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MEMORANDUM

TO: Joint Budget Committee

FROM: Michael Cain, Joint Budget Committee Staff

SUBJECT: CDLE Labor Certification Request

DATE: February 21, 2007

The Colorado Foreign (Alien) Labor Certification unit provides certification to employers seeking to bring foreign workers into the United States. The unit processes requests for certification of workers via H-2A (temporary agricultural workers) and H-2B (other temporary workers); assists employers in recruiting U.S. workers; reviews the appropriateness of the wages and working conditions offered; and provides information to the federal Department of Labor for determination of whether to grant or deny temporary labor certification. In recent months, the number of applications which must be processed have increased sharply; as a result, the Department requests an increase for the Division of Employment and Training, State Operations line, of \$17,204 for FY 2006-07 in order to hire a contractor/temp to handle the increased workload. The supplemental request is accompanied by a budget amendment for FY 2007-08 requesting a corresponding full-year increase of \$51,611. **Staff recommends that the Committee partially approve the request, providing an increase for FY 2006-07 of \$12,933.** The recommendation is based on the following analysis.

H.B. 06S-1017 requires Colorado employers to examine and affirm the legal work status of newly-hired employees and to retain identification documents. This applies to employees hired on or after January 1, 2007. The Department has experienced a significant increase in the number of requests for certification in recent months, and believes that the increase is due at least in large part to the requirements of H.B. 06S-1017. A comparison of the number of requests in the last few months compared to the same month a year earlier is shown in the following tables.

H-2A Employer Requests				
Month	FY 2005-06	FY 2006-07	Increase	% Increase
November	17	34	17	100.0%
December	26	58	32	123.1%
January	19	30	11	57.9%

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H-2B Employer Requests				
Month	FY 2005-06	FY 2006-07	Increase	% Increase
November	77	78	1	1.3%
December	88	121	33	37.5%
January	18	37	19	105.6%

When a completed H-2A application is received, the Labor Certification unit must review the application, prepare a job order, determine appropriate wage, and conduct a housing inspection within seven (7) calendar days. The time required to process an application is approximately 2.5 hours. Processing H-2A applications for temporary agricultural workers in a timely fashion is particularly critical during the remainder of FY 2006-07; the planting season is a narrow window during which particular work must be performed. For H-2B applications, staff must instruct the employer on recruiting requirements, determine a prevailing wage for the position, verify appropriateness of working conditions, and refer qualified candidates to the employer for interviews. The time required to process an H-2B application is approximately 3.0 hours.

In calculating its request for one additional FTE, the Department annualized the December increase. Staff believes that the December number alone may be too high an estimate of the monthly increase for two reasons. First, the FY 2005-06 numbers for November through January suggest a pronounced "end of year" effect. Second, this effect may have been compounded at the end of CY 2006 by the impending effective date for the H.B. 06S-1017 requirements. Averaging the December and January increases for both types of application and annualizing provides an estimated need for 0.76 FTE, compared to the Department's 1.03.

Type of Application	Increase in Applications (December/January Avg)	Annualized Hours	FTE (2080 hours = 1.0)	
			Staff Rec.	Dept. Request
H-2A	21.5	645	0.31	0.46
H-2B	26.0	936	0.45	0.57
Total		1,581	0.76	1.03

A portion of the operating expenses required to handle the increased number of applications is mileage from travel to perform on-site housing inspections. Such travel is generally restricted to the portion of the year from April through October, inclusive. Staff adjusted the Department's request in two ways. First, staff scaled the Department's estimates for personal services and operating expenses by 0.76, reflecting staff's smaller value for the workload increase. Second, staff counted traveling expenses for three months, rather than four, since such travel is anticipated to begin in April rather than March. Staff adjustments are summarized in the table below.

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Type of Cost	Dept Estimate (Annual)	Dept Estimate (Four months)	Staff Recommendation
Personal Services	48,865	16,288	12,379
Operating Expenses	500	167	127
Travel Expenses	2,246	749	427
Total	51,611	17,204	12,933

Staff recommends that the Committee approve the Department's request in part, increasing the State Operations line in the Division of Employment and Training by \$12,933 for FY 2006-07.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 STAFF FIGURE SETTING: DEPARTMENT OF LABOR AND EMPLOYMENT

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

Prepared By:
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February 21, 2007

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**FY 2007-08 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF LABOR AND EMPLOYMENT

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DEPARTMENT OF LABOR AND EMPLOYMENT
Executive Director - Don 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	10,742,482	10,875,646	11,917,467	12,203,416	12,163,966	
FTE	163.8	160.1	166.9	166.9	166.9	
Health, Life, and Dental	2,371,362	2,872,445	3,585,720	4,309,590	4,302,358	
Short-term Disability	80,749	80,658	85,017	78,478	78,523	
S.B. 04-257 Amortization Equalization Disbursement	n/a	n/a	425,087	759,554	724,829	
S.B. 06-235 Supplemental Amortization Equalization Disbursement -- NEW LINE ITEM	n/a	n/a	n/a	n/a	151,006	
Salary Survey and Senior Executive Services	1,269,372	1,912,965	1,895,394	2,624,832	Pending	
Performance-Based Pay	705,387	0	0	576,787	Pending	
Shift Differential	30,073	30,873	24,058	25,663	25,663	
Workers' Compensation	471,181	415,838	452,080	721,538	Pending	
Operating Expenses	1,426,088	1,458,107	1,471,331	1,531,724	1,531,724	DI #2

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Staff Recomm.	Change Request
Legal Services	440,933	440,217	524,645	521,422	Pending	
Hours	7,253	6,830	7,741	7,694	7,741	
Purchase of Services from Computer Center	1,465,318	1,411,811	1,432,635	1,138,006	Pending	
Multiuse Network Payments	105,236	112,788	111,857	88,809	Pending	
Payment to Risk Mgmt. and Property Funds	150,108	57,252	118,191	148,309	Pending	
Vehicle Lease Payments	85,701	70,114	87,857	93,010	Pending	
Leased Space	3,404,273	3,093,007	3,322,731	3,572,598	3,572,598	
Capitol Complex Leased Space	25,908	26,246	37,831	27,368	Pending	
Communication Services Payment	585	771	820	838	Pending	
Utilities	161,106	219,286	260,309	260,309	260,309	
Information Technology Asset Maintenance	549,352	819,575	553,627	553,627	553,627	
Statewide Indirect Cost Assessment	229,459	535,642	1,042,321	758,125	758,125	
<i>Unemployment Benefits (non-add)</i>	<i>339,095,116</i>	<i>305,587,789</i>	<i>295,400,000</i>	<i>285,400,000</i>		
<i>(not appropriated pursuant to Section 8-77-104 (1), C.R.S.)</i>			<i>Estimated</i>	<i>Estimated</i>		

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Staff Recomm.	Change Request
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFIC	23,714,673	24,433,241	27,348,978	29,994,003	24,122,728	
FTE	<u>163.8</u>	<u>160.1</u>	<u>166.9</u>	<u>166.9</u>	<u>166.9</u>	
General Fund	0	0	140,166	152,797	152,797	
Cash Funds	8,070,587	8,773,992	9,854,480	13,589,553	10,915,800	DI #1
Cash Funds Exempt	1,109,221	1,220,157	1,897,546	2,116,055	1,699,720	
Federal Funds	14,534,865	14,439,092	15,456,786	14,135,598	11,354,411	DI #1

(2) DIVISION OF EMPLOYMENT AND TRAINING

(A) Unemployment Insurance Programs

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

Program Costs	28,391,995	26,677,598	30,908,915	31,471,129	31,380,529	
FTE	<u>420.8</u>	<u>440.1</u>	<u>440.2</u>	<u>440.9</u>	<u>440.9</u>	
Cash Funds	800,587	4,344,391	2,934,137	3,453,400	3,362,800	DI #2
Federal Funds	27,591,408	22,333,207	27,974,778	28,017,729	28,017,729	
Genesis Project Recovery Assessment - CF (non-add)	n/a	n/a	500,000 b/	0	0	
House Bill 05-1208 (Unemployment Insurance) - CF	n/a	0	n/a	n/a	0	

Total - (2) (A) Unemployment Insurance Programs	28,391,995	26,677,598	30,908,915	31,471,129	31,380,529	
FTE	<u>420.8</u>	<u>440.1</u>	<u>440.2</u>	<u>440.9</u>	<u>440.9</u>	
Cash Funds	800,587	4,344,391	2,934,137	3,453,400	3,362,800	
Federal Funds	27,591,408	22,333,207	27,974,778	28,017,729	28,017,729	

(B) Unemployment Insurance Fraud Program

(Primary functions: Identifying, investigating and prosecuting individuals who attempt to receive unemployment benefits to which they are not entitled)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Staff Recomm.	Change Request
Program Costs	1,359,311	1,379,758	1,411,271	1,465,780	1,461,094	DI #2
FTE	<u>24.9</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	
Cash Funds	747,979	643,367	705,635	732,890	730,547	
Cash Funds Exempt	611,332	736,391	705,636	732,890	730,547	
Total - (2) (B) Unemployment Insurance Fraud Program	1,359,311	1,379,758	1,411,271	1,465,780	1,461,094	
FTE	<u>24.9</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	
Cash Funds	747,979	643,367	705,635	732,890	730,547	
Cash Funds Exempt	611,332	736,391	705,636	732,890	730,547	

b/ An add-on to the 2006 Long Bill appropriated \$500,000 for FY 2005-06 for the Genesis project recovery assessment and footnote 95a allowed the funds to roll forward to FY 2006-07. The appropriation is shown in the column for FY 2006-07, but is not added into the total.

