

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 SUPPLEMENTAL: DEPARTMENT OF LABOR AND EMPLOYMENT

PRIORITIZED AND NON-PRIORITIZED REQUESTS

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

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**DEPARTMENT OF LABOR AND EMPLOYMENT
FY 2007-08 SUPPLEMENTAL RECOMMENDATION
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	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

DEPARTMENT OF LABOR AND EMPLOYMENT
Executive Director: Donald J. Mares

Supplemental #1 - Public School Construction

(1) Executive Director's Office

S.B. 04-257 Amortization Equalization Disbursement	<u>414,686</u>	<u>724,829</u>	<u>2,179</u>	<u>2,179</u>	<u>727,008</u>
General Fund	2,168	0	0	0	0
Cash Funds	160,970	326,494	2,179	2,179	328,673
Cash Funds Exempt	27,188	55,140	0	0	55,140
Federal Funds	224,360	343,195	0	0	343,195

S.B. 06-235 Supplemental Amortization Equalization

Disbursement	<u>0</u>	<u>151,006</u>	<u>1,020</u>	<u>1,020</u>	<u>152,026</u>
General Fund	0	0	0	0	0
Cash Funds	0	68,020	1,020	1,020	69,040
Cash Funds Exempt	0	11,487	0	0	11,487
Federal Funds	0	71,499	0	0	71,499

(4) Division of Oil and Public Safety

Personal Services	3,574,084	4,042,488	151,928	151,928	4,194,416
FTE	<u>52.0</u>	<u>57.1</u>	<u>2.5</u>	<u>2.5</u>	<u>59.6</u>
General Fund	0	0	0	0	0
Cash Funds	1,092,591	1,235,781	151,928	151,928	1,387,709
Cash Funds Exempt	1,982,467	2,242,280	0	0	2,242,280
Federal Funds	499,026	564,427	0	0	564,427

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Operating Expenses	<u>467,160</u>	<u>469,126</u>	<u>40,220</u>	<u>40,220</u>	<u>509,346</u>
General Fund	0	0	0	0	0
Cash Funds	322,325	323,681	40,220	40,220	363,901
Cash Funds Exempt	144,835	145,445	0	0	145,445
Federal Funds	0	0	0	0	0
Total for Supplemental #1	4,455,930	5,387,449	195,347	195,347	<u>5,582,796</u>
FTE	<u>52.0</u>	<u>57.1</u>	<u>2.5</u>	<u>2.5</u>	<u>59.6</u>
General Fund	2,168	0	0	0	0
Cash Funds	1,575,886	1,953,976	195,347	195,347	2,149,323
Cash Funds Exempt	2,154,490	2,454,352	0	0	2,454,352
Federal Funds	723,386	979,121	0	0	979,121
Supplemental #2 - Funding for the WELLS Center					
<i>(2) Division of Employment and Training, (C) Employment and Training Programs</i>					
State Operations	<u>12,326,589</u>	<u>13,071,968</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>14,471,968</u>
General Fund	0	0	0	0	0
Cash Funds	6,514,843	6,424,488	0	0	6,424,488
Cash Funds Exempt	11,433	9,600	0	0	9,600
Federal Funds	5,800,313	6,637,880	1,400,000	1,400,000	8,037,880

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #3 - Technical Petroleum Storage Tank Indirect Cost Adjustment					
<i>(1) Executive Director's Office</i>					
Legal Services for 7,741 hours	<u>461,998</u>	<u>568,968</u>	<u>1,625</u>	<u>1,625</u>	<u>570,593</u>
General Fund	2,415	0	0	0	0
Cash Funds	179,335	256,288	1,625	1,625	257,913
Cash Funds Exempt	30,290	43,283	0	0	43,283
Federal Funds	249,958	269,397	0	0	269,397
Supplemental #4 - Unemployment Insurance Postage					
<i>(2) Division of Employment and Training, (A) Unemployment Insurance Programs</i>					
Program Costs	<u>25,362,424</u>	<u>31,380,529</u>	<u>0</u>	<u>0</u>	<u>31,380,529</u>
General Fund	0	0	0	0	0
Cash Funds	2,145,108	3,362,800	0	0	3,362,800
Cash Funds Exempt	0	0	0	0	0
Federal Funds	23,217,316	28,017,729	0	0	28,017,729
Previously Approved 1331 Supplemental - Public School Inspection					
<i>(4) Division of Oil and Public Safety</i>					
Personal Services	3,574,084	4,042,488	262,412	262,412	4,304,900
FTE	<u>52.0</u>	<u>57.1</u>	<u>0.0</u>	<u>0.0</u>	<u>57.1</u>
General Fund	0	0	0	0	0
Cash Funds	1,092,591	1,235,781	262,412	262,412	1,498,193
Cash Funds Exempt	1,982,467	2,242,280	0	0	2,242,280
Federal Funds	499,026	564,427	0	0	564,427

