Denver), which has its own conveyance inspection program. Problems have arisen with Denver which will be discussed in the forth briefing issue.

Worker's Compensation

The Division of Workers' Compensation provides services for employers who are required to carry workers' compensation insurance and employees who file workers' compensation claims. Services include claims resolution, employer and employee education and cost containment. Cost containment is the Division's program to work with employers to reduce the number of areas of the business that could cause potential claims. The budget for this Division is driven by the number of workers injured in a given year and the number of hearing requested by an employer, insurance company or injured employee to determine the benefit amount.

Workers' Compensation – Factors Driving the State Budget					
	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Estimate
Customer Contacts	62,209	58,630	56,467	55,691	57,000
Number of Claims Filed	38,699	38,233	40,608	38,378	41,000
UI Appeals Processed	28,466	19,804	18,849	18,823	18,984
Employer cost savings through Premium Cost Containment	\$19,122,759	\$16,869,049	\$19,335,800	\$15,154,703	\$12,000,000

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DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1 Internet Self-Service (Year 2) Division of Employment and Training. The Department is requesting \$167,126 from the Employment Support Fund and 2.5 FTE to continue development, implementation and maintenance of ten Internet applications. The purpose of the Internet Self Service Suite is to modernize and enhance the Internet functionality of the Unemployment Insurance Program. <i>Employment Section: Section 8-77-109 (2)(a)(I), C.R.S.</i>	0	167,126	0	0	167,126	2.5
2 Maximize Federal Funding for the Unemployment Insurance Program Division of Employment and Training. The Department is requesting that two lines items: Unemployment Insurance (UI) Programs Costs and UI Fraud Program be combined under UI Program Costs. This request has no fiscal impact and does not involve the addition or reduction of FTE for the UI Program, but does involve the transfer of \$1,583,103 and 26.0 FTE from the UI Fraud Program line to the UI Program Costs line beginning in FY 2009-10. <i>Sections 8-70-101 thru 8-82-105 C.R.S., and Unemployment Revenue Fund: 8-77-106, C.R.S.</i>	0	0	0	0	0	0.0
3 Internal Audit Program Executive Director's Office. This request is for the funds to develop and implement a system of department wide internal financial controls managed and enforced by the new Internal Audit Program. The request is for \$85,722 in cash, reappropriated and federal funds to fill a vacant Auditor position. <i>Section 24-17-102 (1)(e), C.R.S.</i>	0	46,856	2,754	36,112	85,722	0.0
4 Disability Program Navigator Division of Employment and Training. The Department is requesting that the 9.0 FTE currently appropriated to the Division of Vocational Rehabilitation in the Department of Human Services be reappropriated to the Division of Employment and Training. This transfer of FTE is a result of S.B. 08-231 which appropriated the Colorado Workforce Development Council and Workforce Improvement Grant to the Department from the Department of Local Affairs. <i>Section 24-46.3-102 (1), C.R.S.</i>	0	0	0	0	0	9.0
Total						

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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 2008-09 appropriation and its FY 2009-10 request.

Total Requested Change, FY 2008-09 to FY 2009-10 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2008-09 Appropriation	\$0.0	\$62.7	\$1.6	\$97.4	\$161.7	1,118.0
FY 2009-10 Request	0.0	64.0	1.6	94.8	160.4	1,125.9
Increase / (Decrease)	\$0.0	\$1.3	\$0.0	(\$2.6)	(\$1.3)	7.9
Percentage Change	n/a	2.1%	0.0%	-2.7%	-0.8%	0.7%

The following table highlights the individual changes contained in the Department's FY 2009-10 budget request, as compared with the FY 2008-09 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2008-09 to FY 2009-10

Category	GF	CF	RF	FF	Total	FTE
Executive Director's Office*						
Benefits	\$0	\$578,074	\$41,048	\$563,831	\$1,182,953	0.0
Personal Services - including Internal Audit Staff (DI #3)	0	359,250	25,510	350,398	735,158	(2.5)
Salary Survey and Senior Executive Services	0	(504,625)	(35,833)	(492,191)	(1,032,649)	0.0
Performance-based Pay	0	(467,718)	(33,212)	(456,194)	(957,124)	0.0
Subtotal	\$0	(\$35,019)	(\$2,487)	(\$34,156)	(\$71,662)	(2.5)
Employment and Training						
State Operations	\$0	\$493,178	\$0	\$5,059	\$498,237	0.3
Workforce Improvement Grants (DI #4)	0	0	0	0	0	9.0
Workforce Investment Act	0	0	0	(3,491,492)	(3,491,492)	0.0
Internet Self-Service (DI #1)	0	(336,594)	0	0	(336,594)	0.0
Subtotal	\$0	\$156,584	\$0	(\$3,486,433)	(\$3,329,849)	9.3
Oil and Public Safety						
Operating Expenses	\$0	\$53,191	\$0	\$0	\$53,191	0.0

Category	GF	CF	RF	FF	Total	FTE
Workers' Compensation						
Administrative Law Judge Services	\$0	\$103,666	\$0	\$0	\$103,666	0.0
Operating Expenses	<u>0</u>	<u>14,801</u>	<u>0</u>	<u>0</u>	<u>14,801</u>	<u>0.0</u>
Subtotal	\$0	\$118,467	\$0	\$0	\$118,467	0.0
Total Change	\$0	\$293,223	(\$2,487)	(\$3,520,589)	(\$3,229,853)	6.8

*The Department did not provide funding splits for the Executive Director's Office, and the funding splits shown in the table are proportional to the Executive Director's Office total funding split.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

BRIEFING ISSUE

ISSUE: Unemployment Insurance Internet Self Service

The Department of Labor and Employment is requesting \$167,126 and 2.5 FTE from the Employment Support Fund to complete the second year of the Internet Self Service Project for the Unemployment Insurance Program.

SUMMARY:

- Three changes have been made to the original budget request. The Department is working with SIPA as the main contractor, the Department enlarged the scope of the Database Architect, and the Department is going to use a Quality Manager in place of IV&V.
- The original request has been reduced by a total of \$253,589 due to previous mentioned three changes to the original request.
- The original time frame for the Internet Self Service Suite was 24 months. Due to project changes the time frame has been expanded to 26 months, the estimated completion date is October 2010.

DISCUSSION:

First year project funding. During the 2008 legislative session the Department received \$3.5 million in cash funds for the first year of the Internet Self Service Project (ISS). ISS is the project to make filing unemployment claims, employer tax information and other services available on the Internet. The submitted decision item is for the second year of funding.

Five current Internet self-service applications. The five current Internet applications that support both the benefits and tax aspects of the overall UI system are listed below. These applications were developed prior to the start of the *Genesis* and do not allow employers and claimants to submit information online.

- Initial UI claims (benefits)
- Continued UI claims (benefits)
- New employer tax registration (tax)
- Tax and wage reporting (tax)
- Customer maintenance (tax).

Five new Internet applications. The Department believes that certain functions only available over the phone lend themselves to self service applications. These functions are listed below. While Department staff is able to answer many of the questions quickly, customers may have telephone wait time longer than it takes to get the answer.

- Additional and reopened claims
- Customer feedback
- Claimant and employer information
- Correspondence
- Appeals filing.

The degree to which the current applications are used varies widely. The Department believes low utilization by employers and continued claimants is due to information that cannot be submitted online, but has to be printed and mailed. The Department believes that updated and enhanced versions of these applications will result in broader use.

Percent Usage of Current Internet Applications	
Application	% Used
Initial Claims	67%
Continued Claims	37%
Employer - File Tax Reports	20%

Three changes to the original request. There have been three modifications to the original request.

- ▶ Instead of hiring outside contractors the Department has decided to use the Statewide Internet Portal Authority (SIPA) as the contractor, and is estimating a savings of 5% in contractor costs.
- ▶ The Enterprise Architect component has been enlarged to a Database Architect and Database Administrator because of the need to address the complexity and disparity of infrastructure and database elements.
- ▶ Due to using SIPA the Department sees the Independent Verification and Validation (IV&V) oversight function as excessive. Instead the Department will procure a Quality Manager who performs period data gathering, design and development audits.

