

This file contains two documents related to the Department of Labor and Employment:

- A three-page memorandum dated March 13, 2008, concerning technical errors made in prior staff figure setting. The memorandum is followed by a nine-page addendum containing updated numbers pages.
- A document dated February 7, 2008, which includes all of staff's funding recommendations related to the Department's FY 2008-09 budget request.

MEMORANDUM

TO: Joint Budget Committee

FROM: Michael Cain, Joint Budget Committee Staff (303-866-4958)

SUBJECT: Staff Comeback on the Department of Labor and Employment

DATE: March 13, 2008

The figure-setting packet for the Department of Labor and Employment voted on by the Committee on February 7, 2008, contained a number of technical errors. This memo identifies the errors and shows the changes to the affected lines in the budget. In addition to the summaries provided in the body of the memo, a complete set of corrected numbers pages is attached.

Technical Errors

Staff made several technical errors in calculations for the previously recommended budget numbers:

1. Common policy calls for including 80% of the prior year pay for performance increase in the personal services base. Staff inadvertently applied the 0.8 multiplier twice (thereby including only 64% of pay for performance) in calculating the new base. This error affected all lines with a personal services component.
2. Staff incorrectly calculated the second-year impact of S.B. 07-123 and H.B. 07-1228 on the FY 2008-09 budget.
3. Staff incorrectly excluded a \$40,000 reversion from the personal services calculation in the Major Medical and Subsequent Injury Funds section of the Workers' Compensation Division.
4. Staff incorrectly accounted for the FTE effects of the Department's decision item #1. This decision item included increased state funding of FTE in order to offset reduced federal funding. Staff's recommendation included a reduction of 3.0 FTE, as state funds were not available to make up the entire difference. The reduction was not presented consistently throughout the packet.
5. In calculating reappropriated funds for the Executive Director's Office, staff used an incorrect figure for funds from statewide indirect cost recoveries. These funds offset what would otherwise be General Fund expenditures. The correct value should be \$157,598.
6. A transcription error resulted in an incorrect staff recommendation for salary survey for FY 2008-09.

The following table summarizes the effect of items (1) through (4). One affected line item – Workforce Investment Act – is excluded from the table, as it will be discussed separately below. Item (5) affects the funding split for the bottom-line funded Executive Director's Office, but does not affect the total funding for the Department. **Staff recommends the Committee approve these technical corrections.**

Division and Line Item	Dollar Change	FTE Change
Executive Director's Office Personal Services	27,746	0.0
Division of Employment and Training (A) Unemployment Insurance Program Program Costs	42,138	0.0
Division of Employment and Training (B) Unemployment Insurance Fraud Program Program Costs	2,536	0.0
Division of Employment and Training (C) Employment and Training Programs State Operations, Cash Funds	2,887	(3.0)
Division of Employment and Training (C) Employment and Training Programs One-Stop County Contracts	2,916	0.0
Division of Employment and Training (D) Labor Market Information Program Costs	3,837	0.0
Division of Labor Program Costs	1,750	0.0
Division of Oil and Public Safety Personal Services	124,416	0.0
Division of Workers' Compensation (A) Workers' Compensation Personal Services	14,041	0.0
Division of Workers' Compensation (B) Major Medical and Subsequent Injury Funds Personal Services	(2,030)	0.0
Total	\$230,237	(3.0)

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March 13, 2008

Salary Survey

In assembling the figure setting packet for the Department, staff copied the incorrect value for Salary Survey from one point to another. **Staff recommends the Committee approve an appropriation of \$2,545,895 for this line item in the Executive Director's Office.** This recommendation was calculated in accordance with Committee common policy decisions.

Workforce Investment Act

Historically, the appropriation for this line was entirely federal funds. The Department has been notified of a large cutback in federal funding, and submitted a decision item to partially backfill the cut with state moneys from the Employment Support Fund (ESF). The Committee approved that the decision item be approved in part; ESF revenues do not appear to be sufficient to support the entire request when all other demands being placed on that fund are considered. Because state funding for the line was new, staff inadvertently applied incorrect formulas in calculating the total appropriation and the funding split.

Staff recommends an appropriation of \$36,675,686 and 60.0 FTE, including \$807,540 cash funds (Employment Support Fund) and \$35,868,146 federal funds. This recommendation is calculated in accordance with Committee common policy actions. Staff notes that the federal funding for this line is shown for informational purposes only. If additional funds are made available by the federal government, the Department will be able to spend them.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	

For FY 2008-09 the JBC approved eliminating the cash funds exempt category of appropriations and replacing it with reappropriated funds. Reappropriated funds are those moneys that are appropriated for a second or more time in the same fiscal year. The JBC staff recommendation for FY 2008-09 is expressed in both the old format and the new format. Moneys that were previously categorized as cash funds exempt that are not reappropriated funds are characterized in the new budget format as cash funds, regardless of the TABOR status of the funds.

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

(1) EXECUTIVE DIRECTOR'S OFFICE

Primary functions: Performing departmental administrative functions, including accounting, budgeting, data processing and personnel management; adjudicating disputes related to unemployment insurance, labor standards, and workers' compensation.

Personal Services	10,875,646	11,475,419	12,163,966	12,742,549	12,605,645	12,605,645
FTE	160.1	162.9	166.9	167.4	167.4	167.4
Health, Life, and Dental	2,872,445	3,609,830	4,302,358	4,782,261	4,961,728	4,961,728
Short-term Disability	80,658	61,792	78,523	81,157	84,509	84,509
S.B. 04-257 Amortization Equalization Disbursement	0	414,686	727,008	995,541	1,040,110	1,040,110
S.B. 06-235 Supplemental Amortization Equalization Disbursement	0	0	152,026	319,030	487,552	487,552
Salary Survey and Senior Executive Services	1,912,965	1,854,599	2,125,608	2,551,900	2,545,895	2,545,895
Performance-Based Pay	0	0	908,256	957,124	957,125	957,125
Shift Differential	30,873	31,544	25,663	28,163	28,162	28,162
Workers' Compensation	415,838	504,883	595,210	779,390	759,115	759,115
Operating Expenses	1,458,107	1,472,341	1,531,724	1,533,477	1,533,477	1,533,477
Legal Services	440,217	461,998	568,968	568,968	591,488	591,488
Hours	6,830.0	6,817.1	7,876.5	7,876.0	7,876.0	7,876.0

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
Purchase of Services from Computer Center	1,411,811	149,773	1,069,221	1,285,778	1,429,057	1,429,057	
Multiuse Network Payments	112,788	77,765	73,415	99,096	75,274	75,274	
Payment to Risk Mgmt. and Property Funds	57,252	162,948	90,627	130,317	124,233	124,233	
Vehicle Lease Payments	70,114	77,439	89,306	94,457	93,840	93,840	
Leased Space	3,093,007	3,348,777	3,572,598	3,689,248	3,689,248	3,689,248	
Capitol Complex Leased Space	26,246	37,831	27,486	27,093	27,324	27,324	
Communication Services Payment	771	863	1,131	1,199	1,182	1,182	
Utilities	219,286	229,497	260,309	260,309	260,309	260,309	
Information Technology Asset Maintenance	819,575	552,488	553,627	553,627	553,627	553,627	
Statewide Indirect Cost Assessment	535,642	1,042,321	758,125	545,879	545,879	545,879	
Disaster Recovery (New Line Item)	0	0	0	484,144	484,144	484,144	DI #2
<i>Unemployment Benefits (not appropriated, non-add) (not appropriated pursuant to Section 8-77-104 (1), C.R.S.)</i>	<i>305,587,789</i>	<i>316,646,005</i>		<i>335,929,746</i> <i>Estimated</i>			
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	24,433,241	25,566,794	29,675,155	32,510,707	32,878,923	32,878,923	
FTE	<u>160.1</u>	<u>162.9</u>	<u>166.9</u>	<u>167.4</u>	<u>167.4</u>	<u>167.4</u>	
General Fund	0	107,736	0	0	0	0	
Cash Funds	8,773,992	9,399,986	13,370,106	15,286,687	15,854,721	16,989,928	
Cash Funds Exempt / Reappropriated Funds	1,220,157	1,719,692	2,256,288	2,460,907	2,261,089	1,125,882	
Federal Funds	14,439,092	14,339,380	14,048,761	14,763,113	14,763,113	14,763,113	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09		Change Request
				Request	Staff Rec. Old Format	

