

**DEPARTMENT OF LABOR AND EMPLOYMENT
FY 2012-13 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Wednesday, December 14, 2011
9:00 am – 11:00 am**

9:00-9:15 INTRODUCTIONS AND OPENING COMMENTS

9:15-9:40 QUESTIONS COMMON TO ALL DEPARTMENTS

A. PERFORMANCE-BASED GOALS AND BUDGET REQUEST

1. Please describe the process the Department used to develop its strategic plan.

The Colorado Department of Labor and Employment is facing serious challenges. But in meeting those challenges head on, real opportunities exist as well. The Department must change; change its systems, processes, the way we deliver service and our culture. If we are to meet the needs of the Colorado taxpayers, we must transform the Department and the way we do business. We must become effective, efficient and elegant.

To meet these challenges and turn them into opportunities, we have developed a clear vision, mission, commitment and set of values, outlining a clear strategy and roadmap, focusing on key priorities. Our strategic goals and initiatives have clear measurements and our values have defining behaviors that will inform employee performance.

The Colorado Department of Labor and Employment used our strategic planning process as an opportunity to address culture change as we looked at our future planning to meet the needs of all Coloradans. Our approach included setting a baseline for what the current state in our organization looks like. Employees and leaders were interviewed and an employee survey was conducted. We examined productivity, proper resources and tools, leadership, customer service, teamwork, communication and the culture. All CDLE senior leaders took a hard look at the current state data, owned it as leaders and made a commitment to leading the strategy with a different approach than had been taken in the past. A draft mission, vision, and commitments were developed and taken back to the divisions for employee input. The final mission, vision, and commitments reflect this input.

CDLE Mission:

To protect and promote the integrity and vitality of Colorado's employment environment.

CDLE Vision:

Quality and Excellence in all we do.

More specifically:

Outstanding customer service

An inclusive culture

Knowledgeable employees who drive our success

Being a trusted and strategic partner

Continuing process improvement

During this process five core strategic initiatives were developed. These strategic initiatives are the strategies being employed to reach our vision and fulfill our mission.

- *Employee Engagement and Accountability*
Objective: Establish a culture of employee engagement and accountability resulting in high performance

- *Customer Service*
Objective: Increase customer satisfaction

- *Process Improvement*
Objective: Reform and improve key processes

- *Technology*
Objective: Implement optimal technology solutions to deliver timely and accurate customer service

- *Partnership and Stakeholder Relationships*
Objective: Increase opportunities with strategic partners and stakeholders to provide value to Colorado.

The department is currently in the process of not only aligning the goals of each division with our mission, vision, and strategic initiatives, but each employee's individual performance goals are being aligned with the overall strategic initiatives. The entire department, from each individual performance plan to the overarching strategic mission/vision is being aligned. Each employee will see clearly how they play a role in moving the department towards our vision and how each plays a role in fulfilling the mission.

For example, Unemployment Insurance has the same strategic objectives but its own specific mission, strategies and measures. The mission of the Unemployment Insurance Program is to provide unemployment insurance in a fair, timely, accurate, and efficient manner to the employers and citizens of Colorado, to stabilize the workforce, and to minimize the impact of unemployment on the state's economy. The department's strategic plan is posted on our external website at <http://www.colorado.gov/cs/Satellite/CDLE-Main/CDLE/1248577520012>.

2. One of the Department’s objectives in the FY 2012-13 strategic plan was employee engagement. Why are employees indicating that they do not feel engaged? Please provide the questions from the semi-annual employee survey, and a summary of responses relating to employee engagement.

Survey Results

- *The majority of respondents did not rate their job satisfaction as high*
- *More than half felt the communication they received from their reporting chain was not relevant and did not provide the direction they needed to do their job*
- *Less than half felt they received clear and uncritical direction when they made a mistake*
- *Most did not feel safe expressing opinions with their supervisor*

