

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2009-10 STAFF FIGURE SETTING  
DEPARTMENT OF LABOR AND EMPLOYMENT**

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

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**FY 2009-10 FIGURE SETTING  
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

**DEPARTMENT OF LABOR AND EMPLOYMENT**

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FY 2009-10 Joint Budget Committee Staff Figure Setting  
 Department of Labor and Employment

**APPENDIX A: NUMBERS PAGES**

	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>		<b>Change</b>
	<b>Actual</b>	<b>Actual</b>	<b>Appropriated</b>	<b>Request</b>	<b>Staff Rec.</b>	<b>Request</b>
<b>DEPARTMENT OF LABOR AND EMPLOYMENT</b>						
<b>Executive Director: Donald J. Mares</b>						
<b>(1) EXECUTIVE DIRECTOR'S OFFICE</b>						
Primary functions: Provide services common to all divisions, including accounting, budgeting, personnel management and employee insurance.						
Personal Services	11,772,342	12,010,059	12,605,645	13,340,803	13,053,778	DI #3
FTE	166.9	160.0	164.5	164.9	163.9	
Health, Life, and Dental	3,585,720	4,302,358	4,961,728	5,578,255	5,578,255	
Short-term Disability	58,330	61,588	84,509	83,748	89,850	
S.B. 04-257 Amortization Equalization Disbursement	348,614	717,008	1,040,110	1,288,429	1,159,349	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	0	152,026	487,552	805,268	724,593	
Salary Survey and Senior Executive Services	1,895,394	2,125,608	2,545,895	1,513,246	0	
Performance-Based Pay	0	908,256	957,125	0	0	
Shift Differential	23,970	5,663	28,162	26,300	2,832	
Workers' Compensation	504,883	595,209	759,115	760,267	<u>Pending</u>	
Operating Expenses	1,472,341	1,560,533	1,533,477	1,562,852	1,532,224	DI #3

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Request
	Actual	Actual	Appropriated	Request	Staff Rec.	
Legal Services	461,998	560,635	595,810	593,649	<u>Pending</u>	
<i>Hours</i>	<i>6,817.1</i>	<i>7,783.4</i>	<i>7,876.0</i>	<i>7,905.0</i>	<i>7,905.0</i>	
Purchase of Services from Computer Center	149,773	1,069,221	1,429,057	1,429,057	<u>Pending</u>	
Multiuse Network Payments	77,765	73,415	75,274	75,274	<u>Pending</u>	
MANAGEMENT AND ADMINISTRATION OF OIT	0	0	0	118,340	<u>Pending</u>	
Payment to Risk Mgmt. and Property Funds	162,948	90,627	124,233	124,233	<u>Pending</u>	
Vehicle Lease Payments	77,439	87,622	93,840	97,882	<u>Pending</u>	
Leased Space	3,348,777	3,557,464	3,689,248	3,896,503	3,896,503	
Capitol Complex Leased Space	37,831	27,486	27,324	27,324	<u>Pending</u>	
Communication Services Payment	863	1,131	1,182	1,182	<u>Pending</u>	
Utilities	229,497	234,907	260,309	260,309	260,309	
Information Technology Asset Maintenance	552,488	553,627	553,627	553,627	553,627	
Statewide Indirect Cost Assessment	1,042,321	722,193	545,879	495,382	495,382	
Disaster Recovery (New Line Item)	0	0	484,144	0	0	
<i>Unemployment Benefits (not appropriated, non-add)</i>	<i>316,646,005</i>	<i>354,966,705</i>	<i>408,211,711</i>	<i>449,032,882</i>	<i>515,970,510</i>	
(not appropriated pursuant to Section 8-77-104 (1), C.R.)	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Estimated</i>	<i>Estimated</i>	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Request
	Actual	Actual	Appropriated	Request	Staff Rec.	
<b>TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE</b>	25,803,294	29,416,636	32,883,245	32,631,930	27,346,702	
FTE	<u>166.9</u>	<u>166.9</u>	<u>167.4</u>	<u>164.9</u>	<u>163.9</u>	
General Fund	107,736	0	0	0	0	
Cash Funds	9,804,532	13,535,864	16,994,250	15,929,938	9,571,346	
Reappropriated Funds / Cash Funds Exempt	1,520,957	1,937,772	1,125,882	1,134,553	1,367,335	
Federal Funds	14,370,069	13,943,000	14,763,113	15,567,439	16,408,021	

## (2) DIVISION OF EMPLOYMENT AND TRAINING

### (A) Unemployment Insurance Programs

Primary functions: Providing temporary and partial wage replacement to workers who lost employment through no fault of their own.

Identifying, investigating and prosecuting individuals who attempt to receive unemployment benefits to which they are not entitled.

Program Costs	25,981,829	27,772,588	32,161,063	34,893,722	34,472,020	DI #2
FTE	<u>440.2</u>	<u>414.4</u>	<u>440.9</u>	<u>463.8</u>	<u>463.8</u>	DI #2
Cash Funds	3,021,439	3,359,203	4,378,075	7,158,522	7,102,608	DI #2
Federal Funds	22,960,390	24,413,385	27,782,988	27,735,200	27,369,412	
Genesis Project Recovery Assessment - CF	1,029,860	0	0	0	0	
Internet Self-Service - CF	0	0	503,720	167,126	167,126	DI #1
FTE	0.0	0.0	2.5	2.5	2.5	DI #1
<b>Total - (2) (A) Unemployment Insurance Programs</b>	27,011,689	27,772,588	32,664,783	35,060,848	34,639,146	
FTE	<u>440.2</u>	<u>414.4</u>	<u>443.4</u>	<u>466.3</u>	<u>466.3</u>	
Cash Funds	4,051,299	3,359,203	4,881,795	7,325,648	7,269,734	
Federal Funds	22,960,390	24,413,385	27,782,988	27,735,200	27,369,412	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change
	Actual	Actual	Appropriated	Request	Staff Rec.	Request

**(B) Unemployment Insurance Fraud Program**

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

Program Costs	1,394,166	1,382,442	1,508,633	0	0	0	DI #2
FTE	<u>26.0</u>	<u>25.8</u>	<u>26.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	DI #2
Cash Funds	705,635	730,547	1,508,633	0	0	0	DI #2
Reappropriated Funds / Cash Funds Exempt	688,531	651,895	0	0	0	0	DI #2

**Total - (2) (B) Unemployment Insurance Fraud**

<b>Program</b>	1,394,166	1,382,442	1,508,633	0	0	0	
FTE	<u>26.0</u>	<u>25.8</u>	<u>26.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
Cash Funds	705,635	730,547	1,508,633	0	0	0	
Reappropriated Funds / Cash Funds Exempt	688,531	651,895	0	0	0	0	

**(C) Employment and Training Programs**

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

State Operations	11,960,554	13,313,065	15,159,160	15,657,397	15,394,783	
FTE	<u>162.4</u>	<u>148.1</u>	<u>160.8</u>	<u>161.1</u>	<u>157.7</u>	
Cash Funds	6,231,046	6,402,346	9,042,095	9,535,273	9,354,316	
FTE	72.1	65.8	71.4	71.6	70.0	
Reappropriated Funds / Cash Funds Exempt	12,256	24,347	9,600	9,600	9,504	
FTE	0.8	0.7	0.8	0.8	0.8	
Federal Funds	5,717,252	6,886,372	6,107,465	6,112,524	6,030,963	
FTE	89.5	81.6	88.6	88.7	86.9	
One-Stop County Contracts - FF	8,169,393	8,749,490	7,639,572	7,691,629	7,694,007	
FTE	18.4	14.4	17.0	17.0	15.0	
Trade Adjustment Act Assistance - FF	1,589,034	1,745,853	1,921,826	1,921,826	1,921,826	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change Request	
	Actual	Actual	Appropriated	Request	Staff Rec.		
Workforce Investment Act - FF	40,572,833	42,313,607	36,675,686	0	33,184,194	33,137,482	
FTE	<u>65.6</u>	<u>67.3</u>	<u>60.0</u>		<u>60.0</u>	<u>60.0</u>	
Cash Funds	0	0	807,540		807,540	807,540	
Federal Funds	40,572,833	42,313,607	35,868,146		32,376,654	32,329,942	
Workforce Development Council Staff - RF/CFE	0	0	466,016		466,016	466,016	
FTE	0.0	0.0	4.0		4.0	4.0	
Workforce Improvement Grants	0	0	870,000		870,000	870,000	
FTE	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>		<u>10.0</u>	<u>10.0</u>	DI #4
Cash Funds	0	0	20,000		20,000	20,000	
Federal Funds	0	0	850,000		850,000	850,000	
<b>Total - (2) (C) Employment and Training Programs</b>	62,291,814	66,122,015	62,732,260		59,791,062	59,484,114	
FTE	<u>246.4</u>	<u>229.8</u>	<u>242.8</u>		<u>252.1</u>	<u>246.7</u>	
Cash Funds	6,231,046	6,402,346	9,869,635		10,362,813	10,181,856	
FTE	72.1	65.8	71.4		71.6	70.0	
Reappropriated Funds / Cash Funds Exempt	12,256	24,347	475,616		475,616	475,520	
FTE	0.8	0.7	4.8		4.8	4.8	
Federal Funds	56,048,512	59,695,322	52,387,009		48,952,633	48,826,738	
FTE	173.5	163.3	166.6		175.7	171.9	

**(D) Labor Market Information**

Primary functions: Gathering and analysis Colorado labor market and economic trend information

Program Costs	1,570,661	1,809,901	1,949,482	2,044,384	2,021,808
FTE - Federal	<u>27.5</u>	<u>27.9</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>
Cash Funds	4,460	2,990	11,509	11,509	11,509
Federal Funds	1,566,201	1,806,911	1,937,973	2,032,875	2,010,299

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change
	Actual	Actual	Appropriated	Request	Staff Rec.	Request
<b>Subtotal - (D) Labor Market Information</b>	1,570,661	1,809,901	1,949,482	2,044,384	2,021,808	
FTE - Federal	<u>27.5</u>	<u>27.9</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>	
Cash Funds	4,460	2,990	11,509	11,509	11,509	
Federal Funds	1,566,201	1,806,911	1,937,973	2,032,875	2,010,299	
<b>TOTAL - (2) DIVISION OF EMPLOYMENT AND TRAINING</b>	92,268,330	97,086,946	98,855,158	96,896,294	96,145,068	
FTE	<u>740.1</u>	<u>697.9</u>	<u>742.5</u>	<u>748.7</u>	<u>743.3</u>	
Cash Funds	10,992,440	10,495,086	16,271,572	17,699,970	17,463,099	
Reappropriated Funds / Cash Funds Exempt	700,787	676,242	475,616	475,616	475,520	
Federal Funds	80,575,103	85,915,618	82,107,970	78,720,708	78,206,449	
<b>(3) DIVISION OF LABOR</b>						
Primary functions: Providing assistance and ensuring compliance with Colorado wage, youth employment and labor practice laws						
Program Costs - Cash Funds	927,490	1,091,443	1,132,465	1,191,958	1,188,889	
FTE	11.0	13.9	16.0	16.0	15.0	
<b>TOTAL - (3) DIVISION OF LABOR - Cash Funds</b>	927,490	1,091,443	1,132,465	1,191,958	1,188,889	
FTE	11.0	13.9	16.0	16.0	15.0	



	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change
	Actual	Actual	Appropriated	Request	Staff Rec.	Request

**(4) DIVISION OF OIL AND PUBLIC SAFETY**

Primary functions: Inspecting and calibrating petroleum measuring devices; evaluating clean-up actions at locations where petroleum releases have been discovered and administering the associated reimbursement program; inspecting and testing the quality of fuel products; reviewing building plans for all public school facilities; issuing explosive permits to qualified individuals; conducting annual inspections of all boilers and pressure vessels in commercial and multi-unit residential buildings; licensing of conveyances, conveyance inspectors, mechanics, and contractors; registers and inspects amusement park rides, carinvals and other rides.