(2) DIVISION OF EMPLOYMENT AND TRAINING

(A) Unemployment Insurance Programs

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

Program Costs	26,677,598	25,362,424	31,380,529	32,391,323	32,116,404	32,116,404	
FTE	<u>440.1</u>	<u>440.2</u>	<u>440.9</u>	<u>440.9</u>	<u>440.9</u>	<u>440.9</u>	
Cash Funds	4,344,391	2,145,108	3,362,800	4,370,510	4,333,416	4,333,416	
Federal Funds	22,333,207	23,217,316	28,017,729	28,020,813	27,782,988	27,782,988	
Genesis Project Recovery Assessment - CF	0	1,029,860	0	0	0	0	
Internet Self-Service (New Line) - CF	0	0	0	503,720	503,720	503,720	C #1
FTE	0.0	0.0	0.0	2.5	2.5	2.5	C #1

Total - (2) (A) Unemployment Insurance Programs	26,677,598	26,392,284	31,380,529	32,895,043	32,620,124	32,620,124	
FTE	<u>440.1</u>	<u>440.2</u>	<u>440.9</u>	<u>443.4</u>	<u>443.4</u>	<u>443.4</u>	
Cash Funds	4,344,391	3,174,968	3,362,800	4,874,230	4,837,136	4,837,136	
Federal Funds	22,333,207	23,217,316	28,017,729	28,020,813	27,782,988	27,782,988	

(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	1,379,758	1,388,924	1,461,094	1,524,376	1,508,633	1,508,633	
FTE	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	
Cash Funds	643,367	634,238	730,547	762,188	754,317	1,508,633	
Cash Funds Exempt / Reappropriated Funds	736,391	754,686	730,547	762,188	754,316	0	

Total - (2) (B) Unemployment Insurance Fraud Program	1,379,758	1,388,924	1,461,094	1,524,376	1,508,633	1,508,633	
FTE	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	
Cash Funds	643,367	634,238	730,547	762,188	754,317	1,508,633	
Cash Funds Exempt / Reappropriated Funds	736,391	754,686	730,547	762,188	754,316	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
(C) Employment and Training Programs							
Primary functions: Providing job placement and related services to job-seeking applicants and employers							
State Operations	12,376,821	12,326,589	14,471,968	16,307,081	15,081,435	15,081,435	
FTE	<u>163.9</u>	<u>162.4</u>	<u>162.8</u>	<u>162.8</u>	<u>159.8</u>	<u>159.8</u>	
Cash Funds	5,598,193	6,514,843	6,424,488	10,190,016	8,964,370	8,964,370	DI #1
FTE	72.8	72.1	79.9	88.9	94.9	94.9	DI #1
Cash Funds Exempt / Reappropriated Funds	20,356	11,433	9,600	9,600	9,600	9,600	
FTE	0.8	0.8	0.1	0.1	0.1	0.1	
Federal Funds	6,758,272	5,800,313	8,037,880	6,107,465	6,107,465	6,107,465	DI #1
FTE	90.3	89.5	82.8	73.8	64.8	64.8	DI #1
One-Stop County Contracts - FF	8,044,266	8,049,543	7,878,451	7,642,593	7,639,572	7,639,572	
FTE	19.5	18.4	19.0	17.0	17.0	17.0	
Trade Adjustment Act Assistance - FF	1,469,320	1,589,034	2,168,983	1,921,826	1,921,826	1,921,826	
Workforce Investment Act	40,805,444	40,565,927	40,618,204	37,129,896	36,675,686	36,675,686	
FTE	<u>67.7</u>	<u>65.6</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	
Cash Funds	0	0	0	1,211,310	807,540	807,540	DI #1
Federal Funds	40,805,444	40,565,927	40,618,204	35,918,586	35,868,146	35,868,146	DI #1
Total - (2) (C) Employment and Training Programs	62,695,851	62,531,093	65,137,606	63,001,396	61,318,519	61,318,519	
FTE	<u>251.1</u>	<u>246.4</u>	<u>241.8</u>	<u>239.8</u>	<u>236.8</u>	<u>236.8</u>	
Cash Funds	5,598,193	6,514,843	6,424,488	11,401,326	9,771,910	9,771,910	
Cash Funds Exempt / Reappropriated Funds	20,356	11,433	9,600	9,600	9,600	9,600	
Federal Funds	57,077,302	56,004,817	58,703,518	51,590,470	51,537,009	51,537,009	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	

(D) Labor Market Information

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

Program Costs	1,559,030	1,612,139	1,872,115	1,969,337	1,949,482	1,949,482
FTE	<u>31.6</u>	<u>27.5</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>
Cash Funds	3,050	4,086	11,626	11,626	11,509	11,509
Federal Funds	1,555,980	1,608,053	1,860,489	1,957,711	1,937,973	1,937,973

Subtotal - (D) Labor Market Information	1,559,030	1,612,139	1,872,115	1,969,337	1,949,482	1,949,482
FTE	<u>31.6</u>	<u>27.5</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>
Cash Funds	3,050	4,086	11,626	11,626	11,509	11,509
Federal Funds	1,555,980	1,608,053	1,860,489	1,957,711	1,937,973	1,937,973

TOTAL - (2) DIVISION OF EMPLOYMENT AND TRAINING	92,312,237	91,924,440	99,851,344	99,390,152	97,396,758	97,396,758
FTE	<u>748.8</u>	<u>740.1</u>	<u>739.0</u>	<u>739.5</u>	<u>736.5</u>	<u>736.5</u>
Cash Funds	10,589,001	10,328,135	10,529,461	17,049,370	15,374,872	16,129,188
Cash Funds Exempt / Reappropriated Funds	756,747	766,119	740,147	771,788	763,916	9,600
Federal Funds	80,966,489	80,830,186	88,581,736	81,568,994	81,257,970	81,257,970

(3) DIVISION OF LABOR

Primary functions: Providing assistance and ensuring compliance with Colorado wage, youth employment and labor practice laws

Program Costs - Cash Funds	834,366	888,281	1,097,388	1,134,278	1,132,465	1,132,465
FTE	12.0	11.0	16.0	16.0	16.0	16.0

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
TOTAL - (3) DIVISION OF LABOR - Cash Funds	834,366	888,281	1,097,388	1,134,278	1,132,465	1,132,465	
FTE	12.0	11.0	16.0	16.0	16.0	16.0	

(4) DIVISION OF OIL AND PUBLIC SAFETY

(Primary functions: Inspecting and calibrating petroleum measuring devices; evaluating clean-up actions at locations where petroleum releases have been discovered and administering the associated reimbursement program; inspecting and testing the quality of fuel products; reviewing building plans for all public school facilities; issuing explosive permits to qualified individuals; conducting annual inspections of all boilers and pressure vessels in commercial and multi-unit residential buildings)

Personal Services	3,582,263	3,574,084	4,456,828	4,925,838	4,881,293	4,881,293	BA#1
FTE	53.3	52.0	59.6	69.6	69.6	69.6	
Operating Expenses	349,526	467,160	518,206	815,069	840,785	840,785	DI#3, BA#1
Statewide Indirect Cost Assessment	892,747	874,660	964,000	964,000	964,000	964,000	
TOTAL - (4) DIVISION OF OIL AND PUBLIC SAFETY							
SAFETY	4,824,536	4,915,904	5,939,034	6,704,907	6,686,078	6,686,078	
FTE	<u>53.3</u>	<u>52.0</u>	<u>59.6</u>	<u>69.6</u>	<u>69.6</u>	<u>69.6</u>	
Cash Funds	885,008	1,155,816	2,022,882	2,230,703	2,224,439	6,102,135	
Cash Funds Exempt / Reappropriated Funds	3,451,173	3,196,393	3,351,725	3,909,777	3,898,797	19,516	
Federal Funds	488,355	563,695	564,427	564,427	562,842	564,427	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	

(5) DIVISION OF WORKERS' COMPENSATION

(A) Workers' Compensation

Primary functions: Assuring the quick and efficient delivery of disability and medical benefits to injured workers at a reasonable cost to employers, without the necessity of litigation

Personal Services	6,068,044	6,048,220	6,495,037	6,779,245	6,708,748	6,708,748
FTE	101.8	102.0	102.0	102.0	102.0	102.0
Operating Expenses	599,110	579,471	639,345	639,345	639,345	639,345
Administrative Law Judge Services	2,206,972	2,322,977	2,477,915	2,555,957	2,593,817	2,593,817
Physician's Accreditation	69,558	130,171	140,000	140,000	140,000	140,000
Utilization Review	19,226	52,989	60,000	60,000	60,000	60,000
Immediate Payment	0	0	10,000	10,000	10,000	10,000

Total - (5) (A) Workers' Compensation	8,962,910	9,133,828	9,822,297	10,184,547	10,151,910	10,151,910
FTE	<u>101.8</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>
Cash Funds	8,461,746	8,750,436	9,386,663	9,732,743	9,701,554	10,151,910
Cash Funds Exempt / Reappropriated Funds	501,164	383,392	435,634	451,804	450,356	0