Employee Engagement Survey Questions	% Agree or Strongly Agree
What is expected of me at work has been clearly explained.	69%
I have a good understanding of what my job is and how to meet those expectations.	72%
I have the resources and training I need to do my work well.	51%
In the last six months, I have received recognition or praise for doing good work from my supervisor or someone in my chain of command.	60%
My supervisor or someone in my chain of command provides coaching and development.	47%
I understand how my job supports my program’s mission.	83%
I feel safe expressing my opinions with my supervisor or someone in my chain of command.	49%
My teammates are committed to doing quality work.	61%
My work unit functions well as a team and we have a shared understanding of what we need to do to get the job done.	54%
In the last six months, my supervisor or someone in my chain of command has had performance meetings with me on my work progress.	75%
This last year, I have had the opportunity at work to learn and grow.	56%
I receive the communications that I feel are important to me and my job from those above me in the reporting chain.	41%
I receive clear and uncritical direction when I make a mistake or don’t know how to do something.	47%
My overall job satisfaction is high.	45%

3. Has the Department considered call wait times as a customer service metric for the strategic plan? What new measures are being developed for the strategic plan and how do they compare to the ones that have been used in the past?

The two Unemployment Insurance metrics that we have prioritized are benefit payment timeliness and accuracy of payments, which is an effort to provide the most critical customer service to our claimants. The past strategic measures were timeliness and accuracy of payments together as one measure and increased internet usage as another. Unemployment Insurance has been measuring call wait times to inform its everyday operations for many years. Because call wait times are a function of the number of unemployed, the complexity of the callers' questions, staffing, and availability of alternatives to phone calls, and is not under the full control of Unemployment Insurance, this metric was not chosen as one of the strategic measures. However, we are addressing the issue as best we can through our reorganization that is increasing staffing in the customer service center by 25% and by increasing and improving on-line service capabilities as a means to provide more options to customers in lieu of the phone lines.

Across the department CDLE will be measuring customer service by surveying customers as they interact with CDLE employees. There have never been department-wide objectives let alone department wide metrics in CDLE's past strategic plans.

4. Please explain why the balance of the Unemployment Insurance Trust Fund (UITF) is not included in the strategic plan as a performance measure.

HB 11-1288 took advantage of HB 09-1363 (which designated the UI program as an enterprise) to address the funding mechanisms of the unemployment insurance trust fund. As part of this legislation, CDLE is required to produce an annual report on the solvency position of the fund and how the recently implemented legislative changes are impacting solvency and employer rates. Even an intelligently structured financing scheme cannot guarantee solvency under all economic conditions (and, in fact, this is not the sole objective when designing any system) given that fund balance is mostly a function of economic conditions. USDOL financing standards have to do with the responsiveness of the fund to changing economic conditions, both positive and negative, and do not address solvency per se. Thus while overall solvency is a goal of HB 11-1288, solvency includes many variables and one fund balance in any given year is not necessarily a proper indicator for the position of the fund. Given the statutory nature of the funding structure, dependence on economic conditions, and the complicated variables within the fund, the department has elected to maintain the annual report as the primary reporting tool for communicating trust fund issues with the Governor's Office and the legislature.

B. OTHER QUESTIONS COMMON TO ALL DEPARTMENTS

5. Please explain why the Department has audit recommendations that have not been fully implemented after extended periods of time. What are the obstacles the Department has faced in implementing recommendations? How does it plan to address outstanding audit findings? If applicable, please focus on those financial audit findings classified as "material weakness" or "significant deficiency".

There are three recommendations that have not been fully implemented from prior year audits.

The first recommendation is:

Improve information technology controls over the Colorado Unemployment Benefits System (CUBS) and the Colorado Automated Tax System (CATS) by: (b) developing and implementing a written procedure for granting user access to CUBS and CATS.

- *The department originally agreed to implement the recommendation by December 2010. Work has been done on this recommendation as it is partially implemented. However, during the transition from decentralized to centralized IT services, this recommendation was lost in transition. There was confusion about which agency would take the lead on implementation and it was not fully implemented. CDLE has taken ownership and is working to fully implement this recommendation.*

The second recommendation is:

Improve controls over federal reporting by: (b) correcting the carry forward balances in the Employment and Training Administration 227 report.

- *The department originally agreed to implement the recommendation by January 2011. Work has been done on this finding as it reflects partial implementation as the basic components of the recommendation have been implemented. Completely correcting the overall process has proven more difficult than originally expected, but it should be completed during the first half of 2012.*

The third recommendation is:

Improve controls over federal reporting by: (c) maintaining supporting documentation of the edit checks and verification process used in preparing the Employment and Training Administration 9001 and 9091 reports as required by federal requirements.

- *The department originally agreed to implement the recommendation by*

January 2011. Work has been done on this finding as it reflects partial implementation. The department has expanded its report compilation and submission procedure to maintain and store a print file of all source data and reports. This recommendation has been fully implemented.

