JOINT
BUDGET
COMMITTEE

STAFF BUDGET BRIEFING
FY 2021-22

DEPARTMENT OF LABOR AND EMPLOYMENT

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2019 and 2020 legislative sessions that had a fiscal impact on this department are available in Appendix A of the annual Appropriations Report: https://leg.colorado.gov/publications/appropriations-report-fiscal-year-2020-21

The online version of the briefing document, which includes the Numbers Pages, may be found by searching the budget documents on the General Assembly's website by visiting leg.colorado.gov/content/budget/budget-documents. Once on the budget documents page, select the name of this department's *Department/Topic*, "Briefing" under *Type*, and ensure that *Start date* and *End date* encompass the date a document was presented to the JBC.

DEPARTMENT OF LABOR AND EMPLOYMENT

DEPARTMENT OVERVIEW

The Colorado Department of Labor and Employment (CDLE) administers seven divisions. A brief description of each division and its functions is provided below.

- Executive Director's Office
  - Provides administrative and technical support for Department's divisions and programs including accounting, budgeting, and human resource functions.
- Division of Unemployment Insurance
  - Collects unemployment insurance premiums and surcharges from employers; administers the payment of unemployment insurance benefits to claimants; and conducts audits and investigations to ensure proper payment of premiums and benefits.
- Division of Employment and Training
  - The Division of Employment and Training administers the following programs:
    - *Workforce Development Centers* assist job seekers with job training and placement. Workforce Centers provide a variety of free services to assist job seekers and employers including: job listings; computer and internet access; career counseling and training; recruitment, pre-screening, and referral services; tax credits for employers; and training reimbursement for employers.
    - The *Workforce Development Council* provides workforce policy recommendations; designates local workforce investment areas; coordinates the delivery of workforce development programs; and reviews the allocation of federal Title 1 funds for adult employment and training activities and for youth activities.
- Division of Labor Standards and Statistics
  - Administers employment and labor laws pertaining to wages paid, hours worked, minimum wage, labor standards, child labor, employment-related immigration laws, and working conditions. It also conducts all union agreement elections, certifications of all-union provisions, and investigates and mediates allegations of unfair labor practices.
  - The *Labor Market Information* sub-division provides annual and monthly information on general labor market trends including unemployment rates, industry trends, and employee compensation by region and industry.
- Division of Oil and Public safety
  - Establishes and enforces rules, regulations, and statutes that govern amusement rides and devices; explosives; boilers; conveyances; fuel products; underground and aboveground petroleum storage tanks; cleanup of petroleum spills; and reimbursement of cleanup costs to qualifying storage tank owners/operators.
- Division of Workers' Compensation
  - Oversees workers' compensation injury claims and compliance, mediates disputes, and administers the Medical Disasters (injuries prior to 1971), Major Medical (injuries from

1971-1981), and Subsequent Injury (more than one industrial injury or injury at more than one employer) Insurance Programs.

- Division of Vocational Rehabilitation
  - Oversees vocational rehabilitation programs designed to enable individuals with any type of disability to participate in the workforce. These programs include Vocational Rehabilitation Services, School-to-Work Alliance Program, Vocational Rehabilitation Mental Health Services, Independent Living Services, Business Enterprises Program for Individuals who are Blind, and the Business Enterprises Program.

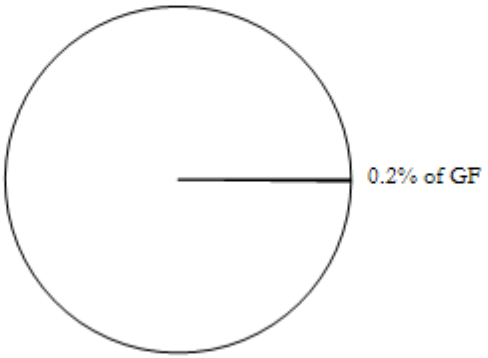
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 [1]
General Fund	$19,475,174	$25,519,883	$18,494,327	$19,054,990
Cash Funds	80,841,770	82,643,259	81,509,312	81,229,127
Reappropriated Funds	7,521,018	10,092,733	6,388,200	6,306,397
Federal Funds	151,711,122	153,713,234	159,309,764	160,592,144
TOTAL FUNDS	**$259,549,084**	**$271,969,109**	**$265,701,603**	**$267,182,658**
Full Time Equiv. Staff	1,280.6	1,292.8	1,290.7	1,298.4

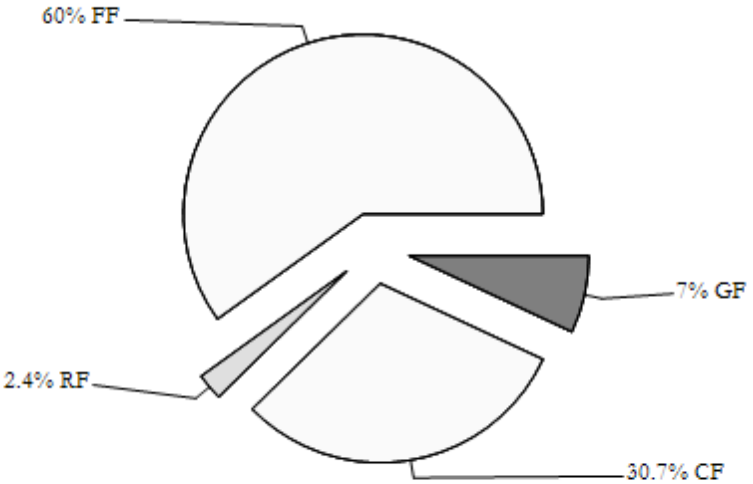
[1]Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

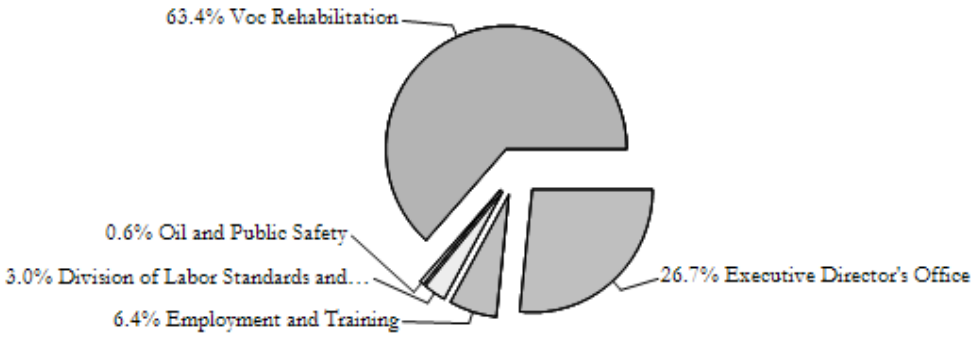


Department Funding Sources

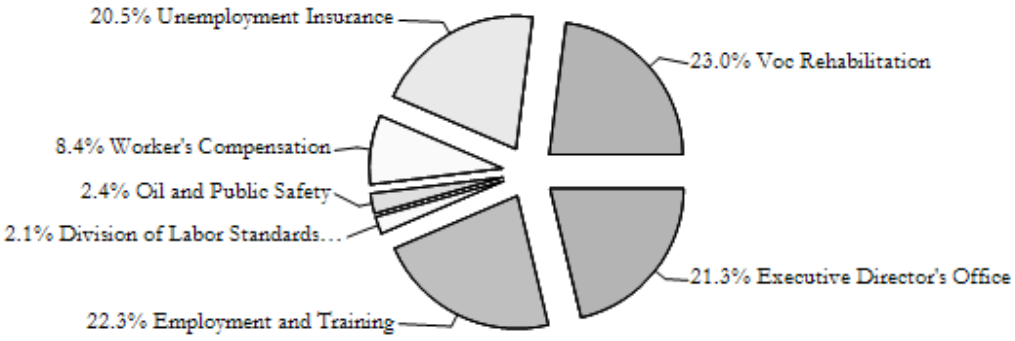


All charts are based on the FY 2020-21 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2020-21 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

Funding for this department consists of 7.0 percent General Fund, 30.7 percent cash funds, 2.4 percent reappropriated funds, and 60.0 percent federal funds. Some of the major factors driving the Department's budget are discussed below.

UNEMPLOYMENT INSURANCE PROGRAMS

The Unemployment Insurance Programs (UI Programs) provide temporary compensation to individuals who are laid off through no fault of their own. The appropriation for UI Programs in the Long Bill reflects the cost of administering the UI Programs. Pursuant to Section 8-77-104 (1), C.R.S., the funds used to pay benefits are not subject to appropriation by the General Assembly and do not appear in the Long Bill. Unemployment Insurance claims are paid from the Unemployment Insurance Trust Fund (UITF), which is derived from premiums paid by Colorado employers but resides in the federal treasury. The federal Unemployment Insurance Program maintains the UITF in conjunction with the State.

The appropriation for administering the UI Programs accounts for 20.5 percent of the Department's FY 2020-21 appropriation. About two-thirds of this is federal funds, while most of the balance is cash funds derived from a portion of employers' unemployment insurance premiums.

Economic cycles drive the demand for this program. In a healthy economy, the number of claims is lower, resulting in fewer benefits being paid. This both reduces the demand for state administrative activities and builds up the balance of the UITF. During challenging economic times, the number of claims and benefits paid increases, increasing administrative costs and reducing the balance of the UITF.

Due to the COVID-19 disaster emergency, unemployment spiked in the spring of 2020, rapidly increasing unemployment claims and spending down funds in the UITF. A total of $1,459,307,721 was paid out in benefits from the UITF during state fiscal year FY 2019-20, and, as of June 30, 2020, the balance in the UITF was $412,237,543. This compares with UITF benefit payments under $380.0 million in FY 2018-19 and a fund balance of $1.1 billion on June 30, 2019. Benefits payments in FY 2020-21 are also anticipated to be exceptionally high, and the UITF fell below a zero fund balance, becoming insolvent, during the summer of 2020, at which point the State began to rely on federal loans to make UI benefit payments.

The UITF is likely to remain insolvent and reliant on federal or private loans to make benefit payments for at least the next five years. However, changes in S.B. 20-207 (Unemployment Insurance) will help restore the UITF to solvency. This bill suspended the solvency surcharge (an additional employer payment) for CY 2021 and CY 2022 but substantially increases the taxable wage base used to calculate employers' unemployment insurance premiums beginning in CY 2022. Between CY 2021 and CY 2026, the taxable wage base will increase from $13,600 to $30,600. The increase is expected to restore the UITF to solvency by CY 2026 assuming a moderately strong economic recovery.

Although the state budget does not show unemployment insurance benefits, it shows related administrative expenses to the extent these are subject to appropriation or known at the time the budget is developed. Additional administrative costs related to the disaster emergency have thus far been covered by federal funds, which are not subject to appropriation. The FY 2020-21 Long Bill

includes an increase of $10.1 million federal funds, reflecting the minimum additional federal receipts that will be used to administer unemployment insurance programs in FY 2020-21.

WORKFORCE DEVELOPMENT PROGRAMS

These programs provide employment services for businesses and job training and placement services for job seekers through a network of state- and county-run one-stop workforce centers. Although most activities are supported with federal funds not subject to appropriation by the General Assembly, a portion is covered by state-appropriated cash funds. In addition, between FY 2013-14 and FY 2019-20, the General Assembly created various targeted workforce development programs in this division that receive state General Fund appropriations. Many, although not all, of these programs are eliminated in FY 2020-21 due to the sharp decline in available state revenues. General Fund appropriations for employment and training programs fell from $5.8 million in FY 2019-20 to $1.2 million in FY 2020-21. While funding for specialized training programs declined, the General Assembly provided a $2.0 million cash funds increase in FY 2020-21 for distribution to workforce centers to help address workforce placement and training needs resulting from the COVID-19 disaster emergency and related increases in unemployment. Employment and training programs account for 22.3 percent of the total Department appropriations and 6.4 percent of its General Fund appropriations in FY 2020-21.

LABOR STANDARDS PROGRAMS

Labor Standards is responsible for regulating employers' compliance with state labor laws. Appropriations for this division have increased in recent years, including in FY 2020-21, as a result of new or enhanced programs for worker protections and benefits. In FY 2020-21, this includes appropriations for S.B. 20-205 (Sick Leave for Employees), H.B. 20-1153 (Colorado Partnership for Quality Jobs and Services), and H.B. 20-1415 (Whistleblower Protection Public Health Emergencies), which together result in an increase of $802,317 total funds for the division.

WORKERS' COMPENSATION

Colorado employers are required to carry workers' compensation insurance to pay for medical expenses incurred during the treatment of work-related injuries and for partial wage replacement. The Division of Workers' Compensation provides services to support this mandate including customer service, claims resolution, employer and employee education, and cost containment programs. The budget for the Division of Worker's Compensation is driven by the number of workers injured in a given year and the number of hearings requested by an employer, insurance company, or injured worker to determine what benefits should be provided. The Workers' Compensation program offers claims intervention, mediation, pre-hearing conferences, settlement conferences, and arbitration to assist with dispute resolution. These administrative activities are supported by cash fund surcharges on workers' compensation premiums that are subject to appropriation by the General Assembly.

The Division also administers the Major Medical and Subsequent Injury programs, which provide benefits to individuals injured at work. The Major Medical program is available to industrial workers who sustained catastrophic injuries between 1971 and 1981. The Subsequent Injury program is designed to compensate employers for hiring an individual who has an existing partial disability. The injury must have been sustained before 1993 for traumatic injuries and before 1994 for occupational diseases. Funds for both programs are continuously appropriated pursuant Sections 8-46-202 (1)(c) and 8-46-101 (4)(b), C.R.S., respectively, and expenditures are dependent on claims processed during

the fiscal year. Funding for this division for FY 2020-21 is generally stable, as it is thus far uncertain how the disaster emergency will change the volume of workers' compensation claims.

DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

On July 1, 2016 the Department of Labor and Employment began administering services previously provided by the Department of Human Services in the newly created Division of Vocational Rehabilitation and Independent Living Services. This division, created in FY 2016-17, consists of two subdivisions: (A) Vocational Rehabilitation Programs and (B) Office of Independent Living Services.

(A) Vocational Rehabilitation Programs assist individuals whose disabilities result in barriers to employment or independent living with attaining and maintaining employment and/or independent living. At any of the 43 field and satellite offices located throughout the state, rehabilitation counselors work with clients to assess their needs and identify appropriate vocational rehabilitation services. Most vocational rehabilitation program services are subject to a prescribed match rate of 78.7 percent federal funds to 21.3 percent non-federal funds.

(B) The Office of Independent Living Services distributes funding to the nine Independent Living Centers in Colorado that provide services to individuals with significant disabilities. The goal of independent living services is to provide individuals with the resources and skills to live independently in the community. Funding for independent living services is primarily state General Fund.

This division accounts for 23.0 percent of the Department's total appropriations and 63.4 percent of its General Fund appropriations in FY 2020-21. The budget for this division has been affected in the past by the demand for vocational rehabilitation services. However, in the last few years, the budget has been driven more by discretionary decisions of the General Assembly to add or reduce General Fund support, the willingness of school districts and other entities to provide the match required for federal vocational rehabilitation funds, and the size of the annual federal grant available. For FY 2020-21, the General Fund appropriation for this division is affected by reductions to the General Fund appropriations for independent living centers.