Funding Changes in ISS Suite Year 2 Budget Request					
ISS Request	Original Request		Revised Request		Reason for Change
	FY 08-09	FY 09-10	FY 08-09	FY 09-10	
Develop Requirements	\$650,904	\$0	\$650,904	\$0	

Funding Changes in ISS Suite Year 2 Budget Request					
ISS Request	Original Request		Revised Request		Reason for Change
Modernize Current Applications	1,073,429	0	1,036,652	0	Using SIPA as Contractor - 1 st Change
New Applications	439,743	1,809,369	417,756	1,768,270	Using SIPA as Contractor - 1 st Change
Integrate into ISS Suite	228,000	208,000	347,000	327,000	Enlarging scope - 2 nd change
Project Management	530,400	665,400	530,400	665,400	
IV&V	310,000	310,000	125,000	125,000	Using Quality Manager - 3 rd change
Contingency	311,262	311,262	300,399	300,399	
	\$3,543,738	\$3,304,031	\$3,408,111	\$3,186,069	
Project Total		\$6,847,769		\$6,594,180	
Revised Request Savings			(\$135,627)	(\$117,962)	
Total Project Savings				(\$253,589)	

FTE and Funding Changes from the Initial Request. The Department has assigned 2.5 FTE to ISS because of lessons learned from the Genesis project recovery assessment about the importance of having experienced personnel who understand the business processes involved in the IT projects. Changes made to the original budget request are summarized in the previous table. IT projects have a way of taking longer than planned; the Department also requests that any operating expense funding for listed fiscal years that is not spent in those years be made available for FY 2010-11.

Requested funding sources are adequate for this project. The Department requests that the entire amount be funded from the Employment Support Fund (ESF). This is supported by statute (Section 8-77-109 (2) (a) (I), C.R.S.) which states that the ESF will be "used to offset funding deficits for program administration, including information technology initiatives". The proposed project appears to fall within this provision. As of June 2008 the ESF had a cash balance of approximately \$45.5 million, and appears to have enough money to fund this request.

Internet Self Service project timeline. The following table is the Department's timeline for ISS. Originally the timeline was for 24 months, but was expanded to 26 months due to further planning and fine-tuning of the project scope.

Internet Self Service Project Timeline		
Applications/Components	New Application	Time Period (Month/Year)
ISS Requirements		8/08 - 12/08
Initial Claims		1/09 - 6/09
Continued Claims		6/09 - 10/09

Internet Self Service Project Timeline		
Applications/Components	New Application	Time Period (Month/Year)
Additional and Reopened Claims	X	10/09 - 2/10
Employer Tax Registration		2/10 - 6/10
Tax and Wage Reporting		7/10 - 10/10
Customer Maintenance		1/09 - 6/09
Customer Feedback	X	6/09 - 10/09
Claimant Information	X	8/09 - 12/09
Employer Information	X	12/09 - 5/10
Appeals Filing	X	6/10 - 10/10
Disaster Recovery		10/08 - 1/09 and 8/10 - 10/10

Estimate Cost Savings and Cost Avoidance. ISS will enable claimants and employers to access forms and file information 24 hours a day, 7 days a week, and allow the Department to realize an estimated cost savings and cost avoidance of \$44.9 million over five years. The Department is estimating phone wait time will decrease from an average of 37 minutes to 10 minutes by 2010.

Five Year Cost Saving and Cost Avoidance With ISS Suite						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Operating Expenses						
Phone	\$143,106	\$146,690	\$146,690	\$146,690	\$146,690	\$729,866
Postage	545,312	654,375	654,372	654,372	654,374	3,162,805
Savings Total	\$688,418	\$801,065	\$801,062	\$801,062	\$801,064	\$3,892,671
Cost Avoidance						
Online Replaces Phone Time	\$4,863,386	\$4,985,219	\$4,985,219	\$4,985,219	\$4,985,219	\$24,804,262
Manual Processing	3,145,655	3,258,302	3,258,099	3,258,301	3,258,301	16,178,658
Cost Avoidance Total	8,009,041	8,243,521	8,243,318	8,243,520	8,243,520	40,982,920
Total	\$8,697,459	\$9,044,586	\$9,044,582	\$9,044,582	\$9,044,584	\$44,875,591

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Department of Labor and Employment**

BRIEFING ISSUE

ISSUE: Maximize Federal Funding for the Unemployment Insurance Program

Currently the Unemployment Insurance Program (UI Program) and the UI Fraud Program are two separate line items. The Department is requesting that the UI Fraud Program line item be combined with the UI Program line item in order to realize a net gain of \$179,906 federal UI funds for FY 2009-10.

SUMMARY:

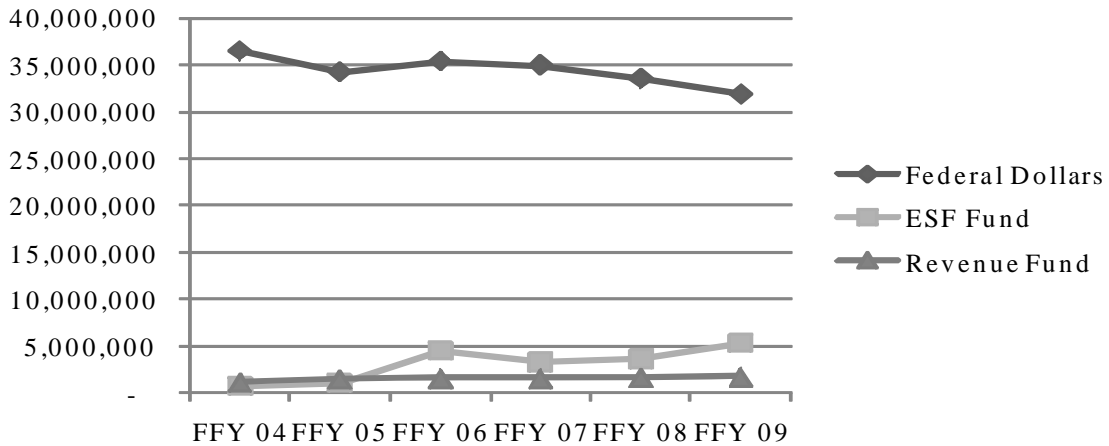
- Currently the UI Program and the UI Fraud Program (UI Fraud) are two separate line items. The Department estimates that by combining the two line items into the UI Program line item the UI Program will see a net gain of \$179,906 in FY 2009-10 and by FY 2012-2013 an annual net gain of \$529,136 federal dollars.
- The federal government has reduced the Department's UI request by an average of 1.4% over the last five years. Colorado has the fifth highest average reduction, behind North Dakota, District of Columbia, South Dakota and Idaho.
- Currently the UI Fraud line is 100% cash funded. Combining the UI Fraud line with the UI Program line would result in current UI Fraud FTE being funded 100% by federal funds. Current FTE in the UI Program that are currently 100% federally funded would become partially state funded, resulting in a net increase of federal UI funds.

DISCUSSION:

Unemployment Insurance Program Funding. In the FY 2008-09 long bill the UI Program (excluding the two-year Internet Self-Service IT Project) received 440.9 FTE, \$4,333,416 in cash funds from the Employment Support Fund, and \$27,782,988 in federal funds.

UI Fraud Program Funding. UI Fraud received all of its funding, \$1,508,633 from the Unemployment Revenue Fund (Revenue Fund) and 26.0 FTE. Over the past six years the UI Program has seen a decrease in federal funds equal to \$4,565,844 and an increase in cash funds equal to \$5,215,070.

History of UI Program and UI Fraud Program Funding



The Revenue Fund Statutory Requirements. The Revenue Fund (8-77-106, C.R.S.) is statutorily required to pay “not less than fifty percent towards enforcement activities.” Enforcement activities include fraud investigation, audits and collections and are included in the federal definition of benefit payment control (BPC). Combining the two UI lines would not require any statutory changes, because the Revenue Fund is not statutorily required to specifically pay for the UI Fraud line.