6. How does the Department define FTE? Is the Department using more FTE than are appropriated to the Department in the Long Bill and other legislation? How many vacant FTE did the Department have in FY 2009-10 and FY 2010-11?

FTE is defined as 2080 hours per year.

In FY 2009-10, the total FTE appropriated in the Long Bill, 1,117.0, was higher than the actual FTE of 1,113.6. In addition, total federally funded non-appropriated ARRA FTE (American Reinvestment and Recovery Act) was 149.6 bringing the total department FTE to 1,263.2. Additional FTE was a result of the ARRA federal awards to the Division of Employment and Training. Further, there was additional FTE in excess of the total appropriation in the Unemployment Insurance Unit in the Division of Employment and Training and there FTE were funded via federal contingency funds received to assist with the significant UI workload increases.

In FY 2010-11, total FTE appropriated in the Long Bill of 1,047.0 compared with the actual FTE of 985.8. In addition, total non-appropriated ARRA FTE was 149.2 bringing total department FTE to 1,135.0 during FY 2010-11. The Division of Employment and Training continued to use ARRA funds which expired during FY2010-11.

OSPB and DPA are working with all departments to provide quarterly reports on FTE usage to the JBC. These reports will ensure that all departments are employing the same definition of FTE. This definition comprises a backward-looking assessment of total hours worked by department employees to determine the total full-time equivalent staffing over a specific period. We intend for these reports to provide the JBC with a more clear linkage between employee head-count and FTE consumption. As it concerns FTE usage in excess of Long Bill 'authorizations,' departments will continue to manage hiring practices in order to provide the most efficient and effective service to Colorado's citizens within the appropriations given by the General Assembly.

9:40-10:10 UNEMPLOYMENT INSURANCE TRUST FUND UPDATE

Revenue Sources

7. Please discuss the Federal Unemployment Tax Rate (FUTA) that is assessed to Colorado employers and discuss the risk of a federal tax credit reduction. Please include the

Department's plan to avoid a federal tax credit reduction, and any future plan that includes the use of bonds.

The Federal Unemployment Tax Act (FUTA) has a tax rate of 6.0%. This tax is levied only on the first \$7,000 in wages an employee earns and is paid by the employer. Employers in a state with a certified Unemployment Insurance program will receive a 5.4% credit against this tax, meaning that the effective rate will only be 0.6% instead of the full 6.0%. Currently, all states have a certified UI program.

If a state has an outstanding loan from the federal government on two consecutive January 1sts, a reduction of the credit is triggered. The reduction is 0.3%, bringing the effective rate to 0.9%. The proceeds from the credit reduction flow into the state's unemployment insurance trust fund to pay down the loan and is not actually kept by the federal government. However, if a state pays off their loan by November of that year, the reduction in the credit does not occur. Colorado first took out federal advances for the payment of UI benefits in LATE January 2010. Thus, the first January 1 on which Colorado had an outstanding loan to the federal government was January 1, 2011. The second January 1 will be January 1 2012. It is possible that Colorado could see a FUTA credit reduction in 2012 if there is still an outstanding loan balance in November 2012. However, assuming a continued economic recovery, even a very mild one, there will be several options available for Colorado to choose from in order to avoid the credit reduction and any impact on Colorado businesses.

One option that is available irrespective of economic conditions is the ability to float revenue bonds. These bonds would pay off the federal debt and avoid any FUTA credit reduction. The catch here is that while a FUTA credit reduction may be avoided by the use of revenue bonds, a new surcharge would be required to be assessed on employers to pay down the bonds. The department recently hired a third party consultant to analyze the efficacy of issuing revenue bonds.

Another option that would not require an additional surcharge on employers would be to initiate a short term floating strategy, much like was implemented by North Carolina during the prior recession. This strategy would use short term borrowing, possibly in conjunction with the Treasurer (or another mechanism) to pay off the loan in November of 2012 to avoid the hit to employers. Under this scenario, there would be sufficient revenue to pay off the short term loan in May 2013. This scenario would avoid the hit to employers and would minimize interest costs to the state and employers but can only be implemented if a mild economic recovery continues.

These and other scenarios are being analyzed such that the most effective option is implemented to strike the proper balance between fund solvency and employer premium rates. Work is continuing to get input from stakeholders across the spectrum.