Personal Services	3,608,542	4,535,781	5,297,365	5,640,193	5,583,568	
FTE	<u>51.9</u>	<u>63.3</u>	<u>76.2</u>	<u>78.3</u>	<u>78.3</u>	
Cash Funds	780,938	1,396,077	4,713,422	5,056,250	5,000,031	
Reappropriated Funds/Cash Fund Exempt	2,284,401	2,110,277	19,516	19,516	19,321	
Federal Funds	543,203	1,029,427	564,427	564,427	564,216	
Operating Expenses	<u>467,161</u>	<u>566,501</u>	<u>915,621</u>	<u>921,881</u>	<u>474,066</u>	
Cash Funds	172,212	254,341	915,621	921,881	474,066	
Reappropriated Funds/Cash Fund Exempt	238,909	218,512	0	0	0	
Federal Funds	56,040	93,648	0	0	0	
Statewide Indirect Cost Assessment	<u>874,660</u>	<u>879,552</u>	<u>964,000</u>	<u>966,754</u>	<u>964,000</u>	
Cash Funds	0	0	964,000	966,754	964,000	DI #3
Reappropriated Funds/Cash Fund Exempt	874,660	879,552	0	0	0	

<b>TOTAL - (4) DIVISION OF OIL AND PUBLIC SAFETY</b>	4,950,363	5,981,834	7,176,986	7,528,828	7,021,634	
FTE	<u>51.9</u>	<u>63.3</u>	<u>76.2</u>	<u>78.3</u>	<u>78.3</u>	
Cash Funds	953,150	1,650,418	6,593,043	6,944,885	6,438,097	
Reappropriated Funds / Cash Funds Exempt	3,397,970	3,208,341	19,516	19,516	19,321	
Federal Funds	599,243	1,123,075	564,427	564,427	564,216	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change
	Actual	Actual	Appropriated	Request	Staff Rec.	Request
<b>(5) DIVISION OF WORKERS' COMPENSATION</b>						
<b>(A) Workers' Compensation</b>						
Primary functions: Assuring the quick and efficient delivery of disability and medical benefits to injured workers at a reasonable cost to employers, without the necessity of litigation.						
Personal Services	6,175,024	6,446,021	6,708,748	7,033,098	6,962,772	
FTE	<u>102.0</u>	<u>92.9</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	
Cash Funds	5,936,223.0	6,446,021	6,708,748	7,033,098	6,962,772	
Reappropriated Funds/Cash Fund Exempt	238,801.0	0	0	0	0	
Operating Expenses	<u>579,471</u>	<u>633,693</u>	<u>639,345</u>	<u>710,390</u>	<u>639,345</u>	
Cash Funds	556,640	633,693	639,345	710,390	639,345	
Reappropriated Funds/Cash Fund Exempt	22,831	0	0	0	0	
Administrative Law Judge Services	2,322,977	2,474,413	2,593,817	2,697,483	<u>Pending</u>	
Cash Funds	2,206,828	2,474,413	2,593,817	2,697,483		
Reappropriated Funds/Cash Fund Exempt	116,149	0	0	0		
Physician's Accreditation - CF	130,171	127,083	140,000	140,000	140,000	
Utilization Review	<u>52,989</u>	<u>19,311</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	
Cash Funds	45,041	18,345	60,000	60,000	60,000	
Reappropriated Funds/Cash Fund Exempt	7,948	966	0	0	0	
Immediate Payment - CF	0	0	10,000	10,000	10,000	
<b>Total - (5) (A) Workers' Compensation</b>	9,260,632	9,700,521	10,151,910	10,650,971	7,812,117	
FTE	<u>102.0</u>	<u>92.9</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	
Cash Funds	8,874,903	9,699,555	10,151,910	10,650,971	7,812,117	
Reappropriated Funds / Cash Funds Exempt	385,729	966	0	0	0	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change
	Actual	Actual	Appropriated	Request	Staff Rec.	Request
<b>(B) Major Medical Insurance and Subsequent Injury Funds</b>						
Primary functions: Providing medical benefits and compensation payments to eligible injured workers						
Personal Services	913,601	1,038,403	1,229,695	0	1,278,769	1,277,994
FTE	<u>12.6</u>	<u>12.9</u>	<u>16.0</u>		<u>16.0</u>	<u>16.0</u>
Cash Funds	0	0	1,229,695		1,278,769	1,277,994
Reappropriated Funds/Cash Fund Exempt	913,601	1,038,403	0		0	0
Operating Expenses	<u>51,819</u>	<u>59,368</u>	<u>88,324</u>		<u>88,324</u>	<u>88,324</u>
Cash Funds	0	0	88,324		88,324	88,324
Reappropriated Funds/Cash Fund Exempt	51,819	59,368	0		0	0
Major Medical Benefits	<u>6,621,917</u>	<u>6,287,543</u>	<u>7,000,000</u>		<u>7,000,000</u>	<u>7,000,000</u>
Cash Funds	0	0	7,000,000		7,000,000	7,000,000
Reappropriated Funds/Cash Fund Exempt	6,621,917	6,287,543	0		0	0
Major Medical Legal Services	914	5,732	11,265		11,265	<u>Pending</u>
Hours	<i>13.5</i>	<i>79.6</i>	<i>150.0</i>		<i>150.0</i>	<i>100.0</i>
Cash Funds	0	0	11,265		11,265	
Reappropriated Funds/Cash Fund Exempt	914	5,732	0		0	
Subsequent Injury Benefits	<u>2,237,091</u>	<u>1,778,505</u>	<u>3,200,000</u>		<u>3,200,000</u>	<u>3,200,000</u>
Cash Funds	0	0	3,200,000		3,200,000	3,200,000
Reappropriated Funds/Cash Fund Exempt	2,237,091	1,778,505	0		0	0
Subsequent Injury Legal Services	16,565	1,157	37,550		37,550	<u>Pending</u>
Hours	<i>244.4</i>	<i>16.1</i>	<i>500.0</i>		<i>500.0</i>	<i>350.0</i>
Cash Funds	0	0	37,550		37,550	
Reappropriated Funds/Cash Fund Exempt	16,565	1,157	0		0	
Medical Disaster	<u>166</u>	<u>253</u>	<u>6,000</u>		<u>6,000</u>	<u>6,000</u>
Cash Funds	0	0	6,000		6,000	6,000
Reappropriated Funds/Cash Fund Exempt	166	253	0		0	0

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10		Change
	Actual	Actual	Appropriated	Request	Staff Rec.	Request
<b>Total - (5) (B) Major Medical Insurance and Subsequent Injury Funds</b>	9,842,073	9,170,961	11,572,834	11,621,908	11,572,318	
FTE	<u>12.6</u>	<u>12.9</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	
Cash Funds	0	0	11,572,834	11,621,908	11,572,318	
Reappropriated Funds/Cash Fund Exempt	9,842,073.0	9,170,961.0	0.0	0.0	0.0	
<b>TOTAL - (5) DIVISION OF WORKERS' COMPENSATION</b>	19,102,705	18,871,482	21,724,744	22,272,879	19,384,435	
FTE	<u>114.6</u>	<u>105.8</u>	<u>118.0</u>	<u>118.0</u>	<u>118.0</u>	
Cash Funds	8,874,903	9,699,555	21,724,744	22,272,879	19,384,435	
Reappropriated Funds / Cash Funds Exempt	10,227,802	9,171,927	0	0	0	
<b>GRAND TOTAL - DEPARTMENT OF LABOR AND EMPLOYMENT</b>	143,052,182	152,448,341	161,772,598	160,521,889	151,086,728	
FTE	<u>1,084.5</u>	<u>1,047.8</u>	<u>1,120.1</u>	<u>1,125.9</u>	<u>1,118.5</u>	
General Funds	107,736	0	0	0	0	
Cash Funds	31,552,515	36,472,366	62,716,074	64,039,630	54,045,866	
Reappropriated Funds / Cash Funds Exempt	15,847,516	14,994,282	1,621,014	1,629,685	1,862,176	
Federal Funds	95,544,415	100,981,693	97,435,510	94,852,574	95,178,686	

**DEPARTMENT OF LABOR AND EMPLOYMENT  
FY 2009-10 STAFF FIGURE SETTING**

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

**(1) EXECUTIVE DIRECTOR'S OFFICE**

The Executive Director's Office provides common services to all divisions including employee health, life and dental insurance, workers' compensation insurance, and employee shift differential. Support services are also located in the Executive Director's Office, and include the Office of Government, Policy and Public Relations, the Office of Human Resources, and the Budget and Controller's Offices.

**Decision Item #3 - Internal Audit Program**

*Request:* The Department is requesting \$85,722 to fill a vacant auditor position who would be responsible for creating a program to audit all Division programs and establishing a system of controls to prevent internal fraud. Funding for this decision item would be \$46,856 cash funds, \$2,754 reappropriated funds from the Petroleum Storage Tank Fund, and \$36,112 federal funds.

*Staff Analysis:* There is no history of or any specific instances of financial fraud in the Department that would indicate the need for more controls. Despite the lack of instances, the Department argues that there are vulnerabilities which could be identified and rectified to prevent fraud. Currently the Department Controller oversees the protection of the Department's and State's financial resources.

Staff is concerned that as the Department transitions to primarily web based methods of revenue collections, the type of effective internal controls also change. Staff believes that the development of an internal audit program would be better timed after a major change in the way the Department collects money is made. For example, the unemployment insurance program recently began direct deposit of claimant benefits, and prevention of fraud via direct deposit require different auditor skills than prevention of fraud via mail and paper checks.

*Recommendation:* Due to the changing nature of the Department and lack of documented fraud instances, **staff recommends the Committee deny this decision item.**

**Personal Services**

*Description:* This line funds the Executive Director, accounting, budget, purchasing, human resources, and general support staff. Funding splits for the entire Executive Director's Office are done on a bottom-line basis, and a recommendation for an overall funding split is provided at the end of this Division. For FY 2008-09 the Department submitted a supplemental reflecting one-time savings due to the hiring freeze implemented October 1, 2008 by Governor Ritter.