Federal Resource Justification Model and Minutes Per Unit. The federal government uses the Resource Justification Model (RJM) to determine each state’s federal UI dollar allocation. The RJM takes out all state dollars spent in the UI Program, thereby excluding the UI Fraud line. The RJM uses minutes per unit (MPU) to measure each state’s workload, and ensure that workload numbers are compatible between states. MPUs are equal to the total number of paid staff hours including: sick leave, vacation and holiday pay, divided by workload. For example, for appeals the total number of paid staff hours includes the hearing officer’s transcribers, administrative support staff and supervisors. The time spent includes: scheduling an appeals hearing, pulling together the claim information, the appeals hearing itself, and writing up the decision. All of staff time spent on appeals activities are then divided by the workload statistics to calculate the minutes per unit needed to process an appeal.

The Department Workload MPU and Adjusted MPU. The Department Workload MPU is the average number of staff hours the Department actually spent on an activity. The table below lists the Department’s MPUs in the area of appeals, and enforcement. The average MPU to process an appeal was 347.378 minutes (5 hours 47 minutes), and the average MPU for tax enforcement was 86.9 minutes (1 hour 27 minutes). All states submit their RJM in January for the upcoming federal fiscal year to the U.S. Department of Labor who then run various algorithms to calculate an Adjusted MPU. The adjusted MPU is calculated because of the limited UI money. Therefore, the U.S. Department of Labor determines each state’s UI dollars based on the state’s request and adjusted workload numbers.

Department Workload MPU and Federally Adjusted MPU for Appeals and Tax Functions				
Area	Dept Workload MPU	Adjusted MPU	% Decrease	Colorado's Rank
Appeals	347.378	264.600	-23.8%	8th
Tax	86.908	79.111	-9.0%	29th

Average Annual Federal UI Funding Reduction. Over the past six years Colorado has averaged the fifth highest percent of federal UI dollar reduction. While the ESF has provided some additional dollars, it has not covered the total loss of federal dollars resulting in increased phone wait times and individual staff workloads.

Federal Reductions of State UI Program Funding Requests 2004-2009								
State	2004	2005	2006	2007	2008	2009	average	Rank
Colorado	-5.0%	4.6%	4.6%	-2.6%	-5.0%	-5.0%	-0.6%	5th
North Dakota	-5.0%	-5.0%	-0.1%	-3.9%	-1.1%	-0.9%	-2.5%	1st
California	5.7%	1.7%	2.1%	-5.0%	-4.0%	-7.1%	0.1%	42nd
Washington	5.7%	-2.1%	4.6%	-5.0%	5.1%	-1.6%	1.4%	49th
Michigan	1.9%	-5.0%	2.8%	5.0%	5.1%	2.5%	1.6%	51st

Number of ranked states includes District of Columbia, Puerto Rico, Virgin Islands.

Line Item Combination Estimated Savings. The department estimates that combining the two UI lines will result in a net gain of \$179,906 federal funds for FY 2009-10. Since the federal fiscal year is October 1 to September 30, it will take the UI Program 3 years to realize the full net gain of federal dollars for the program. By FY 2012-13 the Department is estimating that the net gain of federal UI dollars would be \$529,136, annually.

Federal Funding Net Gain Justification. The reason the department estimates a net gain of federal funds is because the current cash funded 26.0 FTE and \$1,508,633 would become 100% federally funded because they are positions that fall into the BPC function. The BPC function is not adjusted by the RJM, which means the Department would see no decline of federal funds for UI fraud activities. The Department would offset the FTE in appeals and tax with cash funds. This will result in a lower MPU and therefore, a smaller cut when the MPU is adjusted through the RJM process.

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Department of Labor and Employment**

BRIEFING ISSUE

ISSUE: Unemployment Insurance Trust Fund Solvency

The UI Program is seeing an increase of UI claims, and subsequent UI benefit payments due to recent economic changes. The UI Trust Fund is not back to levels prior to the last recession and it is possible that the UI Trust Fund could go negative if the economy continues to slow and claims continue to increase.

SUMMARY:

- Employers are taxed based on their experience rating, the UI surcharge and the solvency surcharge. The solvency surcharge is currently being collected. It is anticipated that the collection of the solvency surcharge will not be required in 2010. The fixed surcharge is .22% and counts towards the TABOR revenue limit.
- The fund balance is counter cyclical, therefore when the economy is strong and growing the balance increases while benefit payments remain relatively constant. In a slowing economy the fund balance decreases and benefit payments increase.
- The trust fund is not allowed to go negative, therefore the State has three options: borrow from the federal government, sell bonds if the interest rates are favorable, or the State could divert from other spending areas.
- In June of 2008 the President signed into law the Emergency Unemployment Compensation, which granted an additional 13 weeks of benefits to qualified individuals. While the cost of the benefits and administrative support is covered by the federal government, the increased work load has lead to reduced customer services, increased workloads, and employees losing work time to have to assist with the increase in volume of calls.

DISCUSSION:

Unemployment Insurance Program and the Unemployment Insurance Trust Fund. The Unemployment Insurance Program (UI Program) is a cooperative federal and state program to provide temporary partial income replacement to workers who have lost a job through no fault of their own. The UI Program helps stabilize the economy during a downturn and is governed by the Colorado Employment Security Act, Sections 70-82 of Title 8 C.R.S. The UI Program oversees the Unemployment Insurance Trust Fund (UITF) which is funded by employer paid taxes and fines. The employer tax rate is a combination of the regular UI tax rate, the UI surcharge, and the UI solvency tax rate.

Regular UITF tax rate. The regular UI tax rate(regular rate) ranges from zero to 5.4%. If an employer has been in business for at least a full year, they will be notified by the Department of Labor and Employment (the Department) of what their tax rate for the next year will be. The regular rate is based on the employers experience rating. The experience rating considers how much the employer has paid into the UITF verses how much employees have drawn in benefits. The lower the amount of benefits, the better the experience rating and the lower the regular rate is. If an employer has been in business for less than a year they will receive the standard tax rate, 1.7%. New construction employers are an exception, and pay rates equal to the industry average.

UITF balance could generate a tax credit. If the UITF balance is equal to at least 1.1% of previous year total paid wages, qualified employers will receive a 20% tax credit. Qualified employers cannot have outstanding taxes due, must have filed all required reports, not be subject to the maximum regular tax rate of 5.4% and cannot voluntarily prepay their UI taxes.

UI Trust Fund Surcharge. The UI surcharge is equal to .22%, and half of the surcharge is deposited into the Employment Support Fund. Employers with an experience rating who have not had any benefits charged to their account are exempt from the surcharge. Surcharge revenue is used to pay benefits filed against employers who are no longer in business.

UI Trust Fund Solvency Surcharge. The UI solvency tax (also known as the solvency surcharge) is turned on when the UITF balance is equal to or less than 0.9% of the previous years total reported wages. The solvency surcharge compounds and during the first year it ranges from zero to 1.1%. After the first year the surcharge can range from 0.2 to 5.4% but cannot exceed 5.4%. New employers are not subject to the solvency surcharge. Currently the UITF balance required to turn off the solvency surcharge is \$798.7 million, and as of August 2008 the UITF balance was \$710 million. The solvency surcharge is predicted to stay on until 2010 and then trigger off for a year before turning back on in 2011.