8. How do Colorado employer payments for unemployment insurance compare to other states?

Colorado has been at the low to middle end of UI premium rates. Prior to HB 11-1288 Colorado's premium wage base was \$10,000. States ranged from the federally required minimum of \$7,000 to a maximum of \$35,700 in Washington State. Colorado's minimum premium rate was 0% and the maximum rate was 5.4% ranking in the bottom five of all 53 states and territories for low rates. Pennsylvania ranked at the top with a minimum rate of 1.84% and a maximum rate of 13.16%.

9. What was the total dollar amount of the first interest payment for the federal debt of the UITF?

\$11,425,791.76. Payment was made in late September.

10. How is the UITF debt being driven by the dollar amount of benefits being paid versus the overpayment benefit rate?

The largest impact, by far, on the unemployment insurance trust fund balance is the amount of benefits being paid. During peak benefit payouts over \$1 billion was paid from our state UI fund in a 12 month period compared with less than \$200 million per year during the peak economic growth years (see late 1990s). If overpayments were reduced to align with federal guidelines, the benefit to the fund would be significantly less than one tenth of the total of the current benefit payouts. Further, it is important to remember that all improper payments are not necessarily erroneous payments. It is possible that some of the efforts to reduce improper payments will not result in fewer benefit payouts but simply result in making the improper payments become proper payments. However, there is a positive impact on the fund when improper payments are reduced and the department does take improper payments very seriously and is working with US DOL to implement best practices throughout the program in order to reduce total improper payments.

Unemployment Statistics

11. Can the Department provide a monthly update of unemployment insurance statistics, and how they could impact revenue in Colorado? Please include information about how individuals that are no longer looking for work are counted in the unemployment statistics. How does the Department report on the unemployment rate, and has this changed over time?

The Department produces a press release monthly on changes to the unemployment rate and labor market conditions. This information can be found on our website: <http://lmigateway.coworkforce.com/lmigateway>. If there is a desire to estimate the monthly impact of employment changes on future revenue growth, this could potentially be incorporated into the revenue projections produced by the Governor's Office and Legislative Council Staff as these offices would likely be the most appropriate for estimations on General Fund impact.

U-3, the official measure of unemployment for the United States and all geographic areas within the U.S. including Colorado, is one of several measurements (U-1, U-2 and U-4 through U-6) of labor underutilization based on the Current Population Survey. U-3 includes all jobless persons who are available to take a job and have actively sought work in the past four weeks. Of the six measures of labor underutilization, U-3 is the only one measuring a single month of time and updated each month at the state level.

However, the other measures of labor underutilization are updated each quarter and provide estimates for a 4 quarter moving average. This table provides estimates for 4th Quarter 2010 through 3rd Quarter 2011:

State	Measure					
	U-1	U-2	U-3	U-4	U-5	U-6
Colorado	4.9	5.1	8.7	9.0	9.9	15.4

U-4, three-tenths of a percentage point above U-3 during this period, includes people who want a job, are available for work and searched for work sometime in the prior twelve month period but not in the past 4 weeks because they believe there is not a job available for them to be found. These “discouraged workers” are added to the standard definition (U-3) of unemployed in this measurement.

U-5, the “marginally attached to the labor force” are included in this measure in addition to discouraged workers and the unemployed. Marginally attached workers are similar to discouraged workers in that they looked for a job sometime in the past twelve months, but not in the last 4 weeks. Marginally attached workers gave a reason other than believing there was no job available for them for not looking for work.

U-6, in addition to the unemployed, discouraged workers and the marginally attached, U-6 includes people working part-time (less than 35 hrs per week) for economic reasons. i.e., they would rather be working full-time, but are unable to find a full-time job.

Additionally, the Current Population Survey indicates there are about 50,000 people in Colorado who want a job but who have not engaged in a job search at any time in the past twelve months.

The unemployment rate released by the department is produced following methods established by the Bureau of Labor Statistics. The estimate is produced using data from several sources including the Current Population Survey (household survey), the Current Employment Statistics program (payroll jobs from the establishment survey), the Decennial Census and data from the Colorado Unemployment Insurance program.

12. Please provide an update on how small businesses are affected by changes in unemployment rates and the broader implications of the unemployment rate on the labor market and small businesses.