(B) Major Medical Insurance and Subsequent Injury Funds

Primary functions: Providing medical benefits and compensation payments to eligible injured workers

Personal Services	905,562	913,601	1,231,110	1,231,725	1,229,695	1,229,695
FTE	13.1	12.6	16.0	16.0	16.0	16.0

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
Operating Expenses	72,306	51,819	88,324	88,324	88,324	88,324	
Major Medical Benefits	7,457,751	6,621,917	7,000,000	7,000,000	7,000,000	7,000,000	
Major Medical Legal Services	1,211	914	21,609	15,000	11,265	11,265	
<i>Hours</i>	<i>19.0</i>	<i>0.0</i>	<i>300.0</i>	<i>208.0</i>	<i>150.0</i>	<i>150.0</i>	
Subsequent Injury Benefits	2,521,755	2,237,091	5,200,000	3,200,000	3,200,000	3,200,000	
Subsequent Injury Legal Services	17,413	16,565	72,030	50,000	37,550	37,550	
<i>Hours</i>	<i>270.0</i>	<i>0.0</i>	<i>1,000.0</i>	<i>694.0</i>	<i>500.0</i>	<i>500.0</i>	
Medical Disaster	638	166	6,000	6,000	6,000	6,000	
Total - (5) (B) Major Medical Insurance and Subsequent Injury Funds - CFE	10,976,636	9,842,073	13,619,073	11,591,049	11,572,834	11,572,834	
FTE	13.1	12.6	16.0	16.0	16.0	16.0	
TOTAL - (5) DIVISION OF WORKERS' COMPENSATION	19,939,546	18,975,901	23,441,370	21,775,596	21,724,744	21,724,744	
FTE	<u>114.9</u>	<u>114.6</u>	<u>118.0</u>	<u>118.0</u>	<u>118.0</u>	<u>118.0</u>	
Cash Funds	8,461,746	8,750,436	9,386,663	9,732,743	9,701,554	21,724,744	
Cash Funds Exempt / Reappropriated Funds	11,477,800	10,225,465	14,054,707	12,042,853	12,023,190	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09		Change Request
				Request	Staff Rec. Old Format	
GRAND TOTAL - DEPARTMENT OF LABOR AND EMPLOYMENT	142,343,926	142,271,320	160,004,291	161,515,640	159,818,968	159,818,968
FTE	<u>1,089.1</u>	<u>1,080.6</u>	<u>1,099.5</u>	<u>1,110.5</u>	<u>1,107.5</u>	<u>1,107.5</u>
General Funds	0	107,736	0	0	0	0
Cash Funds	29,544,113	30,522,654	36,406,500	45,433,781	44,288,051	62,078,460
Cash Funds Exempt / Reappropriated Funds	16,905,877	15,907,669	20,402,867	19,185,325	18,946,992	1,154,998
Federal Funds	95,893,936	95,733,261	103,194,924	96,896,534	96,583,925	96,585,510

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2008-09 STAFF FIGURE SETTING: DEPARTMENT OF LABOR AND EMPLOYMENT

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:

Michael Cain, JBC Staff

February 7, 2008

For Further Information Contact:

**Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, Colorado 80203
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**FY 2008-09 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF LABOR AND EMPLOYMENT

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				Request	Staff Rec. Old Format	Staff Rec. New Format	

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

(1) EXECUTIVE DIRECTOR'S OFFICE

Primary functions: Performing departmental administrative functions, including accounting, budgeting, data processing and personnel management; adjudicating disputes related to unemployment insurance, labor standards, and workers' compensation.

Personal Services	10,875,646	11,475,419	12,163,966	12,742,549	12,577,899	12,577,899
FTE	160.1	162.9	166.9	167.4	167.4	167.4
Health, Life, and Dental	2,872,445	3,609,830	4,302,358	4,782,261	4,961,728	4,961,728
Short-term Disability	80,658	61,792	78,523	81,157	84,509	84,509
S.B. 04-257 Amortization Equalization Disbursement	0	414,686	727,008	995,541	1,040,110	1,040,110
S.B. 06-235 Supplemental Amortization Equalization Disbursement	0	0	152,026	319,030	487,552	487,552
Salary Survey and Senior Executive Services	1,912,965	1,854,599	2,125,608	2,551,900	2,551,900	2,551,900
Performance-Based Pay	0	0	908,256	957,124	957,125	957,125
Shift Differential	30,873	31,544	25,663	28,163	28,162	28,162
Workers' Compensation	415,838	504,883	595,210	779,390	Pending	Pending
Operating Expenses	1,458,107	1,472,341	1,531,724	1,533,477	1,533,477	1,533,477
Legal Services	440,217	461,998	568,968	568,968	Pending	Pending
Hours	6,830.0	6,817.1	7,876.5	7,876.0	7,876.0	7,876.0

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
Purchase of Services from Computer Center	1,411,811	149,773	1,069,221	1,285,778	Pending	Pending	
Multiuse Network Payments	112,788	77,765	73,415	99,096	Pending	Pending	
Payment to Risk Mgmt. and Property Funds	57,252	162,948	90,627	130,317	Pending	Pending	
Vehicle Lease Payments	70,114	77,439	89,306	94,457	Pending	Pending	
Leased Space	3,093,007	3,348,777	3,572,598	3,689,248	3,689,248	3,689,248	
Capitol Complex Leased Space	26,246	37,831	27,486	27,093	Pending	Pending	
Communication Services Payment	771	863	1,131	1,199	Pending	Pending	
Utilities	219,286	229,497	260,309	260,309	260,309	260,309	
Information Technology Asset Maintenance	819,575	552,488	553,627	553,627	553,627	553,627	
Statewide Indirect Cost Assessment	535,642	1,042,321	758,125	545,879	545,879	545,879	
Disaster Recovery (New Line Item)	0	0	0	484,144	484,144	484,144	DI #2
<i>Unemployment Benefits (not appropriated, non-add) (not appropriated pursuant to Section 8-77-104 (1), C.R.S.)</i>	<i>305,587,789</i>	<i>316,646,005</i>		<i>335,929,746</i> <i>Estimated</i>			
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	24,433,241	25,566,794	29,675,155	32,510,707	29,755,669	29,755,669	
FTE	<u>160.1</u>	<u>162.9</u>	<u>166.9</u>	<u>167.4</u>	<u>167.4</u>	<u>167.4</u>	
General Fund	0	107,736	0	0	0	0	
Cash Funds	8,773,992	9,399,986	13,370,106	15,286,687	13,991,256	15,122,538	
RF / CFE	1,220,157	1,719,692	2,256,288	2,460,907	2,252,363	1,121,081	
Federal Funds	14,439,092	14,339,380	14,048,761	14,763,113	13,512,050	13,512,050	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09		Change Request
				Request	Staff Rec. Old Format	

(2) DIVISION OF EMPLOYMENT AND TRAINING

(A) Unemployment Insurance Programs

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

Program Costs	26,677,598	25,362,424	31,380,529	32,391,323	32,074,266	32,074,266	
FTE	<u>440.1</u>	<u>440.2</u>	<u>440.9</u>	<u>440.9</u>	<u>440.9</u>	<u>440.9</u>	
Cash Funds	4,344,391	2,145,108	3,362,800	4,370,510	4,327,730	4,327,730	
Federal Funds	22,333,207	23,217,316	28,017,729	28,020,813	27,746,536	27,746,536	
Genesis Project Recovery Assessment - CF	0	1,029,860	0	0	0	0	
Internet Self-Service - CF	0	0	0	503,720	503,720	503,720	C #1
FTE	0.0	0.0	0.0	2.5	2.5	2.5	C #1

Total - (2) (A) Unemployment Insurance Programs	26,677,598	26,392,284	31,380,529	32,895,043	32,577,986	32,577,986	
FTE	<u>440.1</u>	<u>440.2</u>	<u>440.9</u>	<u>443.4</u>	<u>443.4</u>	<u>443.4</u>	
Cash Funds	4,344,391	3,174,968	3,362,800	4,874,230	4,831,450	4,831,450	
Federal Funds	22,333,207	23,217,316	28,017,729	28,020,813	27,746,536	27,746,536	

(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	1,379,758	1,388,924	1,461,094	1,524,376	1,506,097	1,506,097	
FTE	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>0.0</u>	
Cash Funds	643,367	634,238	730,547	762,188	753,049	1,506,097	
RF / CFE	736,391	754,686	730,547	762,188	753,048	0	