(C) Employment and Training Programs

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

State Operations	12,118,441	12,376,821	12,976,302	13,052,912	13,059,035	
FTE	<u>152.4</u>	<u>163.9</u>	<u>157.5</u>	<u>162.8</u>	<u>162.8</u>	
Cash Funds	5,293,942	5,598,193	5,948,937	6,405,432	6,411,555	DI #2, BA #2
FTE	67.7	72.8	72.2	74.6	79.9	
Cash Funds Exempt	7,915	20,356	9,600	9,600	9,600	
FTE	0.7	0.8	0.1	0.1	0.1	
Federal Funds	6,816,584	6,758,272	7,017,765	6,637,880	6,637,880	
FTE	84.0	90.3	85.2	88.1	82.8	
One-Stop County Contracts - FF	8,927,708	8,044,266	8,485,027	7,883,115	7,878,451	
FTE	20.7	19.5	22.0	19.0	19.0	
One Stop Employment Centers (Reed Act) - FF	4,446,476	0	0	0	0	
FTE	32.9	0.0	0.0	0.0	0.0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Staff Recomm.	Change Request
Trade Adjustment Act Assistance - FF	1,205,715	1,469,320	2,389,036	2,168,983	2,168,983	
Workforce Investment Act - FF	34,943,169	40,805,444	39,596,680	40,634,577	40,618,204	DI #2
FTE	64.1	67.7	59.0	60.0	60.0	
Total - (2) (C) Employment and Training Program	61,641,509	62,695,851	63,447,045	63,739,587	63,724,673	
FTE	<u>270.1</u>	<u>251.1</u>	<u>238.5</u>	<u>241.8</u>	<u>241.8</u>	
Cash Funds	5,293,942	5,598,193	5,948,937	6,405,432	6,411,555	
Cash Funds Exempt	7,915	20,356	9,600	9,600	9,600	
Federal Funds	56,339,652	57,077,302	57,488,508	57,324,555	57,303,518	

(D) Labor Market Information

(Primary functions: Gathering and disseminating labor market and economic trend information)

Program Costs	1,404,587	1,559,030	2,498,767	1,877,763	1,872,115	
FTE	<u>29.8</u>	<u>31.6</u>	<u>36.2</u>	<u>30.3</u>	<u>30.3</u>	
Cash Funds	6,148	3,050	11,626	11,626	11,626	
Federal Funds	1,398,439	1,555,980	2,487,141	1,866,137	1,860,489	DI #2
Subtotal - (D) Labor Market Information	1,404,587	1,559,030	2,498,767	0	1,877,763	1,872,115
FTE	<u>29.8</u>	<u>31.6</u>	<u>36.2</u>	0	<u>30.3</u>	<u>30.3</u>
Cash Funds	6,148	3,050	11,626	0	11,626	11,626
Federal Funds	1,398,439	1,555,980	2,487,141	0	1,866,137	1,860,489

TOTAL - (2) DIVISION OF EMPLOYMENT AND TRAINING	92,797,402	92,312,237	98,265,998	98,554,259	98,438,411	
FTE	<u>745.6</u>	<u>748.8</u>	<u>740.9</u>	<u>739.0</u>	<u>739.0</u>	
Cash Funds	6,848,656	10,589,001	9,600,335	10,603,348	10,516,528	
Cash Funds Exempt	619,247	756,747	715,236	742,490	740,147	
Federal Funds	85,329,499	80,966,489	87,950,427	87,208,421	87,181,736	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Staff Recomm.	Change Request
(3) DIVISION OF LABOR						
(Primary functions: Providing assistance and ensuring compliance with Colorado wage, youth employment and labor practice laws)						
Program Costs - Cash Funds	828,340	834,366	967,590	1,100,930	1,097,388	DI #2
FTE	11.7	12.0	14.0	16.0	16.0	
TOTAL - (3) DIVISION OF LABOR - Cash Funds	828,340	834,366	967,590	1,100,930	1,097,388	
FTE	11.7	12.0	14.0	16.0	16.0	

(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; 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)

Personal Services	3,490,245	3,582,263	3,598,456	3,961,436	3,949,523	BA #1
FTE	55.8	53.3	51.3	55.3	55.3	
Operating Expenses	364,661	349,526	304,050	339,859	339,859	DI #2, BA #1
Senate Bill 05-039 (Petroleum Storage Tank Fund)	n/a	0	0 a/	0	0	
Statewide Indirect Cost Assessment	0	892,747	1,237,527	964,000	964,000	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Staff Recomm.	Change Request
TOTAL - (4) DIVISION OF OIL AND PUBLIC SAFETY	3,854,906	4,824,536	5,140,033	5,265,295	5,253,382	
FTE	<u>55.8</u>	<u>53.3</u>	<u>51.3</u>	<u>55.3</u>	<u>55.3</u>	
Cash Funds	2,687,749	885,008	1,082,600 a/	1,376,353	1,372,865	
Cash Funds Exempt	587,080	3,451,173	3,506,046 a/	3,324,515	3,316,090	
Federal Funds	580,077	488,355	551,387	564,427	564,427	

a/ S.B. 05-039 (Taylor / Marshall) increased the appropriation by \$1,000,000 cash funds (Petroleum Storage Tank Fund). It also refinanced the appropriation by \$1,881,328 cash funds and increased the cash funds exempt appropriation by an equal amount from the same source. The Department's budget schedules indicate that the \$1.0 million appropriation was a capital construction appropriation. However, the legislation made an appropriation to the Department's operating budget.

Note : in FY 2004-05, the Division was only appropriated 53.8 FTE.

(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	5,794,746	6,068,044	6,291,502	6,516,074	6,495,037	
FTE	94.9	101.8	102.0	102.0	102.0	
Operating Expenses	582,688	599,110	608,735	639,345	639,345	DI #2
Administrative Law Judge Services	2,010,744	2,206,972	2,360,059	2,431,603	Pending	
Physician's Accreditation	138,146	69,558	140,000	140,000	140,000	
Utilization Review	48,732	19,226	60,000	60,000	60,000	
Immediate Payment	0	0	10,000	10,000	10,000	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Staff Recomm.	Change Request
Total - (5) (A) Workers' Compensation	8,575,056	8,962,910	9,470,296	9,797,022	7,344,382	
FTE	<u>94.9</u>	<u>101.8</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	
Cash Funds	8,064,877	8,461,746	9,048,807	9,362,354	7,018,531	
Cash Funds Exempt	510,179	501,164	421,489	434,668	325,851	
(B) Major Medical Insurance and Subsequent Injury Funds						
(Primary functions: Providing medical benefits and compensation payments to eligible injured workers)						
Personal Services	960,870	905,562	1,209,970	1,235,182	1,231,110	
FTE	14.8	13.1	16.0	16.0	16.0	
Operating Expenses	77,225	72,306	93,422	88,324	88,324	DI #2
Major Medical Benefits	5,579,593	7,457,751	7,000,000	7,000,000	7,000,000	
Major Medical Legal Services	2,836	1,211	24,397	24,397	Pending	
Hours	47	19	360	360	300	
Subsequent Injury Benefits	2,624,167	2,521,755	5,200,000	5,200,000	5,200,000	
Subsequent Injury Legal Services	38,276	17,413	67,770	67,770	Pending	
Hours	630	270	1,000	1,000	1,000	
Medical Disaster	2,323	638	6,000	6,000	6,000	
Total - (5) (B) Major Medical Insurance and Subsequent Injury Funds - CFE	9,285,290	10,976,636	13,601,559	13,621,673	13,525,434	
FTE	14.8	13.1	16.0	16.0	16.0	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	Change
	Actual	Actual	Appropriation	Request	Staff Recomm.
					Request
TOTAL - (5) DIVISION OF WORKERS'					
COMPENSATION	17,860,346	19,939,546	23,071,855	23,418,695	20,869,816
FTE	<u>109.7</u>	<u>114.9</u>	<u>118.0</u>	<u>118.0</u>	<u>118.0</u>
Cash Funds	8,064,877	8,461,746	9,048,807	9,362,354	7,018,531
Cash Funds Exempt	9,795,469	11,477,800	14,023,048	14,056,341	13,851,285
GRAND TOTAL - DEPARTMENT OF LABOR AND					
EMPLOYMENT	139,055,667	142,343,926	154,794,454	158,333,182	149,781,725
FTE	<u>1,086.6</u>	<u>1,089.1</u>	<u>1,091.1</u>	<u>1,095.2</u>	<u>1,095.2</u>
General Funds	0	0	140,166	152,797	152,797
Cash Funds	26,500,209	29,544,113	30,553,812	36,032,538	30,921,113
Cash Funds Exempt	12,111,017	16,905,877	20,141,876	20,239,401	19,607,242
Federal Funds	100,444,441	95,893,936	103,958,600	101,908,446	99,100,574

**DEPARTMENT OF LABOR AND EMPLOYMENT
FY 2007-08 FIGURE SETTING**

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

The Department's budget request includes two decision items and two budget amendments. Decision item #2 affects operating expense lines throughout the Department, and will be discussed here rather than in the context of any one unit within the Department.