The current economic climate and labor market conditions create pros and cons for many businesses in Colorado. The ample supply of labor means reduced upward pressure on wages and hiring for most positions takes less time. On the other hand, demand for the products and services is lower than it would be in a full employment economy.

10:10-10:15 GREEN JOBS PROGRAM

13. When will the report for the Green Jobs Training Program be completed, can the Department provide the JBC with a copy of the report?

Per Colorado Revised Statutes 24-38.9-107 (1) below, the report is required once the program is completed. The program will be completed June 30, 2012 and a report will be provided by July 2012. A copy can be provided to the JBC when it is completed.

Per C.R.S. 24-38.9-107 (1) – Review of program – report to governor and legislature. (1) Upon completion of the pilot program, the executive director of the department of labor and employment shall conduct an evaluation of the pilot program and shall report the findings to the governor, the business affairs and labor committee in the house of representatives, and the business, labor, and technology committee in the senate, or any successor committees. For purposes of the report to the legislative committees, the business affairs and labor committee in the house of representatives and the business, labor, and technology committee in the senate may hold a joint hearing.

10:15-10:30 UNEMPLOYMENT INSURANCE PROGRAM TECHNOLOGY

14. Please provide an update on Colorado's recent membership to the Technology Infrastructure Consortium that was awarded \$72 million for development of UI technology platforms, including future appropriations that may be associated with the consortium. Please include details on how the Department is collaborating with OIT.

Colorado's UI program joined Wyoming, Arizona, and North Dakota in the development of a modern IT system and infrastructure for the collection of UI taxes (premiums) and the payment of benefits.

At this time Colorado is working to catch up with the other states by reviewing the common requirements and developing Colorado specific requirements. Concurrently, the

consortium is working on an RFP for a build vendor. The goal is to reach close to 80% system convergence between the states to create possible economies of scale and minimize cost and ease compliance with state and federal requirements. Until a build vendor is selected and a contract is negotiated the final system cost will not be known but we do anticipate the need for some additional state funding to complete the system build and implementation. The selection of the vendor will also determine technologies and ongoing maintenance plans. Colorado will bear the cost of customization for our individual needs. It is currently unknown what this cost will be but would likely be funded via the Employment and Training Technology fund. When additional information on the potential costs are known, it will be provided at that time.

During the last week of November the Consortium held an executive board meeting including Executive Directors and state CIO's from the member states. This has resulted in a project governance structure including these executives and solidifying the involvement of Colorado's Governor's Office of Information Technology. Colorado has one vote on the consortium and that vote is shared by CDLE Executive Director Ellen Golombek and Secretary of Technology/State CIO Kristin Russell. OIT is directly involved on the project and holds positions on many of the project committees/teams.

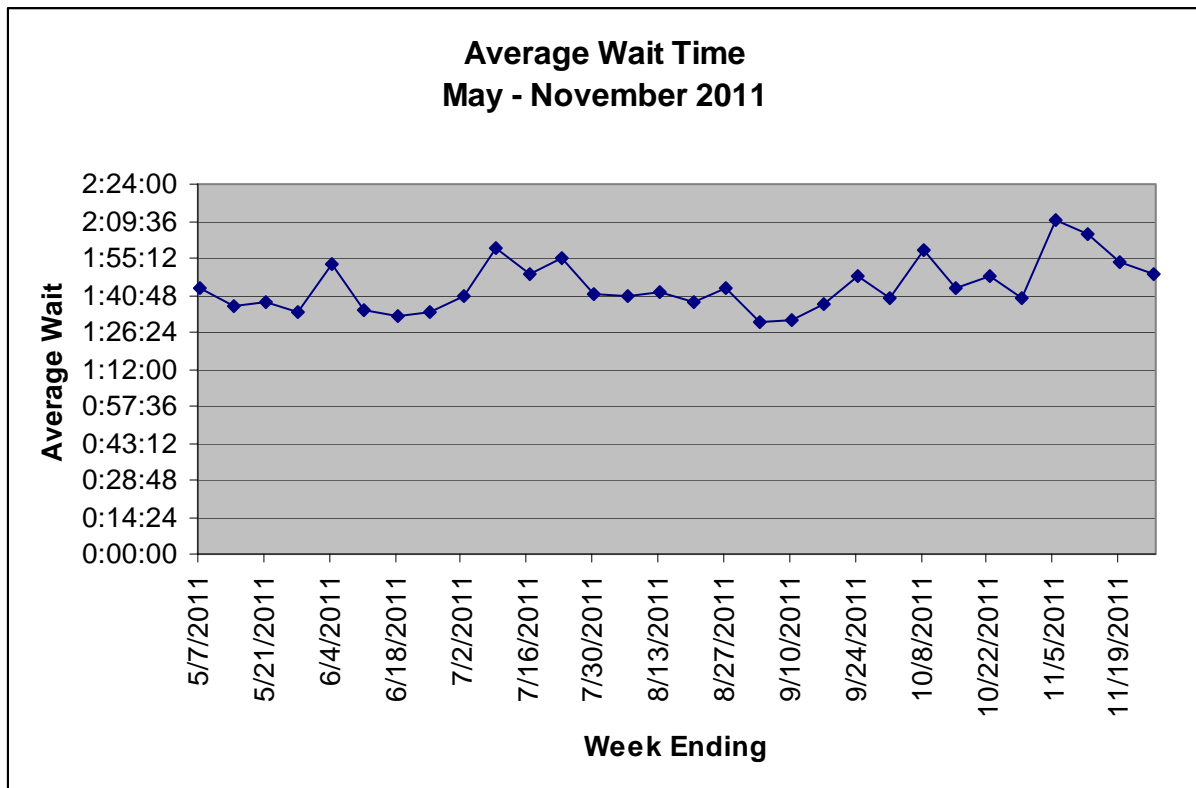
15. Please provide an update on call wait times in the UI Call Center, including the causes for the long wait times and any federal impact on funding associated with call wait times.
- a. Has the Department considered outsourcing call center services, can any best practices from the private sector be utilized?