Total - (2) (B) Unemployment Insurance Fraud Program	1,379,758	1,388,924	1,461,094	1,524,376	1,506,097	1,506,097	
FTE	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>0.0</u>	
Cash Funds	643,367	634,238	730,547	762,188	753,049	1,506,097	
RF / CFE	736,391	754,686	730,547	762,188	753,048	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
(C) Employment and Training Programs							
Primary functions: Providing job placement and related services to job-seeking applicants and employers							
State Operations	12,376,821	12,326,589	14,471,968	16,307,081	15,078,548	15,078,548	
FTE	<u>163.9</u>	<u>162.4</u>	<u>162.8</u>	<u>162.8</u>	<u>162.8</u>	<u>162.8</u>	
Cash Funds	5,598,193	6,514,843	6,424,488	10,190,016	8,961,483	8,961,483	DI #1
FTE	72.8	72.1	79.9	88.9	88.9	88.9	DI #1
RF / CFE	20,356	11,433	9,600	9,600	9,600	9,600	
FTE	0.8	0.8	0.1	0.1	0.1	0.1	
Federal Funds	6,758,272	5,800,313	8,037,880	6,107,465	6,107,465	6,107,465	DI #1
FTE	90.3	89.5	82.8	73.8	73.8	73.8	DI #1
One-Stop County Contracts - FF	8,044,266	8,049,543	7,878,451	7,642,593	7,636,656	7,636,656	
FTE	19.5	18.4	19.0	17.0	17.0	17.0	
Trade Adjustment Act Assistance - FF	1,469,320	1,589,034	2,168,983	1,921,826	1,921,826	1,921,826	
Workforce Investment Act	40,805,444	40,565,927	40,618,204	37,129,896	36,669,251	36,669,251	
FTE	<u>67.7</u>	<u>65.6</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	
Cash Funds	0	0	0	1,211,310	1,196,282	1,196,282	DI #1
Federal Funds	40,805,444	40,565,927	40,618,204	35,918,586.0	35,472,969	35,472,969	DI #1
Total - (2) (C) Employment and Training Programs	62,695,851	62,531,093	65,137,606	63,001,396	61,306,281	61,306,281	
FTE	<u>251.1</u>	<u>246.4</u>	<u>241.8</u>	<u>239.8</u>	<u>239.8</u>	<u>239.8</u>	
Cash Funds	5,598,193	6,514,843	6,424,488	11,401,326	10,157,765	10,157,765	
RF / CFE	20,356	11,433	9,600	9,600	9,600	9,600	
Federal Funds	57,077,302	56,004,817	58,703,518	51,590,470	51,138,916	51,138,916	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	

(D) Labor Market Information

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

Program Costs	1,559,030	1,612,139	1,872,115	1,969,337	1,945,645	1,945,645
FTE	<u>31.6</u>	<u>27.5</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>
Cash Funds	3,050	4,086	11,626	11,626	11,486	11,486
Federal Funds	1,555,980	1,608,053	1,860,489	1,957,711	1,934,159	1,934,159

Subtotal - (D) Labor Market Information	1,559,030	1,612,139	1,872,115	1,969,337	1,945,645	1,945,645
FTE	<u>31.6</u>	<u>27.5</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>
Cash Funds	3,050	4,086	11,626	11,626	11,486	11,486
Federal Funds	1,555,980	1,608,053	1,860,489	1,957,711	1,934,159	1,934,159

TOTAL - (2) DIVISION OF EMPLOYMENT AND TRAINING	92,312,237	91,924,440	99,851,344	99,390,152	97,336,009	97,336,009
FTE	<u>748.8</u>	<u>740.1</u>	<u>739.0</u>	<u>739.5</u>	<u>739.5</u>	<u>728.6</u>
Cash Funds	10,589,001	10,328,135	10,529,461	17,049,370	15,753,750	16,506,798
RF / CFE	756,747	766,119	740,147	771,788	762,648	9,600
Federal Funds	80,966,489	80,830,186	88,581,736	81,568,994	80,819,611	80,819,611

(3) DIVISION OF LABOR

Primary functions: Providing assistance and ensuring compliance with Colorado wage, youth employment and labor practice laws

Program Costs - Cash Funds	834,366	888,281	1,097,388	1,134,278	1,130,715	1,130,715
FTE	12.0	11.0	16.0	16.0	16.0	16.0

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
TOTAL - (3) DIVISION OF LABOR - Cash Funds	834,366	888,281	1,097,388	1,134,278	1,130,715	1,130,715	
FTE	12.0	11.0	16.0	16.0	16.0	16.0	

(4) DIVISION OF OIL AND PUBLIC SAFETY

(Primary functions: Inspecting and calibrating petroleum measuring devices; evaluating clean-up actions at locations where petroleum releases have been discovered and administering the associated reimbursement program; inspecting and testing the quality of fuel products; reviewing building plans for all public school facilities; issuing explosive permits to qualified individuals; conducting annual inspections of all boilers and pressure vessels in commercial and multi-unit residential buildings)

Personal Services	3,582,263	3,574,084	4,456,828	4,925,838	4,756,916	4,756,916	BA#1
FTE	53.3	52.0	59.6	69.6	69.6	69.6	
Operating Expenses	349,526	467,160	518,206	815,069	815,069	815,069	DI#3, BA#1
Statewide Indirect Cost Assessment	892,747	874,660	964,000	964,000	964,000	964,000	

TOTAL - (4) DIVISION OF OIL AND PUBLIC SAFETY							
SAFETY	4,824,536	4,915,904	5,939,034	6,704,907	6,535,985	6,535,985	
FTE	<u>53.3</u>	<u>52.0</u>	<u>59.6</u>	<u>69.6</u>	<u>69.6</u>	<u>69.6</u>	
Cash Funds	885,008	1,155,816	2,022,882	2,230,703	2,174,503	5,966,262	
RF / CFE	3,451,173	3,196,393	3,351,725	3,909,777	3,811,275	19,516	
Federal Funds	488,355	563,695	564,427	564,427	550,207	550,207	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	

(5) DIVISION OF WORKERS' COMPENSATION

(A) Workers' Compensation

Primary functions: Assuring the quick and efficient delivery of disability and medical benefits to injured workers at a reasonable cost to employers, without the necessity of litigation

Personal Services	6,068,044	6,048,220	6,495,037	6,779,245	6,694,707	6,694,707
FTE	101.8	102.0	102.0	102.0	102.0	102.0
Operating Expenses	599,110	579,471	639,345	639,345	639,345	639,345
Administrative Law Judge Services	2,206,972	2,322,977	2,477,915	2,555,957	Pending	Pending
Physician's Accreditation	69,558	130,171	140,000	140,000	140,000	140,000
Utilization Review	19,226	52,989	60,000	60,000	60,000	60,000
Immediate Payment	0	0	10,000	10,000	10,000	10,000

Total - (5) (A) Workers' Compensation	8,962,910	9,133,828	9,822,297	10,184,547	7,544,052	7,544,052
FTE	<u>101.8</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>	<u>102.0</u>
Cash Funds	8,461,746	8,750,436	9,386,663	9,732,743	7,209,385	7,544,052
RF / CFE	501,164	383,392	435,634	451,804	334,667	0

(B) Major Medical Insurance and Subsequent Injury Funds

Primary functions: Providing medical benefits and compensation payments to eligible injured workers

Personal Services	905,562	913,601	1,231,110	1,231,725	1,231,725	1,231,725
FTE	13.1	12.6	16.0	16.0	16.0	16.0