SUMMARY: FY 2020-21 APPROPRIATION & FY 2021-22 REQUEST

DEPARTMENT OF LABOR AND EMPLOYMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2020-21 APPROPRIATION:						
HB 20-1360 (Long Bill)	273,448,021	21,714,537	81,583,758	9,699,764	160,449,962	1,283.1
Other legislation	(7,746,418)	(3,220,210)	(74,446)	(3,311,564)	(1,140,198)	7.6
TOTAL	**$265,701,603**	**$18,494,327**	**$81,509,312**	**$6,388,200**	**$159,309,764**	**1,290.7**
FY 2021-22 REQUESTED APPROPRIATION:						
FY 2020-21 Appropriation	$265,701,603	18,494,327	$81,509,312	$6,388,200	$159,309,764	1,290.7
R1 Launching Colorado's just transition	283,568	283,568	0	0	0	1.5
R2 Strengthening enforcement of Colorado labor law	99,622	0	99,622	0	0	0.0
R3 Realign hospitality education grant program	(401,947)	(401,947)	0	0	0	(0.5)
NP OIT budget request package	(554,323)	(136,015)	(418,308)	0	0	0.0
NP DPA Center for Organizational Effectiveness	20,978	0	20,978	0	0	0.0
Annualize prior year legislation	2,483,703	503,390	812,780	11,814	1,155,719	6.7
Annualize prior year budget actions	276,218	276,218	0	0	0	0.0
Centrally appropriated line items	(722,061)	35,449	(790,554)	(93,617)	126,661	0.0
Other	(4,703)	0	(4,703)	0	0	0.0
TOTAL	**$267,182,658**	**$19,054,990**	**$81,229,127**	**$6,306,397**	**$160,592,144**	**1,298.4**
INCREASE/(DECREASE)	$1,481,055	$560,663	($280,185)	($81,803)	$1,282,380	7.7
Percentage Change	0.6%	3.0%	(0.3%)	(1.3%)	0.8%	0.6%

R1 LAUNCHING COLORADO'S JUST TRANSITION: The Department requests $283,568 General Fund and 1.5 FTE in FY 2021-22 and ongoing to support implementation of Colorado's Just Transition Plan, which will be released by December 31 2020. The request will enable the Just Transitions Office to work with coal workers and communities across the State that are affected by the transition from coal-based power production by bringing the total appropriation for the Office to $442,920 and 3.5 FTE. The Just Transition Plan will be released in December 2020, setting the stage for the Office to begin implementation in late 2020-21. Outcomes of the Office are expected to include: a package of training, job search, and relocation support services for workers transitioning from a coal-based economy, similar to the federal Trade Adjustment Assistance program; assist affected communities in developing local transition program; and aligning and coordinating existing state programs to support local transition plans.

R2 STRENGTHENING ENFORCEMENT OF COLORADO LABOR LAW: The Department requests an ongoing increase of $99,622 cash funds spending authority from the Wage Theft Enforcement Fund for the Labor Standards Unit to support enforcement of Colorado labor law. The funding source derives from fines on employers who violate labor law. The request would be used to produce wage law informational materials in additional languages ($41,944), purchase software licenses for recently hired staff ($27,617), and increase payments for legal services to defend challenges to agency rulings ($30,051). The unit investigates an average of over 3,500 unpaid wage claims and responds to nearly 3,400 labor law inquiries annually. Based on new legislation, the Labor Standards Unit has added six

additional programs since 2019: H.B. 19-1025 (Limits on Job Applicant Criminal History Inquiries); Employer Provided Paid Sick Leave (S.B. 20-205); Whistleblowing and PPE During Public Health Emergencies (H.B. 20-1415); Colorado Partnership for Quality Jobs and Services (20-1153); Colorado Quality Apprenticeship Training Act of 2019 (S.B. 19-196). The request indicates that fiscal notes for these programs did not incorporate the related software license costs. It states that an increase in the diversity of the workforce is leading to an increased need for interpreter services to translate workplace posters and for witness testimony. Additionally, the agency anticipates an increase of 3-4 legal appeals annually, resulting in increased legal services costs.

R3 REALIGN HOSPITALITY EDUCATION GRANT PROGRAM: The request proposes to eliminate funding for the Hospitality Education Grant Program ($401,497 General Fund and 0.5 FTE). The program was created by S.B. 14-015 to expand development of the hospitality industry career pathway by awarding grants to hospitality programs operating in secondary schools. All funds have been awarded annually to the Colorado Restaurant Foundation for its two-year ProStart pre-apprenticeship program, which serves 50 schools statewide and enables high school students to obtain industry certification as food handlers and managers. Since 2015, more than 4,500 students have completed the program and almost 1,500 have received concurrent/dual enrollment credit from Metropolitan State University of Denver. The request notes that the program faces significant uncertainty due to the pandemic and states that other programs in the Department are better suited to supporting the struggling hospitality sector in the current environment.

NP OIT BUDGET REQUEST PACKAGE: The request includes a decrease for the Department's portion of various budget adjustments in the Governor's Office of Information Technology.

NP DPA CENTER FOR ORGANIZATIONAL EFFECTIVENESS: The request includes an increase for the Department's portion of increased support for the Center for Organizational Effectiveness in the Department of Personnel.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments for the second- and third-year impacts of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB 20-1379 Suspend direct distribution to PERA	$2,035,721	$126,776	$757,183	$11,564	$1,140,198	0.0
SB 19-196 Modification of procurement	294,900	294,900	0	0	0	4.4
HB 20-1153 Colorado partnership	68,934	0	68,934	0	0	0.6
SB 19-085 Equal pay for equal work	44,570	44,570	0	0	0	0.9
SB 20-205 Employer provided paid sick leave	35,293	35,293	0	0	0	0.8
SB18-200 PERA unfunded liability	27,588	1,851	9,966	250	15,521	0.0
HB 20-1415 Whistleblower protection	(18,600)	0	(18,600)	0	0	0.0
HB 19-1210 Local government minimum wage	(4,703)	0	(4,703)	0	0	0.0
TOTAL	**$2,483,703**	**$503,390**	**$812,780**	**$11,814**	**$1,155,719**	**6.7**

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request reverses the 5.0 percent reduction in funding for personal services that was applied in the health/life/dental line item of each department in FY 2020-21.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items outlined in the table below.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Health, life, and dental adjustment	$955,614	$132,270	$280,511	$29,697	$513,136	0.0
Payment to risk management / property funds adjustment	92,432	1,849	27,730	0	62,853	0.0
Leased space adjustment	60,346	0	60,346	0	0	0.0
Statewide indirect cost recoveries common policy adjustment	36,726	0	0	0	36,726	0.0
Capitol Complex leased space adjustment	4,375	0	4,375	0	0	0.0
Shift differential adjustment	1,656	0	0	0	1,656	0.0
Payments to OIT adjustment	(1,158,564)	(128,441)	(534,958)	(156,485)	(338,680)	0.0
ALJ adjustment	(393,977)	0	(393,977)	0	0	0.0
Legal services adjustment	(136,143)	(10,891)	(54,457)	0	(70,795)	0.0
CORE adjustment	(57,545)	0	(28,772)	0	(28,773)	0.0
PERA Direct Distribution	(41,823)	6,970	(37,020)	6,509	(18,282)	0.0
Workers' compensation adjustment	(28,150)	(1,126)	(7,882)	0	(19,142)	0.0
AED adjustment	(23,870)	17,394	(50,859)	13,146	(3,551)	0.0
SAED adjustment	(23,870)	17,394	(50,859)	13,146	(3,551)	0.0
Short-term disability adjustment	(9,142)	30	(4,732)	370	(4,810)	0.0
Vehicle lease payments adjustment	(126)	0	0	0	(126)	0.0
TOTAL	**($722,061)**	**$35,449**	**($790,554)**	**($93,617)**	**$126,661**	**0.0**

OTHER: The request includes other technical adjustments.

BUDGET REQUESTS AND EXECUTIVE ACTIONS IMPACTING FY 2020-21 – COVID-19 STIMULUS PACKAGE

The Governor's 2020 budget request includes items that will be formally submitted for consideration during the supplemental budget cycle that starts in January. These items reflect the Governor's FY 2020-21 COVID-19 Stimulus Package.

During the annual supplemental budget cycle, the Joint Budget Committee (JBC) does not have the same opportunity to discuss issues of interest directly with state agency staff as it does with budget requests submitted in November. Many of the proposed FY 2020-21 stimulus requests include substantial investments of General Fund. Committee members are encouraged to raise questions related to these proposals during this JBC staff briefing so that staff can include these items on the agency's budget hearing agenda. Beyond investigating the details or concerns with proposed changes, no action is required to be taken by the JBC at this time.

The Governor has also taken Executive Action to distribute stimulus funds through the Department of Labor and Employment prior to the beginning of the legislative session. While the legislature will not need to take action in this department related to this, staff has included it in the table and narrative below to facilitate discussion with the executive branch.

FY 2020-21 COVID-19 Stimulus Proposal -- To Be Acted on in January 20211[1]						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2020-21 APPROPRIATION						
HB 20-1360 (Long Bill)	$273,448,021	$21,714,537	$81,583,758	$9,699,764	$160,449,962	1,283.1
Other legislation	(7,746,418)	(3,220,210)	(74,446)	(3,311,564)	(1,140,198)	7.6
TOTAL	**$265,701,603**	**$18,494,327**	**$81,509,312**	**$6,388,200**	**$159,309,764**	**1,290.7**
FY 2020-21 PROPOSED COVID-19 STIMULUS						
FY 2020-21 Appropriation	$265,701,603	$18,494,327	$81,509,312	$6,388,200	$159,309,764	1,290.7
Benefits for low- and mid-income earners with job loss (distributed by executive order prior to legislative session; will not require legislative action in this department)	*168,000,000*	*168,000,000*	*0*	*0*	*0*	*0.0*
Plan for Workforce and Economic Recovery	25,000,000	25,000,000	0	0	0	0.0
TOTAL	**$458,701,603**	**$211,494,327**	**$81,509,312**	**$6,388,200**	**$159,309,764**	**1,290.7**
INCREASE/(DECREASE)	**$193,000,000**	**$193,000,000**	**0**	**0**	**0**	**0**
Percentage Change	72.6%	1,043.6%	n/a	n/a	n/a	n/a

[1] The General Fund amounts listed for the COVID-19 Stimulus Package above are reflected as General Fund appropriations, even if the proposal involves the *transfer* of General Fund to another fund. Details about the proposed funding mechanism are described below. The proposed Stimulus Package also includes budget requests for FY 2021-22, which do not appear in this table. Current request items are included in the Summary: FY 2020-21 Appropriation & FY 2021-22 Request table above.

FY 2020-21 COVID-19 STIMULUS PROPOSAL DESCRIPTIONS

BENEFITS FOR LOW- AND MID-INCOME EARNERS WITH JOB LOSS: On October 28, 2020, the Governor issued Executive Order D 2020 230, directing the Department of Labor and Employment to make one-time direct stimulus payments to qualifying individual experiencing economic hardship caused by the coronavirus disease (COVID-19). The order directs the department to make one-time direct stimulus payments of $375 to all qualifying individuals, defined as those who: (1) received at least $1 of unemployment insurance compensation during the period of time between March 15, 2020 and October 24, 2020; and (2) met eligibility requirements for a weekly benefit amount between $25 and $500 during the specified period. The order captures those who have received both federally-funded and state-funded benefits. The restriction on the weekly benefit amount earned is expected to direct the benefit to those with earnings under $52,000 per year. The payments are expected to be distributed to approximately 435,000 individuals in early December. The total cost, including the benefits and administration, is expected to be no more than $168,000,000.

The source of funding is the Disaster Emergency Fund, into which the Governor has authority to transfer funds. Most of the funds ($148.9 million) are from FY 2020-21 appropriations for Medical Services premiums in the Department of Health Care Policy and Financing, based on lower-than-expected growth in the Medicaid population, while $5.3 million is transferred into the Disaster Emergency Fund from the Controlled Maintenance Trust Fund. The legal basis for grants to individuals is Section 24-33.5-1106, C.R.S., which allows the Governor to make grants of up to $5,000 to meet the needs of individuals or families adversely affected by a major disaster, which cannot be otherwise adequately met from other means of assistance.

PLAN FOR WORKFORCE AND ECONOMIC RECOVERY: The request includes an increase of $25.0 million General Fund in this department for job training services and scholarships for displaced

workers. In this department, the proposal is to distribute $25.0 million in funding through the state's 57 workforce centers to provide training services including: occupational skills training, on-the-job training, apprenticeships, incumbent worker training, skill upgrading and retraining, entrepreneurial training, and adult education and family literacy services when needed. The workforce centers are located in the 10 designated local workforce areas to which the State distributes state and federal funds. Nine of the workforce areas are managed by counties, while the tenth is a rural consortium area that is managed by the State. Training services are funded through the Workforce Innovation and Opportunity Act (WIOA) federal funds shown in this department, as well as Pell Grants, partner programs, and other state and local grants. In program year 2017-18, the most recent for which information is available, 6,953 individuals were enrolled in training programs, with 76.0 percent of them subsequently finding employment.

The request indicates that the Department will offer two-year grants to local workforce boards to begin February 2021. Of the amount provided, 90 percent will be used to provide training awards and wraparound services; 10 percent will be used to hire or modify an existing position to provide programming/services to support individuals accessing training. Training funds will target short-term (up to 6 months) training programs that lead to industry-recognized credentials related to Top Jobs identified in the 2020 Talent Pipeline Report or other in-demand industries determined in collaboration with the Governor's Office of Economic Development and International Trade. The program may also provide short-term training to improve clients' ability to work remotely or use technology.

JBC Staff Notes: The data below provide basic background on the funding and services of the workforce centers, which provide both general resource and referral services to a large number of unemployed workers and more targeted training services for a fall smaller number, based on resources available.

The table below is based on actual FY 2018-19 data provided to staff last year that shows the dollars distributed by the State to workforce centers and individuals for general "resource and referral" and more targeted services. Note that *in FY 2020-21, the General Assembly increased the state cash funds appropriation by $2,000,000*. Staff therefore anticipates that FY 2020-21 state funding, before the requested supplemental and/or any additional federal stimulus funding, will represent 22-25 percent of total funding for the program.

FY2018-19 Workforce Center Funding and Services		
	Amount	Individuals Served
Resource & Referral Support		
State CF - Employment Support Funds	$7,829,126	
Federal Funds - Wagner Peyser	10,021,124	
Subtotal - Resource and Referral Support	**$17,850,250**	**200,314**
Federal Funds - WIOA for Intensive Services		
Adult	7,397,094	3,095
Dislocated Worker	6,102,421	1,237
Youth	7,952,674	2,612
Subtotal - Targeted Services (WIOA)	**$21,452,189**	**6,944**
Individuals receiving training funds (subset of targeted)		**3,187**
Total Funding	**$39,302,438**	

The following table, based on FFY 2017-18 submissions to federal authorities shows costs per client served for federal funds expended (excludes state funds).

FEDERAL FY 2018 WIOA EXPENDITURE AND PERFORMANCE DATA FOR WORKFORCE CENTERS				
	PARTICIPANTS	FF FUNDS EXPENDED	COST PER PARTICIPANT	RESULTING EMPLOYMENT RATE
Adult	$3,189	$7,268,095	$2,279	78.2%
Dislocated worker	1,438	9,522,137	6,622	79.3%
Youth	2,607	7,639,064	2,930	69.1%
Resource/Referral (Wagner-Peyser)*	74,492	11,096,224	149	61.2%
Total	**$81,726**	**$35,525,520**	**$435**	

*Federal data does not include online contacts for resource and referral and thus shows fewer served than state data

Staff observations:

- Assuming the cost per client served is $6,622 (the amount for dislocated workers above), staff would anticipate that the $25.0 million requested might serve 3,775 individuals--a small number given the scale of state unemployment. The Department might spend less per person and serve more individuals, but plans at this point are unclear.
- An increase of $25.0 million represents a large increase from the $40-$45 million that has been available to workforce centers in recent years. It seems plausible that spending an additional $25.0 million will take at least two years, even if only a modest number of individuals is served.
- **The Department has not thus far provided staff with any data on the current FY 2020-21 demand for Employment and Training programs**. The General Assembly added $2.0 million in state cash funds for FY 2020-21 in the expectation that there would be greater demand this year due to the pandemic. No data has been provided on where the State stands now in use of these funds.

INFORMATIONAL ISSUE: 2020 SESSION BUDGET BALANCING ACTIONS

In response to the budget challenges in the 2020 Session, the Joint Budget Committee and the General Assembly took actions that reduced the 2020-21 General Fund appropriations to the Department by $5.0 million (27.5 percent). These adjustments contributed to the net decrease in the Department's General Fund and total funds budget for FY 2020-21. The General Assembly also transferred $9.5 million from Department cash funds to the General Fund, assisting the General Assembly in balancing the budget statewide.

SUMMARY

FY 2019-20 Budget

- Provisions in H.B. 20-1406 transferred $5.5 million from Department cash funds to the General Fund in FY 2019-20.

FY 2020-21 Budget

- For FY 2020-21, the General Assembly's actions included $5.0 million in General Fund reductions in the Department of Labor and Employment, although increases in cash funds appropriations offset $650,000 of that decrease for specific programs.

- Provisions in H.B. 20-1406 transferred an additional $4.0 million from Department cash funds to the General Fund in FY 2020-21.