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<b>Staffing Summary Executive Director's Office</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Approp.</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recomm.</b>
Administration / Management	8.7	8.0	8.0	8.0
Financial	16.1	17.0	17.0	17.0
Info. Technology	54.3	53.0	53.0	53.0
Professional Staff	33.9	34.7	35.2	35.2
Investigators / Auditors	8.0	8.0	8.0	7.0
Staff Support	20.4	21.9	21.9	21.9
Maintenance	13.1	16.4	16.3	16.3
Contracts, and Temporary Staff	5.5	5.5	5.5	5.5
<b>TOTAL</b>	<b>160.0</b>	<b>164.5</b>	<b>164.9</b>	<b>163.9</b>

*Request:* The Department's request is for an appropriation of \$13,340,803 and 164.9 FTE.

*Recommendation:* **Staff recommends an appropriation of \$13,053,778 and 163.9 FTE calculated in accordance with Committee policy for this line.** Staff's calculation is summarized in the following table. Staff's recommendation of 163.9 FTE is 1.0 FTE less than the requested amount because staff is not recommending the third decision item which would have filled a currently vacant auditor position.

<b>Executive Director's Office - Personal Services</b>		
	<b>Total Funds</b>	<b>FTE</b>
FY 2008-09 Appropriation	12,605,645	167.4
S.B. 08-155	0	(3.0)
S.B. 07-228 Annualization	30,811	0.5
January 2008 Supplemental - Consolidation of Governor's Office of IT	(66,020)	0.0
Staff's Recommended FTE Reduction	0	(1.0)
Salary Survey awarded in FY 08-09	486,063	
80% of Performance-based Pay awarded in FY 08-09	137,941	
Base reduction (1.0% for lines with 20.0+ FTE)	(131,944)	
Budget Amendment - Consolidate funding for OIT under new line, Management and Administration of OIT	(8,718)	0.0

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Executive Director's Office - Personal Services		
	Total Funds	FTE
Decision Item #3 - Internal Audit	0	0.0
<b>Recommended FY 2009-10 Appropriation</b>	<b>13,053,778</b>	<b>163.9</b>

**Health, Life, and Dental**

This line funds the Department's share of the state's group health, life and dental insurance plans for state employees. Health, life, dental is appropriated to the Executive Director's Office and distributed as needed to the divisions. The Department's requests an appropriation of \$5,578,255, reflecting an increase of \$616,527 from FY 2008-09. In accordance with the Committee policy for this line, **staff recommends an appropriation of \$5,578,255.**

**Short-term Disability**

This line item funds the Department's share of the state's short-term disability program which is administered by the Department of Personnel and Administration. The Department requests an appropriation of \$83,748 for this purpose. The JBC approved a short-term disability rate of 0.155 percent of base personal services salaries. **Staff recommends an appropriation of \$89,850 which was calculated in accordance with the Committee policy for this line.**

**S.B. 04-257 Amortization Equalization Disbursement**

This line funds the costs associated with S.B. 04-257, which requires additional state contribution for employees in the Public Employees' Retirement System (PERA). The rate for CY 2009 is 1.8 percent of base salaries, and 2.2 percent of base salaries for CY 2010. The Department requests an appropriation of \$1,288,429 for this purpose. **Staff recommends an appropriation of \$1,159,349 which was calculated in accordance with the Committee policy for this line.**

**S.B. 06-235 Supplemental Amortization Equalization Disbursement**

Senate Bill 06-235 created a mechanism to increase the state's effective PERA rate beginning on January 1, 2008. The Department requests an appropriation of \$805,268 for this purpose. The Committee approved rates for CY 2009 and CY 2010 are 1.0 percent and 1.5 percent of base salaries, respectively. **Staff recommends an appropriation of \$724,593 which was calculated in accordance with Committee policy for this line.**

**Salary Survey and Senior Executive Services**

The Department of Personnel and Administration's total compensation report pursuant to Section 24-50-104 (4) (c), C.R.S., recommends salary adjustments that are funded by this line. In January, the Department submitted a 2009 budget amendment that withdrew the Department's request for this

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line. In accordance with Committee policy, **staff recommends that no salary survey be funded for FY 2009-10.**

**Performance-Based Pay Awards**

Employee performance-based pay is centrally appropriated and funded by this line pursuant to Section 24-50-104 (1) (c) (I), C.R.S. The Department did not request funding for performance-based pay awards. In accordance with Committee policy, **staff recommends that no performance-based pay awards be funded for FY 2009-10.**

**Shift Differential**

Additional compensation paid to employees who work after regular hours. The Department has custodial staff working after hours at 251 E. 12<sup>th</sup> Avenue in Denver, as well as, information technology staff working nights doing job runs of the Department's computer programs. The Department has requested an appropriation of \$26,300 for this purpose. In accordance with the Committee policy for this line, **staff recommends an appropriation of \$2,832.**

**Workers' Compensation**

This line item is used to pay the Department's share of the state's workers' compensation program run by the Department of Personnel and Administration. The Department requests an appropriation of \$760,267. **The staff recommendation for this line item is pending the approval of a Committee policy.**

**Operating Expenses**

The Department submitted a January 2009 budget amendment to reduce this line by \$7,410 due to the elimination of the fleet vehicle rate reimbursement decision item. The Department's requests an appropriation of \$1,555,442, reflecting \$6,178 for the Department's third decision item, and \$17,040 for postage increases and mail equipment upgrades. **Staff recommends an appropriation of \$1,532,224** as is outlined in the table below, and staff requests permission to adjust the line and apply a funding split once Committee policy on mail equipment and postage increase has been decided.

<b>Executive Director's Office - Operating Expenses</b>	
	<b>Total Funds</b>
FY 2008-09 Appropriation	\$1,533,477
Annualize S.B. 07-228	(1,253)
DI #3 - Internal Audit Program	0
Non-Prioritized DI #2 - Fleet Variable Rate Increase	0



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Executive Director's Office - Operating Expenses	
	Total Funds
Non-Prioritized DI #4 - Mail Equipment and Postage Increase	<u>pending</u>
<b>Recommended FY 2009-10 Appropriation</b>	<b>1,532,224</b>

**Legal Services**

This line item is used to pay the Department of Law for the provision of legal services to all divisions. Workers' Compensation and Unemployment Insurance account for 54.8 percent of the Department's legal services, 2,249 hours or 28.6 percent, and 2,066 hours or 26.2 percent, respectively. The Department has requested the funding for 7,905 hours. **Staff recommends an appropriation sufficient for 7,905 hours, and the dollar amount of staff's recommendation is pending Committee policy for FY 2009-10 legal hour rates.**

**Purchase of Services from Computer Center**

This line item is used to reimburse the Department of Personnel and Administration for the Department's share of the state's computer system. The Department requests \$1,429,057 for this purpose. **Staff recommendation is pending the approval of a Committee policy for this line.**

**Multiuse Network Payments**

This line item reimburses the Department of Personnel and Administration for the Department's share of the statewide multi-use network. The Department is requesting an appropriation of \$75,274. **The staff recommendation is pending the approval of a Committee policy for this line.**

**Management and Administration of OIT (New Line Item)**

*Description:* This line was added during the FY 2008-09 supplemental process, and was requested by the Governor's Office. This line item consolidates the appropriations for the 3.0 FTE that were transferred to the Governor's Office as a result of S.B. 08-155. The appropriation for this line is offset by reductions in the Executive Director's Office personal services line and the indirect cost assessment in the Division of Oil and Public Safety.

*Request:* The Department requests an appropriation of \$118,340 for this purpose.

*Recommendation:* **Staff recommendation is pending the approval of a Committee policy for this line,** and staff requests permission to apply a fund split once the appropriation is approved.

**Payment to Risk Management and Property Funds**

This line item is used to reimburse the Department of Personnel and Administration for the Department's share of the state's liability and property insurance. The Department requests an

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appropriation of \$124,233 for this purpose. **Staff recommendation is pending the approval of a Committee policy for this line.**

**Vehicle Lease Payments**

Funding for annual payment to the Department of Personnel and Administration for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles pursuant to Section 24-30-1117, C.R.S. is provided by this line. The Department request of \$97,882 for this purpose. **Staff recommendation is pending the approval of a Committee policy for this line.**

**Leased Space**

The Department leases space across Colorado and is responsible for lease escalations. The Department's request of \$3,896,503 or 5.6 percent greater than FY 2008-09 appropriation and is summarized in the table below. **Staff recommends the Committee approve the request for \$3,896,503.**

Executive Director's Office - Leased Space									
	FY 2007-08 Actual			FY 2008-09 Appropriation			FY 2009-10 Request		
	Area	Rate	Total	Area	Rate	Total	Area	Rate	Total
State Run One-Stop Locations	61,471	\$4.05- \$27.96	\$627,930	62,357	\$4.05- \$28.80	\$632,667	62,357	\$4.05- \$28.80	\$643,944
Colorado Springs - Labor & UI	2,818	\$16.00	\$45,088	2,818	\$16.50	\$46,497	2,818	\$17.00	\$47,892
Aurora - Workforce Development	335	\$8.57	\$2,871	335	\$8.83	\$2,958	335	\$9.09	\$3,045
633 17 <sup>th</sup> Avenue	172,240	\$15.50	\$2,881,575	172,240	\$17.41	\$3,007,126	172,240	\$18.56	\$3,201,622
<b>TOTAL</b>	<b>236,864</b>		<b>\$3,557,464</b>	<b>237,750</b>		<b>\$3,689,248</b>	<b>237,750</b>		<b>\$3,896,503</b>

**Capitol Complex Leased Space**

Capitol complex space is maintained by the Department of Personnel and Administration. The Department requests \$27,324 for this purpose, and the Department's capitol complex lease space is outlined in the following table. **The staff recommendation is pending the approval of a Committee policy for this line.**

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<b>Executive Director's Office - Capitol Complex Lease Space</b>		
<b>Location</b>	<b>Amount</b>	<b>Purpose</b>
Grand Junction	1,295	Workers' Compensation and Unemployment Insurance
North Campus - 62nd Avenue, Denver	4,364	Division of Oil and Public Safety - oil inspection labs

**Communication Services Payment**

This line item provides the funds for the Department's share of the state's public safety communications infrastructure, which is maintained by the Department of Personnel and Administration. The Department requests \$1,182 for this purpose. **The staff recommendation is pending the approval of a Committee policy for this line.**

**Utilities**

Since the building at 251 E. 12<sup>th</sup> Avenue is owned by the state, the Department is responsible for the utilities, and the Department requests a continued appropriation of \$260,309 for this purpose. **Staff recommends the Department's request for \$260,309.**

**Information Technology Asset Maintenance**

The Department relies extensively on computers and databases to track constituents that pay fees and taxes to support its programs, as well as to track those who qualify for workers' compensation and unemployment insurance benefits. The Committee approved the Department's decision item in FY 2007-08 to remove personal computer replacement costs from this line and distribute those costs across the operating expenses or program costs lines in each Division. This line is used to purchase Microsoft software for computers and databases. The Department requests \$553,627 for this purpose. **Staff recommends the Department's request for an appropriation of \$553,627.**

**Statewide Indirect Cost Assessment**

Indirect costs are the overhead costs associated with the operation of general government functions and departmental administrative duties. Indirect cost recoveries are intended to offset these overhead costs, that would otherwise have been supported by cash and federally funded sources. Recoveries from cash and federally funded programs are calculated for statewide and departmental overhead costs. The Department requests an appropriation of \$495,382 for this purpose. **Staff recommends an appropriation of \$495,382 in accordance with Committee policy for this line.**

**Bottom Line Funding Recommendation**

Since the Executive Director's Office is funded by various sources, bottom line funding gives the Department the flexibility to apply federal funds in particular, to appropriate lines in order to cover expenses. **Staff recommends the Executive Director's Office remain bottom line funded, and pending items will require a funding split be applied. Staff recommends that the current**

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**reappropriated fund values remain unchanged, and pending items be split in proportion to the current ratio between cash funds and federal funds.**

*Unemployment Benefits*

Pursuant to Section 8-77-104 (1), C.R.S., the payment of unemployment benefits is not subject to appropriation by the General Assembly, and is not included in the Long Bill. For FY 2009-10 the Department estimates it will pay \$515,970,510 in benefits. Unemployment benefits have been included in staff's numbers pages because they reflect a major Department expenditure.