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
Operating Expenses	72,306	51,819	88,324	88,324	88,324	88,324	
Major Medical Benefits	7,457,751	6,621,917	7,000,000	7,000,000	7,000,000	7,000,000	
Major Medical Legal Services	1,211	914	21,609	15,000	Pending	Pending	
<i>Hours</i>	<i>19.0</i>	<i>0.0</i>	<i>300.0</i>	<i>208.0</i>	<i>150.0</i>	<i>150.0</i>	
Subsequent Injury Benefits	2,521,755	2,237,091	5,200,000	3,200,000	3,200,000	3,200,000	
Subsequent Injury Legal Services	17,413	16,565	72,030	50,000	Pending	Pending	
<i>Hours</i>	<i>270.0</i>	<i>0.0</i>	<i>1,000.0</i>	<i>694.0</i>	<i>500.0</i>	<i>500.0</i>	
Medical Disaster	638	166	6,000	6,000	6,000	6,000	
Total - (5) (B) Major Medical Insurance and Subsequent Injury Funds - CF	10,976,636	9,842,073	13,619,073	11,591,049	11,526,049	11,526,049	
FTE	13.1	12.6	16.0	16.0	16.0	16.0	
TOTAL - (5) DIVISION OF WORKERS' COMPENSATION	19,939,546	18,975,901	23,441,370	21,775,596	19,070,101	19,070,101	
FTE	<u>114.9</u>	<u>114.6</u>	<u>118.0</u>	<u>118.0</u>	<u>118.0</u>	<u>118.0</u>	
Cash Funds	8,461,746	8,750,436	9,386,663	9,732,743	7,209,385	7,544,052	
RF / CFE	11,477,800	10,225,465	14,054,707	12,042,853	11,860,716	11,526,049	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriated	FY 2008-09			Change Request
				Request	Staff Rec. Old Format	Staff Rec. New Format	
GRAND TOTAL - DEPARTMENT OF LABOR AND EMPLOYMENT	142,343,926	142,271,320	160,004,291	161,515,640	153,828,479	153,828,479	
FTE	<u>1,089.1</u>	<u>1,080.6</u>	<u>1,099.5</u>	<u>1,110.5</u>	<u>1,110.5</u>	<u>1,099.6</u>	
General Funds	0	107,736	0	0	0	0	
Cash Funds	29,544,113	30,522,654	36,406,500	45,433,781	40,259,609	46,270,365	
RF / CFE	16,905,877	15,907,669	20,402,867	19,185,325	18,687,002	12,676,246	
Federal Funds	95,893,936	95,733,261	103,194,924	96,896,534	94,881,868	94,881,868	

**DEPARTMENT OF LABOR AND EMPLOYMENT
FY 2008-09 FIGURE SETTING**

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

(1) EXECUTIVE DIRECTOR'S OFFICE

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

Decision Item #2 (Disaster Recovery Plan):

In March 2005, a survey of state agencies was conducted to identify critical state functions and assess agency recovery plans for maintaining or restoring those functions following a disaster. Subsequently, the State has also adopted specific cyber-security policies with regard to the backup systems and data that are necessary to such disaster recovery. Processing and payment of unemployment insurance claims has been identified as a mission-critical function. This decision item requests an increase of \$484,144 cash funds exempt (reserves from the Employment Support Fund) for a new Disaster Recovery line item to allow the Department to bring its systems into compliance with State policies.

The upgrade consists of two principal components: (a) completion of a single-mode fiber link between the Department's facilities at 251 E. 12th Avenue and 633 17th Street, and (b) replacement of a processing and storage system at 251 E. 12th Avenue. The existing system at the 251 location will be transferred to the State's e-FOR³T facility near the Denver Tech Center and be used to provide off-site data backups. The replacement system will allow the Department to make use of "virtual" servers and will allow them to avoid the already scheduled replacement of 18 physical servers. The upgrade plan has been approved by the Governor's Office of Information Technology.

Section 8-77-109 (2) (a) (I), C.R.S., states that the Employment Support Fund will be "used to offset funding deficits for program administration, including information technology initiatives". The proposed project appears to fall within this provision. The ESF is currently projected to have revenues of \$23.8 million in FY 2008-09 and have a closing balance of \$45.3 million at the end of that fiscal year. These are adequate to fund this project. As will be noted at other points in this packet, there are increasing overall demands on the ESF.

Staff recommends the Committee approve the Department's request. Consistent with JBC policy regarding reappropriated funds, these funds will be identified as "cash funds".

Personal Services

Staffing Summary	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
Administration / Management	9.0	9.0	9.0	9.0
Financial	17.0	17.0	17.0	17.0
Info. Technology	52.9	52.9	52.9	52.9
Professional Staff	30.2	34.2	34.7	34.7
Investigators / Auditors	8.5	8.5	8.5	8.5
Staff Support	20.3	20.3	20.3	20.3
Maintenance	16.7	16.7	16.7	16.7
Retirements, contracts, and temporary staff	8.3	8.3	8.3	8.3
TOTAL	162.9	166.9	167.4	167.4

The Department request is for an appropriation of \$12,742,549 and 167.4 FTE. **Staff recommends an appropriation of \$12,577,899 and 167.4 FTE calculated in accordance with Committee common policy decisions.** That calculation is summarized in the following table. S.B. 07-228 requires the Department to monitor various aspects of the performance of vendors with whom it contracts.

Summary of Personal Services Recommendation – Department of Labor & Employment (1) Executive Director's Office		
	Total Funds	FTE
FY 2007-08 Long Bill	12,163,966	166.9
S.B. 07-228 ()	29,308	0.5
Salary Survey	400,750	n.a.
Performance-based Pay (at 80%)	110,924	n.a.
Base Reduction	(127,049)	n.a.
Staff Recommendation	12,577,899	167.4

Health, Life, and Dental. This line item is centrally appropriated line item and is used to pay for the state's share of health insurance, life insurance, and dental insurance for employees who enroll in the state's health plan. The Department requested an appropriation of \$4,782,261. In accordance with the JBC-approved common policy, **staff recommends an appropriation of \$4,961,728.**

Short-term Disability. This line item is used to pay the Department's share of costs associated with the state's short-term disability program which is administered by the Department of Personnel and Administration.. The Department requested an appropriation of \$81,157. The JBC approved a short-term disability rate of 0.13 percent of base personal services salaries. **Staff recommends an appropriation of \$84,509 which was calculated in accordance with the Committee common policy for this line item.**

S.B. 04-257 Amortization Equalization Disbursement. This line item is used to pay the costs associated with S.B. 04-257, which requires an additional state contribution for employees in the Public Employees' Retirement System (PERA). The rate for CY 2008 is 1.40 percent of base salaries. The rate for CY 2009 is 1.80 percent of base salaries. The Department has requested an appropriation of \$995,541. **Staff recommends an appropriation of \$1,040,110 which was calculated in accordance with the Committee's common policy for this line item.**

S.B. 06-235 Supplemental Amortization Equalization Disbursement. This line item is used to pay costs associated with S.B. 06-235, which provided for a mechanism to increase the effective PERA rate beginning on January 1, 2008. The Department requests an appropriation of \$319,030. The JBC-approved common policy rates for CY 2008 and CY 2009 are 0.50 percent and 1.00 percent, respectively. **Staff recommends an appropriation of \$487,552 which was calculated in accordance with the Committee common policy.**

Salary Survey and Senior Executive Services. This line is intended to pay for salary adjustments in accordance with the total compensation report prepared by the Department of Personnel and Administration pursuant to Section 24-50-104 (4) (c), C.R.S. The Department requested an appropriation of \$2,551,900. In accordance with the JBC-approved common policy, **staff recommends an appropriation of \$2,551,900.**

Performance-Based Pay Awards. This line item is a centrally appropriated line item used to pay for performance-based pay awards for state employees pursuant to Section 24-50-104 (1) (c) (I), C.R.S. The request is for an appropriation of \$957,124 total funds. In accordance with the JBC-approved common policy, **staff recommends an appropriation of \$957,125.**

Shift Differential. This line item is used to pay for the incremental costs associated with higher compensation rates for employees who work after regular working hours. The Department of Labor and Employment has custodial staff that work after hours at its facility at 251 E. 12th Avenue in Denver. The Department also reports that it has information technology staff that work nights to do overnight job runs of the Department's computer programs. The Department has requested an appropriation of \$28,163. In accordance with the JBC-approved common policy, **staff recommends an appropriation of \$28,162.**

Workers' Compensation. This line item is used by the Department of Labor and Employment to reimburse the Department of Personnel and Administration for its share of costs associated with

providing workers' compensation insurance to state employees. The request is for an appropriation of \$779,390. **The staff recommendation for this line item is pending the approval of a Committee common policy for workers' compensation.**

Operating Expenses. The request is for an appropriation of \$1,533,477 which reflects a continuation of the FY 2007-08 appropriation plus an increase of \$1,753 for expenses associated with S.B. 07-228. **Staff recommends an appropriation of \$1,533,477.**

Legal Services. This line item is used to pay the Department of Law for the provision of legal services to the Department of Labor and Employment. The request is for a continuation of the FY 2007-08 Long Bill appropriation for 7,741 hours, plus 135 hours as a result of S.B. 07-123, for a total of 7,876 hours. **Staff recommends an appropriation sufficient for 7,876 hours.** The recommended appropriation to support this number of legal services hours is pending and will be based on the approved number of hours and the pending Committee common policy for FY 2007-08 legal hour rates.