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Operating Expenses	<u>467,160</u>	<u>469,126</u>	<u>8,860</u>	<u>8,860</u>	<u>477,986</u>
General Fund	0	0	0	0	0
Cash Funds	322,325	323,681	8,860	8,860	332,541
Cash Funds Exempt	144,835	145,445	0	0	145,445
Federal Funds	0	0	0	0	0
Total for Public School Inspection Supplemental	4,041,244	4,511,614	271,272	271,272	4,782,886
FTE	<u>52.0</u>	<u>57.1</u>	<u>0.0</u>	<u>0.0</u>	<u>57.1</u>
General Fund	0	0	0	0	0
Cash Funds	1,414,916	1,559,462	271,272	271,272	1,830,734
Cash Funds Exempt	2,127,302	2,387,725	0	0	2,387,725
Federal Funds	499,026	564,427	0	0	564,427
Totals Excluding Pending Items					
DEPARTMENT OF LABOR AND EMPLOYMENT					
TOTALS for ALL Departmental line items	142,271,320	158,206,798	1,868,244	1,868,244	160,075,042
FTE	<u>1,080.6</u>	<u>1,097.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,097.0</u>
General Fund	107,736	0	0	0	0
Cash Funds	30,522,654	35,974,775	468,244	468,244	36,443,019
Cash Funds Exempt	15,907,669	20,408,752	0	0	20,408,752
Federal Funds	95,733,261	101,823,271	1,400,000	1,400,000	103,223,271
Statewide Supplementals (see narrative for more detail)	<u>N.A.</u>	<u>N.A.</u>	<u>73,817</u>	<u>Pending</u>	<u>N.A.</u>
General Fund			0		
Cash Funds			31,917		
Cash Funds Exempt			6,264		
Federal Funds			35,636		

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Totals Including Pending Items in Request					
DEPARTMENT OF LABOR AND EMPLOYMENT					
TOTALS for ALL Departmental line items	142,271,320	158,206,798	1,942,061	1,868,244	160,075,042
FTE	<u>1,080.6</u>	<u>1,097.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,097.0</u>
General Fund	107,736	0	0	0	0
Cash Funds	30,522,654	35,974,775	500,161	468,244	36,443,019
Cash Funds Exempt	15,907,669	20,408,752	6,264	0	20,408,752
Federal Funds	95,733,261	101,823,271	1,435,636	1,400,000	103,223,271

Key:

"N.A." = Not Applicable

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Supplemental # 1 - Public School Construction

	Request	Recommendation
Total	<u>\$195,347</u>	<u>\$195,347</u>
FTE	2.5	2.5
General Fund	0	0
Cash Funds	195,347	195,347
Cash Funds Exempt	0	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
Staff and the Department agree that the request is the result of new data that results in substantial changes in funding needs.	

Department Request: The Department requests \$195,347 cash funds and 2.5 FTE for additional staff and operating expenses to expand the inspection program for public school construction projects. This request annualizes to \$645,880 and 10.0 FTE in FY 2008-09.

Staff Recommendation: Staff recommends that the committee approve the Department's request based on the following analysis.

The Department's Division of Oil and Public Safety is charged by statute [Sections 22-32-124 and 23-71-122, C.R.S.] with oversight of construction projects for K-12 public schools and junior (community) colleges in Colorado. The Division is responsible for adopting building code standards, reviewing and approving building construction plans, issuing permits, inspecting the schools throughout to construction phase to ensure code compliance, and issuing final certificates of occupancy. The projects include new schools, additions, remodeling work, and associated freestanding structures.

The State Auditor conducted a performance audit of the Public Safety Division and issued the final report in June, 2007. The report found several serious deficiencies within the public school construction review and inspection program. The report identified weaknesses in all areas of the program due to insufficient resources and expertise within the Division. An emergency supplemental request for \$271,272 was submitted and approved in August, 2007 that provided for an immediate but temporary solution to the shortcomings identified in the Auditor's report. The request described here represents a permanent solution.