The U.S. Department of Labor prohibits outsourcing of call center services so that is not an option. Wait times are a product of volume, purpose of call, and staffing. Over the last three years Colorado has experienced the highest volume of claims and calls in its entire history. With the four different "Tiers" of Emergency Unemployment Compensation (EUC) and the State Extended Benefits (SEB) programs, the UI process has become more complex leading to additional questions and more difficult questions that require more time. Because the UI process is complex; questions require detailed knowledge and explanations and therefore, well-trained staff. Over the last year UI had turnover of more than 100 staff; it takes many months for a new agent to reach the experience level required to effectively answer the diverse range of questions posed by our claimants.

To address this multi-faceted issue we have initiated multiple simultaneous efforts that will improve UI processes, allow claimants more self-service options, and provide better phone support. Some examples include:

- *Reorganized the UI Branch (effective Nov 1st, 2011) and moved many experienced staff to the “front lines”, with a focus on customer service and service delivery.*
- *Implemented several systemic reviews - comprehensive, in-depth, solution-oriented analyses that focus on root cause, best practice, and innovative ideas. The intent is to complete a thorough review and streamlining of virtually every process and procedure in UI.*
- *Ongoing consultation, research, and troubleshooting of issues with other states, vendors, consultants, and USDOL (all with an eye toward best practice and solutions).*
- *Pursuing multiple technological solutions*
 - *WyCAN Consortium*
 - *Internet Self-Service (ISS) for claimants and employers*
 - *Small Employer Website (SEW) – due early 2012*
 - *State Information Data Exchange System (SIDES) - to obtain separation information more quickly*
 - *Claimant messaging campaigns (outbound call campaigns using an Outbound Dialer solutions, email blasts, web site updates/redesign)*
 - *Ongoing enhancement of “MyUI” (a web-based information functionality specific to the claimant with over 200,000 users registered to date)*
 - *Scheduled Courtesy Callback (SCCB) – a telephony solution that allows us to auto-call 80-100 claimants per week that would otherwise have gotten a busy signal)*
 - *Customer Access Modernization (CAM) project, which will provide threshold-controlled custom-email and web chat functionalities, as well as 24/7 FAQs and email or text confirmations for successful payment requests*

b. Please provide call wait time data from May 2011 to November 2011.



16. Is it feasible for the Department to collaborate with DPA to increase efficiency and decrease the cost of manual processing, including scanning?

Where feasible and cost effective, the department coordinates purchases with DPA on postage, scanning, and other processes that can be centrally provided.

10:30-11:00 UNEMPLOYMENT INSURANCE PAYMENTS

17. Please identify UI payments that are paid by the federal government, and discuss if the federal funds associated with administering federal benefit payments are sufficient to cover the administrative costs incurred by the Department.