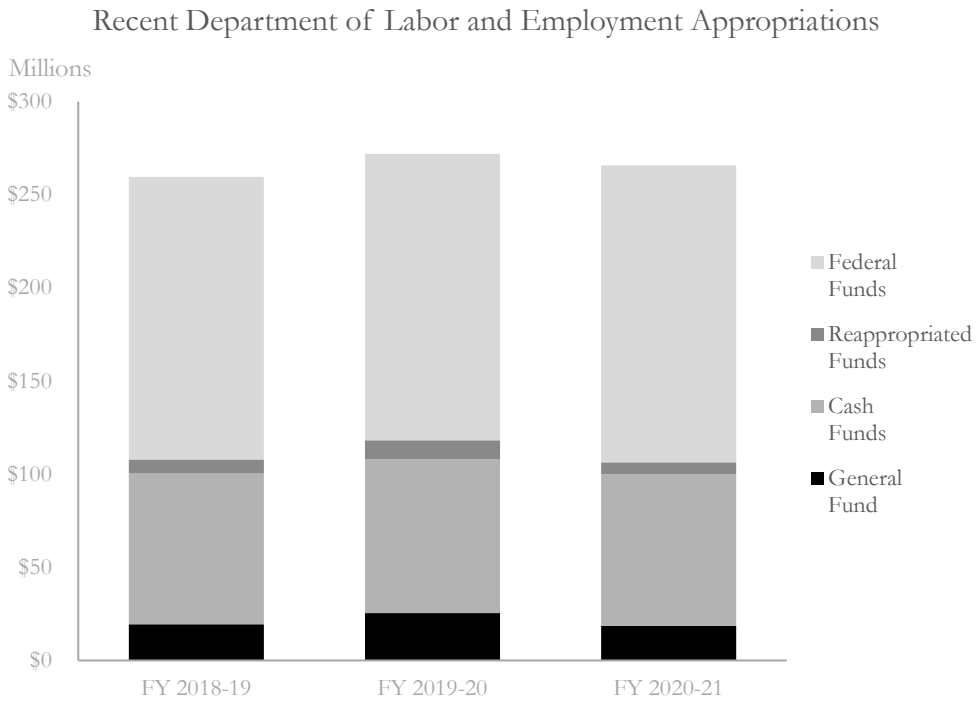
DISCUSSION

Confronting the budget challenges of the 2020 legislative session, the Committee and the General Assembly took a variety of budget balancing actions in the Department of Labor and Employment for both FY 2019-20 and FY 2020-21.

FY 2018-19 to FY 2019-20: Appropriations to the Department increased by $12.4 million total funds (4.7 percent) from FY 2018-19 to FY 2019-20, including increases of $6.0 million General Fund and $1.8 million cash funds. The General Assembly did not reduce FY 2019-20 Department appropriations during the 2020 session, but it did transfer fund balances from various Department cash funds to the General Fund during the fiscal year.

FY 2019-20 to FY 2020-21: Facing revenue challenges for FY 2020-21, the General Assembly took a variety of actions to both reduce the Department's General Fund appropriations and to make other revenues available for balancing purposes. The Department's *total* budget decreased by $6.3 million from FY 2019-20 to FY 2020-21, and the General Fund appropriation decreased $7.0 million (representing a decrease of $1.0 million below FY 2018-19 levels).

The following graph shows the Department's annual appropriations for FY 2018-19 through FY 2020-21. A table with appropriations detail by major fund source follows the graph.



Department of Labor and Employment Appropriations FY 2019-20 through FY 2020-21						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2018-19 Final	$259,549,084	$19,475,174	$80,841,770	$7,521,018	$151,711,122	1,280.6
FY 2019-20 Adjusted	271,969,109	25,519,883	82,643,259	10,092,733	153,713,234	1,292.8
FY 2020-21	265,701,603	18,494,327	81,509,312	6,388,200	159,309,764	1,290.7
Change from FY 2019-20 to FY 2020-21	($6,267,506)	($7,025,556)	($1,133,947)	($3,704,533)	$5,596,530	6.5
Percent change FY 2019-20 to FY 2020-21	*-2.3%*	*-27.5%*	*-1.4%*	*-36.7%*	*3.6%*	*0.5%*

Summary of 2020 Session Budget Balancing Appropriation Changes

The following table summarizes the budget balancing actions that impacted appropriations to the Department of Labor and Employment for both FY 2019-20 and FY 2020-21, including actions taken through the Long Bill and other legislation. Please note:

- Unless otherwise indicated, JBC Staff assumes that the FY 2020-21 adjustments are ongoing for FY 2021-22. Staff has noted where the Committee (or the General Assembly) specifically designated actions as one-time in nature. For this department, there were no adjustments that were specifically designated as one-time, with the exception of two statewide actions: the one-year suspension of PERA Direct Distribution payments and the 5.0 percent reduction to personal services appropriations.
- The table only reflects balancing actions that specifically changed appropriations. Actions to increase available revenues (such as transfers from cash funds to the General Fund) are not included in this table and are discussed in a separate section.

2020 Session Budget Balancing Appropriation Changes - Department of Labor and Employment[a]						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2019-20 APPROPRIATION BALANCING ITEMS:						
No appropriation changes	0	0	0	0	0	0.0
TOTAL	**$0**	**$0**	**$0**	**$0**	**$0**	**0.0**
FY 2020-21 APPROPRIATION BALANCING ITEMS:						
Appropriation Reductions						
End WORK Act grants (H.B. 20-1395)[b]	($6,600,000)	($3,300,000)	$0	($3,300,000)	$0	(2.0)
PERA direct distribution (HB 20-1379)[c]	(2,035,721)	(126,776)	(757,183)	(11,564)	(1,140,198)	0.0
HLD decrease/personal services base reduction	(276,218)	(276,218)	0	0	0	0.0
Independent Living Center reduction	(600,000)	(600,000)	(650,000)	0	0	0.0
Community provider rate	(68,008)	(68,008)	0	0	0	0.0
Subtotal - Appropriation Reductions	**($9,579,947)**	**($4,371,002)**	**($1,407,183)**	**($3,311,564)**	**($1,140,198)**	**(2.0)**
Fund Source Adjustments						
Division of Unemployment Insurance	$0	($38,361)	$38,361	$0	$0	0.0
Division of Labor Standards & Statistics	0	(611,956)	611,956	0	0	0.0
Subtotal - Fund Source Adjustments	**$0**	**($650,317)**	**$650,317**	**$0**	**$0**	**0.0**
TOTAL	**($9,579,947)**	**($5,021,319)**	**($756,866)**	**($3,311,564)**	**($1,140,198)**	**(2.0)**
BALANCING ITEMS AS PERCENTAGE OF TOTAL APPROPRIATION:						
FY 2019-20 Appropriation	$271,969,109	$25,519,883	$82,643,259	$10,092,733	$153,713,234	1,292.8
FY 2020-21 Appropriation	$265,701,603	$18,494,327	$81,509,312	$6,388,200	$159,309,764	1,290.7
FY 2020-21 Actions as Percentage of FY 2019-20 Appropriation	*(3.5%)*	*(19.7%)*	*(0.9%)*	*(32.8%)*	*(0.7%)*	*(0.2%)*

[a] Unless otherwise indicated, actions were reflected in the Long Bill (H.B. 20-1360)
[b] House Bill 20-1395 eliminated the WORK Act in this department, as described further below.
[c] House Bill 20-1379 eliminated PERA Direct Distribution appropriations for all departments for FY 2020-21 only.

FY 2020-21 Appropriation – Appropriation Reductions

End WORK Act grants (H.B. 20-1395): The enactment of H.B. 20-1395 provided for phase out of the Skilled Worker Outreach Recruitment and Key Training Program (WORK Act), a grant program that supports governmental and non-governmental organizations in marketing and updating workforce training programs to meet industry needs. The bill prohibited the Department of Labor and Employment from awarding or issuing new grants under this program and eliminated the requirement that the General Assembly appropriate $3,300,000 General Fund for the program in FY 2020-21. It also provided for transfer of any balance in the Skilled Worker Outreach Recruitment and Key Training Grant Program Fund (WORK Fund) to the General Fund on September 1, 2020 and September 1, 2021 and repeals of the program on September 30, 2021. For FY 2020-21, the bill reduces FY 2020-21 Long Bill appropriations to the Department of Labor and Employment for the WORK Fund by $3,300,000 General Fund and strikes a related FY 2020-21 appropriation to the Department of $3,300,000 reappropriated funds and 2.0 FTE.

PERA direct distribution (HB 20-1379): House Bill 20-1379 eliminated PERA Direct Distribution appropriations for all departments for FY 2020-21 only.

HLD DECREASE/PERSONAL SERVICES BASE REDUCTION: The appropriation reduced appropriations for health, life, and dental insurance by $276,218 General Fund in lieu of a 5.0 percent personal services base reduction. The Department's FY 2021-22 request proposes to fully restore this funding.

INDEPENDENT LIVING CENTER REDUCTION: The appropriation reduces by $600,000 General Fund the appropriation for the state's nine independent living centers, which provide advocacy, support, and referral services for people with disabilities. The appropriation was originally based on the funding required to support ten centers, but one center has closed.

COMMUNITY PROVIDER RATE: The appropriation includes a decrease of $68,008 General Fund for the one percent common policy across-the-board decrease for most community providers. In this department, this affected the independent living centers.

FY 2020-21 APPROPRIATION – FUND SOURCE ADJUSTMENTS

DIVISION OF UNEMPLOYMENT INSURANCE: The appropriation substitutes cash funds from the Employment Support Fund for all General Fund appropriations in the Division of Unemployment Insurance.

DIVISION OF LABOR STANDARDS AND STATISTICS: The appropriation substitutes cash funds from the Employment Support Fund for some General Fund appropriations for labor standards staff.

ACTIONS TO INCREASE AVAILABLE REVENUES

The General Assembly made a number of transfers (totaling $9.5 million) from Department of Labor and Employment cash funds to the General Fund to increase available General Fund. The following changes were made via H.B. 20-1406. All of these items were one-time transfers.

STATUTORY TRANSFERS TO THE GENERAL FUND			
SOURCE FUND	NET GF REVENUE IMPACT	OTHER FUNDS REVENUE IMPACT	TOTAL FUNDS
Petroleum Cleanup and Redevelopment Fund/Petroleum Storage Tank Fund[1]	$6,000,000	($6,000,000)	$0
Unemployment Revenue Fund	2,000,000	(2,000,000)	0
Workers' Compensation Cash Fund	1,000,000	(1,000,000)	0
Conveyance Safety Fund	500,000	(500,000)	0
TOTAL	**$9,500,000**	**($9,500,000)**	**$0**

[1] Includes $2.0 million transferred directly to the General Fund from the Petroleum Cleanup and Redevelopment Fund in FY 2019-20 and $4.0 million transferred from the Petroleum Cleanup and Redevelopment Fund to the Petroleum Storage Tank Fund in FY 2019-20 and then from the Petroleum Storage Tank Fund to the General Fund in FY 2020-21.

POINTS TO CONSIDER

Looking toward the FY 2021-22 budget, staff offers the following points to consider regarding the Department of Labor and Employment.

- A significant portion of budget balancing actions taken by the General Assembly for this department were one-time only. In particular, the $9.5 million in cash funds transfers to the

General Fund were one-time actions. In addition, the FY 2020-21 PERA direct distribution and 5.0 personal services reduction (summing to $402,994 General Fund) were treated as temporary and are reversed in the FY 2021-22 request.

- The Department's FY 2021-22 request includes a reduction of $401,947 General Fund for the Hospitality Education Grant Program. This was a balancing option that was considered for FY 2020-21 but that was not supported by the Department or adopted by the General Assembly at the time. This reduction offsets appropriations increases related to reversing one-time FY 2020-21 cuts.

ISSUE: UNEMPLOYMENT INSURANCE

The COVID-19 pandemic has placed unprecedented pressure on the unemployment insurance system. Claimant numbers have surged, driving the Unemployment Insurance Trust Fund deeply into the red. New federal and state programs have launched, benefitting Coloradans but challenging state administrative resources.

SUMMARY

- The unemployment insurance (UI) programs provide temporary financial support for individuals who lose employment due to no fault of their own. The system is a joint state-federal undertaking in which states have flexibility to set their UI benefits and UI tax structure within the confines of federal rules. The "regular" state UI program is supported by unemployment insurance premiums paid by Colorado employers that are deposited to the Unemployment Insurance Trust Fund.
- The COVID-19 pandemic has placed unprecedented pressure on the system. The ongoing caseload spiked to nearly 400,000 in May 2020 and is still above 200,000, compared to a caseload under 25,000 prior to the pandemic.
- The state's Unemployment Insurance Trust Fund was rapidly emptied by the rapid rise in unemployment in the spring, and it is projected to be $2.0 billion in deficit by March 2022. However, changes to increase premiums that were included in S.B. 20-207 are expected to return the Fund to solvency by 2026. The State will be able to borrow from the federal government in the meantime.
- In addition to the "regular" UI program, both the federal and state government have rolled out an array of new programs using the UI system infrastructure to respond to the pandemic and the resulting economic fallout.
- Managing both the old and new programs has presented enormous challenges for the Department, which has expanded staff and contract resources to address the volume of calls, as well as the threat of large scale criminal fraud rings that have particularly targeted the federally-funded Pandemic Unemployment Assistance program for self-employed and gig workers.

RECOMMENDATION

Staff recommends the Committee:

- Request additional data, including time-series graphics, that show how the Department has managed administrative resources over time in response to COVID-19 (e.g., numbers of FTE and contractors employed, funds expended) and how this has affected outcomes for claimants; and
- Ensure that the Department has provided adequate information about its requested new IT capital initiative, anticipated impacts, and project financing before making a decision on the initiative.
- Discuss with the Department the options for using the additional revenue anticipated from the Employment Support Fund, including whether some of the funds might be used in future years for the forthcoming Just Transitions plan, Modernization of Worker Benefits, and/or capital IT expenses.

DISCUSSION

UNEMPLOYMENT INSURANCE

The unemployment insurance (UI) programs provide temporary financial support for individuals who lose employment due to no fault of their own. The system is a joint state-federal undertaking. It is supported by a combination of federal and state unemployment insurance taxes or premiums paid by employers, and within the parameters established by the federal government, states have flexibility to set their UI benefits and UI tax/premium structure. In periods of recession or economic crisis, the federal government loans states funds needed to support their systems and often pays for extended or additional benefits.

Due to the coronavirus pandemic, the number of UI claimants increased at an unprecedented rate. Both the federal and state government have rolled out a series of novel benefits, assisting Coloradans who never previously participated in the program and also taxing the capacity of the state's operations.

The table below summarizes the various programs that have been in operation since March 2020. The Governor has also indicated that he will be using the state unemployment insurance system to make one-time payments to Coloradans in December. Although the payments will not be restricted to those who are currently unemployed, the program is also discussed below due to its reliance on the administrative capacity of the UI system.

2020 UNEMPLOYMENT AND RELATED PROGRAMS

PROGRAM NAME	DESCRIPTION	BENEFITS PAID MARCH 29 TO NOVEMBER 7, 2020	SOURCE OF FUNDS
Regular State Unemployment Insurance	Up to 26 weeks of benefits for covered individuals who lose employment due to no fault of their own (including pandemic-related business closures). Benefit ranges from $25 to a cap of $618 per week. Workers are required to complete work-search activities.	$2.21 billion	State funds. Employer-paid premiums. Amounts are deposited in State Unemployment Insurance Trust Fund.
Pandemic Unemployment Assistance (PUA)	New program launched under federal law paid (retroactively) for weeks beginning Feb 2 and is available until December 26, 2020. Provides up to 39 weeks of benefits that are the same benefits as regular state unemployment insurance + extended benefits, but makes the benefits available to gig workers/self-employed people not covered by regular state UI programs	$1.8 Billion*	Federal funds
Federal Pandemic Unemployment Compensation (FPUC)	New program launched under federal law to provide $600 per week in additional federal compensation to eligible claimants receiving either regular state UI compensation or PUA. Available only from the week ending April 4 through the week ending July 25, 2020.	$2.49 Billion	Federal funds
Pandemic Emergency Unemployment Compensation (PEUC)	Federally-paid program that extends regular state unemployment benefits for an additional 13 weeks. Available until December 26, 2020.	$181.2 Million	Federal funds
State Extended Benefits	Extends unemployment benefits an additional 13 weeks after both regular state	$7.7 Million	Currently federal funds; shifts to 50% state UITF

2020 UNEMPLOYMENT AND RELATED PROGRAMS			
PROGRAM NAME	DESCRIPTION	BENEFITS PAID MARCH 29 TO NOVEMBER 7, 2020	SOURCE OF FUNDS
	benefits and federal PEUC benefits are exhausted. It is triggered "on" when the rate of insured unemployment equals or exceeds 6.0 percent or other specified criteria are met. While currently federally funded, benefits will shift to 50% state and 50% federal after December 26, 2020 without a change to federal law.		and 50% federal after December
Lost Wages Assistance	New program launched by federal executive order paid additional $300 per week to eligible claimants for a six week period covering the weeks beginning July 26 and ending September 5. Claimants had to be eligible for at least $100 in weekly UI benefits.	$378.5 Million	Federal funds (FEMA)
RELATED - NEW PROGRAM PLANNED			
State Stimulus/Emergency Relief payments	New program launched by state executive order will make one-time $375 payment in December to 43500,000 people who received a UI payment between March 15 and October 25	$168.0 Million	State funds - Disaster Emergency Fund amounts originating as General Fund reversions - NOT Unemployment Insurance Trust Fund

Source: Department press releases for data through November 7 and spreadsheets provided by Department for expenditures through October.
*Department press releases reflect less than $800 million under this program. Based on feedback from the Department, staff is reflecting the figure in the Department's spreadsheet.