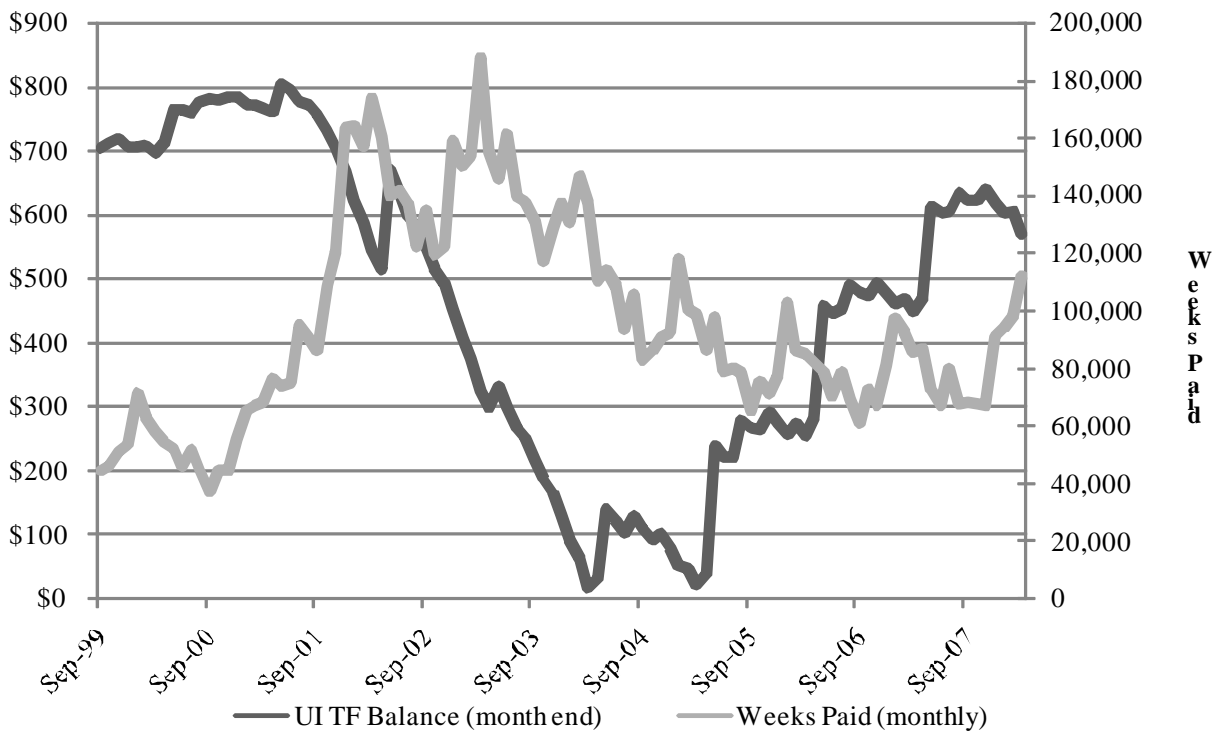
UI benefits tend to increase over time due to wage increases. Under current statute [Section 8-73-102, C.R.S.], UI benefits are calculated based on the claimant's earnings history. Benefits in Colorado are capped at 50% (or under certain circumstances, 55%) of the average weekly earnings in covered industries. Over time, productivity gains and general inflation have pushed up the average weekly wage, thus increasing the average weekly benefit and maximum benefit. All other things being held constant, the amount of money needed to pay per-capita benefits under the current statute will continue to increase over time.

UI Trust Fund Average Benefit Amount and Average Benefit Duration				
Year	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Actual	FY 08-09 Estimate
Benefit	\$304.09	\$317.05	333.18	339.63

UI Trust Fund Average Benefit Amount and Average Benefit Duration				
Benefit Duration	13.9 Weeks	13.3 Weeks	13.5 weeks	13.5 weeks

Counter-Cyclical UI Trust Fund Balance. The UITF balance is counter cyclical which means that when the economy is strong benefit payments remain relatively constant and the fund balance grows, so when the economy slows the fund is able to support the increased number of benefit payments and reduced revenue. The following graph shows how the UITF is counter cyclical. In 2001 as the fund balance declined, tax rates were automatically increased and revenues increased sharply. The fund balance has not recovered to levels equal to those seen before the recession because as the balance increased the tax rates and, consequently, the revenue decreased.

Colorado UI Trust Fund Balance and Weeks Paid



Basic UI tax revenues do not increase with inflation. The employer tax rates are capped in different ways, none of which are indexed to a general increase in wages or to an increase in employee population. In the past, the legislature increased these caps from time to time to reflect the effects of inflation or other factors. The two most important caps are on taxable wage base and the regular tax rate. Under TABOR, increasing either of these caps would constitute a tax increase, as such would require approval by the voters. The following graph illustrates the growing gap between total wages and taxable wages.

UITF Taxable and Total Wages Since 1998



Negative trust fund balances are required to be addressed. If a state’s UITF appears to be running out of money to pay benefits, federal statute requires the state must either borrow money from the federal government, or add money from sources other than the current UI tax revenues.

- Borrowed federal money must be repaid with interest. UI tax receipts can be used to repay the principle of such a loan, but not the interest. Borrowing from the federal government across a state fiscal-year boundary would probably require voter approval under TABOR.
- When commercial interest rates are favorable, some states have chosen to sell bonds to raise the necessary money rather than borrow from the federal government. It is unclear whether such bonds would require voter approval or not.
- The state could divert money from other spending into the UITF. Given the rapidity with which the trust fund balance can decline, the possibility that voters may not approve borrowing federal money or issuing bonds, such a diversion would be needed.

Emergency Unemployment Compensation. On June 30, 2008, President Bush signed into law Emergency Unemployment Compensation (EUC) which authorized 13 additional weeks of benefits for eligible unemployment individuals. Individuals eligible for EUC must:

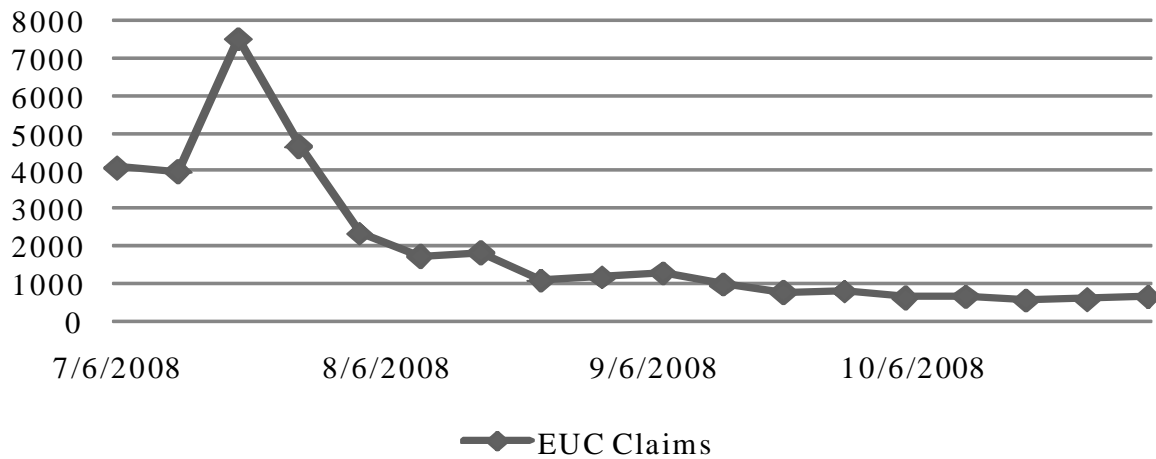
- ▶ Have exhausted available benefits on a current UI claim or have a claim that expired on or after May 5, 2007,
- ▶ not be eligible for new UI claim in any state or territory in the US or Canada,
- ▶ be currently unemployed or working less than 32 hours per week, and
- ▶ if an individual is working less than 32 hours per week, the earnings must be less than the weekly benefit amount on the UI claim.

In Colorado EUC claim filing began July 6, 2008 and will continue taking claims through March 25, 2009. The last week EUC benefits will be paid is the week ending July 4, 2009.

EUC Legislation Update. On October 3, 2008, the U.S. House of Representatives passed legislation to provide additional weeks of EUC. This legislation was passed on to the U.S. Senate which is expected to vote on the issue when they return to session after the November election.

EUC Workload Numbers. Currently the Department has received approximately 25,000 claims, and of those, approximately 16,000 have received EUC benefits. The total EUC benefits paid as of October 19, 2008 is \$52.7 million. All UI benefits paid under EUC are covered by the federal government as well as the additional staff expenses, which was \$807,000 for the first quarter of the EUC program. Currently the UI Program has dedicated 13 staff solely to EUC and required an additional 23 staff to answer five claims calls before beginning their normal work.