Purchase of Services from Computer Center. This line item is used to reimburse the Department of Personnel and Administration for the Department's share of costs associated with the state's computer system. The request is for an appropriation of \$1,285,778. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Multiuse Network Payments. This line item reimburses the Department of Personnel and Administration for the Department's share of costs for the statewide multi-use network. The Department is requesting an appropriation of \$99,096. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Payment to Risk Management and Property Funds. This line item is used to reimburse the Department of Personnel and Administration (DPA) for the Department's share of expenses associated with the state's liability insurance and property insurance. The risk management program is managed by DPA. The request is for an appropriation of \$130,317. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Vehicle Lease Payments. This line item is used by the Department of Labor and Employment to reimburse the Department of Personnel and Administration (DPA) for the costs associated with vehicle lease payments for vehicles used by the Department. The Department requests an appropriation of \$94,457. This represents a continuation level of \$89,306, plus \$2,912 for a non-prioritized decision item from DPA for the replacement of vehicles. **Staff recommendation is pending the approval of a Committee common policy for this line item.**

Leased Space. The following table summarizes the Department's leased space locations and costs. The Department request is for an appropriation of \$3,689,248 for the "Leased Space" line item. This request reflects an increase \$116,650 (3.3 percent) over the FY 2007-08 appropriation. The bulk of

the increase is due to leased space escalators. **Staff recommends that the JBC approve the request for an appropriation of \$3,689,248.**

DEPARTMENT OF LABOR AND EMPLOYMENT - Leased Space									
	FY 2006-07 Actual			FY 2007-08 Appropriation			FY 2008-09 Request		
	Square Footage	Rate	Total	Square Footage	Rate	Total	Square Footage	Rate	Total
State Run One-Stop Locations	61,063	\$4.05-\$56.31	\$598,176	61,671	\$4.05-\$56.31	\$638,156	61,568	\$4.05-\$28.80	\$643,299
Colorado Springs - Labor and UI	2,818	\$15.50	\$43,679	2,818	\$15.50	\$46,598	2,818	\$16.00	\$45,088
Aurora - Workforce Development	565	\$3.32	\$1,915	565	\$3.39	\$2,043	565	\$3.46	\$2,163
634 17 th Avenue	172,240	\$17.41	\$2,705,007	172,240	\$15.50	\$2,885,801	172,240	\$15.70	\$2,998,698
TOTAL	236,686		\$3,348,777	237,294		\$3,572,598	237,191		\$3,689,248

Capitol Complex Leased Space. This line item is used by the Department of Labor and Employment to reimburse the Department of Personnel and Administration (DPA) for expenses related to maintaining capitol complex facilities managed by DPA. The Department requests an appropriation to support a total of 5,659 square feet in the capitol complex: (a) 1,295 square feet for the Unemployment Insurance and Workers' Compensation programs in the Grand Junction State Office Building, and (b) 4,364 square feet for oil inspection labs at the North Campus facility on E. 62nd Avenue in Denver. The request is for an appropriation of \$27,093. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

Communication Services Payment. This line item supports the Department of Labor and Employment's share of the costs for the state's public safety communications infrastructure. This appropriation is used to reimburse the Department of Personnel and Administration, the agency responsible for operations and maintenance of this program. The Department has requested an appropriation of \$1,199. **The staff recommendation is pending the approval of a Committee common policy for this line item.**

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

Information Technology Asset Maintenance. The Department of Labor and Employment relies extensively on computers and databases to track the constituents that pay fees and taxes to support its programs. The Department also relies extensively on technology to track the individuals who qualify for benefits from its programs. The Department uses this line item to purchase the Microsoft software on which the Department has standardized, and on data network infrastructure. For FY 2007-08, the Committee approved a decision item which removed personal computer replacement from this line and distributed those costs across the Operating Expenses (or Program Costs) lines of the five divisions. The Department request is a continuation appropriation of \$553,627. **Staff recommends the department's request for a continuation level appropriation of \$553,627.**

Statewide Indirect Cost Assessment. The Department request is \$545,879. **Staff recommends an appropriation of \$545,879 in accordance with Committee common policy.**

Disaster Recovery (New Line Item). Staff has previously recommended Decision Item #2, which would allow the Department to implement its disaster recovery plan for the unemployment insurance claims processing infrastructure. The Department request is for \$484,144 for that purpose. **Staff recommends an appropriation of \$484,144.**

Reappropriated Funds. The Executive Director's Office receives reappropriated funds from three sources: \$964,000 from the Petroleum Storage Tank Fund (PSTF), \$152,797 from statewide indirect cost recoveries, and \$4,284 from the Department of Public Health and Environment. The PSTF funds were previously shown as cash funds with a (T) notation; the PSTF is a separate enterprise for TABOR purposes. Statewide indirect cost recoveries are used to offset General Fund moneys associated with H.B. 06-1343.

Bottom Line Funding Recommendation. The Executive Director's Office is funded by various sources, but the funding split is done on a "bottom line" basis rather than for individual line items. This gives the Department flexibility to apply federal funds in particular, some of which may be used for overhead expenses, to appropriate line items to cover its expenses. Pending items will require that a funding split be applied. **Staff recommends that the current General Fund and Reappropriated Fund values remain unchanged, and that the 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. Staff has included them in the JBC staff numbers pages because they reflect a major expenditure of the Department. Unemployment Insurance tax revenue is subject to the constitutional limit on state revenues established pursuant to Article X, Section 20 of the State Constitution. Pursuant to Section 8-77-101 (1) (b) (II), C.R.S., revenue credited to the Unemployment Insurance Trust Fund constitutes state spending, and, as such, counts against the TABOR revenue limit. The General Assembly made this determination with the enacting legislation to implement TABOR after it was approved by voters in the 1992 election (see S.B. 93-74). The Department estimates that it will pay \$335,929,746 in unemployment benefits in FY 2008-09.

(2) DIVISION OF EMPLOYMENT AND TRAINING

(A) Unemployment Insurance Programs

Staffing Summary UI Programs	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
TOTAL	440.2	440.9	440.9	440.9

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

Decision Item #C-1 (Modernize and Enhance Internet Self-Service):

This decision item requests a total of \$685,440 cash funds (Employment Support Fund) over two years for program costs related to a capital request to modernize and enhance the Department's Internet self-service applications for the unemployment insurance (UI) program. (\$503,720 for FY 2008-09 and \$181,720 for FY 2009-10). The capital request is for \$6.8 million and has been approved by the Capital Development Committee. The Department also requests roll-forward spending authority for the program costs portion of the request.

The Department currently has five Internet self-service applications covering the following areas:

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

All of the current applications (except continued UI claims) were developed using Microsoft Visual Basic 6; Microsoft has announced that technical support for that product will end in March 2008. In order to remain a viable part of the Department's operations, these applications need to be rewritten using a supported enterprise-class platform. The Department has identified several other processes within the UI program that are candidates for Internet self-service.

The Department conducted a project recovery assessment following the failure of their *Genesis* vendor to deliver a working product. One of the findings of that assessment was the need to assign senior subject-matter experts to such projects in order to produce the proper requirements documentation and to identify and correct problems in a timely fashion. This portion of the request is for the funding for 2.5 FTE for two years, plus additional expenses in the first year of the project,

to provide such expertise. The Department anticipates rotating various staff persons through these positions as the project requires expertise in different program areas.

In recent years, federal funding for the operation of the UI program has decreased. The Department anticipates that this trend will continue. The funding shortfall has created pressure on the Department's activities, particularly in the call center activities involved in many of the UI activities. This has resulted in long waiting times for UI clients. For example, while initial claim calls are usually answered within 10 minutes, other types of client calls may be placed on hold for 45-50 minutes. An improved set of self-service applications has the potential to improve service significantly while reducing the call-center resources that are required. For example, many clients call in order to find out if their current benefits check has been mailed; this information could easily and securely be provided to them over the Internet rather than waiting on the phone for 45 minutes and then having call-center staff enter the query and read the result to them.

Section 8-77-109 (2) (a) (I), C.R.S., states that the Employment Support Fund will be "used to offset funding deficits for program administration, including information technology initiatives". The proposed project appears to fall within this provision. The ESF is currently projected to have revenues of \$23.8 million in FY 2008-09 and have a closing balance of \$45.3 million at the end of that fiscal year. Current year revenues plus reserves appear to be adequate to fund this project. As will be noted at other points in this packet, there are increasing overall demands on the ESF.

Staff recommends the Committee approve the request for \$503,720 cash funds (Employment Support Fund) for FY 2008-09. Staff recommends the Committee not approve the Department's request for roll-forward spending authority. In light of the Department's problems with procurement of software systems, staff believes it is more appropriate for the Department to make an separate request, including a status report on the progress of the project, for the FY 2009-10 budget cycle. Staff has prepared a draft request for information asking the Department to provide such a report, the text for which appears at the end of this packet.