UNEMPLOYMENT INSURANCE TRUST FUND, UNEMPLOYMENT PREMIUMS, S.B. 20-207

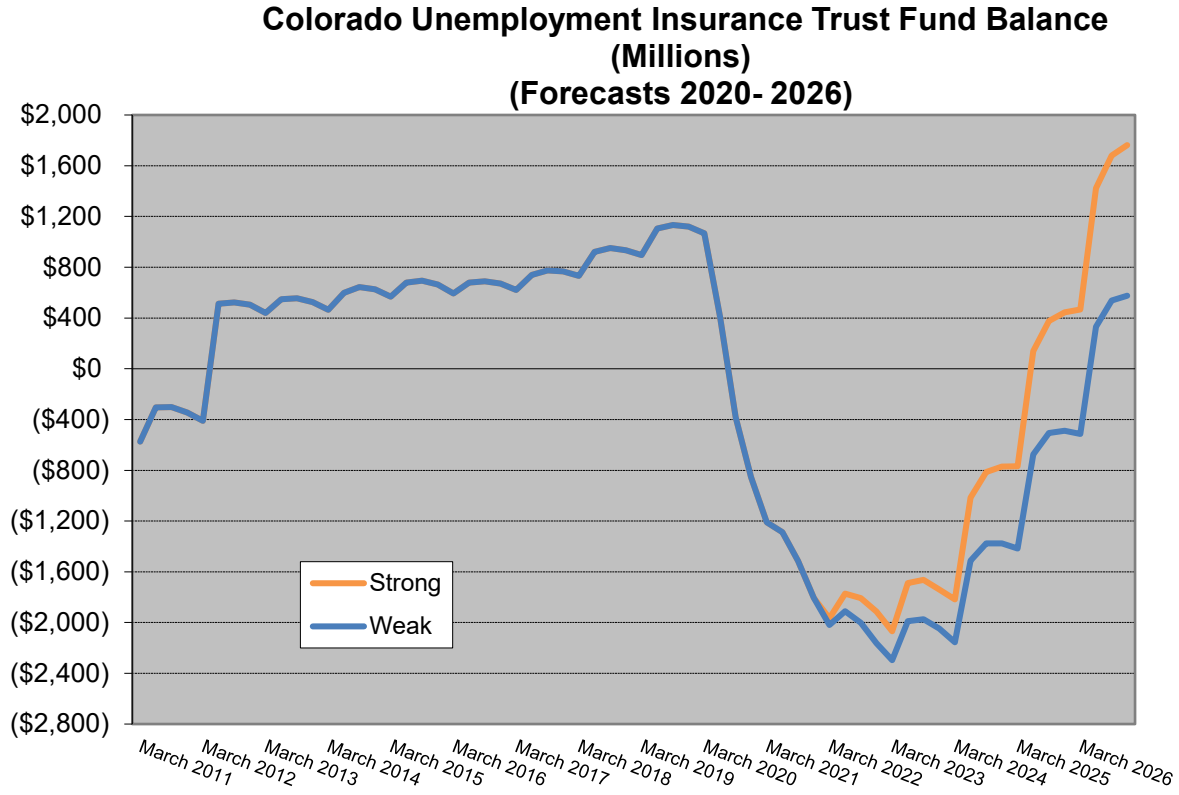
The "regular" state unemployment system relies on payments from employers (insurance premiums), which are paid into the state's Unemployment Insurance Trust Fund. Employers in Colorado pay *federal* UI premiums of 0.6 percent on the first $7,000 of employee salary ($42 per employee).[1] In addition, employers pay *state* UI premiums on a portion of the employee's wages (the taxable wage base). State UI premiums are dictated by statute and vary based the experience rating for the specific employer and the employer's industry. Most state premiums are deposited into the Unemployment Insurance Trust Fund, which is used to pay benefits, although a portion is deposited into funds used to pay for state program administration (the Employment Support Fund and the Employment Training and Technology Fund).

As reflected in the chart above, currently state funds are only being used for the payment of regular state unemployment benefits. However, over $2.2 billion has been paid out since the beginning of the crisis, quickly exhausting all reserve funds in the Unemployment Insurance Trust Fund, which stood at nearly $1.2 billion prior to the onset of the crisis. As a result, Colorado, like other states, is borrowing from the federal government to cover benefits payments for unemployed workers. Colorado loans from the federal government stood at $521.7 million as of November 5, 2020. Loans are interest-free

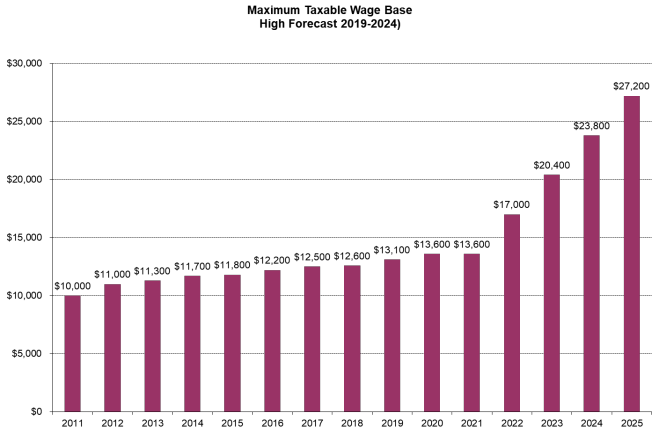
[1] So long as a State operates its unemployment insurance program within broad parameters established by federal authorities, federal unemployment taxes remain at this level, due to a federal credit. However, if the State does not operate its program within federal boundaries, including if it has insufficient revenue in its state trust fund to support payments to employees for more than one year, federal UI taxes increase to 6.0 percent to cover payments to workers.

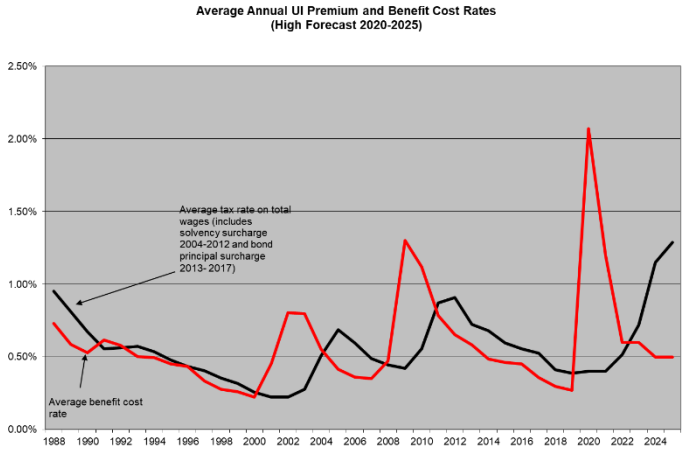
through December 31, 2020, but the State could be required to pay interest thereafter in the absence of a change to federal law.

In briefings over the last three years, JBC staff highlighted Department analyses indicating that funding for the Unemployment Insurance Trust Fund was inadequate and that the taxable wage base should increase. Although the Trust Fund now faces an extraordinary deficit that will continue to grow through 2023, **changes included in S.B. 20-207 (Unemployment Insurance; Hansen and Winter/Gray and Sullivan) are expected to return the Unemployment Insurance Trust Fund to solvency by 2026.** The chart below reflects both the projected decline and the expected rebuilding of the Trust Fund balance under both a weak and strong forecast model after incorporating the changes in S.B. 20-207.



The Trust Fund will begin to recover based on significant increases in employer premiums, implemented through changes in the taxable wage base. The bill prohibits the division from assessing a solvency surcharge on employers for CY 2021 or CY 2022 and holds the chargeable wage base for 2021 as the CY 2020 level of $13,600. However, beginning in CY 2022, the chargeable wage base will begin to increase significantly, ultimately increasing to $30,600 in 2026, with inflationary adjustments thereafter. This is estimated to increase the average tax rate on total wages, which had fallen under 0.5 percent in the last few years, to 1.29 percent of total wages by 2025.





Although the chargeable wage base will not increase in 2021 and the solvency surcharge is suspended, premium rates will nonetheless increase beginning in January 2021, triggered by the balance in the Trust Fund as of June 30, 2020. The trigger will move all rates to the next-to-highest rate schedule, consistent with statutory provisions.

A more extensive summary of S.B. 20-207 is included as an appendix to this issue brief. However, two additional components of the bill that the JBC should particularly note:

Future Increases in Funds Available for Department Administration from the Employment Support Fund: Administration for unemployment insurance, employment and training programs, labor standards, and many other programs operated in this department are supported by the Employment Support Fund. This fund receives the first .0011 assessed as part of each employer's employment premium. In FY 2018-19, combined revenue into this fund and the Employment and Training Technology Fund ($10.0 million per year) comprised 7.5 percent of all premiums paid into the Unemployment Insurance Trust Fund.

One of the many changes in S.B. 20-207 is to uncap the revenue that can be received by the Employment Support Fund. Thus, as the chargeable wage base begins to increase in CY 2022, Employment Support Fund revenues will also begin to increase at a significant rate. As shown in the forecast provided below by the Department, while revenue is projected to dip in 2021, by 2022, revenue to the Fund is projected to be above the level in 2020. In subsequent years, the Department projects the rate of increase slowing, but *by 2026 the total will be more than double the FY 2018-19 amount.*

EMPLOYMENT SUPPORT FUND	
SFY	Actual
2017-18	$34,383,319
2018-19	34,106,535
2019-20	38,094,735
CY	Projection
2021	$31.1 mil
2022	$41.7 mil
2023	$52.6 mil
2024	$59.3 mil
2025	$66.3 mil

EMPLOYMENT SUPPORT FUND	
SFY	Actual
2026	$73.6 mil

Study of the Modernization of Worker Benefits: The bill requires Office of Future of Work in the Department to study unemployment assistance as part of a study on the modernization of worker benefits and protections and report its findings to the Governor and the General Assembly by January 15, 2021. Thus, additional recommendations regarding changes to state benefit systems may be forthcoming in the near future. New revenue from the Employment Support Fund could potentially help to support any proposed changes.

ADMINISTRATION OF THE UI SYSTEM

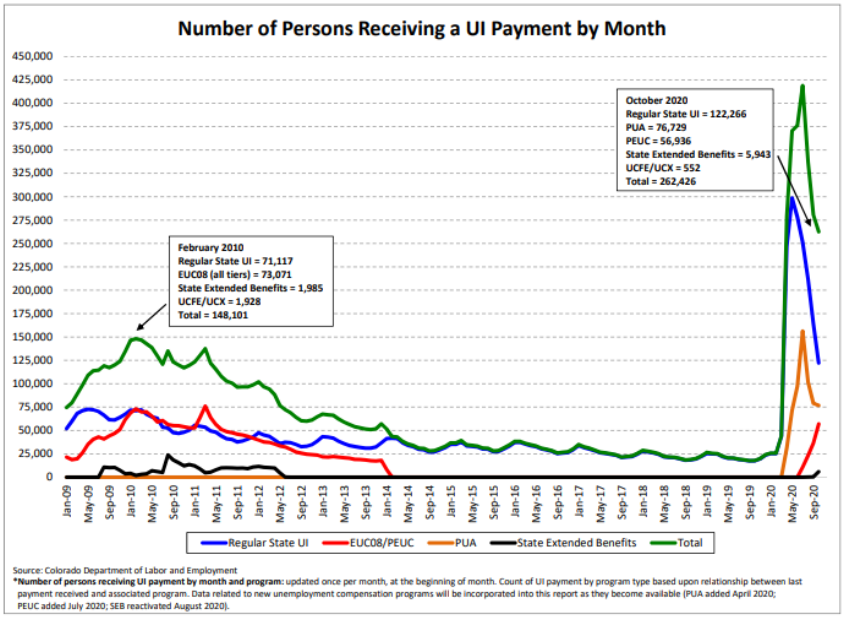
The benefits paid for unemployment do not appear in the state budget. However, the administration of the unemployment insurance system does appear in the budget and the portion that is funded with cash funds is subject to appropriation by the General Assembly. Furthermore, the General Assembly is responsible for appropriating funds for capital information technology projects for the unemployment insurance system, which continue to be a major cost-driver.

Even in a normal year, the majority of administrative costs for unemployment insurance are covered by federal funding. For FY 2019-20, the appropriation for the division was $39.7 million, including $8.8 million in state cash funds and $30.9 million in federal funds. However, in FY 2020-21 the federal government has provided far more support for administration, associated with a variety of new federally-funded UI programs. The table below shows the *additional* federal funds allocations received for administrative purposes beginning March 2020.

ADDITIONAL FEDERAL ADMINISTRATIVE ALLOCATIONS SINCE MARCH 2020					
	CDLE ADMIN.	OIT	UIM NEW IT SYSTEM VENDORS (DELOITTE)	TOTAL	EXPIRATION
UI Admin (Families First Act)	$20,228,385	$0	$0	$20,228,385	12/31/2020 but can (and will) be administratively extended
FPUC ($600/week)	140,380	56,950	24,888	222,218	12/31/2020
PUA (self-employed/gig workers)	12,170,718	209,222	3,316,714	15,696,654	12/31/2020
PEUC (add'l 13 weeks UI)	623,435	845,221	2,227,614	3,696,270	12/31/2020
Lost Wage Assist (FEMA)	770,472	-	-	770,472	3/27/2021
Other	3,976	6,600	0	10,576	12/31/2020
Total - Admin funding	**$33,937,366**	**$1,117,993**	**$5,569,216**	**$40,624,575**	

Based on these federal allocations, it does not appear that financial resources per se should be too large a constraint on the smooth administration of the unemployment insurance system during the current crisis. However, administration has been a significant problem, presumably due to the challenges in translating financial resources into adequate staff and functioning IT systems. The Department indicates that, to-date, it has added 55.4 FTE ($4.4 million) and added $6.2 million in contracts for administrative help, as well as $5.6 million for information technology contracts. The Department has not indicated how long it took to add these resources, but they clearly were not available at onset of a very sudden crisis.

As reported widely in the media, Colorado, like other states, has struggled to manage the rapid increase in caseload and the array of new programs authorized, as numbers of person receiving an unemployment payment spiked to nearly 400,000 in May 2020. As of early November, continuing claims remained over 200,000, with new weekly claims exceeding 10,000. Claims for the federal gig-worker PUA program represent about one-third of the total.



Source: Colorado Department of Labor and Employment, LMI Gateway, Unemployment Insurance charts
https://www.colmigateway.com/admin/gsipub/htmlarea/uploads/Colorado_Unemployment_Insurance_Charts_Through_October_31_2020%20(2).pdf

Among the problems reported:

- At the beginning of the pandemic, out-of-work employees were unable to get through to apply for benefits due to the massive influx of claimants and inadequate department infrastructure. As the Department has developed automated response tools, this has improved. However, in response to staff questions, the Department indicated that *callbacks are currently being scheduled through the end of December*. The Department increased callback slots last week by 60 per day from Tuesday through Thursday and 100 on Friday: "By the end of the week, we will be about one month and a half out in terms of scheduling callbacks". First payment timeliness for regular state unemployment claims is nonetheless at less at 77.1% indicating that many of the problems continue to be with the federal PUA program for gig workers.