EUC Claims



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Department of Labor and Employment**

BRIEFING ISSUE

ISSUE: Division of Oil and Public Safety Conveyance Section

Created in 2007, the Conveyance Section has established an MOA for jurisdictions throughout the state to sign. Problems have arisen because half of the jurisdictions have not signed the MOA, and the number of inspectors needed to handle the work load is more than three times the number of licensed inspectors. The City and County of Denver which oversees 34% of conveyances has given the impression they will not sign the MOA.

SUMMARY:

- ❑ As of October 2008 only 18% of jurisdictions have signed the MOA, and an additional 31% have expressed the intent to sign the MOA. This leaves 49% of jurisdictions that will not sign the MOA or have not responded to the Division.
- ❑ The City and County of Denver has expressed the intent to not sign the MOA. Denver has 34% of the states conveyances, and was originally expected to sign the MOA.
- ❑ For the 19,000 conveyances in the state, the Division estimates a need for 40 private inspectors. Currently there are only 12 licensed private inspectors.

DISCUSSION:

Conveyance Section Definitions.

- ▶ Approved Authority Having Jurisdiction (AHJ) - a local jurisdiction that has been approved by the Division of Oil and Public Safety to maintain their own conveyance inspection section.
- ▶ Jurisdiction - a city, county or city and county.

History of the Conveyance Section. During the 2004 session S.B. 04-162 was introduced by Senator Chlouber but was postponed indefinitely. During the 2007 session, Senator Takis and Representative Kerr sponsored S.B. 07-123, the Elevator and Escalator Certification Act (the Act). The Act created the Conveyance Section within the Division of Oil and Public Safety (Division) and the conveyance safety cash fund.

Justification for legislative action on conveyances. A statutory mandate was placed on the Department to oversee conveyance safety because the following safety issues had been identified by the industry:

- ▶ no license qualifications for mechanics, inspectors, or contractors,

- ▶ numerous inspections were done by personnel employed by the maintenance contractors, despite laws requiring 3rd party inspections by licensed personnel not affiliated with the contractor.
- ▶ Prior to legislation there was no Colorado database for conveyances, leaving many conveyances unknown and not inspected.
- ▶ Lack of consistency in safety code adoption among jurisdictions. If code was adopted at all, some jurisdictions used the 1996 version others used the 2004 version.

Senate Bill 08-224. During the 2008 session, Senator Harvey and Representative McFadyen sponsored and passed S.B. 08-224, which eased the regulatory burden to comply with the Act. Prior to the passed of S.B. 08-224, no jurisdictions had signed the memorandum of agreement (MOA). As of October 2008, 40 jurisdictions (18.3%) have signed the MOA, 68 (31.1%) have expressed intent to sign the MOA, 21 (9.6%) have said they will not sign and 90 (41.1%) have not responded.

State responsibilities prior and after legislation. Prior to conveyance legislation the Division had no responsibilities in respect to conveyances, inspectors, mechanics or contractors. Following legislation, Division responsibilities not dependent on jurisdictions signing the MOA include:

- ▶ maintaining a statewide database of all registered conveyances,
- ▶ establishing statewide standards for accepted safety codes, and
- ▶ licensing inspectors, contractors and mechanics.

If a jurisdiction signs the MOA, Division responsibilities include:

- ▶ licensing conveyance inspectors, mechanics and contractors, and
- ▶ receiving annual reports from jurisdiction containing information on the inspection review reports, permit reviews and enforcement activities.

If a jurisdiction does not sign the MOA, Division responsibilities include:

- ▶ licensing conveyance inspectors, mechanics and contractors,
- ▶ maintaining inspection report records and permit reviews,
- ▶ conducting enforcement activities, and
- ▶ establishing a fee structure for inspections done in that jurisdiction.

Jurisdiction responsibilities prior to and following legislation. Prior to legislation jurisdictions:

- ▶ could use any version of safety code as an acceptable standard,
- ▶ license conveyance contractors, inspectors and mechanics, and
- ▶ maintained records of inspection report reviews

Following the passage of conveyance legislation, a jurisdiction that signs the MOA must:

- ▶ use the safety code accepted by the state,
- ▶ maintain inspection report records, permit reviews and submit annual reports to the Division,
- ▶ conduct enforcement activities, and
- ▶ establish a fee structure for the inspection program.

Following the passage of conveyance legislation, a jurisdiction that does not sign the MOA must:

- ▶ do nothing, the Division becomes the jurisdiction for those conveyances.

Owner responsibilities prior to and following legislation. Prior to legislation owners were responsible for getting annual inspections of their conveyances. The only change that legislation

brought was requiring owners to pay a one time registration fee to the Division for the registration of the owner's conveyance(s).

Where the problems have arisen. The Division assumed when this program was started that most, if not all of the jurisdictions would sign the MOA, because the MOA gave jurisdictions control over their conveyances and allowed them to assign fee amounts that would cover the costs of inspections. However not all jurisdictions have signed an MOA, 21 jurisdictions have said they will not sign and 90 have not responded to the Division. Another problem is getting all of the conveyances registered, of the 19,000 conveyances within the State, only 6,000 have registered.

Jurisdiction's reasons for not signing the MOA. Smaller jurisdictions have budgetary restrictions that make hiring an inspector for a small number of conveyances difficult. Additional budgetary restrictions exist because of the onerous internal code adoption procedures within a jurisdiction. The Division believes some jurisdictions do not know of any conveyances within their jurisdiction, or do not want to have to deal with the conveyances.

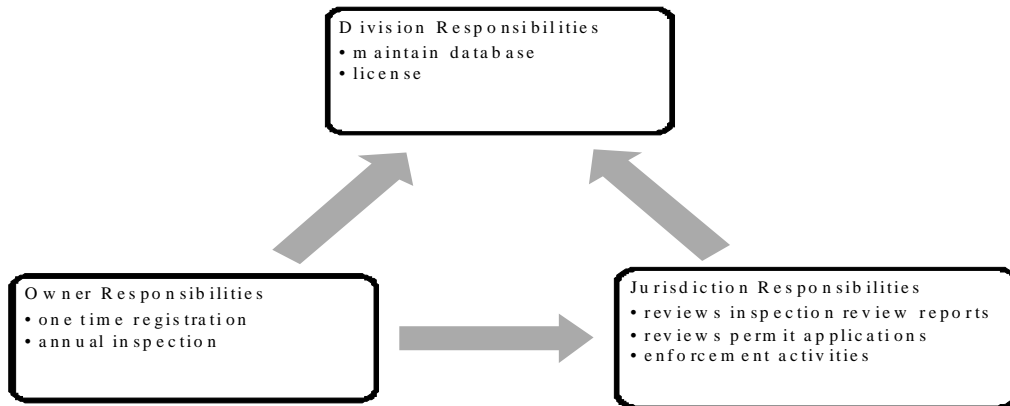
City and County of Denver. The City and County of Denver (Denver) has 34% or 6,500 of the state's conveyances. Denver has indicated to the Division they will not sign the MOA for two reasons. The first is that Denver feels they are unable to cover their elevator inspection expenses. The second is that Denver feels their elevator inspectors are too specialized in training and certification to properly fit into the states requirements. If Denver does not sign the MOA the Department is anticipating the conveyance section workload will double, due to the number of conveyances within Denver.

Limited number of licensed inspectors. Currently there are 12 licensed private inspectors and 24 inspectors who are licensed and work for jurisdictions. A private inspector is one who is not employed or appointed by a jurisdiction. The Department is responsible for licensing both private and public inspectors, mechanics and contractors. Ideally, Colorado should have 24 private full time inspectors. It is unclear whether the 12 private inspectors are full or part time. Based on the number of conveyances the Division estimates the need for 40 private inspectors, more than three times the number they have now.