Decision Item #2 (IT Asset Replacement):

Historically, the IT asset replacement line item within the Executive Director's Office funded personal computers, both desktop and laptop, printers, software for those computers, and network infrastructure. The appropriations history for this line item is shown in the following table.

IT Asset Management Annual Appropriation						
FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
\$859,665	\$1,253,348	\$980,781	\$553,627	\$553,627	\$819,575	\$553,627

Funding for personal computer and printer replacement was eliminated in fiscal years 2003-04 and 2004-05 as a result of the budget crisis then occurring. In FY 2005-06, the Department was granted a one-time increase of \$265,948 in order to replace a portion of its population of aged and obsolete PCs. This one-time increase was not sufficient to compensate for the previous years' reductions and the resulting backlog of overdue equipment replacements that had built up. Over 40% of the Department's current inventory of desktop and laptop personal computers are more than four years old. The Department reports that over 70% of PC-related trouble reports fielded by their support staff involve machines that are over four years old. The Department is requesting an increase of \$243,096 in its base appropriation in order to allow it to "catch up" with a four-year replacement cycle over a period of years. **Staff recommends the Department's request for an increase of \$243,096 for this decision item.**

The Department's request for this increase is not, however, in the IT asset management line, but rather is distributed over the operating expenses and/or program costs line of many different units within the Department. In response to staff inquiry, the Department indicated that since PC replacements could not be funded centrally in three of the last four years, some units had begun making critical replacements out of their operating budgets. The Department indicates that, for a number of reasons, they would prefer to shift all PC spending in the future to the operating budget lines of the individual units. As a consequence, the Department would regard the IT Asset Management line as applying only to the expenses of licensing Microsoft software and to network infrastructure.

There are arguments both ways for whether purchases of personal computers should be centralized or distributed. There is no consistency between departments: some handle their PC budget on a centralized basis and others distribute the decision across units. Fundamentally, it appears to come down to a matter of which way the JBC and the Legislature would prefer to manage spending. Should appropriations be categorized by the type of spending – i.e., on people, on particular types of equipment, and so forth – or should it be categorized on the basis of programs? Over the last few years, in some units of the Department of Labor and Employment, the Committee has approved consolidating personal services and operating expenses into a single line item titled "Program Costs". Staff took this as a cue suggesting that categorization along program lines is more important. **Staff recommends that the funding for decision item #2 be distributed across the different units of the Department rather than placed in the IT Asset Management line in the Executive Director's office.** Individual budget recommendations in the remainder of this document are based on this staff recommendation.

(1) EXECUTIVE DIRECTOR'S OFFICE

The Executive Director's Office provides staff and services for needs that are common to all divisions within the Department of Labor and Employment. The Executive Director's Office administers facilities, equipment, and common program elements. Information technology support staff, for example, are needed by all divisions within the Department and, therefore, they are budgeted within the "Personal Services" line item in the Executive Director's Office. Funding splits for the Executive Director's Office are done on a bottom-line basis, rather than for individual line items. A recommendation for an overall funding split is provided at the end of this section.

Decision Item #1 (Funding State-Mandated Increases):

This decision item affects several POTS lines in the Executive Director's Office for FY 2007-08, but will also affect the Unemployment Insurance and Workforce Development programs in the Division of Employment and Training in subsequent fiscal years. The administration of those programs is funded with both federal and state dollars; the federal/state split is roughly 91/9 for Unemployment Insurance and 55/45 for Workforce Development. While much of the funding is federal, the employees providing administration of the programs are state employees, subject to state policies for wages and benefits.

Staffing levels are driven largely by caseload. The following table shows the caseload for these two programs for three fiscal years: 2000-01, 2005-06, and 2006-07. FY 2000-01 was chosen as representative of caseloads prior to the last recession, and FY 2005-06 as representative of caseloads after the economic recovery was well under way. FY 2006-07 estimates are provided to indicate the current trend. The conclusion to take from this table is that caseloads have not returned to pre-recession levels during the recovery; in fact, initial claims for unemployment insurance are estimated to be continuing to increase.

Caseload measure	FY 2000-01 (pre recession)	FY 2005-06 (post recession)	FY 2006-07 (estimate)
Unemployment Insurance			
Initial claims	96,936	123,394	146,974
Weeks claimed	789,664	1,231,254	1,168,537
Workforce Development			
Total employment services clients	201,323	329,875	275,000

Even at a constant staffing level, the cost to administer these programs has continued to rise, chiefly through common policy decisions to maintain employee salaries at prevailing rates (salary survey), increases in the state share of health-care employee benefits, and increases in other centrally appropriated items such as short-term disability. Federal funding has not kept pace with these increased expenses. The following table summarizes the percentage changes for four centrally appropriated items for the Department and compares those to the changes in federal grants for these programs for the last few fiscal years. Federal funding for unemployment insurance has been relatively flat, while funding for workforce development has declined overall. In contrast, the common policy items have increased at over 10% per year.

Annual Changes in Federal Awards, Percent			
Annual Changes in Centralized Appropriations, Percent			
	FY 2004-05	FY 2005-06	FY 2006-07
Unemployment Insurance	4.59%	4.56%	-3.00%
Workforce Development	1.20%	-0.13%	-4.30%
Health/Life/Dental	11.76%	11.18%	18.28%
AED			
Salary Survey			
Performance-Based Pay			

The alternatives presented by the Department are: (1) to increase state funding in order to meet the increases, or (2) to decrease staffing levels. Decreased staffing levels will result in decreased service levels as the workload for individual staff members increases. The Department's decision item request is for increased funding from the Employment Support Fund in the amount of \$1.96 million for the four line items shown in the table, with a corresponding decrease in federal funding for those items. Allocation would be \$1.58 million for Unemployment Insurance and \$0.38 million for Workforce Development. The Employment Support Fund is currently forecast to have a balance of

\$47.1 million at the end of FY 2006-07 and \$54.8 million at the end of FY 2007-08. These estimated revenues are sufficient to cover the cost of this request. The Employment Support Fund is exempt from the statutory limit on fund balances.

Staff recommends the Department's request that increases in Health/Life/Dental, AED, Salary Survey and Performance-Based Pay for the Unemployment Insurance and Workforce Development programs be funded from the Employment Support Fund for FY 2007-08. Staff further recommends that SAED expenses for those programs be funded from the Employment Support Fund for FY 2007-08. The Executive Director's Office is "bottom line funded", so funding splits are not done for individual line items. Staff will calculate the changes in the bottom-line funding splits for the Executive Director's office once the Committee has set common policy for all of the line items affected by this decision item.

Personal Services

Staffing Summary	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Recommendation
Administration / Management	9.4	9.0	9.0	9.0
Financial	15.9	17.0	17.0	17.0
Info. Technology	50.4	52.9	52.9	52.9
Professional Staff	35.5	34.2	34.2	34.2
Investigators / Auditors	2.2	8.5	8.5	8.5
Staff Support	20.8	20.3	20.3	20.3
Maintenance	14.9	16.7	16.7	16.7
Retirements, contracts, and temporary staff	11.3	8.3	8.3	8.3
TOTAL	160.4	166.9	166.9	166.9

FY 2005-06 total does not match staff numbers pages due to rounding.

The Department request is for an appropriation of \$12,203,415 and 166.9 FTE. **Staff recommends an appropriation of \$12,163,966 and 166.9 FTE calculated in accordance with Committee common policy decisions.** That calculation is summarized in the following table. H.B. 06-1343 bars the state from contracting with firms that knowingly employ or contract with illegal aliens; requires the Department to receive complaints of suspected violations, and; at the Department's discretion, it may investigate whether a contractor is in compliance.