In accordance with the Auditor's recommendations, the Department evaluated the options available to it in conjunction with a group of representative stakeholders. These stakeholders included public school districts, local fire marshals, building inspectors for local jurisdictions, affected State departments, and architectural

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consultants. The group met at least twice per month for four months to assist the Division in developing rules, proposed statutory provisions, and program implementation details, including the level of resources required. Major results from the stakeholder group are listed here; some of these will require statutory changes. The necessary legislation will be sponsored by the Audit Committee.

- Inspections will be delegated to local jurisdictions wherever possible. As part of this process, local jurisdictions will negotiate a Memorandum of Agreement with the Division in which they would agree to adopt the same codes and rules that the State adopts. Without such delegation, the Division a significantly greater increase in FTE.
- The Division will contract with third-party inspection agencies from which school districts may select and pay for qualified inspectors to perform the bulk of the necessary inspections. School districts may also choose to obtain inspections from independent qualified third-party contractors. The role of the Division will be primarily limited to oversight and quality control.
- The Division will perform a key inspection the construction phase of each of the approximately 400 projects that occur in the state each year, and will conduct the final inspection for every project. The Division will conduct the inspections for annual permits at approximately 100 schools each year. Quality control inspections will occur at approximately 200 projects delegated to local jurisdictions each year. The Division anticipates that 4.0 Inspector III FTE will be required to conduct this work.
- The stakeholder group decided that third-party plan reviews should not be allowed. Review of approximately 400 plans each year, plus additional reviews required for larger projects, are estimated to require 3.0 additional General Professional IV FTE. Higher job levels are proposed for both inspectors and plan reviewers because of the need to hire from the limited pool of people with both technical certification and relevant experience.
- The audit also identified areas where technical assistance by the Division is necessary, including verification that approved plans are at the construction site, providing copies of reports to necessary parties, maintaining files and reviewing those files for quality control purposes. The Division anticipates that 3.0 Administrative Assistant III FTE will be required to conduct the broad range of support activities required.

The Department's estimates of expenses for this expansion of the program is summarized in the following table. The Department has stated their belief that the necessary staff can be hired by April 1, 2008. Operating expenses for FY 2007-08 include one-time start-up expenses. Staff's opinion is that the estimates are reasonable for the described positions and work load, and that the hiring schedule is feasible.

Item	FY 2007-08	FY 2008-09
Personal Services	155,127	620,164
Operating Expenses	40,220	25,716

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Item	FY 2007-08	FY 2008-09
Total	\$197,354	\$647,888

The Department proposes to fund the increased activities by raising its filing and inspection fees, revenues from which are deposited in the Public Safety Fund. A temporary increase in these fees was included as part of the 1331 emergency supplemental. This proposal provides a permanent increase estimated to generate \$650,000 per year in additional revenue. The proposed fee increases do not fully cover the FY 2007-08 expenses (this is a result of the fact that fee revenue is not received uniformly over the fiscal year), but fund reserves appear to be adequate to make up the difference.

The first three months of the new permanent employees tenure will overlap with the temporary workers funded by an emergency supplemental request approved in August, 2007 (that supplemental is discussed later in the packet). Staff discussed the possibility of reducing the FY 2007-08 funding needed for this request to reflect that temporary workers would no longer be needed. The Department has indicated that there are no available savings from that overlap. The workload associated with the emergency request was heavily front-loaded both to meet school districts needs to complete projects prior to the beginning of the school year and to address the backlog of work that had accumulated. The Department believes that some of the temporary workers performing plan review will need to remain in place while permanent employees are being trained in order to avoid causing a new backlog to occur.

The programmatic changes have been approved by a group that represents all of the relevant stakeholder groups. If the request is not fully funded, the Department will be unable to staff the program at the level necessary to conduct all of the activities identified by the stakeholder group. The identified expenses appear to staff to be reasonable. The funding sources appear to be sufficient and stable in the long term. The necessary statutory changes to allow those programmatic changes have been approved by the Audit Committee. **Staff recommends the Committee approve the Department's request.**

Supplemental # 2 - Funding for the WELLS Center

	Request	Recommendation
Total	<u>\$1,400,000</u>	<u>\$1,400,000</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	0	0
Federal Funds	1,400,000	1,400,000

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Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?

YES

[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]

Staff and the Department agree the request is the result of new data resulting in a substantial change in funding needs.

Department Request: The Department requests spending authority for \$1.4 million in federal funding (Reed Act funds) for FY 2007-08, with roll-forward authority through FY 2009-10, for operation of the Work, Education, and Lifelong Learning and Simulation (WELLS) Center. The Reed Act funds will refinance \$1.4 million of the current Employment Support Fund (ESF) appropriation and the ESF funds will be used for the WELLS Center.