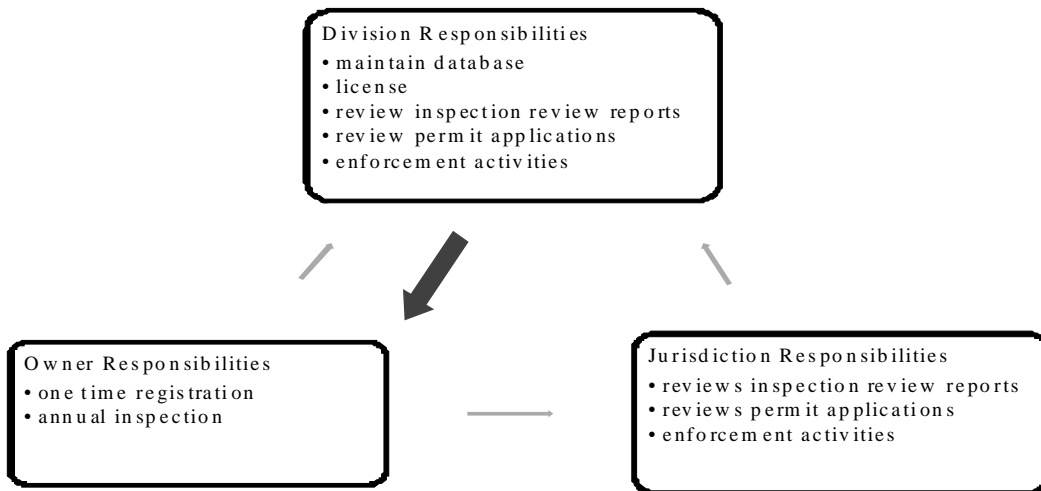
Continued problems implies the legislation is not working as intended. If the jurisdictions do not sign the MOA the Division will be responsible for maintaining records of inspections, as well as enforcing penalties for failure to have inspections done. The Division will not be responsible for conducting inspections even if the jurisdictions do not sign the MOA, that responsibility will always fall on the owner of the conveyance. However, the Division will have to take on the added responsibility of reviewing inspection review reports, reviewing permit applications and enforcement activities. These added responsibilities when jurisdictions do not sign the MOA were not foreseen when legislation was passed, and it was assumed that due to the ability to set the fees to recover the cost of the inspection programs, most, if not all jurisdictions would sign the MOA. The way the situation is playing out is leaving the Division facing unforeseen problems and indicates that the legislation is not working as intended.

Continued problems mean additional budgetary burdens on the Department. If no changes are made to existing legislation, and jurisdictions continue to not sign the MOA, the Department will face additional budgetary burdens from the additional workload of having to be the jurisdictional oversight for conveyances. Therefore the Department will need at least one additional FTE to handle the added work of reviewing inspection review reports and permit applications.

How the legislation was intended to work:



What is really happening between the Division, jurisdictions and owners:



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APPENDIX A: NUMBERS PAGES

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
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	11,772,342	12,010,059	12,605,645	13,340,803	DI #3
FTE	166.9	166.9	167.4	164.9	
Health, Life, and Dental	3,585,720	4,302,358	4,961,728	5,578,255	
Short-term Disability	58,330	61,588	84,509	83,748	
S.B. 04-257 Amortization Equalization Disbursement	348,614	717,008	1,040,110	1,288,429	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	0	152,026	487,552	805,268	
Salary Survey and Senior Executive Services	1,895,394	2,125,608	2,545,895	1,513,246	
Performance-Based Pay	0	908,256	957,125	0	
Shift Differential	23,970	5,663	28,162	26,300	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
Workers' Compensation	504,883	595,209	759,115	760,267	Statewide DI
Operating Expenses	1,472,341	1,560,533	1,533,477	1,562,852	DI #3
Legal Services	461,998	560,635	595,810	593,649	
<i>Hours</i>	<i>6,817.1</i>	<i>7,783.4</i>	<i>7,876.0</i>	<i>7,904.8</i>	
Purchase of Services from Computer Center	149,773	1,069,221	1,429,057	1,429,057	
Multiuse Network Payments	77,765	73,415	75,274	75,274	
Payment to Risk Mgmt. and Property Funds	162,948	90,627	124,233	124,233	
Vehicle Lease Payments	77,439	87,622	93,840	97,882	
Leased Space	3,348,777	3,409,302	3,689,248	3,896,503	
Capitol Complex Leased Space	37,831	27,486	27,324	27,324	
Communication Services Payment	863	1,131	1,182	1,182	
Utilities	229,497	234,907	260,309	260,309	
Information Technology Asset Maintenance	552,488	553,627	553,627	553,627	
Statewide Indirect Cost Assessment	1,042,321	722,193	545,879	495,382	
Disaster Recovery (New Line Item)	0	0	484,144	0	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Change
	Actual	Actual	Appropriated	Request	Request
<i>Unemployment Benefits (not appropriated, non-add)</i>	316,646,005	354,966,705	408,211,711	449,032,882	
(not appropriated pursuant to Section 8-77-104 (1), C.R)	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Estimated</i>	
					Request vs. Appropriation
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	25,803,294	29,268,474	32,883,245	32,513,590	-1.1%
FTE	<u>166.9</u>	<u>166.9</u>	<u>167.4</u>	<u>164.9</u>	-1.5%
General Fund	107,736	0	0	0	n/a
Cash Funds	9,804,532	13,387,702	16,994,250	15,888,519	-6.5%
Reappropriated Funds / Cash Funds Exempt	1,520,957	1,937,772	1,125,882	1,128,636	0.2%
Federal Funds	14,370,069	13,943,000	14,763,113	15,496,435	5.0%

(2) DIVISION OF EMPLOYMENT AND TRAINING

(A) Unemployment Insurance Programs

Primary functions: Providing temporary and partial wage replacement to unemployed workers.

Program Costs	25,981,829	27,772,588	32,161,063	34,893,722	DI #2
FTE	<u>440.2</u>	<u>440.9</u>	<u>441.8</u>	<u>463.8</u>	DI #2
Cash Funds	3,021,439	3,359,203	4,378,075	7,158,522	DI #2
Federal Funds	22,960,390	24,413,385	27,782,988	27,735,200	
Genesis Project Recovery Assessment - CF	1,029,860	0	0	0	
Internet Self-Service - CF	0	0	503,720	167,126	DI #1
FTE	0.0	0.0	2.5	2.5	DI #1

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
					Request vs. Appropriation
Total - (2) (A) Unemployment Insurance Programs	27,011,689	27,772,588	32,664,783	35,060,848	7.3%
FTE	<u>440.2</u>	<u>440.9</u>	<u>444.3</u>	<u>466.3</u>	5.0%
Cash Funds	4,051,299	3,359,203	4,881,795	7,325,648	50.1%
Federal Funds	22,960,390	24,413,385	27,782,988	27,735,200	-0.2%
(B) Unemployment Insurance Fraud Program					
Primary functions: Identifying, investigating and prosecuting individuals who attempt to receive unemployment benefits to which they are not entitled					
Program Costs	1,394,166	1,382,442 0	1,508,633 0	0	DI #2
FTE	<u>26.0</u>	<u>25.8</u>	<u>26.0</u>	<u>0.0</u>	DI #2
Cash Funds	705,635	730,547	1,508,633	0	DI #2
Reappropriated Funds / Cash Funds Exempt	688,531	651,895	0	0	DI #2
					Request vs. Appropriation
Total - (2) (B) Unemployment Insurance Fraud					
Program	1,394,166	1,382,442	1,508,633	0	-100.0%
FTE	<u>26.0</u>	<u>25.8</u>	<u>26.0</u>	<u>0.0</u>	-100.0%
Cash Funds	705,635	730,547	1,508,633	0	-100.0%
Reappropriated Funds / Cash Funds Exempt	688,531	651,895	0	0	n/a

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
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(C) Employment and Training Programs

Primary functions: Providing job placement and related services to job-seeking applicants and employers