Summary of Personal Services Recommendation – Department of Labor & Employment (1) Executive Director's Office		
	Total Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)	11,777,301	165.0

Summary of Personal Services Recommendation – Department of Labor & Employment (1) Executive Director's Office		
	Total Funds	FTE
H.B. 06-1343 (Illegal Aliens, Public Contracts)	129,815	1.9
Salary Survey	317,975	n.a.
0.5% Base Reduction	(61,125)	n.a.
Staff Recommendation	12,163,966	166.9

Health, Life, and Dental. This line item is a centrally appropriated line item that is used to pay for the state's share of health insurance, life insurance, and dental insurance for employees who enroll in the state's health plan. The Department requested an appropriation of \$4,309,590, pursuant to the Office of State Planning and Budgeting (OSPB) common policy. In accordance with the JBC-approved common policy, **staff recommends an appropriation of \$4,302,358 pursuant to Committee common policy.**

Short-term Disability. This line item is used to pay the Department's share of costs associated with the state's short-term disability program which is administered by the Department of Personnel and Administration.. The Department requested an appropriation of \$78,478. The JBC approved a short-term disability rate of 0.13 percent of base personal services salaries. **Staff recommends an appropriation of \$78,523 which was calculated in accordance with the Committee common policy for this line item.**

S.B. 04-257 Amortization Equalization Disbursement. This line item is used to pay the costs associated with S.B. 04-257, which requires an additional state contribution for employees in the Public Employees' Retirement System (PERA). The rate for CY 2007 is 1.00 percent of base salaries. The rate for CY 2008 is 1.40 percent of base salaries. The Department has requested an appropriation of \$759,554. **Staff recommends an appropriation of \$724,829 which was calculated in accordance with the Committee's common policy for this line item.**

S.B. 06-235 Supplemental Amortization Equalization Disbursement (New Line Item). This line item is used to pay costs associated with S.B. 06-235, which provides for a mechanism to increase the effective PERA rate beginning on January 1, 2008. Pursuant to that legislation, specific line items and appropriations are to be established to fund this increase. The rate for CY 2008 is 0.50 percent. **Staff recommends an appropriation of \$151,006 which was calculated in accordance with the Committee common policy.**

Salary Survey and Senior Executive Services. This line is intended to pay for salary adjustments in accordance with the total compensation report prepared by the Department of Personnel and Administration pursuant to Section 24-50-104 (4) (c), C.R.S. The Department requested an appropriation of \$2,624,832. **The staff recommendation for this line item is pending the approval of a Committee common policy for salary survey and senior executive service.**

Performance-Based Pay Awards. This line item is a centrally appropriated line item used to pay for performance-based pay awards for state employees pursuant to Section 24-50-104 (1) (c) (I), C.R.S. The request is for an appropriation of \$576,787 total funds. **The staff recommendation for this line item is pending the approval of a Committee common policy for performance-based pay awards.**

Shift Differential. This line item is used to pay for the incremental costs associated with higher compensation rates for employees who work after regular working hours. The Department of Labor and Employment has custodial staff that work after hours at its facility at 251 E. 12th Avenue in Denver. The Department also reports that it has five information technology staff that work nights to do overnight job runs of the Department's computer programs. The Department has requested an appropriation of \$25,663. **Staff recommends an appropriation of \$25,663, which is consistent with the Committee's common policy for shift differential.**

Workers' Compensation. This line item is used by the Department of Labor and Employment to reimburse the Department of Personnel and Administration for its share of costs associated with providing workers' compensation insurance to state employees. The request is for an appropriation of \$721,538. **The staff recommendation for this line item is pending the approval of a Committee common policy for workers' compensation.**

Operating Expenses. The request is for an appropriation of \$1,531,724 which reflects a continuation of the FY 2006-07 appropriation with two adjustments: (1) an increase of \$4,910 for expenses associated with H.B. 06-1343; and (2) an increase of \$55,483 associated with decision item #2, accelerated replacement of computers. **Staff recommends an appropriation of \$1,531,724.**

Legal Services. This line item is used to pay the Department of Law for the provision of legal services to the Department of Labor and Employment. The request is for a continuation of the FY 2006-07 Long Bill appropriation of \$521,422 for 7,694 hours. H.B. 06S-1017 appropriated an additional \$3,223 for legal services to the Executive Director's Office. The requirements of that act are ongoing. **Staff recommends an appropriation sufficient for 7,741 hours in total.** The recommended appropriation to support this number of legal services hours is pending and will be based on the approved number of hours and the pending Committee common policy for FY 2007-08 legal hour rates.

Purchase of Services from Computer Center. This line item is used to reimburse the Department of Personnel and Administration for the Department's share of costs associated with the state's computer system. The request is for an appropriation of \$1,138,006. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Multiuse Network Payments. This line item reimburses the Department of Personnel and Administration for the Department's share of costs for the statewide multi-use network. The Department is requesting an appropriation of \$88,809. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Payment to Risk Management and Property Funds. This line item is used to reimburse the Department of Personnel and Administration (DPA) for the Department's share of expenses associated with the state's liability insurance and property insurance. The risk management program is managed by DPA. The request is for an appropriation of \$148,309. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Vehicle Lease Payments. This line item is used by the Department of Labor and Employment to reimburse the Department of Personnel and Administration (DPA) for the costs associated with vehicle lease payments for vehicles used by the Department. The Department requests an appropriation of \$93,010. This represents a continuation level of \$87,857, plus \$4,457 for a non-prioritized decision item from DPA for the replacement of four vehicles, plus \$696 for additional vehicles due to the expansion of the boiler inspection program. All four vehicles meet the state standards for replacement. The boiler inspection expansion will be discussed in detail in the Division of Oil and Public Safety section of this document. **Staff recommends the replacement of the four vehicles, and has recommended the boiler inspection increase. The final staff recommendation is pending the approval of a Committee common policy for this line item.**

Leased Space. The following table summarizes the Department's leased space locations and costs. The Department request is for an appropriation of \$3,572,598 for the "Leased Space" line item. This request reflects an increase \$193,659 (5.7 percent) over the FY 2006-07 appropriation. The bulk of the increase is due to leased space escalators. **Staff recommends that the JBC approve the request for an appropriation of \$3,572,598.**

DEPARTMENT OF LABOR AND EMPLOYMENT - Leased Space									
	FY 2005-06 Actual			FY 2006-07 Appropriation			FY 2007-08 Request		
	Square Footage	Rate	Total	Square Footage	Rate	Total	Square Footage	Rate	Total
State Run One-Stop Locations	61,063	\$4.05-\$56.31	\$625,432	61,671	\$4.05-\$56.31	\$634,345	61,568	\$4.05-\$57.72	\$643,982
Colorado Springs - Labor and UI	2,818	\$15.00	\$42,270	2,818	\$15.50	\$43,679	2,818	\$16.00	\$45,088
Aurora - Workforce Development	565	\$3.32	\$1,877	565	\$3.39	\$1,914	565	\$3.46	\$1,953
634 17 th Avenue	172,240	\$15.00	\$2,583,600	172,240	\$15.50	\$2,699,001	172,240	\$15.70	\$2,881,575
TOTAL	236,686		\$3,253,179	237,294		\$3,378,939	237,191		\$3,572,598

Capitol Complex Leased Space. This line item is used by the Department of Labor and Employment to reimburse the Department of Personnel and Administration (DPA) for expenses

related to maintaining capitol complex facilities managed by DPA. The Department requests an appropriation to support a total of 5,659 square feet in the capitol complex: (a) 1,295 square feet for the Unemployment Insurance and Workers' Compensation programs in the Grand Junction State Office Building, and (b) 4,364 square feet for oil inspection labs at the North Campus facility on E. 62nd Avenue in Denver. The request is for an appropriation of \$27,368. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Communication Services Payment. This line item supports the Department of Labor and Employments' share of the costs for the state's public safety communications infrastructure. This appropriation is used to reimburse the Department of Personnel and Administration, the agency responsible for operations and maintenance of this program. The Department has requested an appropriation of \$838. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Utilities. This line item is used to pay for the utilities expenses at 251 E. 12th Avenue. The building is owned by the state, and the utility expenses are paid by the Department of Labor and Employment. By contrast, the Department of Personnel and Administration (DPA) pays the utility expenses for buildings in the capitol complex. The request is for a continuation appropriation of \$260,309. **Staff recommends the Department's request for a continuation appropriation of \$260,309.**

Information Technology Asset Maintenance. The Department of Labor and Employment relies extensively on computers and databases to track the constituents that pay fees and taxes to support its programs. The Department also relies extensively on technology to track the individuals who qualify for benefits from its programs. The Department uses this line item to purchase the Microsoft software on which the Department has standardized, and on data network infrastructure. Staff has previously recommended decision item #2, which excludes personal computer replacement from this line. The Department request is a continuation appropriation of \$553,627, which does not include personal computer replacement. **Staff recommends the department's request for a continuation level appropriation of \$553,627.**

Statewide Indirect Cost Assessment. The Department request is \$758,125. **Staff recommends an appropriation of \$758,125 in accordance with Committee common policy.**

Bottom Line Funding Recommendation. The Executive Director's Office is funded by various sources, but the funding split is done on a "bottom line" basis rather than for individual line items. This gives the Department flexibility to apply federal funds in particular, some of which may be used for overhead expenses, to appropriate line items to cover its expenses. The Department's request for funding split includes \$152,797 in General Fund. **Staff recommends that cash funds exempt, transferred from statewide indirect cost recoveries, be used instead of General Fund. Excluding this adjustment, staff recommends that the bottom-line funding split use the same proportions as used in the Department's request: 45.54% cash funds, 7.09% cash funds exempt, and 47.37% federal funds.** Staff will calculate the complete funding split for the Executive Director's Office using this approach after pending common policy items are settled.

(2) DIVISION OF EMPLOYMENT AND TRAINING

(A) Unemployment Insurance Programs

Staffing Summary UI Programs	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
TOTAL	440.1	440.9	440.9	440.9

This unit administers Colorado's unemployment insurance programs, including federal programs. Functional responsibilities within the subdivision include administration, tax collection, payment of benefits, integrity, operations, appeals, and quality control. The majority of the staff in this section are responsible for the payment of benefits and tax collection functions.

Program Costs. The appropriation for this unit is done on the basis of total program costs. According to the Department's projections, the number of new unemployment cases is expected to decrease modestly in FY 2007-08, while the number of new employer accounts which must be processed will increase. The Department requests an appropriation of \$31,471,129 and 440.9 FTE. The request includes an increase of 0.7 FTE associated with the implementation of H.B. 06S-1023. **Staff recommends an appropriation of \$31,380,529 and 440.9 FTE, calculated in accordance with Committee common-policy decisions.** Staff's calculation is summarized in the following table.