Staff Recommendation: Staff recommends the Committee approve the Department's request, including roll-forward authority, based on the following analysis.

The Colorado Department of Labor and Employment (CDLE) received a \$1.6 million grant from the U.S. Department of Labor under the President's High Growth Job Training Initiative. This grant, along with in-kind contributions from several partners funded the development of the Work, Education, and Lifelong Learning and Simulation (WELLS) Center at the Fitzsimons Bio-Sciences Park. The goals of the initiative were to increase the number of trained faculty to support increased demand for healthcare education and to train new and incumbent workers in healthcare occupations; to improve the quality of the healthcare workforce; and to reduce training time within the healthcare industry. The WELLS Center provides state-of-the-art patient simulation tools for building clinical knowledge for nursing students in critical care and operating room environments. High-speed datacasting technology supports the ability to access portions of the training capability at locations throughout Colorado.

The WELLS Center is a statewide collaboration among industry partners, healthcare educators and the Workforce system. A Governance Board of executives from each of these areas was formed in 2007, co-chaired by Don Mares, Executive Director of the CDLE, and Joyce Cashman, Executive Vice-President for the University of Colorado Hospital. This Board seeks to have the Center fully supported by fee-for-service by FY 2011; target customers are hospitals and other healthcare providers. The U.S. Department of Labor initially promised an additional \$1.4 million to continue development and operation of the Center during the transition to the fee-for-service funding arrangement. Due to Congressional budget cuts, the promised funding is no longer available. Partner contributions during the transition are estimated to be \$136,000 and in-kind contributions to be \$600,000, and the CDLE is also seeking other grants. However, additional reliable funding sources are still required.

The Colorado Center for Nursing Excellence estimates that demand for registered nurses in Colorado will total 15,000 positions over the next 10 years. The vast majority of openings are anticipated to be new jobs, rather than replacements. In 2005, average hourly wages for registered nurses in Colorado exceeded \$25. Healthcare educators in Colorado have identified limited opportunities for clinical rotations as one of the bottlenecks in nurse training. Simulated clinical situations provided by the WELLS Center address this bottleneck. Some education programs in the state now allow time spent in the simulated environment to

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replace a portion of the traditional field rotations. Early simulation experience may also improve the value of field rotations because the students are better prepared. Since the Center opened in 2005, it has served more than 6,000 clients through a variety of activities.

The WELLS Center is funded through the Division of Employment and Training, Employment and Training Programs, Program Costs line. The Department proposes to use \$1.4 million of the current appropriation to that line item from the state Employment Support Fund (ESF) for the WELLS Center funding. The ESF funds would be backfilled with an additional appropriation of \$1.4 million in federal Reed Act funds. Employment training programs are an allowed use of Reed Act funds, and there are currently about \$8.0 million in Reed Act funds available to the Department. The Department further requests roll-forward spending authority for the \$1.4 million in Reed Act funds through FY 2009-10. Alternative sources of funds that could be considered include federal Workforce Investment Act or Wagner-Peyser funds. WIA discretionary funds in particular fund programs established by the Colorado Workforce Development Council at the local, regional, and state level; increased use of such funds for the WELLS Center would result in fewer funds for other CWDC initiatives.

The WELLS Center directly addresses a significant worker training problem faced by Colorado employers. The Center's governance now includes the Department, the State's health educators, and representatives from the healthcare industry. The early operation of the Center appears to be successful, and there appears to be a reasonable chance that the Center will be self-sufficient based on fees received for its training services by FY 2010-2011. The roll-forward authority requested for the appropriation will allow the Department to commit to the funding required to operate the Center until that time. Federal Reed Act funds are available to cover the shortfall created by the inability of the U.S. Department of Labor to deliver previously promised funds. **Staff recommends the Committee approve the Department's request, including roll-forward authority.**

Supplemental # 3 - Technical Petroleum Storage Tank Indirect Cost Adjustment

	Request	Recommendation
Total	<u>\$1,625</u>	<u>\$1,625</u>
General Fund	0	0
Cash Funds	1,625	1,625
Cash Funds Exempt	0	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	

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Staff and the Department agree the request is the result of a technical error in an appropriation.

Department Request: The Department requests an appropriation of \$1,625 in cash funds to the Legal Services line item in the Executive Director's Office to correct a technical omission in the appropriations clause of H.B. 07-1228.

Staff Recommendation: Staff recommends the Committee approve the Department's request based on the following analysis.