State Operations	11,960,554	13,313,065	15,159,160	15,657,397	
FTE	<u>162.4</u>	<u>148.1</u>	<u>160.8</u>	<u>161.1</u>	
Cash Funds	6,231,046	6,402,346	9,042,095	9,535,273	
FTE	72.1	65.8	71.4	71.6	
Reappropriated Funds / Cash Funds Exempt	12,256	24,347	9,600	9,600	
FTE	0.8	0.7	0.8	0.8	
Federal Funds	5,717,252	6,886,372	6,107,465	6,112,524	
FTE	89.5	81.6	88.6	88.7	
One-Stop County Contracts - FF	8,169,393	8,749,490	7,639,572	7,691,629	
FTE	<u>18.4</u>	<u>14.4</u>	<u>17.0</u>	<u>17.0</u>	
Trade Adjustment Act Assistance - FF	1,589,034	1,745,853	1,921,826	1,921,826	
Workforce Investment Act - FF	40,572,833	42,313,607	36,675,686	33,184,194	
FTE	<u>65.6</u>	<u>67.3</u>	<u>60.0</u>	<u>60.0</u>	
Cash Funds	0	0	807,540	807,540	
Federal Funds	40,572,833	42,313,607	35,868,146	32,376,654	
Workforce Development Council Staff - RF/CFE	0	0	466,016	466,016	
FTE	0.0	0.0	4.0	4.0	
Workforce Improvement Grants	0	0	870,000	870,000	
FTE	0.0	0.0	1.0	10.0	DI #4
Cash Funds	0	0	20,000	20,000	
Federal Funds	0	0	850,000	850,000	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
					Request vs. Appropriation
Total - (2) (C) Employment and Training Programs	62,291,814	66,122,015	62,732,260	59,791,062	-4.7%
FTE	246.4	229.8	242.8	252.1	3.8%
Cash Funds	6,231,046	6,402,346	9,869,635	10,362,813	5.0%
FTE	72.1	65.8	71.4	71.6	0.3%
Reappropriated Funds / Cash Funds Exempt	12,256	24,347	475,616	475,616	0.0%
FTE	0.8	0.7	4.8	4.8	0.0%
Federal Funds	56,048,512	59,695,322	52,387,009	48,952,633	-6.6%
FTE	173.5	163.3	166.6	175.7	5.5%
(D) Labor Market Information					
Primary functions: Gathering and disseminating labor market and economic trend information					
Program Costs	1,570,661	1,809,901	1,949,482	2,041,651	
FTE - Federal	<u>27.5</u>	<u>27.9</u>	<u>30.3</u>	<u>30.3</u>	
Cash Funds	4,460	2,990	11,509	11,509	
Federal Funds	1,566,201	1,806,911	1,937,973	2,030,142	
					Request vs. Appropriation
Subtotal - (D) Labor Market Information	1,570,661	1,809,901	1,949,482	2,041,651	4.7%
FTE - Federal	<u>27.5</u>	<u>27.9</u>	<u>30.3</u>	<u>30.3</u>	0.0%
Cash Funds	4,460	2,990	11,509	11,509	0.0%
Federal Funds	1,566,201	1,806,911	1,937,973	2,030,142	4.8%

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
					Request vs. Appropriation
TOTAL - (2) DIVISION OF EMPLOYMENT AND TRAINING					
TRAINING	92,268,330	97,086,946	98,855,158	96,893,561	-2.0%
FTE	740.1	724.4	743.4	748.7	0.7%
Cash Funds	10,992,440	10,495,086	16,271,572	17,699,970	8.8%
Reappropriated Funds / Cash Funds Exempt	700,787	676,242	475,616	475,616	0.0%
Federal Funds	80,575,103	85,915,618	82,107,970	78,717,975	-4.1%
(3) DIVISION OF LABOR					
Primary functions: Providing assistance and ensuring compliance with Colorado wage, youth employment and labor practice laws					
Program Costs - Cash Funds	927,490	1,091,443	1,132,465	1,191,958	
FTE	11.0	11.9	16.0	16.0	
					Request vs. Appropriation
TOTAL - (3) DIVISION OF LABOR - Cash Funds	927,490	1,091,443	1,132,465	1,191,958	5.3%
FTE	11.0	11.9	16.0	16.0	0.0%

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
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(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; reviewing building plans for all public school facilities; 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	3,608,542	4,535,781	5,297,365	5,640,193	
FTE	51.9	58.6	76.2	78.3	
Cash Funds	780,938	1,396,077	4,713,422	5,056,250	
Reappropriated Funds/Cash Fund Exempt	2,284,401	2,110,277	19,516	19,516	
Federal Funds	543,203	1,029,427	564,427	564,427	
Operating Expenses	467,161	566,501	915,621	968,812	
Cash Funds	172,212	254,341	915,621	968,812	Statewide DI
Reappropriated Funds/Cash Fund Exempt	238,909	218,512	0	0	
Federal Funds	56,040	93,648	0	0	
Statewide Indirect Cost Assessment	874,660	879,552	964,000	966,754	
Cash Funds	0	0	964,000	966,754	DI #3
Reappropriated Funds/Cash Fund Exempt	874,660	879,552	0	0	
					Request vs. Appropriation

TOTAL - (4) DIVISION OF OIL AND PUBLIC SAFETY	4,950,363	5,981,834	7,176,986	7,575,759	5.6%
FTE	<u>51.9</u>	<u>58.6</u>	<u>76.2</u>	<u>78.3</u>	2.8%
Cash Funds	953,150	1,650,418	6,593,043	6,991,816	6.0%
Reappropriated Funds / Cash Funds Exempt	3,397,970	3,208,341	19,516	19,516	0.0%
Federal Funds	599,243	1,123,075	564,427	564,427	0.0%

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
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(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	6,175,024	6,446,021	6,708,748	7,033,098	
FTE	102.0	102.0	102.0	102.0	
Cash Funds	5,936,223.0	6,446,021	6,708,748	7,033,098	
Reappropriated Funds/Cash Fund Exempt	238,801.0	0	0	0	
Operating Expenses	579,471	633,693	639,345	654,446	
Cash Funds	556,640	633,693	639,345	654,446	
Reappropriated Funds/Cash Fund Exempt	22,831	0	0	0	
Administrative Law Judge Services	2,322,977	2,474,413	2,593,817	2,697,483	
Cash Funds	2,206,828	2,474,413	2,593,817	2,697,483	Statewide DI
Reappropriated Funds/Cash Fund Exempt	116,149	0	0	0	
Physician's Accreditation - CF	130,171	127,083	140,000	140,000	
Utilization Review	52,989	19,311	60,000	60,000	
Cash Funds	45,041	18,345	60,000	60,000	
Reappropriated Funds/Cash Fund Exempt	7,948	966	0	0	
Immediate Payment - CF	0	0	10,000	10,000	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
					Request vs. Appropriation
Total - (5) (A) Workers' Compensation	9,260,632	9,700,521	10,151,910	10,595,027	4.4%
FTE	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	0.0%
Cash Funds	8,874,903	9,699,555	10,151,910	10,595,027	4.4%
Reappropriated Funds / Cash Funds Exempt	385,729	966	0	0	n/a

(B) Major Medical Insurance and Subsequent Injury Funds

Primary functions: Providing medical benefits and compensation payments to eligible injured workers

Personal Services	913,601	1,038,403	0	1,229,695	0	1,278,769
FTE	12.6	12.9		16.0		16.0
Cash Funds	0	0		1,229,695		1,278,769
Reappropriated Funds/Cash Fund Exempt	913,601	1,038,403		0		0
Operating Expenses	51,819	59,368		88,324		88,324
Cash Funds	0	0		88,324		88,324
Reappropriated Funds/Cash Fund Exempt	51,819	59,368		0		0
Major Medical Benefits	6,621,917	6,287,543		7,000,000		7,000,000
Cash Funds	0	0		7,000,000		7,000,000
Reappropriated Funds/Cash Fund Exempt	6,621,917	6,287,543		0		0
Major Medical Legal Services	914	5,732		11,265		11,265
Hours	<i>13.5</i>	<i>79.6</i>		<i>150.0</i>		<i>150.0</i>
Cash Funds	0	0		11,265		11,265
Reappropriated Funds/Cash Fund Exempt	914	5,732		0		0