Program Costs. The appropriation for this unit is done on the basis of total program costs. The Department requests an appropriation of \$32,391,323 and 440.9 FTE. **Staff recommends an appropriation of \$32,074,266 and 440.9 FTE, calculated in accordance with Committee common-policy decisions.** Staff's calculation is summarized in the following table.

Summary of Program Line Recommendation (2) (A) Division of Employment and Training – Unemployment Insurance Program Costs		
	Total Funds	FTE
FY 2007-08 Long Bill		
Personal Services (estimated)	25,640,779	440.9
Operating Expenses (estimated)	<u>5,739,750</u>	<u>n.a.</u>
Program Line Item in Long Bill	31,380,529	440.9

Summary of Program Line Recommendation (2) (A) Division of Employment and Training – Unemployment Insurance Program Costs		
	Total Funds	FTE
Prior Year Salary Survey	741,499	n.a.
Prior Year Performance Pay	208,646	n.a.
Common policy base reduction (applied to PS only)	(256,408)	n.a.
JBC Staff Recommendation	32,074,266	440.9
Cash Funds	4,327,730	n.a.
Federal Funds	27,746,536	n.a.

Internet Self-Service (New Line Item). Staff has previously recommended Decision Item #C-1, which would fund the Department's upgrade of their Web-based application suite. The Department's request is \$503,720 cash funds and 2.5 FTE. **Staff recommends the Committee approve an appropriation of \$503,720 and 2.5 FTE.**

(B) Unemployment Insurance Fraud Program

Staffing Summary UI Programs	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
TOTAL	26.0	26.0	26.0	26.0

The Unemployment Insurance Fraud Program employs both criminal investigators and specialists to research and notify recipients of overpayments. The program is funded with appropriations from the Unemployment Revenue Fund established in Section 8-77-106, C.R.S. Historically, appropriations have consisted of 50 percent cash funds from current fund revenue and 50 percent cash funds exempt from fund reserves. The Unemployment Revenue Fund receives revenue from penalties and interest on delinquent unemployment insurance taxes. The fund is projected to have a fund balance of \$6.9 million at the end of FY 2007-08, and to increase by another \$1.5 million in FY 2008-09.

Program Costs. The appropriation for this unit is done on the basis of total program costs. The Department requests an appropriation of \$1,524,376 and 26.0 FTE. **Staff recommends an appropriation of \$1,506,097 and 26.0 FTE.** Consistent with JBC policy, the entire amount of the appropriation is classified as cash funds.

Summary of Program Line Recommendation (2) (A) Division of Employment and Training – Unemployment Insurance Fraud Program Costs		
	Cash Funds	FTE

Summary of Program Line Recommendation (2) (A) Division of Employment and Training – Unemployment Insurance Fraud Program Costs		
FY 2007-08 Long Bill		
Personal Services (estimated)	1,452,370	26.0
Operating Expenses (estimated)	<u>8,724</u>	<u>n.a.</u>
Program Line Item in Long Bill	1,461,094	26.0
Prior Year Salary Survey	46,876	n.a.
Prior Year Performance Pay	12,651	n.a.
Common policy base reduction (applied to PS only)	<u>(14,524)</u>	<u>n.a.</u>
JBC Staff Recommendation	1,506,097	26.0

(C) Employment and Training Programs

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

Decision Item #1 (Restore Services at Workforce Centers):

This decision item requests an increase of \$3,345,853 cash funds (Employment Support Fund) and 9.0 FTE for the State Operations line item and an increase of \$1,211,310 cash funds (Employment Support Fund) for the Workforce Investment Act line item. The increase in the State Operations line is intended to offset program cuts due to decreases in federal funding made in the prior two years and a further decrease in federal funding for state FY 2008-09.

The following table shows the FTE cuts that were made in the State's nine workforce regions during the period from July 2005 through July 2007. Corresponding to these decreases in staffing have been a decrease in overall services. The form of the service cut-backs have varied across the different regions, and include increased case load for staff, shifting administrative duties onto services staff, reduced number and types of workshops, reduced hours at satellite locations, and decreased activities with employers. The Department estimates that the loss of services has resulted in an increase of approximately four weeks in the average time required for Workforce Center clients to find employment.

Region	FTE Cuts
Adams	6.0
Arapahoe/Douglas	7.0

Region	FTE Cuts
Boulder	5.0
Denver	21.5
El Paso/Teller	10.0
Larimer	5.0
Tri-County	6.0
Weld	5.0
Rural Consortium (state run)	9.0
TOTAL	74.5

The Employment Support Fund was created in Section 8-77-109 (1), C.R.S., to be used to offset funding deficits in program administration, information technology initiatives, and to strengthen the unemployment fund solvency. The fund receives 50 percent of the Unemployment Insurance Tax Surcharge, or 0.11% applied to the unemployment insurance tax base. Initially, any balance in the fund at the end of a fiscal year was transferred to the Unemployment Insurance Trust Fund. More recently, the fund has been allowed to accumulate reserves in anticipation of the expenses associated with *Genesis*, the Department's project to replace aging computer systems used for unemployment tax and benefits.

This is not the first request to use the ESF to offset cuts in federal funding. For FY 2007-08, the General Assembly approved a request for an additional \$1.96 million from the fund to pay for state-mandated increases in benefits for employees in the Unemployment Insurance and Workforce Development programs. Staff believes this type of request should be regarded as an increase in the annual expenses paid for out of the fund. The following table summarizes the recent history of fund revenues and reserves. The estimates for the near future suggest that we have nearly reached the point where annual spending from the fund exceeds revenue; that is, we are now using reserves to pay for ongoing annual expenses.

Fiscal Year	Revenue	Closing Balance	Increase/(Decrease)
2005-06 (actual)	\$33,735,855	\$37,157,137	\$19,070,087
2006-07 (actual)	22,345,952	43,551,969	6,394,832
2007-08 (estimate)	23,016,330	47,757,074	4,205,105
2008-09 (estimate)	23,789,679	45,293,362	(2,463,712)
2009-10 (estimate)	24,589,012	42,798,494	(2,494,867)

The Department's budget request includes projects that will spend over \$6.0 million from the fund reserves for IT infrastructure improvements. The Department's most recent estimates of the cost to replace the tax and benefits database systems – the two most expensive portions of *Genesis* – are on the order of \$70.0 million. This is substantially more than the estimates at the time reserves were

allowed to begin accumulating. Staff is concerned that the demands being placed on the ESF are not sustainable; that it will not be possible to use the fund to cover current expenses and also accumulate the reserves necessary for necessary IT infrastructure upgrades.

Staff recommends the Committee approve the Department's request in part. Staff recommends an increase of \$2,230,569 cash funds (Employment Support Fund) for the State Operations line, and an increase of \$807,540 cash funds and 6.0 FTE for the Workforce Investment Act line. These are two-thirds of the amounts requested and reflect a somewhat arbitrary compromise to address a real problem in workforce development services and the need to accumulate reserves for needed IT systems upgrades. Staff will continue to monitor ESF revenues and reserves in the future.

State Operations

Employment and Training Programs - State Operations	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
Labor and Employment Specialists	130.3	130.7	130.7	130.7
Professional Staff	7.0	7.0	7.0	7.0
IT Staff	1.8	1.8	1.8	1.8
Community Workers	10.6	10.6	10.6	10.6
Administrative Support	11.2	11.2	11.2	11.2
Management	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
TOTAL	162.4	162.8	162.8	162.8

This line funds county one-stop employment centers administered by the State. The Department has requested an appropriation of \$16,307,081 and 162.8 FTE. Of this amount, \$10,190,016 is cash funds (Employment Support Fund and the Displaced Homemaker's Fund), \$9,600 is cash funds exempt (transfers from contracts with other state programs), and \$6,107,465 is federal funds. Staff has previously recommended that the Committee approve Decision Item #1 in part, which affects this line item. **Staff recommends an appropriation of \$15,078,548 and 162.8 FTE calculated in accordance with Committee common policy decisions.** The recommended funding split is shown at the bottom of the table. The cash funds exempt / reappropriated funds moneys are from contracts with other government agencies. Some of those are other state agencies, and some are not. In the interest of maintaining historical consistency, **staff recommends that these moneys be classified as reappropriated funds.**

Summary of Program Line Recommendation (2) (C) Division of Employment and Training – State Operations		
	Total Funds	FTE
FY 2007-08 Long Bill		
Personal Services (estimated)	10,170,172	162.8
Operating Expenses (estimated)	<u>2,901,796</u>	<u>n.a.</u>
Program Line Item in Long Bill	13,071,968	162.8
Prior Year Salary Survey	316,186	n.a.
Prior Year Performance Pay	81,991	n.a.
Common Policy Base Reduction (applied to PS only)	(101,702)	n.a.
Decision Item #1 Restore Workforce Center Services		
Reduction in Federal Funds	(520,464)	n.a.
Increase in Cash Funds	<u>2,230,569</u>	<u>n.a.</u>
JBC Staff Recommendation	15,078,548	162.8
Cash Funds	8,961,483	n.a.
CFE / RF	9,600	n.a.
Federal Funds	6,107,465	n.a.