Pursuant to Section 8-77-101 (1) (b) (I), C.R.S., revenue credited to the Unemployment Insurance Trust Fund constitutes state spending, and, as such, counts against the TABOR revenue limit, which is equal to inflation change plus population growth. The General Assembly made the decision to count tax revenue under the TABOR revenue line in S.B. 93-74. The Department estimates in FY 2009-10 they will collect \$555,437,692 in tax revenue.

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(2) DIVISION OF EMPLOYMENT AND TRAINING

**Decision Item #1 - Internet Self-Service Year 2:**

*Request:* The Department requests \$167,126 cash funds from the Employment Support Fund (ESF) for program costs related to modernizing and enhancing the Department's Internet self-service (ISS) applications for the Unemployment Insurance Program (UI Program).

*Staff Analysis:* In FY 2008-09 the Capital Development Committee approved \$6.8 million cash funds from the ESF and 2.5 FTE, for the first year of this two-year project. Of the \$6.8 million, \$503,720 was delegated for operating and personnel costs of the 2.5 FTE. The Department requested roll-forward spending authority for the program costs which was not approved.

Currently the Department has five applications which are being modernized and upgraded, including:

- Initial UI claims (benefits),
- Continued UI claims (benefits),
- Employer Tax registration (taxes),
- Tax and wage reporting (taxes), and
- Customer maintenance (taxes).

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All of the current applications (except continued UI claims) were developed using Microsoft Visual Basic 6, which is no longer supported by Microsoft. In order to remain a viable part of the Department's UI operations, these applications are being rewritten using a supported platform. The Department has identified five additional processes that are being developed as a part of ISS. The following are the five new applications to be added:

- Additional and Reopened claims (benefits),
- Customer Feedback (benefits),
- Customer Information (taxes and benefits),
- Correspondence (taxes and benefits), and
- Appeals Filing (benefits).

Since the capital portion of the request was granted three years of spending authority, the Department is requesting FTE and funds for only the operating and personal services costs. The 2.5 FTE will be used to back fill positions of Department senior subject matter experts who are involved full time with the development of ISS applications. These FTE are not permanent positions and are included because of the lessons from Genesis about the importance of having staff who are experts and able to maintain ISS after the completion of the project and the exit of outside experts. These staff are able to identify problems, develop solutions and perform routine maintenance.

The Governor's Office of Information Technology submits a biweekly status report, and the most recent was submitted February 9, 2009 with the following highlights and the following table outlines the status of the budget for the project:

- ▶ The original completion date was December 31, 2010, which has been pushed back two months to February 28, 2011.
- ▶ The project's yellow status will not change to green unless the project is able to make up the two months.
- ▶ Of the six critical path steps four have been completed, one was cancelled as a result of contracting with Statewide Internet Protocol Authority, and one is in progress.
- ▶ The Statewide Internet Portal Authority is building the frontend (outward facing) applications and the Department is building the backend (database infrastructure). UI Program and IT staff are being supplemented with experts throughout the project.

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<b>ISS Project Budget Summary as of January 11, 2009</b>			
	<b>Projected Budget</b>	<b>Cumulative Expenses</b>	<b>Remaining Balance</b>
<b>Capital Construction Project</b>			
Contractor Costs	\$5,322,536	\$94,393	\$5,228,143
Contingency	600,799	0	600,799
<b>Operating Budget</b>			
Personal Services (FTE)	348,846	45,106	303,740
Software	136,000	13,694	122,306
Hardware	186,000	1,342	184,658
<b>Supplemental Budget Requests</b>			
Tax & Wage Reports	53,025	0	53,025
Employer Demographics	90,375	0	90,375
<b>Total</b>	<b>\$6,737,581</b>	<b>\$154,535</b>	<b>\$6,583,046</b>

Section 8-77-109 (2) (a) (I), C.R.S., states that the ESF will be "used to offset funding deficits for program administration, including information technology (IT) initiatives", and since ISS is an IT initiative it falls within this provision. For FY 2009-10, revenues for the ESF are projected to be \$22.6 million, and the balance is projected to be \$29.8 million. In FY 2008-09, \$5.0 million was transferred from the ESF to the General Fund. Current year revenues plus reserves appear to be adequate to fund this project.

**Recommendation:** Staff recommends the Committee approve the request for \$167,126 cash funds from the Employment Support Cash Fund and 2.5 FTE for FY 2009-10. Since staff receives a copy of the biweekly status report, staff does not see a need for additional status reporting from the Department, and **recommends the Committee eliminate the request for information at the end of this packet.** If the project status changes to red, staff recommends the Committee request the Department to submit a report detailing the reason for the change in the project status, proposed remedies, and budget impacts.

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**Decision Item #2 - Maximize Federal Funding for the Unemployment Insurance Program:**

*Request:* The Department is requesting the Unemployment Insurance Fraud Program (UI Fraud) and Unemployment Insurance Programs Costs (UI Program) be combined under the UI Programs line.

*Staff Analysis:* In the FY 2008-09, the UI Program was appropriated 440.9 FTE and \$4,333,416 in cash funds from the Employment Support Fund, and \$27,782,988 in federal funds. Over the past six years federal funding for the UI Program line has decrease by \$4,565,844 and funding by cash funds has subsequently increased by \$5,215,070.

For FY 2008-09, the UI Fraud line received \$1,508,633 from the Unemployment Revenue Fund (Revenue Fund) and 26.0 FTE. Pursuant to Section 8-77-106, C.R.S., at least 50 percent Revenue Fund expenditures must be for UI enforcement activities. UI enforcement activities fall under the federal category of benefit payment control (BPC) and include investigations of benefit fraud, employer tax record audits, and collections of late payments and overpaid benefits.

The federal government uses the Resource Justification Model (RJM) to determine each state's federal UI dollar allocation. The first step in the RJM is to remove all state dollars spent on UI, thereby excluding the UI Fraud line from receiving any federal dollars. The RJM uses minutes per unit (MPU) to measure each state's workload, and ensure that workload numbers are comparable between states. MPUs are equal to the total number of paid staff hours including: sick leave, vacation and holiday pay, divided by workload. Any staff and their associated activities for the claim are included in the total staff hours, thus including the hearing officer, transcribers, administrative support staff and supervisors, and activities like scheduling an appeals hearing, pulling together the claim information, the appeals hearing itself, and writing up the decision. Combining the total staff hours divided by the workload statistics will give the MPU needed to process an appeal.

The following table outlines the Department's MPU compared to the federal or adjusted MPU for appeals and enforcement functions. The adjusted MPU is calculated by various U.S. Department of Labor algorithms because of the limited amount of federal UI money.

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

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Over the past six years Colorado has averaged the fifth highest percentage of federal UI dollar reduction. The ESF has provided some additional dollars, but has not totally compensated for the loss of federal dollars, resulting in increased phone wait times and staff workloads. Any of the functions that fall under the BPC and receive federal funds are not reduced because of the need for the federal government to ensure that states are able to ensure minimal losses due to fraud and overpayments.

By combining the two UI lines, it is estimated the Department will see a net gain of \$179,906 federal funds for FY 2009-10, because the current cash funded 26.0 FTE and \$1,508,633 would become 100% federally funded because they are positions that fall into the BPC function, and the BPC function is not adjusted by the RJM. The Department would offset the FTE in appeals and tax with cash funds, resulting in a lower Department MPU and therefore, a smaller cut when the MPU is adjusted through the RJM process.

The following table outlines staff's recommendation for the FY 2009-10 appropriation for the UI Fraud line to be combined with the UI Program line item.

<b>Unemployment Insurance Fraud Program - Program Costs</b>		
	<b>CF</b>	<b>FTE</b>
Program Line		
Personal Services (estimated)	1,420,725	26.0
Operating Expenses (estimated)	87,908	<u>0.0</u>
<b>FY 2008-09 Appropriation</b>	<b>\$1,508,633</b>	<b>26.0</b>
Salary Survey awarded in FY 08-09	51,546	
80% of Performance-based Pay awarded in FY 08-09	17,835	
Base reduction (1.0% for lines with 20.0+ FTE, applied to Personal Services only)	<u>(14,207)</u>	<u>0.0</u>
<b>Recommended FY 2009-10 Appropriation</b>	<b>\$1,563,807</b>	<b>26.0</b>

**Recommendation:** Staff recommends the Committee approve the decision item to combine the two unemployment insurance lines for FY 2009-10 and all years there after. Staff recommends the Committee approve \$1,563,807 and 26.0 FTE be combined with the UI Program Costs line.



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**(A) Unemployment Insurance Programs**

*Description:* This program administers Colorado's unemployment insurance program, which provides temporary benefits to individuals who have lost their job through no fault of their own. Functional responsibilities include general administration, tax collection from employers, payment of benefits, integrity including employer audits, operations which includes the running of the call center, appeals for those individuals who dispute a ruling on their UI claim, and quality control which includes measurements like phone wait time and the number of appeals filed. The state is responsible for collecting taxes on the first \$10,000 of wages which are deposited into the Unemployment Insurance Trust Fund (UITF) which is maintained by the U.S. Department of Labor.

**Program Costs**

*Description:* The appropriation for the UI Program is done on the basis of total program costs which includes personal services and operating expenses. The majority of the staff in this section are responsible for the payment of benefits and tax collection functions. Senate Bill 08-114 required the Department register employee leasing companies and added 0.9 FTE and \$44,659.

<b>Staffing Summary UI Programs</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Approp.</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recomm.</b>
Administration / Management	39.8	42.0	42.0	42.0
Operations - Tax Collection	71.8	77.0	77.0	77.0
Operations - Benefit Payment	188.8	203.9	200.8	200.8
Integrity - Tax Audits	28.5	30.0	30.0	30.0
Integrity - Quality Control	38.6	40.0	40.0	40.0
Appeals	46.9	48.0	48.0	48.0
Fraud	0.0	0.0	26.0	26.0
Administrative / Management	n.a	n.a	4.0	4.0
Collections	n.a	n.a	5.0	5.0
Labor & Employment Specialists	n.a	n.a	12.0	12.0
Criminal Investigators	n.a	n.a	5.0	5.0
<b>TOTAL</b>	<b>414.4</b>	<b>440.9</b>	<b>463.8</b>	<b>463.8</b>

*Request:* The Department requests an appropriation of \$35,060,848 and 466.3 FTE, which includes the Department's second decision to add the UI Fraud line of \$1,583,103 cash funds and 26.0 FTE.