Summary of Program Line Recommendation (2) (A) Division of Employment and Training – Unemployment Insurance Program Costs				
	Cash Funds	Federal Funds	Total Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)				
Personal Services (estimated)	2,546,857	24,282,355	26,829,212	440.2
Operating Expenses (estimated)	<u>387,280</u>	<u>3,692,423</u>	<u>4,079,703</u>	<u>n.a.</u>
Program Line Item in Long Bill	2,934,137	27,974,778	30,908,915	440.2
Previously approved supplemental for H.B. 06S-1023 expenses	25,342	0	25,342	0.7
Annualize FY 2005-06 salary survey	52,811	503,508	556,319	n.a.
DI #2 IT asset increase	27,007	0	27,007	n.a.
Common policy 0.5% reduction (applied to PS only)	(13,125)	(123,929)	(137,054)	n.a.
Funding split adjustment	<u>336,628</u>	<u>(336,628)</u>	<u>0</u>	<u>n.a.</u>
JBC Staff Recommendation	3,362,800	28,017,729	31,380,529	440.9

Unemployment Benefits. Pursuant to Section 8-77-104 (1), C.R.S., the payment of unemployment benefits is not subject to appropriation by the General Assembly, and is not included in the Long Bill. Staff has included them in the JBC staff numbers pages because they reflect a major expenditure of the Department. Unemployment Insurance tax revenue is subject to the constitutional limit on state revenues established pursuant to Article X, Section 20 of the State Constitution. Pursuant to Section 8-77-101 (1) (b) (II), C.R.S., revenue credited to the Unemployment Insurance Trust Fund constitutes state spending, and, as such, counts against the TABOR revenue limit. The General Assembly made this determination with the enacting legislation to implement TABOR after it was approved by voters in the 1992 election (see S.B. 93-74). The Department estimates that it will pay \$285,400,000 in unemployment benefits in FY 2007-08.

(B) Unemployment Insurance Fraud Program

Staffing Summary UI Programs	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
TOTAL	26.0	26.0	26.0	26.0

The Unemployment Insurance Fraud Program employs both criminal investigators and specialists to research and notify recipients of overpayments. The program is funded with appropriations from the Unemployment Revenue Fund established in Section 8-77-106, C.R.S. Of the amount appropriated, 50 percent is a cash funds appropriation and 50 percent is a cash funds exempt appropriation from reserves in the Unemployment Revenue Fund. The Unemployment Revenue Fund receives revenue from penalties and interest on delinquent unemployment insurance taxes. The fund is projected to have a fund balance of \$3.9 million at the end of FY 2006-07. The fund balance is projected to stabilize by the end of FY 2008-09.

Program Costs. The appropriation for this unit is done on the basis of total program costs. The Department requests an appropriation of \$1,465,780 and 26.0 FTE, which was calculated in accordance with OSPB common policy. **Staff recommends an appropriation of \$1,461,094 and 26.0 FTE.** Of the amount recommended, staff recommends that 50 percent be from cash funds (Unemployment Revenue Fund) and 50 percent be from cash funds exempt (reserves in the Unemployment Revenue Fund). The following table summarizes the staff recommendation.

Summary of Program Line Recommendation (2) (A) Division of Employment and Training – Unemployment Insurance Fraud Program Costs		
	Total Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)		
Personal Services (estimated)	1,410,707	26.0
Operating Expenses (estimated)	<u>564</u>	<u>n.a.</u>
Program Line Item in Long Bill	1,411,271	26.0

Summary of Program Line Recommendation (2) (A) Division of Employment and Training – Unemployment Insurance Fraud Program Costs		
Annualize FY 2005-06 salary survey	48,547	n.a.
DI #2 IT asset increase	8,572	n.a.
Common policy 0.5% reduction (applied to PS only)	<u>(7,296)</u>	<u>n.a.</u>
JBC Staff Recommendation	1,461,094	26.0

(C) Employment and Training Programs

This subdivision administers both state and federal employment programs, including training, the provision of search services, programs to assist employees whose jobs are eliminated or transferred because of trade agreements. The State is organized into nine workforce regions. Services are coordinated through one-stop centers. Job searchers may find listings along with contacts, obtain training if eligible, and find other information useful to the search for employment. In many cases, the staff are already in contact with employers and know where individuals might be placed.

Budget Amendment #2 (Labor Certification Requests):

The Colorado Foreign (Alien) Labor Certification unit provides certification to employers seeking to bring foreign workers into the United States. The unit processes requests for certification of workers via H-2A (temporary agricultural workers) and H-2B (other temporary workers); assists employers in recruiting U.S. workers; reviews the appropriateness of the wages and working conditions offered; and provides information to the federal Department of Labor for determination of whether to grant or deny temporary labor certification. In recent months, the number of applications which must be processed have increased sharply; as a result, the Department requests an increase for the Division of Employment and Training, State Operations line, of \$51,611 for FY 2007-08. **Staff recommends an increase of \$39,224 for this purpose.** The recommendation is based on the following analysis.

H.B. 06S-1017 requires Colorado employers to examine and affirm the legal work status of newly-hired employees and to retain identification documents. This applies to employees hired on or after January 1, 2007. The Department has experienced a significant increase in the number of requests for certification in recent months, and believes that the increase is due at least in large part to the requirements of H.B. 06S-1017. A comparison of the number of requests in the last few months compared to the same month a year earlier is shown in the following tables.

H-2A Employer Requests				
Month	FY 2005-06	FY 2006-07	Increase	% Increase
November	17	34	17	100.0%
December	26	58	32	123.1%

H-2A Employer Requests				
January	19	30	11	57.9%

H-2B Employer Requests				
Month	FY 2005-06	FY 2006-07	Increase	% Increase
November	77	78	1	1.3%
December	88	121	33	37.5%
January	18	37	19	105.6%

When a completed H-2A application is received, the Labor Certification unit must review the application, prepare a job order, determine appropriate wage, and conduct a housing inspection within seven (7) calendar days. The time required to process an application is approximately 2.5 hours. For H-2B applications, staff must instruct the employer on recruiting requirements, determine a prevailing wage for the position, verify appropriateness of working conditions, and refer qualified candidates to the employer for interviews. The time required to process an H-2B application is approximately 3.0 hours.

In calculating its requested increase, the Department annualized the December increase. Staff believes that the December number alone may be too high an estimate of the monthly increase for two reasons. First, the FY 2005-06 numbers for November through January suggest an "end of year" effect. Second, this effect may have been compounded at the end of CY 2006 by the impending effective date for the H.B. 06S-1017 requirements. Averaging the December and January increases for both types of application and annualizing provides an estimated need for 0.76 FTE, compared to the Department's 1.03.

Type of Application	Increase in Applications (December/January Avg)	Annualized Hours	FTE (2080 hours = 1.0)	
			Staff Rec.	Dept. Request
H-2A	21.5	645	0.31	0.46
H-2B	26.0	936	0.45	0.57
Total		1,581	0.76	1.03

A portion of the operating expenses required to handle the increased number of applications is mileage from travel to perform on-site housing inspections. Such travel is generally restricted to the portion of the year from April through October, inclusive. Staff adjusted the Department's request by scaling each component by 0.76, reflecting staff's smaller value for the workload increase. Staff adjustments are summarized in the table below.

Type of Cost	Dept Estimate	Staff Recommendation
Personal Services	48,865	37,137

Type of Cost	Dept Estimate	Staff Recommendation
Operating Expenses	500	380
Travel Expenses	2,246	1,707
Total	\$51,611	\$39,224

State Operations

Employment and Training Programs - State Operations	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Labor and Employment Specialists	131.6	130.7	130.7	130.7
Professional Staff	7.0	7.0	7.0	7.0
IT Staff	2.0	1.8	1.8	1.8
Community Workers	10.6	10.6	10.6	10.6
Administrative Support	11.2	11.2	11.2	11.2
Management	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
TOTAL	163.9	162.8	162.8	162.8

This line funds county one-stop employment centers administered by the State. The Department has requested an appropriation of \$13,052,912 and 162.8 FTE. This is a reduction relative to the previous year and reflects an anticipated decrease in federal funding. Of this amount, \$6,405,432 is cash funds (Employment Support Fund and the Displaced Homemaker's Fund), \$9,600 is cash funds exempt (transfers from contracts with other state programs), and \$6,637,880 is federal funds. **Staff recommends an appropriation of \$13,059,035 and 162.8 FTE calculated in accordance with Committee common policy decisions. Of this amount, \$6,411,555 is cash funds, \$9,600 is cash funds exempt, and \$6,637,880 is federal funds.**

Summary of Program Line Recommendation (2) (C) Division of Employment and Training – State Operations					
	Cash Funds	Cash Funds Exempt	Federal Funds	Total Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)					
Personal Services (estimated)	4,486,731	7,240	5,292,848	9,786,819	157.5
Operating Expenses (estimated)	<u>1,462,206</u>	<u>2,360</u>	<u>1,724,917</u>	<u>3,189,483</u>	<u>n.a.</u>
Program Line Item in Long Bill	5,948,937	9,600	7,017,765	12,976,302	157.5
Previously Approved Supplemental to Implement H.B. 06S-1023	287,493	0	0	287,493	5.3