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
Subsequent Injury Benefits	2,237,091	1,778,505	3,200,000	3,200,000	
Cash Funds	0	0	3,200,000	3,200,000	
Reappropriated Funds/Cash Fund Exempt	2,237,091	1,778,505	0	0	
Subsequent Injury Legal Services	16,565	1,157	37,550	37,550	
<i>Hours</i>	<i>244.4</i>	<i>16.1</i>	<i>500.0</i>	<i>500.0</i>	
Cash Funds	0	0	37,550	37,550	
Reappropriated Funds/Cash Fund Exempt	16,565	1,157	0	0	
Medical Disaster	166	253	6,000	6,000	
Cash Funds	0	0	6,000	6,000	
Reappropriated Funds/Cash Fund Exempt	166	253	0	0	
					Request vs. Appropriation
Total - (5) (B) Major Medical Insurance and Subsequent Injury Funds	9,842,073	9,170,961	11,572,834	11,621,908	0.4%
FTE	12.6	12.9	16.0	16.0	0.0%
Cash Funds	0	0	11,572,834	11,621,908	0.4%
Reappropriated Funds/Cash Fund Exempt	9,842,073.0	9,170,961.0	0.0	0.0	n/a
					Request vs. Appropriation
TOTAL - (5) DIVISION OF WORKERS' COMPENSATION	19,102,705	18,871,482	21,724,744	22,216,935	2.3%
FTE	<u>114.6</u>	<u>114.9</u>	<u>118.0</u>	<u>118.0</u>	0.0%
Cash Funds	8,874,903	9,699,555	21,724,744	22,216,935	2.3%
Reappropriated Funds / Cash Funds Exempt	10,227,802	9,171,927	0	0	n/a

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriated	FY 2009-10 Request	Change Request
					Request vs. Appropriation
GRAND TOTAL - DEPARTMENT OF LABOR AND EMPLOYMENT	143,052,182	152,300,179	161,772,598	160,391,803	-0.9%
FTE	<u>1,084.5</u>	<u>1,076.7</u>	<u>1,121.0</u>	<u>1,125.9</u>	0.4%
General Funds	107,736	0	0	0	n/a
Cash Funds	31,552,515	36,324,204	62,716,074	63,989,198	2.0%
Reappropriated Funds / Cash Funds Exempt	15,847,516	14,994,282	1,621,014	1,623,768	0.2%
Federal Funds	95,544,415	100,981,693	97,435,510	94,778,837	-2.7%

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APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 08-51 (Taylor/Marshall): Oil and Public Safety Enforcement Authority.** Broadens the Department's enforcement authority (the ability to levy civil fines and to seek temporary or permanent injunctions) with respect to its boiler and explosives programs. Makes an appropriation of \$123,950 and 2.0 FTE to the Division of Oil and Public Safety. The appropriation consists of \$84,825 from the Public Safety Inspection Fund and \$39,125 from the Boiler Inspection Fund. Revenues for these funds are increased by the introduction of a boiler reinspection fee and an increase in the state explosives licensing fee.
- ❑ **S.B. 08-114 (Veiga/Scanlan): Professional Employer Organization Unemployment Insurance.** Amends existing statutes governing employee leasing companies (ELCs) that have ongoing relationships with work-site employers. Requires ELCs to be certified by the Department, and to pay all applicable unemployment insurance taxes. Provides the Department with enforcement authority including probation, financial penalties, and revocation of certification. Makes an appropriation of \$44,659 and 0.9 FTE from the newly created Employee Leasing Company Certification Fund. Revenues for this fund will come from a certification fee charged to the ELCs.
- ❑ **S.B. 08-231 (Veiga/Vaad): Transfer Workforce Development to DOLE.** Transfers the state Workforce Development Council from the Department of Local Affairs (DOLA) to the Department of Labor and Employment. Transfers the following FY 2008-09 appropriations from the DOLA to the Department of Labor and Employment: \$466,016 (reappropriated funds) (federal funds transferred from various state agencies) and 4.0 FTE for the Work Force Development Council; and \$870,000 and 1.0 FTE (including \$850,000 federal funds and \$20,000 cash funds from donations) for Workforce Improvement Grants.
- ❑ **H.B. 08-1027 (Mitchell V/Taylor): School College Construction Inspection.** Increases the Department's responsibilities in its public school and junior college construction inspection programs to include certification of third-party inspectors. Makes an appropriation of \$70,986 cash funds and 0.9 FTE from the Public Safety Inspection Fund for that purpose. Fund revenues for this purpose will be generated by increased inspection fee revenue. The act also expands the responsibilities of the Department of Public Safety, Division of Fire Safety, in tracking building plans and reviewing fire safety inspections of public school and junior college construction. Makes an appropriation of \$243,436 and 3.3 FTE from the Fire Safety Inspection Cash Fund to the Department of Public Safety, Division of Preparedness, Security and Fire Safety.

- ❑ **H.B. 08-1103 (Kerr, J./Isgar): Amusement Ride and Device Regulation.** Requires the Department to implement a more comprehensive inspection and enforcement program to assure public safety with respect to amusement rides. Makes an appropriation of \$119,554 and 1.7 FTE from the Public Safety Inspection Fund for the expanded Department activities. Fund revenues for this purpose will be generated by a fee schedule that covers a broader range of covered amusements. The act also exempts the Public Safety Inspection Fund from the statutory limit on uncommitted reserve funds established in Section 24-75-402, C.R.S.
- ❑ **H.B. 08-1289 (Buescher/Keller): Supplemental Appropriation Department of Labor and Employment.** Supplemental appropriation for the Department of Labor and Employment for FY 2007-08.
- ❑ **H.B. 08-1325 (Looper/Tapia): Seasonal Agricultural Worker Program.** Creates the “Nonimmigrant Agricultural Seasonal Worker Pilot Program” in the Department for the purpose of expediting the federal H-2A visa certification process so that eligible workers can come to Colorado legally to meet the staffing needs of Colorado farmers and ranchers. Creates an advisory council, made up of legislators, agency executives and stakeholder, to make recommendations for the adoption of rules and to assist in the preparation of reports to the General Assembly. Makes an appropriation of \$82,045 and 1.0 FTE from the newly create Nonimmigrant Agricultural Season Worker Pilot Program Cash Fund. Revenues for this fund are generated from fees charged to employers participating in the program. The Department of Law receives a transfer of \$4,322 for legal services associated with the pilot program.
- ❑ **H.B. 08-1375 (Buescher/Keller): Long Appropriations Bill.** General appropriations act for FY 2008-09.
- ❑ **S.B. 07-123 (Takis/Kerr A.): Regulate Conveyances and Mechanics.** Directs the Department to create a state program for registration and inspection of elevators, escalators, and similar conveyances, and a licensing program for inspectors of such conveyances. Authorizes the Department to charge fees for such licensing, registration, and inspection in order to fund the program. Creates the Conveyance Safety Fund in which revenue from such fees is to be deposited. Appropriates \$196,356 and 1.3 FTE for FY 2007-08 for creation of the program.

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**APPENDIX C: UPDATE OF FY 2008-09
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

The Department of Labor and Employment did not have any footnotes in the 2008 Long Bill.

Requests for Information

- 1 All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that are applied for or received during FY 2008-09. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Response: The Department submitted the requested information as part of their FY 09-10 budget submission.

- 49. Department of Labor and Employment, Division of Employment and Training** -- The Department is requested to submit to the Joint Budget Committee, on or before November 1, 2008, a summary of the status of the Internet Self-Service project for the Unemployment Insurance Program. This summary should identify the applications to be added, the order in which the Department proposes to add them, and the estimated costs for each of the individual applications.

Response: The Department submitted the requested information to the Joint Budget Committee on November 7, 2008. The Department will address any additional questions the Joint Budget Committee has during the November 24, 2008 Department hearing.