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**Recommendation:** Staff recommends an appropriation of \$34,472,020 and 463.8 FTE, calculated in accordance with Committee policy. For the pending line, staff requests permission to adjust the line and apply a funding split once Committee policy on mail equipment and postage increase has been decided. Of the \$34,674,716 appropriation, \$7,102,608 is cash funds from the Employment Support Fund and the Unemployment Revenue Fund, and \$27,369,412 is federal funds. Staff's recommendation is outlined in the following table, and reflects staff's recommendation to combine the two unemployment insurance program lines. Staff recommends that the personal services and operating expenses lines remain combined under the program costs line because of the flexibility available to the Department in spending and the significant portion of the Division that is federally funded.

<b>Unemployment Insurance Program - Program Costs</b>				
	<b>CF</b>	<b>FF</b>	<b>Total Funds</b>	<b>FTE</b>
Program Line				
Personal Services (estimated)	2,808,100	18,008,059	20,816,159	440.9
Operating Expenses (estimated)	1,525,316	9,774,929	11,300,245	
<b>FY 2008-09 Appropriation</b>	<b>4,333,416</b>	<b>27,782,988</b>	<b>32,116,404</b>	<b>440.9</b>
Salary Survey awarded in FY 08-09	922,409	0	922,409	
80% of Performance-based Pay awarded in FY 08-09	274,923	0	274,923	
S.B. 08-114	44,659	0	44,659	0.9
S.B. 08-204	0	(212,485)	(212,485)	(3.7)
Annualization S.B. 08-114	220	0	220	0.1
Annualization of S.B. 08-204	0	(19,120)	(19,120)	(0.4)
Base reduction (1.0% for lines with 20.0+ FTE, applied to Personal Services only)	(36,826)	(181,971)	(218,797)	0.0
DI #2 - Combining UI Lines	1,563,807	0	1,563,807	26.0
NP DI #4 - Mail Equipment and Postage Increase			<u>pending</u>	
<b>Recommended FY 2009-10 Appropriation</b>	<b>7,102,608</b>	<b>27,369,412</b>	<b>34,472,020</b>	<b>463.8</b>

**Internet Self-Service**

*Description:* Added in FY 2008-09 to reflect the appropriation and FTE for the Department's Internet self-service decision item for \$503,720 and 2.5 FTE. The 2.5 FTE are used to backfill positions of senior staff who are working with contractors and outside experts to modernize and

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develop ten Internet applications for the UI Program. The new applications will enable claimants and employers to conduct business with the state twenty four hours a day and seven days a week.

*Request:* For the first decision item, the Department requests \$167,126 cash funds and 2.5 FTE.

*Recommendation:* **Staff recommends the Committee approve an appropriation of \$167,126 cash funds from the Employment Support Fund and 2.5 FTE for this line item**, in accordance with staff's previous recommendation to approve this decision item.

**(B) Unemployment Insurance Fraud Program**

*Description:* The Unemployment Insurance Fraud Program employs both criminal investigators and specialists to notify recipients of benefit overpayments, collect overpayments, audit employers, and investigate potential benefit fraud. Funding for this line is from the Unemployment Revenue Fund (Revenue Fund). Revenue for the Fund is from interest collected in late taxes, overpayments that have not been repaid, and fees assessed on employers for late tax payments. The Revenue Fund is projected to have a fund balance of \$7.2 million at the end of FY 2008-09, and \$7.9 million at the end of FY 2009-10.

Staffing Summary UI Fraud Program	FY 2007-08 Actual	FY 2008-09 Approp.	FY 2009-10 Request	FY 2009-10 Recomm.
Administrative / Management	4.0	4.0	0.0	0.0
Collections	3.5	5.0	0.0	0.0
Labor & Employment Specialists	13.4	12.0	0.0	0.0
Criminal Investigators	4.9	5.0	0.0	0.0
<b>TOTAL</b>	<b>25.8</b>	<b>26.0</b>	<b>0.0</b>	<b>0.0</b>

**Program Costs**

*Request:* The Department requests this line item be eliminated from the Long Bill due to the Department's second decision item.

*Recommendation:* **Staff recommends the UI Fraud line be combined with the UI Program line and the UI Fraud line be eliminated from the Long Bill in FY 2009-10 and all years there after.** For the pending line, staff requests permission to adjust the line and apply a funding split once Committee policy on mail equipment and postage increase has been decided. Staff's recommendation is summarized in the following table.

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<b>Unemployment Insurance Fraud Program - Program Costs</b>		
	<b>CF</b>	<b>FTE</b>
Program Line		
Personal Services (estimated)	1,420,725	26.0
Operating Expenses (estimated)	87,908	<u>0.0</u>
<b>FY 2008-09 Appropriation</b>	<b>\$1,508,633</b>	<b>26.0</b>
Salary Survey awarded in FY 08-09	51,546	
80% of Performance-based Pay awarded in FY 08-09	17,835	
Base reduction (1.0% for lines with 20.0+ FTE, applied to Personal Services only)	(14,207)	0.0
DI #2 - Maximize Federal Funding	<u>(1,563,807)</u>	<u>(26.0)</u>
<b>Recommended FY 2009-10 Appropriation</b>	<b>\$0</b>	<b>0.0</b>

**(C) Employment and Training Programs**

The state offers job search assistance, additional job training, classes to improve interview and resume skills through state and county run one-stop centers. Services are free to job seekers and employers, with the goal to match qualified job seekers with employers. The majority of funding for state and county one-stop centers is federal funds.

**Decision Item #4 - Disability Program Navigator**

*Request:* The Department is requesting 2.3 FTE in addition to the 6.7 FTE approved in the interim supplemental for a total 9.0 federal FTE for the operation of the Disability Program Navigator (DPN). The remaining 2.3 FTE are currently appropriated to the Division of Vocational Rehabilitation in the Department of Human Services. Senate Bill 08-231 appropriated the Workforce Improvement Grant line for \$870,000 and 1.0 FTE to the Department from the Department of Local Affairs.

*Staff Analysis:* The DPN enables state-run workforce centers to provide specific services to individuals with disabilities who enter workforce centers seeking employment information and training. The Workforce Development Council (Council) was also transferred from Department of Local Affairs, and contracts directly with county-operated centers for services for people with disabilities. By placing both the Council and the DPN in the same department, the Department is able to ensure that individuals with disabilities receive similar services at county and state-run workforce centers.

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**Recommendation: Staff recommends the Committee approve this decision item to add 2.3 FTE to the Workforce Improvement Grants line.**

**State Operations**

*Description:* The state is divided into eleven rural workforce investment areas that make up the Rural Consortium. One region can have anywhere from one to six one-stop centers. Each one-stop center provides job search assistance, classes, and services for individuals with special needs. This line covers expenses for state run one-stop centers, of which there are thirty-four. Funding for county run centers is done in another line.

<b>Staff Summary State Operations</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Approp.</b>	<b>FY 2009- 10 Request</b>	<b>FY 2009-10 Recomm.</b>
Labor and Employment Specialists	131.4	143.3	143.6	141.0
Professional Staff	5.6	6.0	6.0	5.6
IT Staff	0.5	0.5	0.5	0.5
Community Workers	4.6	5.0	5.0	4.6
Administrative Support	5.0	5.0	5.0	5.0
Management	1.0	1.0	1.0	1.0
<b>TOTAL</b>	<b>148.1</b>	<b>160.8</b>	<b>161.1</b>	<b>157.7</b>

*Request:* Through a February 2009 budget amendment, the Department requests an appropriation of \$15,664,417 and 161.1 FTE for this purpose. The budget amendment increased this line by \$7,020 for the nonimmigrant agricultural seasonal worker pilot program for expenses incurred by the Advisory Council.

*Recommendation:* The budget amendment increases this line by \$7,020 cash funds, and is a result of Legislative Council removing the funding for the Advisory Council from their budget which is completely General Fund. **Staff recommends the Committee approve this budget amendment and appropriate \$15,394,783 and 157.7 FTE calculated in accordance with Committee policy.** For the pending line, staff requests permission to adjust the line and apply a funding split once Committee policy on mail equipment and postage increase has been decided. The following table outlines staff's recommendation, with an approximation of the fund splits at the bottom. Staff's recommendation for FTE is 3.4 FTE less than the Department's request because in FY 2007-08 the Department reverted 14.7 FTE or 9.0 percent of the appropriation, staff believes that the reduction in FTE will not adversely affect Department operations.

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State Operations - Program Costs					
	CF	RF	FF	Total Funds	FTE
Program Line					
Personal Services (estimated)	6,974,404	0	4,751,692	11,726,096	159.8
Operating Expenses (estimated)	1,989,966	9,600	1,355,773	<u>3,355,339</u>	<u>n.a.</u>
<b>FY 2008-09 Appropriation</b>	<b>8,964,370</b>	<b>9,600</b>	<b>6,107,465</b>	<b>15,081,435</b>	<b>159.8</b>
H.B. 08-1325	77,725	0	0	77,725	1.0
Annualization of H.B. 08-1325	6,055	0	0	6,055	0.3
Annualize FY 2008-09 DI #1 - Restore Workforce Center Services	(115,331)	0	(28,985)	(144,316)	0.0
February 2009 Budget Amendment for Nonimmigrant Agricultural Seasonal Worker Pilot Program	7,020	0	0	7,020	0.0
Salary Survey awarded in FY 08-09	378,779	0	0	378,779	
80% of Performance-based Pay awarded in FY 08-09	111,151	0	0	111,151	
Base reduction (1.0% for lines with 20.0+ FTE, applied to PS only)	(75,453)	(96)	(47,517)	(123,066)	
Non-Prioritized DI #4 - Mail Equipment and Postage Increase				<u>pending</u>	<u>n.a.</u>
Staff Recommended FTE Reduction	0	0	0	0	<u>(3.4)</u>
<b>Recommended FY 2009-10 Appropriation</b>	<b>9,354,316</b>	<b>9,504</b>	<b>6,030,963</b>	<b>15,394,783</b>	<b>157.7</b>

**One-Stop County Contracts**

*Description:* There are nine county regions that each run their own one-stop centers. These one-stop centers offer the same services as the state run one-stop centers. Funding for these one-stop centers is federal funds, mainly Wagner Peyser and various Veterans Grants. An agreement was made between the state and counties when counties took over one-stop centers, that state employees in these centers could be fired or forced out. Hence the reason for the FTE in this line.

*Request:* The Department requests an appropriation of \$7,691,629 federal funds and 17.0 FTE, reflecting an anticipated decrease in federal funding, and a reduction of 2.0 FTE from FY 2008-09 due to state workers no longer working at county run centers.

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*Recommendation:* **Staff recommends an appropriation of \$7,694,007 federal funds and 15.0 FTE, calculated in accordance with Committee policy and is outlined in the following table.** In FY 2007-08 the Department only used 14.4 FTE, since these positions are not being refilled because these positions became county positions, staff recommends a reduction in the FTE for this line.