Summary of Program Line Recommendation					
(2) (C) Division of Employment and Training – State Operations					
	Cash Funds	Cash Funds Exempt	Federal Funds	Total Funds	FTE
Annualize FY 2006-07 Salary Survey	119,547	0	140,798	260,345	n.a.
Reduction in Federal Funds	0	0	(511,249)	(511,249)	n.a.
Common Policy 0.5% Reduction (applied to PS only)	(24,152)	0	(25,240)	(49,392)	n.a.
Decision Item #2 IT Asset Replacement	24,024	0	32,288	56,312	n.a.
Budget Amendment #2 Labor Certification Requests	39,224	0	0	39,224	0.0
Funding split adjustment	<u>16,481</u>	<u>0</u>	<u>(16,481)</u>	<u>0</u>	<u>n.a.</u>
JBC Staff Recommendation	6,411,555	9,600	6,637,880	13,059,035	162.8

One-Stop County Contracts. Wagner Peyser funds support services such as, job search/placement, counseling, assessment, labor market information, job fairs, and recruitment by employers. The federally funded county operated one-stop centers serve as centers for the dissemination of all federal employment program information, including job training, and search programs. The Department requests an appropriation of \$7,883,115 and 19.0 FTE. This is a reduction relative to the previous year and reflects an anticipated decrease in federal funding. **Staff recommends an appropriation of \$7,878,451 and 19.0 FTE, calculated in accordance with Committee-approved common policies.**

Summary of Program Line Recommendation		
(2) (C) Division of Employment and Training – One-Stop County Contracts		
	Federal Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)		
Personal Services (estimated)	1,537,202	22.0
Operating Expenses (estimated)	6,947,825	<u>n.a.</u>
Program Line Item in Long Bill	8,485,027	22.0
Federal decrease PS (anticipated)	(115,011)	(3.0)
Federal decrease OE (anticipated)	(519,705)	n.a.
Annualize FY 2005-06 salary survey	35,428	n.a.
Common policy 0.5% reduction (applied to PS only)	(7,288)	n.a.
JBC Staff Recommendation	7,878,451	19.0

One-Stop Employment Centers (Reed Act). This line item was added through a supplemental appropriation in FY 2002-03 to help offset the administrative costs of county-operated one stop centers. From FY 2002-03 through FY 2004-05, approximately \$7.0 million was appropriated for this purpose. The state's allocation of Reed Act money resides in the Unemployment Insurance Trust Fund. Colorado's original allocation of federal Reed Act funds was \$142 million. The majority of those funds were used to pay unemployment benefits during the economic downturn. The Department has not requested an appropriation of Reed Act Funds. **Staff recommends that the JBC approve the request for no appropriation of Reed Act funds.**

Trade Adjustment Act Assistance. This line item reflects federal pass through funding used to provide job training assistance to workers dislocated as a result of foreign trade agreements. The request is for \$2,168,983 federal funds. **Staff recommends an appropriation of \$2,168,983 federal funds.** Staff believes it is useful for the Long Bill to reflect the anticipated level of federal funding.

Workforce Investment Act. Workforce development programs administered by the Department to assist in job training for adults, displace workers, and youth. The Workforce Investment Act funds the following activities: skills assessment, basic skills remediation, occupational skills training, and retraining. The request is for \$40,634,577 federal funds and 60.0 FTE. **Staff recommends an appropriation of \$40,618,204 federal funds and 60.0 FTE.** The recommendation reflects the anticipated increase in federal funding for this purpose.

Summary of Program Line Recommendation		
(2) (C) Division of Employment and Training – Workforce Investment Act		
	Federal Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)		
Personal Services (estimated)	4,472,023	59.0
Operating Expenses (estimated)	35,124,657	<u>n.a.</u>
Program Line Item in Long Bill	39,596,680	59.0
Anticipated Federal increase PS (estimated)	100,711	1.0
Anticipated Federal increase OE (estimated)	791,015	n.a.
Annualize FY 2005-06 salary survey	122,327	n.a.
Common policy 0.5% reduction (applied to PS only)	(23,475)	n.a.
Decision Item #2 IT Asset Replacement	<u>30,946</u>	<u>n.a.</u>
JBC Staff Recommendation	40,618,204	60.0

(D) Labor Market Information

Staffing Summary (2) (D) Labor Market Info.	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
TOTAL	31.6	36.2	30.3	30.3

The Labor Market Information program tracks the Colorado economy by measuring activity within the workforce. It serves as a statistical clearing house for all sectors of the economy. The program is primarily federally funded plus a relatively small amount of cash funds to reflect revenue received from the sale of publications.

Program Costs. The Department requests an appropriation of \$1,877,763 and 30.3 FTE. Of this, \$11,626 is anticipated to be cash funds from the sale of publications and the remainder is federal funds. This is a substantial reduction from the previous year and reflects an anticipated decrease in federal funding level. The decreased federal funding is accompanied by a decrease in the data collected for the federal government: the Job Vacancy survey has been discontinued, and the state's role in the Current Employment Statistics survey has been reduced. **Staff recommends an appropriation of \$1,872,115 and 30.3 FTE.** The calculation of the appropriation amount is shown in the following table and is in accordance with Committee common policy decisions.

Summary of Program Line Recommendation Department of Labor and Employment - (2)(D) Labor Market Information				
	Federal Funds	Cash Funds	Total Funds	FTE
FY 2005-06 Long Bill (H.B. 06-1385)				
Personal Services (estimated)	2,307,373	0	2,307,373	36.2
Operating Expenses (estimated)	179,768	11,626	209,382	n.a.
Program Line Item in Long Bill (H.B. 06-1385)	2,487,141	11,626	2,498,767	36.2
Annualize Salary Survey Awarded in FY 2006-07	135,241	0	135,241	n.a.
Anticipated federal decrease	(766,189)	0	(766,189)	(5.9)
Common Policy 0.5% Reduction (applied to PS only)	(8,659)	0	(8,659)	n.a.
Decision Item #2 IT Asset Replacement	12,955	0	12,955	n.a.
JBC Staff Recommendation – Dept. Request	1,860,489	11,626	1,872,115	30.3

(3) DIVISION OF LABOR

The Division of Labor provides assistance to employers and workers in the education and compliance of Colorado wages, youth employment, and labor laws. In addition, when needed the Division of Labor will facilitate labor dispute resolution and mediation. The Division of Labor

funding source is the Employment Support Fund, pursuant to Section 8-77-109, C.R.S. In FY 2004-05, the Committee approved combining personal services and operating expenses into a single line item titled "Program Costs".

H.B. 06S-1017 requires employers to demonstrate compliance with federal employment verification requirements. The Department is authorized to conduct random audits, to accept complaints, and may request documentation upon receipt of a creditable complaint. The bill appropriated an additional \$110,447 and 2.0 FTE to the Division of Labor for FY 2006-07. Annualized expenses, minus one-time getting-started costs, are included in the staff calculations summarized below.

Staffing Summary Division of Labor	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Management	1.0	1.0	1.0	1.0
Professional Staff	9.0	9.0	9.0	9.0
Investigators/Auditors	0.8	3.0	4.0	4.0
Administrative Staff	1.0	1.0	1.0	1.0
Temporary	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>
TOTAL	11.8	14.0	16.0	16.0

Program Costs. The Department requests an appropriation of \$1,100,930 (Employment Support Fund) and 16.0 FTE. **Staff recommends an appropriation of \$1,097,388 (Employment Support Fund) and 16.0 FTE.** Staff calculation is summarized in the following table and is in accordance with Committee-approved common policies.

Summary of Program Line Recommendation (3) Division of Labor – Department of Labor and Employment		
	Cash Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)		
Personal Services (estimated)	807,089	12.0
Operating Expenses (estimated)	50,054	<u>n.a.</u>
Program Line Item in Long Bill (H.B. 06-1385)	857,143	12.0
H.B. 06S-1017 impact for FY 2007-08		
Personal Services	196,864	4.0
Operating Expenses	6,000	n.a.

Annualize Salary Survey Awarded in FY 2006-07	37,293	n.a.
Common Policy 0.5% Reduction (applied to PS only)	(5,206)	<u>n.a.</u>
Decision Item #2 - IT Asset Replacement	5,294	n.a.
JBC Staff Recommendation	1,097,388	16.0

(4) DIVISION OF OIL AND PUBLIC SAFETY

The Division of Oil and Public Safety is responsible for the following programs: inspecting and clean up petroleum storage, inspecting and certifying all boilers, issuing explosive permits, and reviewing building plans for all public school facilities. The program is funded by a surcharge fee per tank truckload of fuel, boiler inspection fees, explosive permit fees, fees charged for school construction architectural review, and EPA grants.

Budget Amendment #1 (Denver Boiler Inspection Expansion):

The Division is required by statute to see that all boilers and pressure vessels, except those specifically excluded by statute, are inspected periodically [Section 9-4-103, C.R.S.]. Statute further allows cities and towns to operate their own inspection programs so long as the requirements are comparable to those of the State [Section 9-4-104, C.R.S.]. For many years, the City and County of Denver has operated such a program. In October of 2006, Denver informed the Boiler Inspection Section that effective January 1, 2007, they would no longer operate their own inspection program. The State's program must now be expanded to include responsibility for boilers previously subject to the Denver inspection program. The Committee has previously approved a supplemental request to allow expansion of the program for FY 2006-07.