All UI payments beyond the first 26 weeks are funded by the federal government. The federal government does provide funding for the Extended Benefit program in addition to the funding that they provide for the base workload. The federal government has flat-lined funding for UI activities in general and funding has been an ongoing issue. During recessionary periods the funding issue can be exacerbated.

18. Please describe the process used by the Department to discover and recover overpayments of UI benefits including: definition of fraud and non-fraud overpayments, how payments are discovered, the likelihood of recovering benefits, frequency of overpayments, timeline of when overpayments occur, and how the claimant can recognize the overpayment.

In 2010 based on data extrapolations approximately 17.6 % of all payments resulted in an improper payment (predominantly over payments) of UI benefits which totals approximately \$158M of the \$900M paid in state UI benefits. The \$158M is not discovered overpayments through our office but rather a statically derived figure approximating potential improper payments based upon a smaller sample size of overpayments.

Of that \$158M approximation, a very small portion (4%) was the result of fraud. Fraud overpayments differ from administrative overpayments in that fraud results from claimants knowingly providing false information or misrepresentations to continue to receive or increase UI benefits. Fraud overpayments incur penalties such as denial of future benefits for four weeks for every one week that were claimed fraudulently and a monetary 50% penalty tacked on top of the overpayment amount. Administrative overpayments are through no fault of the claimant and are caused by a variety of reasons not attributable to false information or misrepresentations.

Discovery of overpayments: *Administrative overpayments are caused by a variety of errors or decisions that result in a claimant being paid UI benefits to which they were not entitled. They can be established systematically by separation decisions, hearing officer reversals, claimant reporting errors, non response by employers on separations, availability decisions etc. and typically are the vast majority of overpayments.*

How overpayments are discovered: *In addition to the systematically established overpayment, we detect overpayments through a series of cross match systems by comparing UI benefit payment history with wage or new-hire date histories. They include Cross match; National Directory of New Hires; Tips from public and staff; and Amnesty programs.*

The division recovers of overpayments through:

- 1) Offset: intercepting future benefits to repay overpayment;*

2) *CDLE collector staff and DPA Central Collection Services (CCS) i.e. traditional bill collector techniques;*

3) *Criminal prosecution and judgments paid through courts.*

Likelihood of recovering overpayments: *approximately 44% of all overpayments are collected.*

Frequency of overpayments: *potentially daily. As a means to combat this issue we have increased staff in our Integrity Unit in functional areas that investigate fraud, perform quality assurance reviews on claims, discover and recover overpayments, as well in our claimant services unit that makes benefit determinations.*

Timeline of when overpayments occur: *from the beginning of the claim and throughout the history of the UI claim it is possible for an improper payment to occur.*

How can claimant recognize the overpayment: *Generally on cases reviewed the overpayment is uncovered by the division and the claimant is put on notice via mail for approximately 96% of all discovered overpayments. The small percentage of fraud overpayments in which claimants are misrepresenting or providing false information to get benefits should recognize they are committing fraud when they are requesting payment.*

- a. What penalties are assessed on non-fraud overpayments? How are non-fraud overpayments recovered if an individual moves out of state?

There are no penalties (monetary or time) for non-fraud overpayments. For individuals that move out of state with a debt to CO, standard collection procedures through CDLE and DPA apply.

- b. Please describe the audit process of UI benefit overpayments specific to work search requirements and identification (legal presence) requirements. How are these requirements verified by the Department?

Work Search: Claimants are required to keep a record of the job contacts they make for each week they request benefit payment. The UI Program's Benefit Payment Control (BPC) and Benefit Accuracy Measurement (BAM) units randomly audit claimants' work searches on a weekly basis. BPC audits the work search of 20 randomly selected claimants per week. BAM is a required federal

program that audit claims to determine if claimants were paid or denied benefits properly. The Colorado BAM program is required to audit 480 paid cases each year. As part of this review, a claimant's work search for a specific week for which benefits were paid is always examined.

As part of the work-search-verification process, both units request claimants to provide a record of verifiable work-search efforts that they made for a specified period of time. The information requested by both units includes the date of contact, employer name and contact information, name of person contacted, method of contact, and type of work sought. Once the information is received from the claimant, the employers included in the work-search record are contacted to verify the information provided by the claimant. The information received from the claimant and employers is reviewed to determine if the claimant met the work-search requirements.