- The PUA system (new federally-funded program for self-employed and gig workers) has been the subject of large scale criminal attacks. Since mid-July the Department estimates that it has blocked around 73,000 fraudulent claims seeking between $750 million and $1.25 billion under PUA. Confirmed losses to fraud are $4 million in federal funds, but could be much higher: in response to staff questions about losses earlier in the year the Department indicated that they "do not have that data readily available at this time." Claims spiked in June, leading to safeguards, and then again in July. In early September, a new security measure was added that has been effective in blocking fraudulent claims. However, the Department's press release for the week of November 7 states

"Given the large increase in PUA initial claims over the last couple of weeks, CDLE is conducting a review to determine what issues may be contributing to the increase, including a deep-dive fraud analysis".

- Steps taken to halt fraud have, in turn, led some legitimate claimants' payments to be suspended while the Department has sought to investigate and resolve those issues. As of early November, there were 8,776 callbacks pending to address fraud-related holds, reflecting the subset of holds that are most likely to be cleared through investigation. (This is less than 2% of all fraud holds in PUA cases.) The Department indicates that it has doubled the size of its fraud investigations unit from 5 investigators to 10 and is no longer conducting full investigations. Instead, investigators are focus on validating identity and releasing holds on UI claims that are initially held due to fraud indicators. It is unclear from the Department's response how long it will take to clear even the 8,776 callbacks that are now pending, but it is likely to be months, as reflected in press reports.[2]

Staff encourages the Committee to ask for additional data, including time-series graphics, that show how the Department has managed administrative resources over time in response to COVID-19 (e.g., numbers of FTE and contractors employed) and how this has affected outcomes for claimants.

- While the Department states that it has dashboards and other tools in place for monitoring how it is managing the system, it has provided staff only limited point-in-time data related to current conditions.
- Further, the lack of a month-by-month expenditure history has made it difficult for staff to determine to what extent the division is effectively spending the federal resources that have been made available.

MODERNIZING UI COMPUTER SYSTEMS

For the last two decades, the Department has sought to modernize its UI computer systems. The legacy mainframe UI benefits and tax system was brought on line in 1985. Two modernization efforts have failed to-date. This included Genesis, which began in 1999 and was abandoned in 2005 after $27.9 million in state expenditures and Wycan, a multi-state project which began in 2009 and was abandoned in 2016, on which the state spent $5.0 million.

The state is now in the process of its third attempt to modernize, the UI Mainframe Migration and Modernization Project, which began in FY 2016-17. The second phase was supposed to be completed in spring 2020, but was delayed due to the pandemic and the need to roll out new unemployment insurance programs. It is now expected to launch in early 2021. Meanwhile the Department has proposed a third phase of the project for funding starting in FY 2021-22 through the capital IT budget request process.

- Beginning in FY 2016-17, the General Assembly agreed to proceed with a capital IT project to convert the mainframe COBOL code to Java and move the data stored to a relational database

[2] The *Colorado Sun* has been running regular updates on client access to the unemployment insurance system, including the waiting times to address fraud holds: "What's Working" by Tamara Chuang. Recent reports:https://coloradosun.com/2020/11/07/coronavirus-unemployment-restaurants-pua-lost-wages-housing/

and off the current mainframe system for both the Colorado Unemployment Benefits System (CUBS) and the Colorado Automated Tax System (CATS).

- Originally, the project was proposed at $51.5 million cash funds (UI Revenue Fund and UI Training and Technology Fund) to migrate both the CATS and CUBS systems off the mainframe, into JAVA language, and onto servers in eForte. However, in spring 2018, the Department submitted an FY 2018-19 budget amendment for the project, which reflected retaining the CATS employer premiums system in JAVA, using an Oracle database on state servers; but further migrating the CUBS employee benefits system into a known, functioning benefits system written in .NET. This application was to be built and managed by Amazon Web Services and hosted by Amazon in the cloud. Although the JBC approved only part of the project expansion requested, **total appropriations were increased to $57,776,960 cash funds.**

- Phase I of the project, migration of CATS and CUBS off the mainframe, into JAVA, and relocation onto servers, was completed on March 5, 2018 (approximately 6 months behind schedule). This transition was reportedly successful.

- In FY 2019-20, the Department's operating budget was adjusted in anticipation of project implementation to reflect an ongoing increase in annual operating costs for the new system of $3.2 million.

- Phase II of the project, including the further migration of the CUBS system to the cloud and a document management system, was scheduled to be completed in spring 2020 (staff has heard dates ranging from March to April 2020). Department staff have indicated that they were prepared to "flip the switch", but, with the onset of the pandemic, chose to delay roll out until a point at which they were not in the middle of rolling out new benefits. The Department is now proposing to **launch the new CUBS system in early 2021, assuming it has a window of two weeks when it is not preparing or rolling out a new stimulus program.**

- The Department reports that although it did not fully launch Phase II of the project during the pandemic, it did use one module--Disaster Unemployment Relief--to create the federally-funded program for self-employed individuals and gig-workers (Pandemic Unemployment Assistance or PUA). Department staff have thus been working successfully with at least a portion of the new system during 2020.

- The Department has now submitted a new IT capital request for $28,422,240 over three years (FY 2021-22 through FY 2023-24) to modernize the Colorado Automated Tax System (CATS), which, according to the request would complete modernization of the UI legacy system. The Department indicates that it now proposes to fully replace the CATS system by purchasing a commercial off-the-shelf (COTS) product that "lays out the basic underlying logic for a system of this mission, provides flexibility to customize, and allows for needed integrations to support a fully functioning end-to-end unemployment insurance system". The Department's request indicates that the current system does not adhere to basic accounting principles, drives increased administrative and financial burden on the employer community and inaccurate federal reporting and drives department staff resources to test and correct system data. **The request projects annual savings of $1.45 million per year based on a reduction in staff costs and network and mainframe costs, although it provides no related detail on future budget reductions. Joint Technology**

Committee and JBC staff have requested further information from the Department to assist the committees in making informed decisions.

- **At present there is no functional funding source for the new project**, since the June 30, 2020 balance in the Unemployment Insurance Trust Fund stopped payments into the Employment and Training Technology Fund per statute, and without a statutory change, there will not be deposits into the fund until the Unemployment Insurance Trust Fund again has a balance over $100 million (2025 or 2026). Staff understands that the Department is pursuing related legislation.

APPENDIX - ADDITIONAL UNEMPLOYMENT INSURANCE SYSTEM INFORMATION

S.B. 20-207 UNEMPLOYMENT INSURANCE

Amends employee benefits and employer payments for unemployment insurance and makes other changes to unemployment insurance programs. Significant changes include the following:

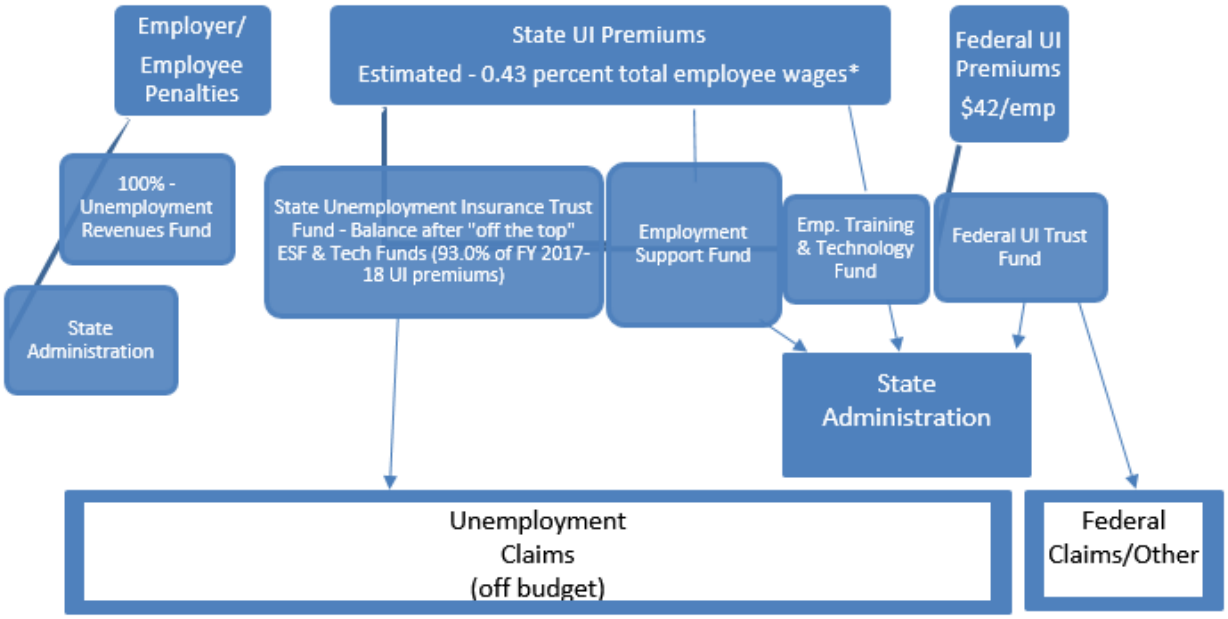
- *Employer Payments*
  - *Chargeable Wage Base.* Beginning in CY 2022, increases employer payments for unemployment insurance by increasing the maximum employee earnings that are used for calculating premiums (the chargeable wage base). For CY 2021 holds the chargeable wage base at $13,600 (unchanged from CY 2020). Increases the chargeable wage base to $17,000 in CY 2022, $20,400 in CY 2023, $23,800 in CY 2024, $27,200 in CY 2025, and $30,600 in CY 2026. Thereafter, the wage base is increased by the change in average weekly earnings.
  - *Solvency Surcharge.* Prohibits the division from assessing a solvency surcharge on employers for the calendar years 2021 and 2022, thereby reducing amounts that will be deposited to the Unemployment Insurance Trust Fund.
  - *Impact on Unemployment Insurance Trust Fund.* Preliminary estimates indicate that these changes will somewhat worsen the insolvency of the Unemployment Insurance Trust Fund (UITF) in CY 2021 and CY 2022 and will improve solvency thereafter. Assuming a weak recovery, initial Department estimates indicate that at the end of CY 2022 the change will leave the UITF with a negative $2.9 billion balance, rather than the negative $2.7 billion balance projected under current law. However, by the end of CY 2023, the changes will begin to have a positive impact on the fund balance. By the end of CY 2026, the changes are expected to increase annual revenue to the UITF by $1.7 to $1.9 billion compared to current law. The change is expected to return the UITF to solvency in CY 2026 assuming even a moderate economic recovery, while under current law the UITF is not expected to be solvent in 2026 even under strong economic conditions.
- *Amount a person may earn while receiving benefits.* Current law requires the weekly total and partial unemployment benefit amounts to be reduced by the amount of an individual's wages that exceeds 25% of the weekly benefit amount. For the next 2 calendar years only, changes the deduction amount to the amount of an individual's wages that exceeds 50% of the weekly benefit amount. This component will increase unemployment insurance benefits paid on an ongoing basis beginning in FY 2020-21 by an estimated $18.0 million.
- *Employment Support Fund.* Removes the cap on the amount of money that can be paid into and remain in the Employment Support Fund. This fund derives from a portion of unemployment insurance premiums and is subject to appropriation by the General Assembly for specified department administrative functions. Previously, amounts above the cap were required to be transferred to the Unemployment Insurance Trust Fund. (No such transfers had occurred as of the bill's enactment, but they could have occurred in future years.)
- *Work share plans.* Current law authorizes the division to approve a work share plan submitted by an employer if the employee's normal weekly work hours have been reduced by at least 10% but not more than 40%. The act changes the amount that hours may be reduced to an amount consistent with rules adopted by the division and federal law. This is expected to increase in the use of workshare plans and reduce benefit payments by an amount that has not been estimated.
- *Public health emergency.* Requires the Division of Unemployment Insurance and the Department to consider various factors related to the public health emergency when determining whether an

individual qualifies for unemployment insurance benefits. The fiscal impact for this change, if any, has not been determined.

- *Use of federal CARES Act funds*. Requires the state treasurer to transfer any unexpended federal funds received by the state from the federal Coronavirus Relief Fund, created in the federal CARES Act of 2020, to the Unemployment Insurance Trust Fund prior to the close of business on December 30, 2020. Any fiscal impact is contingent upon the status of Coronavirus Relief Fund expenditures as of December 30, 2020.
- *Study*. Requires the Office of Future of Work in the Department to study unemployment assistance as part of a study on the modernization of worker benefits and protections and report its findings to the Governor and the General Assembly by January 15, 2021. Associated costs are expected to be absorbed within the Department's existing budget.

ALLOCATION OF UNEMPLOYMENT INSURANCE PREMIUMS AND PENALTIES AS OF FY 2018-19

The following diagram shows the flow of funds to administration and benefits from multiple sources.



*Actual premiums per employee vary.

PREVIOUS UNEMPLOYMENT INSURANCE IT SYSTEM DEVELOPMENT EFFORTS

1999-2005 Genesis - failed. This was a failed effort to completely redesign all aspects of the State UI computer systems. The project began in 1999 and was abandoned in 2005. The Department spent $27.9 million on Genesis. The failure of the project was a significant driver behind additional authority granted to OIT in 2006 to oversee major automation projects at state agencies.

2009-2013 Internet self-service (ISS) project – successful. In 2009, the General Assembly approved $6,594,190 million in capital and operating appropriations to expand online services for UI

claimants and employers. Claimant tools were successfully launched in 2009. Employer tools were successfully launched in 2012, with the project fully complete in 2013. These tools addressed front-end interface issues for the Department but did not address the antiquated back-end on the system.

2009-2016 WyCAN project – failed. The WyCAN (Wyoming, Colorado, Arizona, and North Dakota) consortium formed in 2009 in response to a federal grant for a feasibility study to develop a common UI benefits and tax study. Colorado took the lead on the project in 2013. WyCAN had an initial budget of $62.2 million in federal funds. The consortium spent $15.4 million federal funds and reverted the balance to the federal Department of Labor. A total of $4,924,742 state cash funds was expended before the project was cancelled in March 2016. After a year of vendor work on the project, all the states involved had determined that the project could not achieve its goals.

ISSUE: FAMILY AND MEDICAL LEAVE INSURANCE

Proposition 118, approved by the voters on November 3, 2020, creates a Family and Medical Leave Insurance program that will be administered as a TABOR enterprise by the Colorado Department of Labor and Employment. When fully implemented in FY 2023-24, this will be a $1.2 billion per year social insurance program supported by a complex information technology system and approximately 200.0 state FTE.

SUMMARY

- Proposition 118, creating a Family and Medical Leave Insurance (FAMLI), was approved by the voters on November 3, 2020. The proposition added new provisions to statute (not the Constitution).
- As adopted by the voters, the program will be a social insurance program similar to the unemployment insurance system.
- The program will provide partial wage-replacement for employees of up to $1,100 per week for 12 weeks (up to 16 weeks in specified circumstance) to enable an employee to care for their own serious health condition, to care for a new child, to care for a family member with a serious health condition, when a family member is called into active duty military service; or when the individual or family member is a victim of domestic violence, stalking, or sexual assault.
- Employees and employers will jointly pay the cost of premiums, which will be set initially at 0.9 percent of an employee's wages.
- The program will be a designated TABOR enterprise managed by the Department of Labor and Employment and will have continuous spending authority.
- The revenue stream (employee/employer insurance premiums) will begin on January 1, 2023, and the program will start paying benefits on January 1, 2024.
- Washington State's family and medical leave program, which went live in January 2020, may offer lessons for Colorado's program.

RECOMMENDATION

Although this program is created as a TABOR enterprise and has continuous spending authority, staff recommends that the JBC and General Assembly engage in active oversight, consistent with the JBC's charter to study the operations of state government. Consistent with this, staff recommends adding an informational line item to the budget for FY 2021-22 to reflect the estimated administrative costs associated with the new family and medical leave program.

DISCUSSION

S.B. 19-188 FAMILY AND MEDICAL LEAVE INSURANCE AND THE FAMLI TASK FORCE

Advocates of family and medical leave have pursued related legislation for six years. Most recently, Senate Bill 19-188 (Winter & Williams, Gray & Duran) created the Family and Medical Leave Insurance (FAMLI) program in the Department of Labor and Employment to provide partial wage replacement benefits to an eligible individual requiring family and medical leave. During the course of the 2019 legislative session, the bill to create the program was scaled back and replaced with provisions requiring a study as a prelude to implementation. During the summer and fall of 2019 a 15-member

Task Force met to consider and make recommendations on the program and reviewed multiple expert reports, extensive public comments, and an actuarial study of associated costs.