<b>One-Stop County Contracts - Program Costs</b>		
	<b>Federal Funds</b>	<b>FTE</b>
Program Line		
Personal Services (estimated)	1,199,697	17.0
Operating Expenses (estimated)	6,439,875	
<b>FY 2008-09 Appropriation</b>	<b>7,639,572</b>	<b>17.0</b>
Salary Survey awarded in FY 08-09	40,510	
80% of Performance-based Pay awarded in FY 08-09	13,925	
Staff Recommended FTE Reduction	0	(2.0)
<b>Recommended FY 2009-10 Appropriation</b>	<b>7,694,007</b>	<b>15.0</b>

**Trade Adjustment Act Assistance**

*Description:* Trade Adjustment funds are used by the Department to assist workers who have lost their job as a result of foreign trade. Assistance includes extended benefits and supplemental salary payments.

*Request:* The Department requests \$1,921,826 federal funds for this purpose.

*Recommendation:* **Staff recommends an appropriation of \$1,921,826 federal funds.** Staff believes it is useful for the Long Bill to accurately reflect the anticipated level of federal funding.

**Workforce Investment Act**

*Description:* The Workforce Investment Act (WIA) funds are federal funds that are distributed to state and county run one-stop centers. Funds are used for services and programs that provide job training including: skills assessment, occupational, basic skills, and interview training, as well as resume writing workshops.

*Request:* The Department requests \$33,184,194 and 60.0 FTE for this purpose of which \$807,540 is cash funds and \$32,376,654 is federal Workforce Investment Act funds.

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*Recommendation:* **Staff recommends an appropriation of \$33,137,482 and 60.0 FTE.** The following table summarizes staff's calculations, with a recommended funding spilt for FY 2009-10.

<b>Workforce Investment Act - Program Costs</b>				
	<b>CF</b>	<b>FF</b>	<b>Total Funds</b>	<b>FTE</b>
Program Line				
Personal Services (estimated)	0	4,162,835	4,162,835	60.0
Operating Expenses (estimated)	807,540	31,705,311	32,512,851	
<b>FY 2008-09 Appropriation</b>	<b>807,540</b>	<b>35,868,146</b>	<b>36,675,686</b>	<b>60.0</b>
Anticipated Decrease of Federal Funds	0	(3,667,569)	(3,667,569)	0.0
Annualize FY 2008-09 DI #1 - Restore Workforce Center Services	0	(4,285)	(4,285)	
Salary Survey awarded in FY 08-09	0	136,826	136,826	
80% of Performance-based Pay awarded in FY 08-09	0	40,213	40,213	
Base reduction (1.0% for lines with 20.0+ FTE, applied to PS only)	0	(43,389)	(43,389)	
<b>Recommended FY 2009-10 Appropriation</b>	<b>807,540</b>	<b>32,329,942</b>	<b>33,137,482</b>	<b>60.0</b>

**Workforce Development Council (New Line Item)**

*Description:* Senate Bill 08-231 transferred \$466,016 reappropriated funds and 4.0 FTE for the Workforce Development Council (Council) from the Department of Local Affairs to the Department. The Council contracts directly with county-operated centers to provide services for people with disabilities, and was created in order to meet the requirements of Title I of the federal *Workforce Investment Act of 1998*. The Council consists of the Governor, two members of the House and two members of the Senate, local elected officials, representatives of the business community and labor organizations. The Council is responsible for designating local workforce investment areas, coordinating in the delivery of workforce development programs; and reviewing the allocation of federal Title I funds for adult employment and training activities and youth activities.

Council and staff are supported by funds transferred to the Department from other departments that receive allocations of federal funds, including the Departments of Human Services (DHS), Education (CDE), and Local Affairs (DOLA), and the Community Colleges (CCOES). The Office of State Planning and Budgeting (OSPB) is required to annually determine each agency's contributions. For FY 2008-09, the OSPB established the following allocations based on the amount of relevant federal funds in each department:



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Department	DOLE	DHS	CCOES	DOLA	CDE	Total
FY 2008-09 Federal Funding	\$41,531,933	\$19,116,470	\$16,962,396	\$958,480	\$6,267,915	\$84,837,194
Percent Allocation	49.0%	22.5%	20.0%	1.1%	7.4%	100.0%
Allocation	\$228,138	\$105,007	\$93,175	\$5,267	\$34,429	\$466,016

*Request:* The Department is requesting \$466,016 in reappropriated funds and 4.0 FTE.

*Recommendation:* **Staff recommends an appropriation of \$466,016 reappropriated funds and 4.0 FTE.** Staff's recommendation includes \$231,163 for personal services and \$234,853 for operating and travel expenses and indirect costs.

**Workforce Improvement Grants (New Line Item)**

*Description:* Workforce improvement grants are federal and private grants awarded to the Workforce Development Council for the development of workforce development activities. These grants are usually directed at special populations, and is the reason the Department requested the FTE for the Disability Program Navigator be transferred from Human Services to the Department. This line totaling \$870,000 and 1.0 FTE was transferred from the Department of Local Affairs by S.B. 08-231. A FY 2008-09 interim supplemental transferred the Disability Program Navigator and 6.7 FTE from the Department of Human Services, Services for People with Disabilities Division to the Department.

*Request:* The Department requests an appropriation of \$870,000 and 10.0 FTE, reflecting the decision item to add 2.3 FTE to the current 6.7 FTE.

*Recommendation:* **Staff recommends an appropriation of \$870,000 of which \$850,000 is federal funds and \$20,000 is cash funds, and 10.0 FTE,** reflecting staff's recommendation to add 2.3 FTE to this line.

**(D) Labor Market Information**

**Program Costs**

*Description:* Labor Market Information provides information on employment trends across the state and various trades, unemployment numbers, and job growth information. Labor Market Information works with one-stop centers to provide relevant training classes in fields that are growing or have potential long-term growth in Colorado.

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<b>Staffing Summary Labor Market Info.</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Approp.</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recomm.</b>
Administration / Management	4.7	5.0	5.0	5.0
Labor Market Research Staff	12.1	13.0	13.0	13.0
IT Staff	1.9	2.0	2.0	2.0
Arts Professional	1.0	1.0	1.0	1.0
Statistical Analyst	8.2	9.3	9.3	9.3
<b>TOTAL</b>	<b>27.9</b>	<b>30.3</b>	<b>30.3</b>	<b>30.3</b>

*Request:* The Department requests an appropriation of \$2,044,384 and 30.3 FTE for this purpose.

*Recommendation:* **Staff recommends an appropriation of \$2,021,808 and 30.3 FTE.** For the pending line, staff requests permission to adjust the line and apply a funding split once Committee policy on mail equipment and postage increase has been decided. The calculation of the appropriation amount is shown in the following table and is in accordance with Committee policy.

<b>Labor Market Information - Program Costs</b>				
	<b>CF</b>	<b>FF</b>	<b>Total Funds</b>	<b>FTE</b>
Program Line				
Personal Services (estimated)	0	1,787,838	1,787,838	30.3
Operating Expenses (estimated)	11,509	150,135	161,644	
<b>FY 2008-09 Appropriation</b>	<b>11,509</b>	<b>1,937,973</b>	<b>1,949,482</b>	<b>30.3</b>
Salary Survey awarded in FY 08-09	0	68,674	68,674	
80% of Performance-based Pay awarded in FY 08-09	0	22,442	22,442	
Base reduction (1.0% for lines with 20.0+ FTE, applied to PS only)	0	(18,790)	(18,790)	
Non-Prioritized DI #4 - Mail Equipment and Postage Increase			<u>Pending</u>	
<b>Recommended FY 2009-10 Appropriation</b>	<b>11,509</b>	<b>2,010,299</b>	<b>2,021,808</b>	<b>30.3</b>

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**(3) DIVISION OF LABOR**

**Program Costs**

*Description:* The Division of Labor ensures the compliance of Colorado's labor laws, and facilitates labor dispute resolution and mediation. House Bill 06S-1017 requires employers to keep records of employee identification and authorized the Department to conduct random audits, and investigate complaints. In FY 2004-05 the personal services and operating expenses lines were combined, and the Division is funded from the Employment Support Fund pursuant Section 8-77-109, C.R.S.

<b>Staffing Summary Division of Labor</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Approp.</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recomm.</b>
Management	1.0	1.0	1.0	1.0
Professional Staff	10.0	14.0	14.0	13.0
Administrative Staff	0.9	1.0	1.0	1.0
Temporary	2.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>13.9</b>	<b>16.0</b>	<b>16.0</b>	<b>15.0</b>

*Request:* The Department requests an appropriation of \$1,189,225 cash funds and 16.0 FTE.

*Recommendation:* **Staff recommends an appropriation of \$1,188,889 cash funds from the Employment Support Fund and 15.0 FTE.** Staff calculation is summarized in the following table and is calculated in accordance with Committee policy. Staff's recommendation for FTE is 1.0 FTE less than the request because in FY 2007-08 the Division reverted 4.1 FTE or 25.6 percent of FTE.

<b>Division of Labor - Program Costs</b>		
	<b>CF</b>	<b>FTE</b>
Program Line		
Personal Services (estimated)	1,069,156	16.0
Operating Expenses (estimated)	63,309	
FY 2008-09 Appropriation	1,132,465	16.0
Salary Survey awarded in FY 08-09	44,113	
80% of Performance-based Pay awarded in FY 08-09	12,311	
Staff's Recommended FTE Reduction	<u>0</u>	<u>(1.0)</u>
<b>Recommended FY 2009-10 Appropriation</b>	<b>1,188,889</b>	<b>15.0</b>

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**(4) DIVISION OF OIL AND PUBLIC SAFETY**

*Description:* The Division of Oil and Public Safety inspects and regulates boilers, conveyances, public school building sites, petroleum and explosive storage, amusement park rides and is responsible for the clean up of petroleum leaks and spills. Revenue is from a surcharge on each truckload of fuel, fees for inspection and review services, and grants from the Environmental Protection Agency. Since the Division of Oil and Public Safety is funded by various sources, **staff recommends continuing bottom line funding.**

**Personal Services**

*Description:* Personnel travel around the state inspecting fuel dispensers, inspecting records of amusement park rides, as well as the soundness of explosive bunkers and petroleum storage tanks.

<b>Staffing Summary Div. of Oil and Public Safety</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Approp.</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recomm.</b>
Management	1.8	1.0	1.0	1.0
Professional Staff	14.9	17.0	17.0	17.0
Scientists / Env. Protection Specialists	17.9	19.0	20.0	20.0
Inspectors	18.5	30.0	31.0	31.0
Support Staff	5.5	9.2	9.3	9.3
Temporary	4.7	0.0	0.0	0.0
<b>TOTAL</b>	<b>63.3</b>	<b>76.2</b>	<b>78.3</b>	<b>78.3</b>

*Request:* The Department requests an appropriation of \$5,640,193 and 78.3 FTE for this purpose.

*Recommendation:* **Staff recommends an appropriation of \$5,583,568 and 78.3 FTE** calculated in accordance with Committee policy, and is summarized in the following table. The bottom line funding split is for informational purpose only and will not appear in the long bill.