Excluding Denver, there are approximately 32,000 boilers and/or pressure vessels in Colorado. Of these, about 14,300 are inspected by the state and 17,500 are inspected by insurance companies. Approximately 2,000 new boilers are installed per year; state inspectors are required by statute to inspect all new installations and assign state serial numbers. Approximately 8,800 boilers in Denver will now fall under the state inspection program. A poll conducted by the Department indicates that only about 20% of these will be inspected by insurance companies, leaving some 7,000 boilers for state inspectors. Moreover, the initial inspection of these boilers *must* be conducted by a state inspector so that serial numbers can be assigned. The Department inspects high-risk boilers annually, and low-risk boilers bi-annually. Based on estimates of how the Denver boilers will be categorized, the Department estimates that the number of inspections required each year will increase by about 6,750, a 47% increase over the current level. Denver is the only city in the state which has operated a municipal inspection program, so the Department is now responsible for inspection of all boilers in Colorado.

Based on the number of inspections that current staff can conduct, and the number of inspections involved, the Department estimates that they will need to add 3.5 FTE boiler inspectors and 0.5 FTE

administrative support, for a total of 4.0 FTE. The administrative support is responsible for tracking and coordinating inspections and other centralized tasks. The Department's request for 2.0 FTE for the current fiscal year reflects four people for six months of the year. The personal services request also includes the cost of a contractor during the first twelve months to assist with the temporary increase due to the mandatory initial state inspection. Operating expenses will also increase. Boiler inspectors are not provided with office space, but use state fleet vehicles and must be provided with necessary home office equipment.

The following table summarizes the Department's estimates of the full-year costs of the expansion of the boiler inspection program. Revenue for the Boiler Inspection Fund is derived from fees charged for inspections and issuing certificates. Under current statute, these fees generate approximately \$1 million in revenue per year. Going forward, the revenue from additional inspection and certificate fees should be sufficient to cover the additional expenses incurred by the Department in conducting the Denver inspections.

Boiler Inspection Expansion Costs FY 2007-08	
Division Of Oil and Public Safety	
Personal Services	254,206
Operating Expenses	11,804
FTE	4.0
Executive Director's Office	
Vehicle lease	<u>696</u>
Total	266,706

Staff recommends the Department's request for \$266,706 and 4.0 FTE for the expansion of the boiler inspection program for FY 2007-08. Figures presented in this document include these costs.

Personal Services

Staffing Summary Div. of Oil and Public Safety	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Management	1.0	1.0	1.0	1.0
Professional Staff	13.6	13.0	13.0	13.0
Scientists / Env. Protection Specialists	17.8	18.3	18.3	18.3
Inspectors	16.0	15.0	18.5	18.5
Support Staff	4.3	4.0	4.5	4.5
TOTAL	52.7	51.3	55.3	55.3

The appropriation for FY 2006-07 includes the effects of H.B. 06-1158, which expanded the Division's responsibilities with respect to school safety inspections and appropriated \$69,657 and 1.0 FTE for Personal Services. The Department requests \$3,961,436 and 55.3 FTE for FY 2007-08. This is a continuation level appropriation calculated according to OSPB common policies. **Staff recommends an appropriation of \$3,949,523 and 55.3 FTE calculated in accordance with Committee common policy.** Staff's calculation is summarized in the following table.

Summary of Personal Services Recommendation		
(4) Division of Oil and Public Safety – Department of Labor & Employment		
	Total Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)	3,525,809	50.3
H.B. 06-1158	69,657	1.0
Annualize Boiler Inspection expansion	254,206	4.0
Annualize FY 2006-07 Salary Survey	118,420	n.a.
Common policy 0.5 percent reduction (applied to PS only)	(18,569)	n.a.
JBC Staff Recommendation	3,949,523	55.3

Operating Expenses. The Department total request is for \$339,859 which equals a continuation level of funding of \$307,040, plus \$11,804 for the annualized operating expenses for the Boiler Inspection program expansion and \$21,015 for decision item #2, IT asset replacement. **Staff recommends the Department's request for \$339,859.**

Indirect Cost Assessment. This line item was added through a supplemental appropriation in FY 2005-06, so that administrative costs associated with the program can be properly offset through department-wide indirect cost recoveries in the Executive Director's Office. This line became necessary as a result of legislation that authorized the Petroleum Tank Storage Fund to become an enterprise (S.B. 05-039). A previously-approved supplemental request reduced the FY 2006-07 appropriation for this line item from \$1,237,527 to \$931,000. The Department's request for this line item in FY 2007-08 is \$964,000. **Staff recommends the Department's request for an appropriation of \$964,000.**

(5) DIVISION OF WORKERS' COMPENSATION

The Division of Workers' Compensation acts as an intermediary to resolve workers' compensation disputes between employers and workers. In addition, the Division ensures that the insurance carriers and self-insurers, comply with workers' compensation rules and regulations.

Historically, the program has been "bottom line" funded with a mixture of cash and cash funds exempt sources. Sources of cash include the following funds:

- ▶ The Workers' Compensation Cash Fund created in Section 8-44-112 (7), C.R.S.
- ▶ The Physician Accreditation Program Cash Fund created in Section 8-42-101 (3.6) (I), C.R.S. This fund is continuously appropriated.
- ▶ The Utilization Review Cash Fund created in Section 8-43-501 (2) (a), C.R.S.
- ▶ The Immediate Payment Fund created in Section 8-44-206 (3) (b) (I), C.R.S. This fund is continuously appropriated.
- ▶ The Cost Containment Cash Fund created in Section 8-14.5-108, C.R.S.

The sources of cash funds exempt are *reserves* in these same cash funds. The majority of the cash funds are from the Workers' Compensation Cash Fund, which is funded with a surcharge fee assessed to insurance carriers on workers' compensation premiums.

(A) Workers' Compensation

Personal Services

Staffing Summary Workers' Compensation	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Management / Professional Staff	8.9	9.0	9.0	9.0
Compensation Ins. Specialists	48.8	51.0	51.0	51.0
Statistical / Actuary Analysts	5.0	5.0	5.0	5.0
Health Professionals	2.0	2.0	2.0	2.0
Administrative Law Judges	5.0	5.0	5.0	5.0
Administrative Staff	26.0	30.0	30.0	30.0
TOTAL	95.7	102.0	102.0	102.0

The Department's request is a continuation level appropriation of \$6,516,073 and 102.0 FTE calculated in accordance with OSPB common policy. **Staff recommends an appropriation of \$6,495,037 and 102.0 FTE calculated in accordance with Committee common policy decisions.** Staff calculation is summarized in the following table.

Summary of Personal Services Recommendation – Department of Labor & Employment (5) Division of Worker's Compensation – (A) Workers' Compensation		
	Total Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)	6,291,502	102.0
Annualize FY 2006-07 Salary Survey	236,173	n.a.

Summary of Personal Services Recommendation – Department of Labor & Employment (5) Division of Worker's Compensation – (A) Workers' Compensation		
	Total Funds	FTE
Common policy 0.5 percent reduction (applied to PS only)	(32,638)	n.a.
JBC Staff Recommendation	6,495,037	102.0

Operating Expenses. The request is for an appropriation of \$639,345, which is a continuation level of \$608,735 dating back to the FY 2002-03 appropriation, plus \$30,610 for decision item #2. Reversions from the constant continuation level in previous years are shown in the following table. Despite the trend of decreasing reversions, the Department has responded to staff inquiry and indicates that they believe the continuation level will be sufficient, excluding the IT asset replacement. **Staff recommends the Department's request for an appropriation of \$639,345.**

Fiscal Year	Reversion
2002-03	(\$18,565)
2003-04	(\$92,477)
2004-05	(\$26,047)
2005-06	(\$9,625)

Administrative Law Judge Services. This line item is used to purchase administrative law services from the Department of Personnel and Administration. The Department of Labor and Employment is requesting an appropriation of \$2,431,603 cash funds (Workers' Compensation Cash Fund). **The staff recommendation for this line item is pending Committee common policy for FY 2007-08 administrative law judge services.**

Physicians' Accreditation. This line item is for physicians accreditation training, a program funded by a fee charged to physicians seeking accreditation so that they may work on workers' compensation claims. The request is for a continuation of FY 2006-07 funding at \$140,000 cash funds (Physician Accreditation Cash Fund pursuant to Section 8-42-101 (3.6) (l), C.R.S.). For FY 2006-07, staff recommended reducing funding to this level based on the historical pattern of reversions. **Staff recommends a continuation appropriation of \$140,000 cash funds (Physicians Accreditation Cash Fund).**

Utilization Review. This line item is for independent physician reviews regarding the appropriateness of medical treatment previously provided for a workers' compensation claim. Such reviews can be requested by any party to a workers' compensation claim. The program is funded by fees paid by the requesting party, which are credited to the Utilization Review Cash Fund pursuant

to Section 8-43-501 (2) (a), C.R.S. The request is for a continuation appropriation of \$60,000 (Utilization Review Fund). **Staff recommends a continuation appropriation of \$60,000.**

Immediate Payment. This line item is used to pay workers' compensation claims brought against bankrupt employers who were self-insured. The line item is continuously appropriated pursuant to Section 8-44-206 (3) (b) (I), C.R.S. In recent years, no expenditures have been made from this line item. Revenue for the fund consists of fees assessed on self-insured employers. The request is for a continuation appropriation from FY 2006-07 of \$10,000 cash funds exempt (Immediate Payment Fund pursuant to Section 8-44-206 (3) (b) (I), C.R.S.). **Staff recommends the request for a continuation appropriation of \$10,000 cash funds exempt (reserves in the Immediate Payment Fund).**

(B) Major Medical Insurance and Subsequent Injury Funds

The Division of Workers' Compensation in the Colorado Department of Labor and Employment (CDLE) oversees the Major Medical Insurance Fund and the Subsequent Injury Fund. These insurance funds provide medical benefits and compensation payments to some of the most seriously injured workers in Colorado.