The Task Force reached consensus on many issues before it but did not reach consensus on job protection during leave, the maximum duration of benefits, the program funding structure, or whether the program should follow a social insurance model administered by the state or a state-regulated private model similar to the workers' compensation system. The majority of task force members supported a model similar to that ultimately in Proposition 118.

An actuarial study considered both a "high benefits" model (28 weeks of leave/other more generous provisions) and "low benefits" model (12 weeks of leave/other less generous provisions). Proposition 118 is closer to the low-benefits model, which was projected to cost 0.71 percent of wages in the first year, rising to 0.87 percent of wages 10 years later as the program became better known. A website includes the Task Force's January 2020 report to the General Assembly, reports submitted to the Task Force, and links to recorded meetings: https://sites.google.com/state.co.us/famli/home?authuser=0

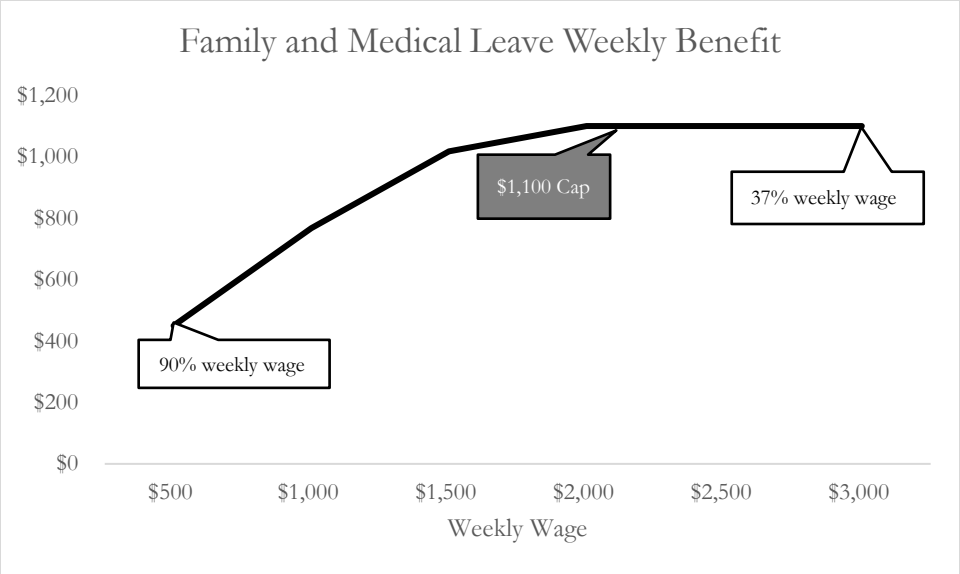
Due to the pandemic and lack of consensus at the General Assembly, no bill related to this initiative was introduced during the 2020 legislative session. Instead, proponents brought to the voters Proposition 118, which is similar (though not identical) to S.B. 19-188 as it was introduced. Proposition 118 passed with 57.4 percent of the vote.

The new statutory provisions added by Proposition 118 are extensive and complex; however it is important to note that they are statutory--rather than Constitutional. Thus, to the extent that components of the program must be adjusted over time, this will be the responsibility of the General Assembly.

KEY FEATURES OF PROPOSITION 118

- Up to 12 weeks of family and medical leave for: birth or adoption of a child, care of self or a family members with a serious health condition, circumstances related to a family member's active duty military service, safe leave for domestic abuse, sexual assault or stalking. The benefit extends to 16 weeks for those with a complication related to pregnancy.
- Job projection if an employee has worked for the employer at least 180 days.
- All employers and employees are covered, except that employers with approved private and family medical leave programs may opt-out, and local governments may opt-out. However, even if a local government has opted out, local government employees may opt-in by paying employee premiums, as may self-employed individuals. Private employers with less than 10 employees are not required to pay the employer portion of the premium.
- Funded through payroll deductions: 50 percent by employers and 50 percent by employees, with an initial rate of 0.9 percent of employee's wages, which can be increased by the program director up to 1.2 percent of employee wages beginning in 2025 based the rate required to fully fund the program as detailed in the measure. Premiums are only assessed on wages up to a cap that is based on the federal rules for contributions to social security ($161,700 in 2023),
- The benefit is capped ($1,100 per week in 2024) and progressive in relation to the state's average weekly wage:
    - 90% for the portion of an employee's wage that is 50% or less of the state average weekly wage
    - 50% for the portion of an employee's wage that is greater than 50% of the state average weekly wage

- No benefit for the portion of wages that exceed 90 percent of the average weekly wage



- Premiums start to be collected in January 2023
- Benefits start to be paid in January 2024
- Program to be administered by the Colorado Department of Labor and Employment as a state enterprise, with authority to issue bonds.
- The Department has continuous spending authority.
- The Department is responsible for establishing rules, collecting premiums, paying benefits, and conducting outreach about the program.

FISCAL NOTE FOR PROPOSITION 118

The Legislative Council Staff Fiscal Note for the Proposition, extended an additional year by JBC Staff, is summarized in the table below.

PROPOSITION 118 FISCAL NOTE				
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25*
Revenue - Cash Funds		$575.4 million	$1.2 billion	$1.2 billion
Expenditures				
Cash Funds				
Benefits			505,425,687	$1.04 billion
Operating Costs	$3,153,599**	3,360,690	7,556,036	18,322,373
FTE	13.5 FTE	17.4 FTE	63.0 FTE	196.0FTE
Capital IT Costs		40,000,000		
Premiums for State Staff - All Agencies				
General Fund		2,959,763	6,090,394	6,273,106
Cash Funds		2,325,528	4,785,703	4,929,275

*The Legislative Council Staff Fiscal Note did not extend to FY 2023-24. For purposes of illustration, staff has added the Department's estimate of full-year operating costs and assumed that other revenue and expenditures will increase by 3.0 percent.
**The fiscal note reflects the assumption that this amount will be a loan from the General Fund that will be repaid by cash funds once bonds are issued.

Of particular note:

- By FY 2023-24, the program is projected to bring in $1.2 billion in revenue; spending will be approximately $1.0 billion by FY 2024-25 when a full year of benefits are included.
- Start-up costs will be significant. These include at least $40.0 million for a new information technology system to be constructed in FY 2022-23.
- Bonds are expected to be used to finance initial construction of the information technology system and other start-up costs. However, the Department will need to make initial expenditures to prepare for issuing bonds. These funds are assumed to come from a loan from the General Fund that will be repaid after bonds are issued.

RECENT EXPERIENCES OF OTHER STATES

As the Department of Labor and Employment prepares to launch Colorado's new paid family and medical leave insurance program, it is paying particular attention to the experience of the State of Washington.

Through 2019, there were four fully implemented state paid family and medical leave programs: California, New Jersey, Rhode Island, and New York. These states added paid family leave to previously-established state temporary disability insurance systems that covered workers' own health conditions. For example, California's state disability insurance program dated to the 1940s, and it extended this to paid family leave in the early 2000s. Washington State, Massachusetts, Washington DC, and Oregon adopted paid family leave legislation between 2016 and 2019 and have been working toward implementation.

Washington State "went live" for benefits in January 2020. Many components of Colorado's law, plans, and fiscal analysis have been based on Washington State's efforts, so its experience has been of particular interest. In the State of Washington, the reception to the program has been enthusiastic, but this has contributed to a somewhat rocky start. The following information is drawn from a recent analysis by the Economic Opportunity Institute, a non-profit public policy institute that is interested in further strengthening the program.[3]

- Demand for the program was much greater than anticipated. In the first six months Washington workers filed 85,000 applications out of a workforce of nearly 4 million. Washington received **three times the expected number of applications** in the first month and has continued to receive more than expected for the first year of operations. The four states that had previously added family leave all experienced much lower than projected volumes in the first years, with a gradual increase over time. Washington expected a similar slow start but had a very different experience. Pent up demand meant that the volume of applications the first month the program opened was extraordinary.

[3] http://www.opportunityinstitute.org/research/post/preliminary-lessons-from-implementing-paid-family-medical-leave-in-washington/

New Applications by Type and Month, Jan. – Jun. 2020

	Jan	Feb	Mar	Apr	May	Jun	Total
Bonding	12,397	4969	6002	4774	4297	4383	**36,822**
Family Care	2687	1773	2244	1337	954	1123	**10,118**
Family military	40	19	11	11	6	8	**95**
Medical (except pregnancy)	7678	4945	5998	3819	3285	4340	**30,065**
Medical pregnancy	1825	1271	1338	1083	947	943	**7,407**
Total	**24,627**	**12,977**	**15,593**	**11,024**	**9,489**	**10,797**	**84,507**

Source: PFML Advisory Committee presentation July 16, 2020

During the program's first six month, about 65 percent of applicants have been women with a median age of 33, but men account for about 40 percent of bonding, family care, and other medical claims. The racial and ethnic breakdown has roughly reflected Washington's population.

A key lesson from the Washington experience seems to be that new programs should be prepared for higher take-up rates than pioneering programs experienced, including a one-time initial surge in demand from parents with a birth in the previous year.

Other findings from Washington may also be helpful:

- Actual start-up costs were somewhat lower than expected, including lower-than anticipated technology costs. The Washington Employment Security Department, which administers the program, requested start-up funds of $82 million for a two year period, but only required $63.2 million. However, because initial demand was far higher than anticipated, the agency's resources were strained. In July 2020 it was using 361 state staff and contractors to operate the program.

- The application process would have been less challenging if the IT system had been ready to accept applications *prior* to the availability of the benefit. The onslaught of applications led to wait times of up to two weeks for approval and another two weeks to receive benefits.

- The Washington rulemaking process was longer and more complex than ideal and led to a number of statutory changes. This suggests that Colorado legislators may also need to be prepared to make adjustments to address technical issues that arise.

RELATED JBC STAFF OBSERVATIONS

- Publicly available reports from Washington State did not comment on the response rate from employers to paying into the new program, and related to this, the program's ability to cover its costs. However, this is clearly of great importance to the cash flow for the program.

- The rapid program uptake in Washington may also have implications for the program's benefit/rate structure, but there is not yet sufficient information on this.

APPENDIX A
NUMBERS PAGES
(DIGITAL ONLY)

Appendix A details actual expenditures for the last two fiscal years, the appropriation for the current fiscal year, and the requested appropriation for next fiscal year. This information is listed by line item and fund source. ***Appendix A is only available in the online version of this document.***

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation

DEPARTMENT OF LABOR AND EMPLOYMENT
Joe Barela, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

Personal Services	8,820,329	9,024,401	9,984,511	9,986,923
FTE	103.6	108.5	110.7	110.7
General Fund	207,225	230,411	32,802	32,812
Cash Funds	4,634,406	4,803,992	4,977,274	4,978,459
Reappropriated Funds	166,480	171,093	383,466	383,586
Federal Funds	3,812,218	3,818,905	4,590,969	4,592,066
Health, Life, and Dental	11,709,547	12,324,761	12,823,560	14,055,392
General Fund	656,794	794,942	587,822	996,310
Cash Funds	4,550,060	4,531,156	4,611,657	4,892,168
Reappropriated Funds	60,205	64,454	63,288	92,985
Federal Funds	6,442,488	6,934,209	7,560,793	8,073,929
Short-term Disability	138,177	134,288	133,728	124,586
General Fund	7,020	7,791	8,328	8,358
Cash Funds	57,954	51,733	49,738	45,006
Reappropriated Funds	1,044	833	760	1,130
Federal Funds	72,159	73,931	74,902	70,092

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
S.B. 04-257 Amortization Equalization Disbursement	4,077,923	3,950,245	3,948,409	3,924,539	
General Fund	207,188	229,128	245,854	263,248	
Cash Funds	1,710,348	1,521,481	1,468,337	1,417,478	
Reappropriated Funds	30,809	24,700	22,428	35,574	
Federal Funds	2,129,578	2,174,936	2,211,790	2,208,239	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	4,077,923	3,950,245	3,948,409	3,924,539	
General Fund	207,188	229,128	245,854	263,248	
Cash Funds	1,710,348	1,521,481	1,468,337	1,417,478	
Reappropriated Funds	30,809	24,700	22,428	35,574	
Federal Funds	2,129,578	2,174,936	2,211,790	2,208,239	
PERA Direct Distribution	0	2,186,326	0	1,993,898	
General Fund	0	126,840	0	133,746	
Cash Funds	0	842,254	0	720,163	
Reappropriated Funds	0	13,568	0	18,073	
Federal Funds	0	1,203,664	0	1,121,916	
Salary Survey	2,651,052	2,577,526	0	0	
General Fund	134,693	149,289	0	0	
Cash Funds	1,111,892	991,325	0	0	
Reappropriated Funds	20,030	20,209	0	0	
Federal Funds	1,384,437	1,416,703	0	0	

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
Shift Differential	0	13,177	13,410	15,066	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	13,177	13,410	15,066	
Workers' Compensation	892,165	620,340	512,916	484,766	
General Fund	22,187	22,187	18,440	17,314	
Cash Funds	247,718	172,244	142,469	134,587	
Reappropriated Funds	0	0	0	0	
Federal Funds	622,260	425,909	352,007	332,865	
Operating Expenses	1,664,479	1,515,113	1,895,558	1,895,558	
General Fund	17,065	17,065	17,065	17,065	
Cash Funds	773,502	783,970	810,505	810,505	
Reappropriated Funds	0	0	0	0	
Federal Funds	873,912	714,078	1,067,988	1,067,988	
Legal Services	943,481	1,057,906	1,073,848	1,021,492	*
General Fund	115,122	110,860	106,264	95,373	
Cash Funds	195,605	313,651	402,956	432,286	
Federal Funds	632,754	633,395	564,628	493,833	
Payment to Risk Management and Property Funds	169,782	158,059	133,076	225,508	
General Fund	7,209	7,211	6,603	8,452	
Cash Funds	41,319	38,388	31,339	59,069	
Reappropriated Funds	0	0	0	0	
Federal Funds	121,254	112,460	95,134	157,987	

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
Vehicle Lease Payments	159,052	143,348	198,733	198,607	
General Fund	11,446	16,607	16,663	16,663	
Cash Funds	122,959	74,190	120,825	120,825	
Reappropriated Funds	0	0	0	0	
Federal Funds	24,647	52,551	61,245	61,119	
Statewide training	0	0	0	20,978	*
Cash Funds	0	0	0	20,978	
Leased Space	5,745,464	6,009,039	6,426,023	6,486,369	
General Fund	408,117	420,281	432,972	432,972	
Cash Funds	2,441,785	2,496,157	2,590,490	2,650,836	
Reappropriated Funds	0	0	0	0	
Federal Funds	2,895,562	3,092,601	3,402,561	3,402,561	
Capitol Complex Leased Space	35,134	34,995	37,916	42,291	
General Fund	5,125	5,125	5,125	5,125	
Cash Funds	21,009	21,009	23,930	28,305	
Reappropriated Funds	0	0	0	0	
Federal Funds	9,000	8,861	8,861	8,861	
Payments to OIT	12,287,049	17,021,491	13,715,764	12,002,877	*
General Fund	2,710,698	3,886,824	3,209,632	2,945,176	
Cash Funds	4,889,369	7,899,116	6,319,981	5,366,715	
Reappropriated Funds	302,688	302,688	156,485	0	
Federal Funds	4,384,294	4,932,863	4,029,666	3,690,986	

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
CORE Operations	448,180	389,151	510,598	453,053	
General Fund	0	0	0	0	
Cash Funds	143,944	124,941	163,933	135,161	
Reappropriated Funds	0	0	0	0	
Federal Funds	304,236	264,210	346,665	317,892	
Utilities	207,393	173,392	260,309	260,309	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	207,393	173,392	260,309	260,309	
Information Technology Asset Maintenance	164,445	171,239	218,626	218,626	
General Fund	0	0	0	0	
Cash Funds	69,243	69,243	69,243	69,243	
Reappropriated Funds	0	0	0	0	
Federal Funds	95,202	101,996	149,383	149,383	
Statewide Indirect Cost Assessment	519,255	500,073	658,535	695,261	
General Fund	0	0	0	0	
Cash Funds	281,037	275,873	338,957	338,957	
Reappropriated Funds	0	0	0	0	
Federal Funds	238,218	224,200	319,578	356,304	
Implementation Plan for Family and Medical Leave Insurance Program	0	165,487	0	0	
FTE	0.0	0.5	0.0	0.0	
General Fund	0	165,487	0	0	