S.B. 05-39 established the Petroleum Storage Tank Fund as an enterprise fund for TABOR purposes. Spending authority for centrally appropriated expenditures requires, as a result, two appropriations within the Department of Labor and Employment: a cash funds exempt appropriation in the Division of Oil and Public Safety and a cash funds appropriation in the Executive Director's Office. In the case of expenses for legal services, a third cash funds exempt appropriation in the Department of Law is also required. In the appropriations clause for H.B. 07-1228, staff inadvertently excluded the necessary cash funds appropriation for Legal Services to the Executive Director's Office. This is a technical correction: no actual increase in spending is involved. **Staff recommends the Committee approve the Department's request to correct this technical error.**

Supplemental # 4 - Unemployment Insurance Postage

	Request	Recommendation
Total	<u>\$0</u>	<u>\$0</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	0	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	

Staff and the Department agree that the request is the result of new data resulting in a substantial change in funding needs.

Department Request: The Department requests no additional spending authority, but has submitted this request to accompany a non-prioritized request made by the Department of Personnel and Administration.

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Staff Recommendation: Staff recommends that the Committee approve the Department's request based on the following analysis.

The U.S. Department of Labor pays for postage expenses incurred by several programs administered by the Colorado Department of Labor and Employment (CDLE), including unemployment insurance, foreign labor certification and trade adjustment assistance. Historically, such expenses were handled by providing mail meters which were loaded with postage directly by the federal government. The U.S. Department of Labor has adopted a new method, and now pays these expenses as part of the states' unemployment insurance program costs. Under this new arrangement, the CDLE will make use of the Department of Personnel and Administration's (DPA's) centralized mail services. DPA has submitted a non-prioritized supplemental request for \$950,067 cash funds exempt spending authority for FY 2007-08 (\$1,266,756 for FY 2008-09) to cover these costs. Those cash funds exempt reflect the transfer of federal funds received by CDLE for postage expenses.

Federal funds for the administration of the state unemployment insurance program are not appropriated, but are shown in the Long Bill for informational purposes. While the new method for handling postage expenses increases the federal funds provided to Colorado for unemployment insurance expenses, other factors have resulted in a net decrease in the total federal unemployment insurance administration funds that Colorado will receive in state FY 2007-08. Due to the net reduction, the Department will be spending less than the amount shown in the Long Bill even after postage expenses are added. For this reason, no increase in the Long Bill informational appropriation is sought. However, the Office of State Planning and Budgeting feels that the Committee should approve a prioritized request in the CDLE that corresponds to the non-prioritized request in DPA.

The Department is pursuing a number of measures, including methods for reducing postage expenses, to absorb the overall shortfall in federal funding. In discussions with staff, the Department has indicated that they believe they can successfully absorb the shortfall. **Staff recommends the Committee approve the Department's request.**

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Previously Approved 1331 Supplemental - Public School Inspection

	Previously Approved	Current Staff Recommendation
Total	\$271,272	\$271,272
General Fund	0	0
Cash Funds	271,272	271,272
Cash Funds Exempt	0	0
Federal Funds	0	0

Description of Supplemental: The problems with the program for inspecting public school construction projects were described previously in this packet. Many school construction projects are scheduled for the summer months, when school is not in session. In order to accommodate these scheduling needs, the Department requested emergency supplemental funding for increased staffing using temporary employees. Temporary, rather than permanent employees were used because the Department was still working with all of the interested parties to determine the form of a long-term solution to the problem.

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet. These items will be acted on separately by the JBC when it makes a decision regarding common policies.

Department of Labor and Employment Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
1. Workers' Compensation	(\$117,170)	\$0	(\$52,760)	(\$8,911)	(\$55,499)	0.0
2. Purchase of Services from the Computer Center	253,034	0	114,017	19,155	119,862	0.0
3. Multiuse Network Payments	(14,818)	0	(6,950)	(459)	(7,409)	0.0
4. Risk Management	(41,798)	0	(18,821)	(3,179)	(19,798)	0.0
5. Vehicle Lease Payments	(2,239)	0	(1,008)	(170)	(1,061)	0.0
6. Capitol Complex Leased Space	(1,239)	0	(558)	(94)	(587)	0.0
7. Communication Services Payments	271	0	122	21	128	0.0
8. ALJ Services	(2,224)	0	(2,125)	(99)	0	0.0
Total Statewide Supplemental Requests for Department of Labor and Employment	73,817	0	31,917	6,264	35,636	0.0

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Staff Recommendation: The staff recommendation for these requests is pending Committee approval of common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the Committee approves this common policy supplemental. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.