Major Medical Program. Individuals who sustained catastrophic injuries between July 1, 1971, and June 30, 1981, are eligible for benefits from the Major Medical Insurance Fund once their medical expenses exceed \$20,000. Because the program is not open to new injuries, the number of clients is declining each year. The Department settles cases with some individuals who agree to accept a lump sum payment in lieu of ongoing payments. Other cases are closed because of deaths. Any new clients admitted to the programs must meet the eligibility criteria with respect to when the injury occurred and the amount of medical expenses incurred as a result of the injury. The table below shows the estimated number of open cases from FY 2006-07 through FY 2011-12.

Major Medical Insurance Fund. The direct and indirect costs of this program are paid from the Major Medical Insurance Fund (MMIF) created in Section 8-46-202 (1), C.R.S. There is no fee revenue for the MMIF. Pursuant to Section 8-46-102 (3) (a), C.R.S., the director of the Workers' Compensation Division has the authority to credit a portion of the fee revenue for the Subsequent Injury Fund to the MMIF until such time as the director determines that the MMIF has reached actuarial balance. After such a determination is made, the entire fee revenue is credited to the Subsequent Injury Fund.

Subsequent Injury Programs. Injured workers who have become totally and permanently disabled from more than one industrial injury are eligible to receive compensation benefits from the Subsequent Injury Fund. Eligibility for benefits from the Subsequent Injury Fund is limited to injury cases that occurred prior to July 1, 1993, and to occupational disease cases that occurred prior to April 1, 1994 (see Section 8-46-105 (1) and (2), C.R.S. and Section 8-41-304 (2), C.R.S., respectively). Similar to the MMIF program, this program is not open to new injuries. As such, the

number of clients is also declining each year. The following table shows the estimated number of indemnity claims for the Subsequent Injury Fund program through FY 2007-08.

Fiscal Year Ending June 30	MMIF Open Cases	SIF Indemnity Claims
2007	1280	292
2008	1247	279
2009	1211	265
2010	1174	253
2011	1136	239
2012	1098	224

Source: Actuarial Reserve Study of the Colorado Subsequent Injury Fund and the Colorado Major Medical Insurance Fund as of July 1, 2006.

Subsequent Injury Fund. The direct and indirect costs of this program are paid from the Subsequent Injury Fund (SIF) created in Section 8-46-101 (1) (b) (I), C.R.S. The SIF receives fee revenue from a surcharge not to exceed 3.25 percent of workers' compensation premiums. The fees are delineated in Section 8-46-102 (2) (a) (I), C.R.S. The Department is currently assessing a surcharge of 2.788 percent of workers' compensation premiums. Once the SIF reaches actuarial balance, the director is empowered to reduce or eliminate the surcharge.

TABOR Emergency Reserve. \$40 million of reserves in each of the MMIF and the SIF are designated to be a portion of the State's TABOR emergency reserve. Staff and the Department have presented arguments, during briefing and hearing respectively, that this split of an \$80 million total does not match well with the Department's other needs in managing the fund balances and their investment strategies. **Under the assumption that \$80 million in total from these two funds will continue to be designated as a portion of the emergency reserve, staff recommends that the emergency reserve amounts designated in the Long Bill be \$70 million for the MMIF and \$10 million for the SIF.**

Actuarial Balance. Statute instructs the Department to seek actuarial balance for these funds (that is, to achieve a fund balance sufficient to pay future obligations, at which point the fund should stop growing). The following table shows the fiscal year end in which the MMIF is anticipated to be balanced under a range of assumptions. The SIF should reach actuarial balance shortly after the MMIF does so. The actuaries' calculations include the conservative assumption that the amounts in the funds designated as part of the TABOR emergency reserve are not considered to be reserves available for benefits payments.

	Medical Escalation		
Interest Rate	8.0%	10.0%	12.0%

	Medical Escalation		
4.0%	2011	2013	2015
5.0%	2010	2012	2013
6.0%	2010	2011	2013

Continuous Appropriations. Prior to FY 2006-07, the Long Bill has indicated that funding from the MMIF and SIF for several line items was continuously appropriated pursuant to Section 8-46-202 (2), C.R.S. Last year, in response to staff inquiry, Legislative Legal Services provided an opinion that the statutory language did not appropriate the funds continuously. Staff recommended, and the Committee approved, modifying the relevant Long Bill letter notes so they no longer indicated that the appropriation was continuously appropriated and informational only.

Personal Services

Staffing Summary Major Medical / Subsequent Injury	FY 2005-06 Actual	FY 2006-07 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Compensation Insurance Specialists	6.3	8.0	8.0	8.0
General Professional	2.5	3.0	3.0	3.0
Accounting Technicians	2.3	3.0	3.0	3.0
Support Staff	2.1	2.0	2.0	2.0
Total	13.2	16.0	16.0	16.0

* FY 2005-06 actual does not match Department's schedule 3 due to rounding errors.

The Department's requests \$1,235,182 and 16.0 FTE calculated according to OSPB common policy. **Staff recommends an appropriation of \$1,231,110 and 16.0 FTE.** This appropriation is calculated in accordance with Committee common policy decisions, and is summarized in the following table.

Summary of Personal Services Recommendation – Department of Labor & Employment (5) Division of Worker's Compensation – (B) Major Medical and Subsequent Injury Funds		
	Total Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)	1,209,970	16.0
Annualize FY 2006-07 Salary Survey	27,326	n.a.
Common policy 0.5 percent reduction (applied to PS only)	(6,186)	n.a.
JBC Staff Recommendation	1,231,110	16.0

Operating Expenses. The request is for an appropriation of \$88,324 cash funds exempt (reserves in the Major Medical Fund and the Subsequent Injury Fund), which represents a continuation level and a decrease of (\$5,098) for decision item #2. **Staff recommends the Department's request for an appropriation of \$88,324.**

Major Medical Benefits. The request is for a continuation \$7,000,000 cash funds exempt (reserves in the Major Medical Fund). Currently, there are approximately 1,300 open cases of workers who sustained catastrophic injuries between July 1, 1971, and June 30, 1981. **Staff recommends a continuation appropriation level of \$7,000,000 cash funds exempt (reserves in the Major Medical Fund).**

Major Medical Legal Services. This line item is used to purchase legal services from the Department of Law for any of the following purposes: (1) to defend a decision to deny a claimant's eligibility request; (2) to defend a decision to deny certain medical benefits; or (3) to defend the program in the event that a doctor appeals the decision of removal of a case during utilization review. The Department requests a continuation of 360 legal service hours. From FY 2002-03 through FY 2005-06, the Department has used 340 hours, 79 hours, 47 hours, and 18 hours of legal services, respectively. **Staff recommends an appropriation to support 300 hours of legal services, a reduction of 60 hours.** The actual appropriation will be calculated based on the approved number of hours and the pending Committee common policy for FY 2007-08 legal hour rates.

Subsequent Injury Benefits. This line item is used to pay benefits to injured workers who have become permanently, totally disabled from more than one work-related injury. As discussed previously, this program is closed to new injuries. The request is for a continuation appropriation of \$5,200,000 cash funds exempt (reserves in the Subsequent Injury Fund). **Staff recommends the Department's request for a continuation appropriation.**

Subsequent Injury Legal Services. This line item is used to purchase legal services from the Department of Law to process and settle claims related to the Subsequent Injury program. The request is for a continuation appropriation of \$67,770 cash funds exempt (reserves in the Subsequent Injury Fund) to purchase 1,000 legal service hours from the Department of Law. **Staff recommends the request for an appropriation to support 1,000 legal hours.** The actual appropriation will be calculated based on the approved number of hours and the pending Committee common policy for FY 2007-08 legal hour rates.

Medical Disaster. The Medical Disaster Fund provides benefits to workers who sustained catastrophic injuries prior to July 1, 1971. The request is for a continuation level appropriation of \$6,000 cash funds exempt (reserves in the Medical Disaster Insurance Fund). **Staff recommends a continuation appropriation of \$6,000 cash funds exempt.**

FOOTNOTES

The Long Bill for FY 2006-07 did not contain any footnotes specific to the Department of Labor and Employment. Footnotes affecting more than one agency are not included in this figure setting packet. Recommendations for those footnotes will be made in a separate presentation. Staff recommends no new footnotes.