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
TOTAL - (1) Executive Director's Office	54,710,830	62,120,602	56,493,929	58,030,638	2.7%
FTE	103.6	109.0	110.7	110.7	0.0%
General Fund	4,717,077	6,419,176	4,933,424	5,235,862	6.1%
Cash Funds	23,002,498	26,532,204	23,589,971	23,638,219	0.2%
Reappropriated Funds	612,065	622,245	648,855	566,922	(12.6%)
Federal Funds	26,379,190	28,546,977	27,321,679	28,589,635	4.6%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(2) DIVISION OF UNEMPLOYMENT INSURANCE					
Program Costs	32,797,640	39,059,442	54,521,792	54,525,820	
FTE	470.0	445.7	484.1	484.1	
General Fund	38,361	38,361	0	0	
Cash Funds	7,927,772	8,758,940	12,816,379	12,816,379	
Reappropriated Funds	0	0	0	0	
Federal Funds	24,831,507	30,262,141	41,705,413	41,709,441	
Employment and Training Technology Initiatives	4,520,000	6,370,000	0	0	
FTE	0.0	18.0	0.0	0.0	
Cash Funds	4,520,000	6,370,000	0	0	
Federal Funds	0	0	0	0	
TOTAL - (2) Division of Unemployment Insurance	37,317,640	45,429,442	54,521,792	54,525,820	NaN
FTE	470.0	463.7	484.1	484.1	0.0%
General Fund	38,361	38,361	0	0	0.0%
Cash Funds	12,447,772	15,128,940	12,816,379	12,816,379	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	24,831,507	30,262,141	41,705,413	41,709,441	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(3) DIVISION OF EMPLOYMENT AND TRAINING					
State Operations and Program Costs	15,602,988	15,499,324	6,653,023	6,658,673	
FTE	96.6	126.2	109.2	109.2	
General Fund	0	20,029	24,869	24,869	
Cash Funds	9,793,703	10,005,385	3,197,206	3,199,632	
Federal Funds	5,809,285	5,473,910	3,430,948	3,434,172	
One-Stop Workforce Center Contracts	8,677,340	9,102,450	20,743,521	20,745,006	
FTE	35.5	24.0	35.0	35.0	
Cash Funds	0	0	9,829,126	9,829,544	
Federal Funds	8,677,340	9,102,450	10,914,395	10,915,462	
Trade Adjustment Act Assistance	1,625,504	1,910,529	2,000,000	2,000,000	
FTE	1.8	0.0	0.0	0.0	
Cash Funds	0	0	0	0	
Federal Funds	1,625,504	1,910,529	2,000,000	2,000,000	
Workforce Innovation and Opportunity Act	33,471,258	26,913,956	26,366,616	26,367,392	
FTE	52.3	56.4	51.2	51.2	
Cash Funds	807,540	807,540	0	0	
Federal Funds	32,663,718	26,106,416	26,366,616	26,367,392	

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
Workforce Development Council	864,688	1,111,952	1,114,551	1,114,902	
FTE	8.3	6.8	7.5	7.5	
General Fund	532,103	629,196	596,343	596,564	
Reappropriated Funds	332,585	214,277	518,208	518,338	
Federal Funds	0	268,479	0	0	
Workforce Improvement Grants	631,643	694,659	1,000,000	1,000,000	
FTE	1.2	0.0	0.0	0.0	
Cash Funds	0	0	0	0	
Federal Funds	631,643	694,659	1,000,000	1,000,000	
Veterans Service to Career Program	173,664	464,128	300,000	300,000	
FTE	0.5	0.0	0.0	0.0	
Cash Funds	173,664	464,128	300,000	300,000	
Hospitality Education Grant Program	399,852	400,883	401,947	0	*
FTE	0.5	0.5	0.5	0.0	
General Fund	399,852	400,883	401,947	0	
Employment Support and Job Retention Services Program	0	95,255	405,000	405,000	
FTE	0.0	0.5	0.5	0.5	
Cash Funds	0	0	405,000	405,000	
Reappropriated Funds	0	95,255	0	0	
Just Transition Office	0	274,141	158,352	441,920	*
FTE	0.0	0.3	2.0	3.5	
General Fund	0	155,758	158,352	441,920	
Cash Funds	0	118,383	0	0	

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
Innovative Industry Workforce Development	448,087	608,631	0	0	
FTE	1.3	1.1	0.0	0.0	
General Fund	448,087	608,631	0	0	
Appropriation to the Skilled Worker Outreach and Key Training Program Fund	1,000,000	3,300,000	0	0	
General Fund	1,000,000	3,300,000	0	0	
Federal Funds	0	0	0	0	
Skilled Worker Outreach, Recruitment and Training Program	3,113,114	2,029,261	0	0	
FTE	2.1	2.0	0.0	0.0	
Cash Funds	3,039,853	713,774	0	0	
Reappropriated Funds	73,261	1,315,487	0	0	
Employment Support and Job Retention Services Program Cash Fund	0	750,000	0	0	
General Fund	0	750,000	0	0	
Industry Infrastructure Grant Program	556,906	0	0	0	
Cash Funds	556,906	0	0	0	
TOTAL - (3) Division of Employment and Training	66,565,044	63,155,169	59,143,010	59,032,893	(0.2%)
FTE	200.1	217.8	205.9	206.9	0.5%
General Fund	2,380,042	5,864,497	1,181,511	1,063,353	(10.0%)
Cash Funds	14,371,666	12,109,210	13,731,332	13,734,176	0.0%
Reappropriated Funds	405,846	1,625,019	518,208	518,338	0.0%
Federal Funds	49,407,490	43,556,443	43,711,959	43,717,026	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(4) DIVISION OF LABOR STANDARDS AND STATISTICS					
(A) Labor Standards					
Labor Program Costs	1,906,884	2,288,079	3,079,758	3,718,740 *	
FTE	24.1	27.9	39.0	48.2	
General Fund	607,823	878,173	552,908	928,008	
Cash Funds	1,299,061	1,409,906	2,526,850	2,790,732	
Reappropriated Funds	0	0	0	0	
Whistleblower Protection for Public Health Emergency	0	0	206,193	0	
FTE	0.0	0.0	2.5	0.0	
Cash Funds	0	0	206,193	0	
SUBTOTAL - (A) Labor Standards	1,906,884	2,288,079	3,285,951	3,718,740	13.2%
FTE	24.1	27.9	41.5	48.2	16.1%
General Fund	607,823	878,173	552,908	928,008	67.8%
Cash Funds	1,299,061	1,409,906	2,733,043	2,790,732	2.1%
Reappropriated Funds	0	0	0	0	0.0%
(B) Labor Statistics					
Labor Market Information Program Costs	2,898,521	3,338,145	2,286,898	2,287,664	
FTE	21.3	15.5	30.3	30.3	
Federal Funds	2,898,521	3,338,145	2,286,898	2,287,664	
SUBTOTAL - (B) Labor Statistics	2,898,521	3,338,145	2,286,898	2,287,664	0.0%
FTE	21.3	15.5	30.3	30.3	0.0%
Federal Funds	2,898,521	3,338,145	2,286,898	2,287,664	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
TOTAL - (4) Division of Labor Standards and Statistics	4,805,405	5,626,224	5,572,849	6,006,404	7.8%
FTE	45.4	43.4	71.8	78.5	9.3%
General Fund	607,823	878,173	552,908	928,008	67.8%
Cash Funds	1,299,061	1,409,906	2,733,043	2,790,732	2.1%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	2,898,521	3,338,145	2,286,898	2,287,664	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(5) DIVISION OF OIL AND PUBLIC SAFETY					
Personal Services	5,483,058	5,764,745	5,583,158	5,585,300	
FTE	70.0	68.0	68.0	68.0	
General Fund	35,554	0	0	0	
Cash Funds	4,675,631	4,834,245	4,999,440	5,001,582	
Reappropriated Funds	19,318	19,318	19,318	19,318	
Federal Funds	752,555	911,182	564,400	564,400	
Operating Expenses	626,168	637,398	791,333	791,333	
General Fund	22,745	0	0	0	
Cash Funds	591,669	629,257	646,312	646,312	
Federal Funds	11,754	8,141	145,021	145,021	
Underground Damage Safety Commission	0	103,011	105,080	105,128	
FTE	0.0	1.6	1.5	1.5	
General Fund	0	103,011	105,080	105,128	
Cash Funds	0	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (5) Division of Oil and Public Safety	6,109,226	6,505,154	6,479,571	6,481,761	0.0%
FTE	70.0	69.6	69.5	69.5	0.0%
General Fund	58,299	103,011	105,080	105,128	0.0%
Cash Funds	5,267,300	5,463,502	5,645,752	5,647,894	0.0%
Reappropriated Funds	19,318	19,318	19,318	19,318	0.0%
Federal Funds	764,309	919,323	709,421	709,421	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(6) DIVISION OF WORKERS' COMPENSATION					
(A) Workers' Compensation					
Personal Services	7,408,755	7,704,308	7,985,013	7,987,386	
FTE	85.9	85.1	95.0	95.0	
Cash Funds	7,408,755	7,704,308	7,985,013	7,987,386	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	577,099	540,441	659,145	659,145	
Cash Funds	577,099	540,441	659,145	659,145	
Administrative Law Judge Services	3,597,268	4,159,995	4,061,922	3,667,945	
Cash Funds	3,597,268	4,159,995	4,061,922	3,667,945	
Physicians Accreditation	62,118	77,700	120,000	120,000	
Cash Funds	62,118	77,700	120,000	120,000	
Utilization Review	53,021	17,116	35,000	35,000	
Cash Funds	53,021	17,116	35,000	35,000	
Immediate Payment	0	86	1,000	1,000	
Cash Funds	0	86	1,000	1,000	
SUBTOTAL - (A) Workers' Compensation	11,698,261	12,499,646	12,862,080	12,470,476	(3.0%)
FTE	85.9	85.1	95.0	95.0	0.0%
Cash Funds	11,698,261	12,499,646	12,862,080	12,470,476	(3.0%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(B) Major Medical Insurance and Subsequent Injury Funds					
Personal Services	1,371,585	1,269,282	1,435,861	1,436,357	
FTE	15.7	16.0	16.0	16.0	
Cash Funds	1,371,585	1,269,282	1,435,861	1,436,357	
Operating Expenses	74,281	88,324	88,324	88,324	
Cash Funds	74,281	88,324	88,324	88,324	
Major Medical Benefits	3,760,972	3,545,347	6,000,000	6,000,000	
Cash Funds	3,760,972	3,545,347	6,000,000	6,000,000	
Subsequent Injury Benefits	1,111,238	1,085,531	2,000,000	2,000,000	
Cash Funds	1,111,238	1,085,531	2,000,000	2,000,000	
Medical Disaster	0	86	1,000	1,000	
Cash Funds	0	86	1,000	1,000	
Major Medical Legal Services	7,992	7,992	0	0	
Cash Funds	7,992	7,992	0	0	
Subsequent Injury Legal Services	7,992	7,992	0	0	
Cash Funds	7,992	7,992	0	0	
SUBTOTAL - (B) Major Medical Insurance and Subsequent Injury Funds	6,334,060	6,004,554	9,525,185	9,525,681	NaN
FTE	15.7	16.0	16.0	16.0	0.0%
Cash Funds	6,334,060	6,004,554	9,525,185	9,525,681	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
TOTAL - (6) Division of Workers' Compensation	18,032,321	18,504,200	22,387,265	21,996,157	(1.7%)
FTE	101.6	101.1	111.0	111.0	0.0%
Cash Funds	18,032,321	18,504,200	22,387,265	21,996,157	(1.7%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(7) DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES					
(A) Vocational Rehabilitation Programs					
Personal Services	17,596,050	18,225,739	17,423,479	17,429,277	
FTE	232.0	230.2	223.7	223.7	
General Fund	3,004,918	3,139,342	3,694,051	3,695,286	
Federal Funds	14,591,132	15,086,397	13,729,428	13,733,991	
Operating Expenses	2,104,173	2,021,313	2,539,404	2,539,404	
General Fund	0	0	0	0	
Reappropriated Funds	448,203	430,990	540,893	540,893	
Federal Funds	1,655,970	1,590,323	1,998,511	1,998,511	
Administrative Law Judge Services	31,767	30,614	36,737	36,737	
FTE	0.0	0.0	0.0	0.0	
General Fund	8,914	6,521	9,973	9,973	
Federal Funds	22,853	24,093	26,764	26,764	
Voc Rehab Services	15,768,621	13,690,991	15,301,106	15,301,106	
General Fund	1,721,647	1,718,257	1,143,950	1,143,950	
Reappropriated Funds	2,191,428	2,147,951	2,115,185	2,115,185	
Federal Funds	11,855,546	9,824,783	12,041,971	12,041,971	
Voc Rehab Mental Health Services	1,825,541	1,789,078	1,748,180	1,748,180	
Reappropriated Funds	388,840	381,526	372,363	372,363	
Federal Funds	1,436,701	1,407,552	1,375,817	1,375,817	

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
School to Work Alliance Program	9,863,168	9,896,151	10,323,261	10,323,261	
General Fund	0	0	0	0	
Reappropriated Funds	2,175,493	2,107,880	2,173,378	2,173,378	
Federal Funds	7,687,675	7,788,271	8,149,883	8,149,883	
Business Enterprises Program for People Who Are Blind	1,370,074	1,245,825	1,595,200	1,595,200	
FTE	0.0	4.1	6.0	6.0	
Cash Funds	292,871	268,072	338,935	338,935	
Federal Funds	1,077,203	977,753	1,256,265	1,256,265	
Business Enterprises Program	216,852	50,241	229,000	229,000	
Cash Funds	216,852	50,241	229,000	229,000	
Federal Funds	0	0	0	0	
Federal Social Security Reimbursements	870,819	2,789,429	2,400,000	2,400,000	
General Fund	0	0	0	0	
Federal Funds	870,819	2,789,429	2,400,000	2,400,000	
Older Blind Grants	450,868	372,584	362,000	362,000	
General Fund	0	0	0	0	
Federal Funds	450,868	372,584	362,000	362,000	
Employment First Initiatives	0	996,594	2,407,926	2,407,926	
FTE	0.0	3.7	4.0	4.0	
General Fund	0	212,274	512,888	512,888	
Federal Funds	0	784,320	1,895,038	1,895,038	

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
SUBTOTAL - (A) Vocational Rehabilitation Programs	50,097,933	51,108,559	54,366,293	54,372,091	0.0%
FTE	232.0	238.0	233.7	233.7	0.0%
General Fund	4,735,479	5,076,394	5,360,862	5,362,097	0.0%
Cash Funds	509,723	318,313	567,935	567,935	0.0%
Reappropriated Funds	5,203,964	5,068,347	5,201,819	5,201,819	0.0%
Federal Funds	39,648,767	40,645,505	43,235,677	43,240,240	0.0%
(B) Office of Independent Living Services					
Program Costs	216,312	221,562	227,703	227,703	
FTE	6.4	4.0	4.0	4.0	
General Fund	216,312	221,562	227,703	227,703	
Independent Living Services	6,789,725	6,813,465	6,509,191	6,509,191	
General Fund	6,525,002	6,662,370	6,132,839	6,132,839	
Cash Funds	0	0	37,635	37,635	
Federal Funds	264,723	151,095	338,717	338,717	
SUBTOTAL - (B) Office of Independent Living Services	7,006,037	7,035,027	6,736,894	6,736,894	0.0%
FTE	6.4	4.0	4.0	4.0	0.0%
General Fund	6,741,314	6,883,932	6,360,542	6,360,542	0.0%
Cash Funds	0	0	37,635	37,635	0.0%
Federal Funds	264,723	151,095	338,717	338,717	0.0%

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
TOTAL - (7) Division of Vocational Rehabilitation and Independent Living Services	57,103,970	58,143,586	61,103,187	61,108,985	NaN
FTE	238.4	242.0	237.7	237.7	0.0%
General Fund	11,476,793	11,960,326	11,721,404	11,722,639	0.0%
Cash Funds	509,723	318,313	605,570	605,570	0.0%
Reappropriated Funds	5,203,964	5,068,347	5,201,819	5,201,819	0.0%
Federal Funds	39,913,490	40,796,600	43,574,394	43,578,957	0.0%
TOTAL - Department of Labor and Employment	244,644,436	259,484,377	265,701,603	267,182,658	0.6%
FTE	1,229.1	1,246.6	1,290.7	1,298.4	0.6%
General Fund	19,278,395	25,263,544	18,494,327	19,054,990	3.0%
Cash Funds	74,930,341	79,466,275	81,509,312	81,229,127	(0.3%)
Reappropriated Funds	6,241,193	7,334,929	6,388,200	6,306,397	(1.3%)
Federal Funds	144,194,507	147,419,629	159,309,764	160,592,144	0.8%

APPENDIX B
FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

The General Assembly includes footnotes in the annual Long Bill to: (a) set forth purposes, conditions, or limitations on an item of appropriation; (b) explain assumptions used in determining a specific amount of an appropriation; or (c) express legislative intent relating to any appropriation. Footnotes to the 2020 Long Bill (H.B. 20-1360) can be found at the end of each departmental section of the bill at https://leg.colorado.gov/bills/HB20-1360. The Long Bill footnotes relevant to this document are listed below.