Legal Presence: When an unemployment claim is filed, the claimant is asked if they are a U.S. Citizen or if they have legal authorization to work in the U.S. If the claimant indicates that he or she is not a U.S. Citizen, a verification process is initiated with the Department of Homeland Security through the Systematic Alien Verification for Entitlements (S.A.V.E.) database.

When an unemployment claim is filed, the claimant is also asked to provide a valid Colorado driver's license number or Colorado ID. Steps have been put into place to manually check the Department of Motor Vehicle (DMV) records when a number is either not entered by the claimant or is obviously an error. As a long term, comprehensive solution the UI program is in discussion with the Department of Revenue to perform batch ID verifications on all claimant license numbers.

- c. Is there a way to determine the cost to audit UI claimants for work search requirements; could the costs be justified by the reduction in overpayment of benefits?

Costs for BPC staff to audit claimants' work-search requirements might be approximated. Presently, two full-time employees devote approximately 40 percent of their time to perform work-search-verification activities. BAM staff spends approximately 10 percent of their time performing work-search-verification activities. (BAM is a federally required quality program of which work-search verifications are a small piece. Yearly BAM and BPC staffing funding levels are based on recommendations from USDOL for these units.) Using these efforts as a

baseline for possible projections, it would potentially take in the neighborhood of 1,600 FTE to fully verify work search requirement fulfillment of each claim. It is unlikely that the cost of supporting and funding these FTE could be justified.

19. Please provide a projection of how much revenue could be recovered by increasing the weekly benefit amount offset, pursuant to Section 8-79-102 C.R.S., to the following increments: 30 percent, 40 percent, 50 percent, 60 percent, 70 percent, 80 percent, 90 percent, and 100 percent.

Currently, Colorado statute actually provides for a 25% offset on prior year claim overpayments but claimants with overpayments from the current claim face a 100% offset of benefits. Further, fraud overpayments always face a 100% offset of future benefits. Consequently, given the current variance in possible benefit offset procedures for the various circumstances, it is not possible to do a linear projection to project possible savings from adjusting the offset practices. Additional time and data will be needed to fully model the possibilities.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. What is the Department's entire Information Technology (IT) budget for FY 2011-12 and FY 2012-13? Does the Office of Information Technology (OIT) manage the Department's entire IT budget? If not, what IT activities is the Department managing separate from OIT and what percentage is that of the entire IT budget for the Department for FY 2011-12 and FY 2012-13? Of the IT activities the Department still manages outside of OIT, what could be moved to OIT?

Nearly all IT-related personnel appropriations have been consolidated into the Governor's Office of Information Technology. IT-related professional services and operating expense budgets continue to reside in departments' individual appropriations, and have not been consolidated into OIT. At this time, it is expected that budgets for IT professional services and operating expenses will remain in the departments' individual appropriations. However, during this fiscal year, all IT procurements will be centralized through the Office of Information Technology (the OIT Storefront). For FY 2012-13, the Executive Branch believes this represents the most efficient division of IT-related appropriations to ensure that departments maintain appropriate discretion in making technology and program decisions. The Executive Branch will consider further consolidation of IT appropriations in future fiscal years.

	SB 11-209 Long	FY 12-13
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	Bill (FY 11-12 appropriation)	Request
Purchase of Services from Computer Center	\$6,647,650	\$7,817,267
Multiuse Network Payments	\$921,062	\$703,005
Management and Administration of OIT	\$439,118	\$455,316
Total OIT	\$8,007,830	\$8,975,588
Total Department	\$158,052,540	\$160,404,320
	5.1%	5.6%

The Department does have an IT Professional on staff and this person approved by OIT supports the Unemployment Insurance Telephony area. Any and all solicitations or needs do receive OIT approval and if needed, DPA approval. The Department always works within the Governor's OIT established policies and procedures for seeking OIT approval of any IT related purchases.

2. What hardware/software systems, if any, is the Department purchasing independently of the Office of Information Technology (OIT)? If the Department is making such purchases, explain why these purchases are being made outside of OIT.

The department coordinates and partners with OIT on IT purchases throughout the department.

3. Please list and briefly describe any programs that the Department administers or services that the Department provides that directly benefit public schools (e.g., school based health clinics, educator preparation programs, interest-free cash flow loan program, etc.).

No public school related programs within the department of Labor and Employment.