<b>Division of Oil and Public Safety - Personal Services</b>					
	<b>CF</b>	<b>RF</b>	<b>FF</b>	<b>Total Funds</b>	<b>FTE</b>
FY 2008-09 Appropriation	\$4,297,351	\$19,516	\$564,427	\$4,881,294	69.6
S.B. 08-51	109,650	0	0	109,650	2.0
H.B. 08-1027	66,686	0	0	66,686	0.9

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<b>Division of Oil and Public Safety - Personal Services</b>					
	<b>CF</b>	<b>RF</b>	<b>FF</b>	<b>Total Funds</b>	<b>FTE</b>
H.B. 08-1103	100,700	0	0	100,700	1.7
H.B. 08-1335	139,035	0	0	139,035	2.0
Annualization S.B. 08-51	(50)	0	0	(50)	0.0
Annualization H.B. 08-1027	7,414	0	0	7,414	0.1
Annualization H.B. 08-1335	160,634	0	0	160,634	2.0
Salary Survey awarded in FY 08-09	125,216	0	0	125,216	0.0
80% of Performance-based Pay awarded in FY 08-09	43,958	0	5,433	49,391	0.0
Base reduction (1.0% for lines with 20.0+ FTE)	(50,563)	(195)	(5,644)	(56,402)	0.0
<b>Recommended FY 2009-10 Appropriation</b>	<b>5,000,031</b>	<b>19,321</b>	<b>564,216</b>	<b>5,583,568</b>	<b>78.3</b>

**Operating Expenses**

*Request:* Through a January 2008 budget amendment the Department requests \$921,881 cash funds for this line.

*Recommendation:* **Staff recommends the Department's request for \$474,066.** Staff's calculation is summarized in the following table, and calculated in accordance with Committee policy. For the pending line, staff requests permission to adjust the line and apply a funding split once Committee policy on mail equipment and postage increase has been decided. The difference between the Department's request and staff's recommendation is that the Department did not annualize the one-time decision item from FY 2008-09 for \$440,000 cash funds to purchase two cooperative fuel research engines and staff did.

<b>Division of Oil and Public Safety - Operating Expenses</b>	
	<b>Cash Funds</b>
FY 2008-09 Appropriation	840,785
Collection Fee Supplemental	0
S.B. 08-51	14,300
H.B. 08-1027	4,300
H.B. 08-1103	18,854
H.B. 08-1335	37,382

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<b>Division of Oil and Public Safety - Operating Expenses</b>	
Annualization S.B. 08-51	(6,900)
Annualization H.B. 08-1027	(3,300)
Annualization H.B. 08-1103	(9,654)
Annualization H.B. 08-1335	18,299
Annualize FY 2008-09 DI #3 - Cooperative Fuel Research Engines	(440,000)
Non-Prioritized DI #2 - Fleet Vehicle Rate	0
Non-Prioritized DI #4 - Mail Equipment and Postage Increase	<u>Pending</u>
<b>Recommended FY 2009-10 Appropriation</b>	<b>474,066</b>

**Indirect Cost Assessment**

*Description:* This line item was added in FY 2005-06 because S.B. 05-39 made the Petroleum Storage Tank Fund (PSTF) an enterprise. Administrative costs for the PSTF are offset through department-wide indirect cost recoveries in the Executive Director's Office.

*Request:* The Department's request is \$966,754, reflecting an increase of \$2,754 for the third decision item.

*Recommendation:* **Staff recommends an appropriation of \$964,000 cash funds, reflecting staff's recommendation to not approve the third decision item.**

**(5) DIVISION OF WORKERS' COMPENSATION**

**Major Medical Insurance Fund Cash Fund Transfer**

*Request:* On January 15th, OSPB requested that \$27.0 million be transferred to the General Fund, but on a January 27th OSPB changed this request to transfer \$81.9 million in FY 2009-10. The JBC voted to transfer \$69.5 million from the Major Medical Insurance Fund (MMIF) to the General Fund in FY 2008-09. Currently, the MMIF has \$120 million in long term investments that the Department is not comfortable selling given the condition of the market. In order to maintain these long-term assets, the Department is unable to transfer more than \$96.0 million between FY 2008-09 and FY 2009-10. Since S.B. 09-208 transferred \$69.5 million, no more than \$26.5 million can be transferred in FY 2009-10.

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The intent of this fund is to pay for the medical expenses of individuals who were catastrophically injured on the job and revenue for the fund is paid by employers, and any transfer of funds out of this fund extends the time period in which employers must pay the surcharge. The following table outlines the impact of the proposed transfer of \$27.0 million and 26.5 million on the fund.

	<b>Major Medical Insurance Fund Department Request</b>			
	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Estimate</b>	<b>FY 2009-10 Estimate</b>	<b>FY 2010-11 Estimate</b>
Beginning FY Balance	\$156,499,249	\$183,499,249	\$140,999,249	\$140,999,249
Revenues	40,000,000	40,000,000	40,000,000	40,000,000
Expenditures	<u>(13,000,000)</u>	<u>(13,000,000)</u>	<u>(13,000,000)</u>	<u>(13,000,000)</u>
Ending FY Balance without transfer	\$183,499,249	\$210,499,249	\$167,999,249	\$167,999,249
Proposed Transfer	<u>0</u>	<u>(69,500,000)</u>	<u>(27,000,000)</u>	<u>0</u>
Ending Balance after transfer	\$183,499,249	\$140,999,249	\$140,999,249	\$167,999,249

	<b>Major Medical Insurance Fund Staff Recommendation</b>			
	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Estimate</b>	<b>FY 2009-10 Estimate</b>	<b>FY 2010-11 Estimate</b>
Beginning FY Balance	\$156,499,249	\$183,499,249	\$140,999,249	\$141,499,249
Revenues	40,000,000	40,000,000	40,000,000	40,000,000
Expenditures	<u>(13,000,000)</u>	<u>(13,000,000)</u>	<u>(13,000,000)</u>	<u>(13,000,000)</u>
Ending FY Balance without transfer	\$183,499,249	\$210,499,249	\$167,999,249	\$168,499,249
Proposed Transfer	<u>0</u>	<u>(69,500,000)</u>	<u>(26,500,000)</u>	<u>0</u>
Ending Balance after transfer	\$183,499,249	\$140,999,249	\$141,499,249	\$168,499,249

**Recommendation:** Staff recommends the Committee approve the transfer of \$26.5 million from the Major Medical Insurance Fund to the General Fund in FY 2009-10 on or after March 30, 2010. This transfer will require legislation, and does not require the Department to sell long-term assets.

(A) Workers' Compensation

*Description:* The Division of Workers' Compensation works to assure quick and efficient delivery of disability and medical benefits to injured workers at a reasonable cost to employers, with a

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minimum of litigation. The Division enforces the State's workers' compensation rules and ensures that insurance carriers and self-insured employers comply. The primary source is the Workers' Compensation Cash Fund, which is funded with a surcharge on workers' compensation insurance premiums.

**Personal Services**

<b>Staffing Summary Workers' Compensation</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Approp.</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recomm.</b>
Management / Professional Staff	9.2	9.0	9.0	9.0
Compensation Ins. Specialists	45.8	51.0	51.0	51.0
Statistical / Actuary Analysts	4.2	5.0	5.0	5.0
Health Professionals	2.0	2.0	2.0	2.0
Administrative Law Judges	5.0	5.0	5.0	5.0
Administrative Staff	26.7	30.0	30.0	30.0
<b>TOTAL</b>	<b>92.9</b>	<b>102.0</b>	<b>102.0</b>	<b>102.0</b>

*Request:* The Department requests an appropriation of \$7,033,098 and 102.0 FTE for this line.

***Recommendation:*** Staff recommends an appropriation of \$6,962,772 and 102.0 FTE calculated in accordance with Committee policy. The recommendation is summarized in the following table.

<b>Workers' Compensation - Personal Services</b>		
	<b>CF</b>	<b>FTE</b>
FY 2008-09 Appropriation	6,708,748	102.0
Salary Survey awarded in FY 08-09	249,078	
80% of Performance-based Pay awarded in FY 08-09	75,277	
Base reduction (1.0% for lines with 20.0+ FTE)	(70,331)	
<b>Recommended FY 2009-10 Appropriation</b>	<b>6,962,772</b>	<b>102.0</b>

**Operating Expenses**

*Request:* Through a February 2009 budget amendment the Department requests an appropriation of \$710,390, reflecting an increase over FY 2008-09 of \$55,944 for collection fee increase submitted through a supplemental, and \$15,101 for statewide postage increase and mail equipment upgrades.



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*Recommendation:* Pursuant to staff's recommendation to make collection fees a Type 24 non-budgetary expense, and consequently not appropriate additional funds for this line. **Staff recommends an appropriation of \$639,345 cash funds, and is outlined in the following table.**

<b>Workers' Compensation - Operating Expenses</b>	
	<b>CF</b>
FY 2008-09 Appropriation	\$639,345
Collection Fee Supplemental	0
Non-Prioritized DI #4 - Mail Equipment and Postage Increase	<u>Pending</u>
<b>Recommended FY 2009-10 Appropriation</b>	\$639,345

**Administrative Law Judge Services**

*Description:* This line item is used to purchase administrative law services from the Department of Personnel and Administration Services appropriated in this line are only used by Division of Workers' Compensation for resolution of workers' compensation issues.

*Request:* The Department is requesting an appropriation of \$2,697,483 cash funds, reflecting an increase due to common policy changes of \$103,666 over the FY 2008-09 appropriation.

*Recommendation:* **The staff recommendation for this line item is pending Committee policy for FY 2009-10 administrative law judge services.**

**Physicians' Accreditation**

*Description:* This line funds the program for physicians accreditation training, which is a program that trains and accredits physicians to work on workers' compensation claims. Physicians seeking accreditation pay a fee for the program, which is deposited into the Physician Accreditation Cash Fund. The program is also used by currently accredited physicians to stay current on approved workers' compensation policies and treatment plans. Pursuant to 8-42-101 (3.6) (II) (1), C.R.S. these funds are continuously appropriated.

*Request:* The request is for a continuation appropriation of \$140,000 cash funds.

*Recommendation:* **Staff recommends the continued appropriation of \$140,000 cash funds.**

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**Utilization Review**

*Description:* This line funds the reviews of the medical treatment for a workers' compensation claim by an independent physician. Such reviews can be requested by any party involved in a workers' compensation claim. The program receives a continuous appropriation from the Utilization Review Cash Fund, which is funded by fees paid by the requesting party pursuant to Section 8-43-501 (2) (a), C.R.S.

*Request:* The request is for a continued appropriation of \$60,000 cash funds.

*Recommendation:* **Staff recommends the continued appropriation of \$60,000.**

**Immediate Payment**

*Description:* Funds in this line are used to quickly pay workers' compensation claims brought against bankrupt employers who were self-insured. The line item is continuously appropriated from the Immediate Payment Fund pursuant to Section 8-44-206 (3) (b) (I), C.R.S. In recent years, no expenditures have been made from this line, and revenue for the fund is from fees assessed on self-insured employers.

*Request:* The request is for a continuation level appropriation of \$10,000 cash funds.