71 Department of Labor and Employment, Executive Director's Office, Health, Life, and Dental -- The General Fund appropriation includes a decrease of $276,218 that is equal to 5.0 percent of the General Fund portion of estimated base salary for the Department. The reduction in this General Fund appropriation is in lieu of a 5.0 percent personal services base reduction and provides the Department with increased flexibility to absorb the reduction and engage in more considered targeted reductions across all department divisions and programs. This reduction is not intended to reduce the Health, Life, and Dental benefit provided to state employees. It is the General Assembly's intent that Health, Life, and Dental costs for employees, as approved in budget actions, be fully paid within personal services appropriations augmented by Department allocations from central benefits appropriations.

COMMENT: This footnote explains assumptions used in determining the amount of the FY 2020-21 appropriation for Health, Life, and Dental. The footnote describes the adjustment made as a statewide compensation balancing action. This item is addressed in the Statewide Compensation briefing document.

72 Department of Labor and Employment, Division of Employment and Training, Veterans Service-to-Career Program -- It is the General Assembly's intent that the Department use this appropriation for grants to workforce centers that are partnering with integrated service and support centers for veterans, consistent with the provisions of Section 8-14.3-203 (5)(a), C.R.S.

COMMENT: This footnote expresses legislative intent on the use of an appropriation. The $300,000 MCTF appropriation provided in this line item for FY 2020-21 was initiated by the General Assembly, rather than the executive branch, and the total is smaller than the 18 month appropriation authorized for the program in H.B. 18-1343 (Veterans Service-to-Career Program). Staff anticipated that the funds would be allocated to the workforce centers that are partnering with the Bill Daniels Center in Denver and the Mount Carmel Veterans Service Center in Colorado Springs. Staff understands that Mesa County is also collaborating with a non-profit on its program, so it would also fall into the category of workforce centers that meet the General Assembly's intent.

In response to staff questions, the Department identified the approved recipients as shown in the table at the bottom of this document, suggesting that: the total $300,000 may not have been allocated; funds were allocated to workforce centers that may not be partnering with

integrated service and support centers--even though $2.0 million in additional Employment Support Funds was appropriated directly for workforce centers in FY 2020-21 (the reason to target the General Fund for this program more narrowly); and El Paso, one of the areas with the largest integrated service and support centers, was allocated almost no funds.

ARAPAHOE COUNTY	CITY & COUNTY OF DENVER	EL PASO COUNTY	LARIMER COUNTY	MESA COUNTY	WELD COUNTY	Grand Total
6,739	109,045	14,648	16,038	79,308	33,399	259,178

Based on direct communication with the Mount Carmel Veterans Service Center, **staff believes that these figures may be at least in part in error, as Mount Carmel reports receiving $77,800. Staff is concerned that the Department has not been able to provide a clear accounting so far of whether it has complied with legislative intent.**

73 Department of Labor and Employment, Division Of Vocational Rehabilitation and Independent Living Services, Vocational Rehabilitation Programs -- In addition to the transfer authority provided in Section 24-75-108, C.R.S., the Department may transfer up to 15.0 percent of the total appropriation among the following line items in this section: Personal Services, Operating Expenses, Vocational Rehabilitation Services, School to Work Alliance Program, and Vocational Rehabilitation Mental Health Services.

COMMENT: This footnote provides additional flexibility to the Department, adding the ability to transfer among line items. Actual expenditure data indicates that the Department used this flexibility to transfer $435,830 General Fund from the personal services line item to the Vocational Rehabilitation Services line item for FY 2019-20.

74 Department of Labor and Employment, Division of Vocational Rehabilitation and Independent Living Services, Vocational Rehabilitation Programs, Vocational Rehabilitation Services -- Amounts in this line item are calculated based on the assumed federal match rate of 78.7 percent federal funds to 21.3 percent nonfederal funds and are assumed to be demonstrated on a federal fiscal year basis.

COMMENT: This footnote expresses legislative intent, given that the (M) notation previously included on this line item was eliminated for FY 2020-21. The Department has consistently indicated that it complies with the required federal match rates for this program (78.7 federal/21.3 percent nonfederal). However, in order to obtain the greatest flexibility in the use of the federal funds, the Department may "overspend" the state share during the state fiscal year while compensating for this pattern on a federal fiscal year basis. Fiscal year FY 2019-20 data indicate that 71.8 percent of spending in this line item was from federal funds during the state fiscal year, but, for the line items in this division that are subject to federal match, 78.3 percent overall was from federal funds during the state fiscal year; staff anticipates that over the course of the *federal* fiscal year, the match will adjust to equal 78.7 percent.

75 Department of Labor and Employment, Division of Vocational Rehabilitation and Independent Living Services, Vocational Rehabilitation Programs, Vocational Rehabilitation Services; and Office of Independent Living Services, Independent Living Services -- In addition to the transfer authority provided in Section 24-75-108, C.R.S., if authorized by an independent living center based on a cooperative agreement between the independent living center and the Division of Vocational Rehabilitation, the Department may transfer General

Fund from the Independent Living Services line item to the Vocational Rehabilitation Services line item, in an amount agreed upon between the two entities, for the purpose of drawing down federal funds for the provision of vocational rehabilitation services.

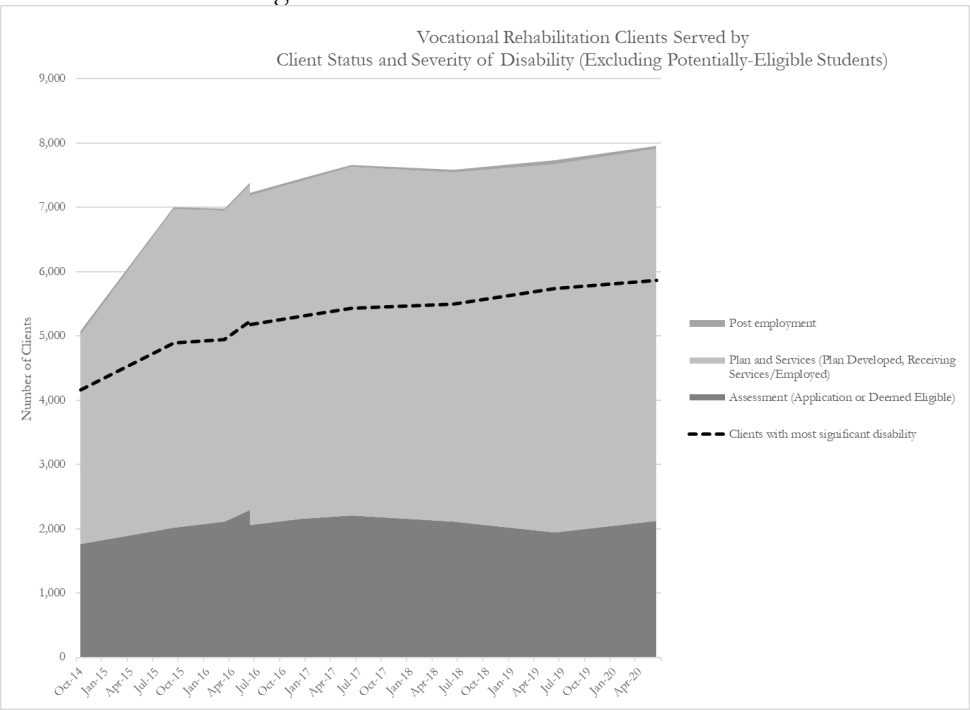
COMMENT: This footnote provides additional flexibility to the Department, adding the ability to transfer among line items based on agreements between independent living centers and the Department. Actual expenditure data indicates that the Department used this flexibility to transfer $138,477 from the Independent Living Services line item to the Vocational Rehabilitation Services line item in FY 2019-20. Amounts in the Vocational Rehabilitation Services line item are subject to a 78.7 percent federal match rate, while direct appropriations for independent living services are not.

UPDATE ON LONG BILL REQUESTS FOR INFORMATION

The Joint Budget Committee annually submits requests for information to executive departments and the judicial branch via letters to the Governor, the Chief Justice, and other elected officials. Each request is associated with one or more specific Long Bill line item(s), and the requests have been prioritized by the Joint Budget Committee as required by Section 2-3-203 (3), C.R.S. Copies of these letters are included as Appendix L of the annual Appropriations Report. The requests for information relevant to this document are listed below.

1 Department of Labor and Employment, Division Of Vocational Rehabilitation and Independent Living Services, Vocational Rehabilitation Programs -- The Department is requested to provide a report by November 1 of each year on the number of individuals receiving vocational rehabilitation services, including: a break-down by category of the number of individuals receiving services and the number for whom a determination is pending; the average cost by category of services; the projected fiscal year expenditures, and the projected balance of the State's federal vocational rehabilitation account. The Department is also requested to provide data on vocational rehabilitation employment outcomes.

- As reflected in the chart (created by staff using the data submitted), the Department increased total clients served in FY 2019-20, as well as the portion of clients served with the most significant disability. As of June 30, 2020, the Department reported 7,995 "regular" vocational rehabilitation clients on its rosters, including those who had completed eligibility determinations but were not yet receiving services. In addition, it served 1,442 students through the School to Work Alliance Program who have not undergone full vocational assessments.



- The Department identifies client service costs of $3,799 per client excluding the students or $3,216 per client if the student population is included. This is higher than figures cited in prior years and appears to reflect a different methodology. These figures exclude costs for vocational rehabilitation staff. *Based on total actual expenditures of $52,281,392 in FY 2019-20 calculated below and total regular and student clients served of 9,437, staff calculates the total estimated cost per client per year at $5,540 if vocational rehabilitation staff are included.*

- Clients are typically served for several years. The Department reported 1,946 successful closures in FY 2019-20, with clients exiting with an average wage of $15.61 per hour.

- The report estimates expenditures by Long Bill line item for FY 2020-21 totaling $60,238,263, including an increase in School to Work Alliance spending of $2.7 million greater than appropriated amounts. However, it also indicates that actual expenditures in FY 2019-20 were lower than projected due to the COVID-19 pandemic.

The table below, provided in response to a staff question, reflects actual expenditures for vocational rehabilitation programs in SFY 2019-20, including amounts from centrally appropriated line items in the Executive Director's Office. The federal funds expended in a given year are based federal funds awarded and adjusted over up to three federal fiscal years. The FY 2019-20 total is slightly lower than the FY 2018-19 total of $53,429,365.

SFY 2019-20 VOCATIONAL REHABILITATION EXPENDITURES			
	FEDERAL	NON-FEDERAL	TOTAL
EDO Expenditures	$3,495,992	$943,081	$4,439,073
Personal Services	15,086,397	4,081,949	19,168,346
Case Services	9,824,783	3,866,209	13,690,992
School to Work Alliance Program (SWAP)	7,788,271	2,107,880	9,896,151
VR Operating	1,590,323	430,990	2,021,313
Mental Health Services	1,407,552	381,526	1,789,078
Business Enterprise Program	977,753	268,072	1,245,825
Admin Law Judges	24,093	6,521	30,614
Total	**$40,195,164**	**$12,086,228**	**$52,281,392**

- The table below shows the federal amounts received and match required over the last six federal fiscal years. The Department requested an additional $2 million in federal funds during the FFY 2018-19 federal relinquish/reallotment process, but ultimately reverted $2.4 million of federal funds at the end of September 2020 due to a reduction in School to Work Alliance Program contract expenditures.

Table 4-Projected Balance of VR Grant					
Federal Award	**Award**	**Federal Expenditures**	**Match Required**	**Match 2 years Prior**	**MOE penalty**
FFY 14	$40,918,495	$40,918,495	$11,074,510	Base Year	$576,036
FFY 15	$41,000,267	$35,710,313	$9,664,926	Base Year	$1,174,669
FFY 16	$42,317,015	$22,721,805	$6,149,612	$11,074,510	$4,924,828
FFY 17	$38,998,851	$38,998,851	$10,554,962	$9,664,926	$0
FFY 18	$44,504,499	$44,504,499	$12,045,055	$6,149,612	$0
FFY 19	$47,794,163	$45,426,782	$12,294,669	$10,554,962	$0
FFY 20	$47,719,455	$44,504,499	$12,045,055	$12,045,055	$0

2 Department of Labor and Employment, Division of Vocational Rehabilitation and Independent Living Services, Office of Independent Living Services -- The Department is requested to submit to the Joint Budget Committee, by November 1 of each year, its annual report on independent living services and outcomes. As part of this report, the Department is requested to include data on the distribution of state funds to independent living centers and the numbers of clients served.

COMMENT: Last year, the Department submitted a more comprehensive report from the Independent Living Centers that was geared to a broader audience. This year however, it simply reported on the distribution of funds and clients served. The report indicated that the ILCS served in total between 2,375 and 2,602 unduplicated clients per month in in FY 2019-20. Each ILC of the nine ILCs receives base funding (pursuant to statute) and an allocated share based on factors such as population. Given these figures and an average of 2,482 clients served per month, state support was $2,471 per full-year-equivalent client served.

Table 7: Individuals served by Center for Independent Living by Month
State Fiscal Year 2020

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Atlantis Community, Inc.	673	617	599	611	523	519	562	554	607	600	654	613	**7132**
Center for Disabilities dba Center Towards Self Reliance	389	396	399	392	400	387	388	402	405	411	403	372	**4744**
Center for Independence	244	215	394	308	448	220	419	389	320	202	161	204	**3524**
Center for People with Disabilities	269	277	274	276	279	285	293	297	302	298	297	290	**3437**
Colorado Springs Independence Center	134	141	114	107	111	98	118	108	126	103	78	93	**1331**
Connections for Indepenent Living	475	484	475	495	486	494	492	490	496	499	480	484	**5850**
Disabled Resource Services	180	201	193	188	196	158	193	149	154	189	144	168	**2113**
NorthWest Colorado Center for Independence	91	102	89	100	101	94	81	79	95	62	66	74	**1034**
South West Center for Independence	27	36	29	47	50	49	56	41	47	96	66	77	**621**
Total	**2,482**	**2,469**	**2,566**	**2,524**	**2,594**	**2,304**	**2,602**	**2,509**	**2,552**	**2,460**	**2,349**	**2,375**	**29,786**

Clients served reflects a significant increase from the prior year, while total expenditures reflects a decrease. Unspent funds were transferred to Vocational Rehabilitation programs at the end of the year. Funding for the Centers was reduced in FY 2020-21 as part of budget reduction measures.

Notably, funding had not been reduced when one of the centers closed and the total number of centers changed from 10 to 9, so an associated cut was instead taken in FY 2020-21. The Department has not requested that these funds be restored.

Table 6
Distribution of General Funds by Independent Living Center
SFY 2020-21

Independent Living Center	*General Fund Amount*
Center For Independence	$ 673,285
Center For People with Disabilities	$ 668,182
Atlantis	$ 758,250
Connections for Independent Living	$ 661,830
Center for Disabilities	$ 744,830
Northwest Center for Independence	$ 641,328
Disabled Resource	$ 638,036
Southwest Center for Independence	$ 644,994
The Independence Center	$ 702,104
Total	**$ 6,132,839**

APPENDIX C
DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(b), C.R.S., the Department of Natural Resources is required to publish an **Annual Performance Report** for the *previous fiscal year* by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's FY 2021-22 budget request, the FY 2019-20 Annual Performance Report and the FY 2020-21 Performance Plan can be found at the following link:

https://www.colorado.gov/pacific/performancemanagement/department-performance-plans