*Recommendation:* **Staff recommends a continued appropriation of \$10,000.**

**(B) Major Medical Insurance and Subsequent Injury Funds**

*Description:* The Division of Workers' Compensation oversees the Major Medical Insurance Fund and the Subsequent Injury Fund. These insurance funds provide medical benefits and compensation payments to some of the most seriously injured workers in Colorado, and are closed to new cases. During the 2009 Session, the JBC sponsored legislation to transfer \$69.5 million from the MMIF and \$26.5 million from the SIF to offset the projected General Fund shortfall.

**Major Medical Program and Major Medical Insurance Fund**

*Description:* Individuals who sustained catastrophic injuries between July 1, 1971, and June 30, 1981, are eligible for benefits from the Major Medical Insurance Fund once their medical expenses exceed \$20,000. The program is not open to new cases, but will occasionally add new individuals because an individual's cumulative medical expenses exceeded \$20,000. Individuals can opt to settle for a lump sum payment instead of on going payments, and are then classified as open cases. Individuals who opt to receive on-going payments are classified as active cases. The table below shows the projected number of open cases and active cases for FY 2009-10 to FY 2014-15.

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The direct and indirect costs of this program are continuously appropriated from the Major Medical Insurance Fund (MMIF) pursuant to Section 8-46-202 (1) (c), C.R.S. Pursuant to Section 8-46-102 (3) (a), C.R.S., a portion of the fee revenue for the Subsequent Injury Fund (SIF) is credited to the MMIF until such time as the MMIF has reached actuarial balance. Prior to the \$69.5 million cash fund transfer in FY 2008-09 to the General Fund, the MMIF was projected to reach actuarial balance between 2011 and 2015 depending on the interest rate and medical inflation rates.

Subsequent Injury Programs and Subsequent Injury Fund

*Description:* Injured workers who have become totally and permanently disabled from two or more industrial injuries are eligible to receive compensation benefits from the Subsequent Injury Fund (SIF). Pursuant to Section 8-46-104, eligibility for benefits from the SIF are limited to injury cases that occurred prior to July 1, 1993, and to occupational disease cases that occurred prior to April 1, 1994. The following table shows the estimated number of occupational disease claims and medical claims for FY 2009-10 to FY 2014-15.

<b>Fiscal Year Ending June 30</b>	<b>MMIF Open* Claims</b>	<b>MMIF Active^ Claims</b>	<b>SIF Indemnity Claims</b>	<b>SIF Medical Claims</b>
2009	1230	422	262	7
2010	1192	403	248	8
2011	1153	384	234	8
2012	1114	365	221	8
2013	1074	347	207	7
2014	1034	329	194	7

Source: Actuarial Reserve Study of the Colorado Subsequent Injury Fund and the Colorado Major Medical Insurance as of July 1, 2008.

Funds from the SIF are continuously appropriated pay for the direct and indirect costs of the program pursuant to Section 8-46-101 (4) (b), C.R.S. SIF revenue is from a surcharge on employers workers' compensation insurance premiums which is currently 2.988 percent. Once the SIF reaches actuarial balance, the surcharge is reduced or eliminated. Prior to the \$26.5 million cash fund transfer in FY 2008-09 to the General Fund the MMIF was projected to reach actuarial balance between 2011 and 2015 depending on the interest rate and medical inflation rates.

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**Personal Services**

<b>Staffing Summary Major Medical / Subsequent Injury</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Approp.</b>	<b>FY 2009-10 Request</b>	<b>FY 2009-10 Recomm.</b>
Compensation Insurance Specialists	6.0	8.0	8.0	8.0
General Professional	2.9	3.0	3.0	3.0
Accounting Technicians	2.2	3.0	3.0	3.0
Support Staff	1.8	2.0	2.0	2.0
<b>Total</b>	<b>12.9</b>	<b>16.0</b>	<b>16.0</b>	<b>16.0</b>

*Request:* The Department requests an appropriation of \$1,278,769 cash funds and 16.0 FTE.

*Recommendation:* **Staff recommends an appropriation of \$1,277,994 and 16.0 FTE.** The following table summarizes staff's calculations, which was calculated in accordance with Committee policy.

<b>Major Medical and Subsequent Injury Funds - Personal Services</b>		
	<b>Cash Funds</b>	<b>FTE</b>
FY 2008-09 Appropriation	1,229,695	16.0
Salary Survey awarded in FY 08-09	38,007	
80% of Performance-based Pay awarded in FY 08-09	10,292	
<b>Recommended FY 2009-10 Appropriation</b>	<b>1,277,994</b>	<b>16.0</b>

**Operating Expenses**

*Request:* The Department requests \$88,324 cash funds for the operation of these programs.

*Recommendation:* **Staff recommends the Department's request for an appropriation of \$88,324.**

**Major Medical Benefits**

*Description:* This line pays for the benefits from the Major Medical Insurance Fund to injured workers who qualify under statute. In FY 2009-10, there will be approximately 422 active cases of workers who are receiving on-going payments. Actual expenses for this line in FY 2006-07 were \$6.6 million and \$6.3 million in FY 2007-08. Expenses fluctuate each year depending on the specific medical treatments required by clients.

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*Request:* The Department is requesting a continuing appropriation of 7,000,000 cash funds.

*Recommendation:* **Staff recommends the continued appropriation of \$7,000,000.**

**Major Medical Legal Services**

*Description:* This line item is used to purchase legal services from the Department of Law for any of the following purposes: to defend a decision to deny a claimant's eligibility request or to deny certain medical benefits, or to defend the program in the event that a doctor appeals the decision of removal from a case during utilization review.

*Request:* The Department requests an appropriation of \$11,265 for 150 legal service hours. The following table shows the Division's use of legal service hours since FY 2004-05.

<b>Major Medical Billed Legal Service Hours</b>	
Fiscal Year	Billed Hours
2004-05	46
2005-06	19
2006-07	14
2007-08	80

*Recommendation:* **Staff recommends an appropriation to support 100 hours of legal services.** The actual appropriation will be calculated based on the approved number of hours and the pending Committee policy for FY 2009-10 legal services hourly rate.

**Subsequent Injury Benefits**

*Description:* Benefits are paid from this line to qualified injured workers from the Subsequent Injury Fund. Since these funds are now continuously appropriated, and the Department no longer believes it is necessary to have a \$2.0 million cushion each year, hence the reduced request.

*Request:* The request is for an appropriation of \$3,200,000 cash funds.

*Recommendation:* **Staff recommends an appropriation of \$3,200,000 cash funds.**

**Subsequent Injury Legal Services**

*Description:* This line item is used to purchase legal services from the Department of Law to process and settle claims related to the Subsequent Injury program. In FY 2006-07, the Department was billed for 244 hours and in FY 2007-08 16 hours.

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*Request:* The request is for a continuation appropriation of \$37,550 cash funds to purchase 500 legal service hours.

*Recommendation:* **Staff recommends an appropriation to support 350 legal service hours.** The actual appropriation will be calculated based on the approved number of hours and the pending Committee policy for FY 2009-10 legal services hourly rate.

**Medical Disaster**

*Description:* The Medical Disaster Insurance Fund is used to offset employee incurred medical, nursing, hospital, and drug expenses that are in excess of the allotted expenses under the "Workers; Compensation Act of Colorado" pursuant to Section 8-46-302 (1), C.R.S. Employees must validate their entitlement to disability benefits under the Act, and the incurred expenses can be for recovery, to alleviate chronic pain, or to reduce a disability. Money from this fund is continuously appropriated pursuant to Section 8-46-304 (2), C.R.S.

*Request:* The request is for a continuation level appropriation of \$6,000 cash funds.

*Recommendation:* **Staff recommends the continued appropriation of \$6,000.**

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**Central Collection Services Collection Fees Supplemental and Budget Amendment**

	<b>FY 2008-09 Request</b>	<b>FY 2008-09 Recommendation</b>
<b>Total</b>	\$69,711	\$0
Division of Oil and Public Safety - Cash Funds	13,767	0
Division of Workers' Compensation - Cash Funds	55,944	0

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of <i>an unforeseen contingency</i> .	

*Request:* Through a supplemental submitted on February 12, 2009 the Department requests an additional \$69,711 cash funds to for payment of collection fees to the Central Collection Services (CCS) with the Department of Personnel and Administration (DPA).

*Staff Analysis:* The Department requests to increase the Operating Expenses line item within the Division of Oil and Public Safety (OPS) by \$13,767, and the Operating Expenses line item in the Division of Workers' Compensation by \$55,944, due to an unforeseen increase in collection fees.

Central Collections Services (CCS) in the Department of Personnel and Administration is responsible for collecting debts. Prior to 2007, CCS took the collection fee out of the principle of the debt and counting the fees as expenses from the Department of Labor's operating expenses line item, instead of adding the collection fee on top of the principle which does not count as a Department expense. The Department has been unable to collect revenue from fines issued by the Boiler Inspection Program in OPS, and has outstanding fines older than 2007. Thus, fees from CCS for the collection of these fines is consider an expense with the OPS operating line item.

The Division of Workers' Compensation (WC) is statutorily required to send their debt collections to the Office of the Attorney General (OAG) who if unable to collect, will write a judgement. Judgements are sent to CCS and can not be increase or altered, therefore the CCS collection fee is taken out of the principle and counted as an expense in the WC operating line item.

In both cases, debts prior to 2007 and judgements, the collection fee is counted as a Department Type 22 budget expense and impact the Division's operating lines. Expenditures for collection fees vary from year to year, and it is difficult for the Department to predict how much collections fees will be for a year, and is outlined in the following table.

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<b>Collections Fees From FY 2005-06 to FY 2008-09</b>				
	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Actual</b>	<b>FY 2007-08 Actual</b>	<b>FY 2008-09 Projected</b>
OPS	\$0	\$1,899	\$1,497	\$15,264
WC	13,668	1,985	16,376	72,316

**Expenditure Classification**

It is possible to count collection fees as a non-budgetary expenses, instead of a budgetary expense. A non budgetary expenses is something like depreciation, which is classified as a Type 24 expense. Currently, collection fees are a Type 22 which count as a budgetary expenses against OPS and WC. Changing the collection fees to a Type 24 would not impact CCS ability to collect fees or the CCS budget. Collection fees that currently show as a reappropriated funds in the DPA budget would show as cash funds for CCS.

*Recommendation:* **Staff recommends the Committee send a letter to the State Controller authorizing him to make collection fees for the Division of Oil and Public Safety and the Division of Workers' Compensation Type 24 expenses.** Since these funds will be reclassified as Type 24, the Department does not require an appropriation for these line items.



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**Long Bill Footnotes and Requests for Information**

The Long Bill for FY 2008-09 did not contain any footnotes specific to the Department of Labor and Employment. Staff recommends the following information request be **eliminated**:

**N**     **Department of Labor and Employment, Division of Employment and Training** – The General Assembly requests that the Department submit to the Joint Budget Committee, on or before November 1, 2008, a summary of the status of the Internet Self-Service project for the unemployment insurance program. This summary should identify the applications to be added, the order in which the Department proposes to add them, and the estimated costs for each of the individual applications.

**Comment:** The requested report was submitted in 2008 and staff now receives a copy of the biweekly status report from the Governor's Office of IT.