One-Stop County Contracts. Wagner Peyser funds support services such as, job search/placement, counseling, assessment, labor market information, job fairs, and recruitment by employers. The federally funded county operated one-stop centers serve as centers for the dissemination of all federal employment program information, including job training, and search programs. The Department requests an appropriation of \$7,642,593 and 17.0 FTE. This is a reduction relative to the previous year and reflects an anticipated decrease in federal funding. **Staff recommends an appropriation of \$7,636,656 and 17.0 FTE, calculated in accordance with Committee-approved common policies.**

Summary of Program Line Recommendation (2) (C) Division of Employment and Training – One-Stop County Contracts		
	Federal Funds	FTE
FY 2006-07 Long Bill (H.B. 06-1385)		
Personal Services (estimated)	1,237,210	19.0
Operating Expenses (estimated)	6,641,241	
Program Line Item in Long Bill	7,878,451	19.0

Summary of Program Line Recommendation		
(2) (C) Division of Employment and Training – One-Stop County Contracts		
	Federal Funds	FTE
Prior year salary survey	44,438	
Prior year performance award	11,662	
Decrease federal funds	(297,895)	(2.0)
JBC Staff Recommendation	7,636,656	17.0

Trade Adjustment Act Assistance. This line item reflects federal pass through funding used to provide job training assistance to workers dislocated as a result of foreign trade agreements. The request is for \$1,921,826 federal funds. **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. Workforce development programs administered by the Department to assist in job training for adults, displace workers, and youth. The Workforce Investment Act funds the following activities: skills assessment, basic skills remediation, occupational skills training, and retraining. The request is for \$37,129,896 and 60.0 FTE. Staff has previously recommended that the Committee approve Decision Item #1 in part. **Staff recommends an appropriation of \$36,669,251 and 57.0 FTE.** The recommended funding split is shown at the bottom of the table. No adjustments are necessary to conform to Committee policy on reappropriated funds.

Summary of Program Line Recommendation		
(2) (C) Division of Employment and Training – Workforce Investment Act		
	Total Funds	FTE
FY 2007-08 Long Bill		
Personal Services (estimated)	4,714,124	60.0
Operating Expenses (estimated)	35,904,080	<u>n.a.</u>
Program Line Item in Long Bill	40,618,204	60.0
Anticipated Federal decrease	(4,863,546)	(9.0)
Prior Year Salary Survey	121,963	n.a.
Prior Year Performance Pay	32,231	n.a.
Common Policy Base Reduction (applied to PS only)	(47,141)	n.a.
Decision Item #1 Restore Workforce Center Services	<u>807,540</u>	<u>6.0</u>
JBC Staff Recommendation	36,669,251	57.0
Cash Funds	1,196,282	n.a.

Summary of Program Line Recommendation (2) (C) Division of Employment and Training – Workforce Investment Act		
	Total Funds	FTE
Federal Funds	35,472,969	n.a.

(D) Labor Market Information

Staffing Summary (2) (D) Labor Market Info.	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
TOTAL	27.5	30.3	30.3	30.3

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

Program Costs. The Department requests an appropriation of \$1,969,337 and 30.3 FTE. Of this, \$11,626 is anticipated to be cash funds from the sale of publications and the remainder is federal funds. **Staff recommends an appropriation of \$1,945,645 and 30.3 FTE.** The calculation of the appropriation amount is shown in the following table and is in accordance with Committee common policy decisions.

Summary of Program Line Recommendation Department of Labor and Employment - (2)(D) Labor Market Information				
	Federal Funds	Cash Funds	Total Funds	FTE
FY 2007-08 Long Bill				
Personal Services (estimated)	1,716,357	0	1,716,357	30.3
Operating Expenses (estimated)	144,132	11,626	155,758	n.a.
Program Line Item in Long Bill	1,860,489	11,626	1,872,115	30.3
Annualize Salary Survey Awarded in FY 2007-08	71,528	0	71,528	n.a.
Annual Performance Pay Awarded in FY 2007-08	19,166	0	19,166	n.a.
Common Policy Base Reduction	(17,164)	0	(17,164)	n.a.
JBC Staff Recommendation – Dept. Request	1,934,019	11,626	1,945,645	30.3

(3) DIVISION OF LABOR

The Division of Labor provides assistance to employers and workers in the education and compliance of Colorado wages, youth employment, and labor laws. In addition, when needed the Division of Labor will facilitate labor dispute resolution and mediation. H.B. 06S-1017 required employers to demonstrate compliance with federal employment verification requirements. The Department is authorized to conduct random audits, to accept complaints, and may request documentation upon receipt of a creditable complaint. In FY 2004-05, the Committee approved combining personal services and operating expenses into a single line item titled "Program Costs". The Division of Labor funding source is cash funds from the Employment Support Fund, pursuant to Section 8-77-109, C.R.S.

Staffing Summary Division of Labor	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2007-08 Request	FY 2007-08 Recomm.
Management	1.1	1.0	1.0	1.0
Professional Staff	9.0	9.0	14.0	14.0
Investigators/Auditors	0.0	4.0	0.0	0.0
Administrative Staff	0.9	1.0	1.0	1.0
Temporary	<u>0.0</u>	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	11.0	16.0	16.0	16.0

Program Costs. The Department requests an appropriation of \$1,134,278 cash funds (Employment Support Fund) and 16.0 FTE. **Staff recommends an appropriation of \$1,130,715 cash funds (Employment Support Fund) and 16.0 FTE.** Staff calculation is summarized in the following table and is in accordance with Committee-approved common policies.

Summary of Program Line Recommendation (3) Division of Labor – Department of Labor and Employment		
	Cash Funds	FTE
FY 2007-08 Long Bill (S.B. 07-239)		
Personal Services (estimated)	1,036,040	16.0
Operating Expenses (estimated)	61,348	<u>n.a.</u>
Program Line Item in Long Bill (S.B. 07-239)	1,097,388	16.0
Annualize Salary Survey Awarded in FY 2007-08	26,329	n.a.
Performance Awards in FY 2007-08	6,998	<u>n.a.</u>
Common Policy Base Reduction (applied to PS only)	0	<u>n.a.</u>
JBC Staff Recommendation	1,130,715	16.0

(4) DIVISION OF OIL AND PUBLIC SAFETY

The Division of Oil and Public Safety is responsible for the following programs: inspection and clean up of petroleum storage, plan review and construction inspection for all public school and junior college facilities, inspecting and certifying all boilers, inspecting and certifying elevators and other mechanical conveyances, inspection of amusement rides, and issuing explosive permits. The program is funded by a surcharge fee per tank truckload of fuel, fees charged for inspection and review services, and EPA grants. Funding splits for the Division of Oil and Public Safety are done on a bottom-line basis, rather than for individual line items. A recommendation for an overall funding split is provided at the end of this section.

Decision Item #3 (Cooperative Fuel Research Engines):

The Division has statutory responsibility (Section 8-20-203, C.R.S.) for consumer protection by enforcing standards for labeling, quality, and measures of petroleum products sold at retail in the State of Colorado. There are approximately 2,350 retail gasoline stations in Colorado. Division inspectors collect product samples from these stations, both routinely and in response to consumer complaints. The Division tests approximately 1,000 gasoline samples each year at its north Denver petroleum laboratory.

Among the tests performed are the octane number, which measures the fuel's resistance to pre-ignition. Statute requires the division comply with current specifications of the American Society for Testing and Materials (ASTM). The only test currently recognized by the ASTM is by means of cooperative fuel research test engines. Two engines are needed, one calibrated to measure the research octane number and one to measure the motor octane number. The division owns two test engines, both dating back to the 1940s. The manufacturer no longer offers parts or service for some of the test engines' major components. In the event of a major failure in either of the existing 60 year-old engines, the division would be unable to perform its own testing.

The necessary testing could be purchased as a service from private laboratories. The nearest lab known to have the appropriate test engines is located in Houston, Texas. Gasoline samples are hazardous materials and are expensive to ship; the division estimates that it would cost about \$500 per test once all such costs are included. Delays due to shipping would also reduce the division's ability to act in a timely fashion in response to consumer complaints.

This request is for \$440,000 cash funds exempt (Petroleum Storage Tank Fund) spending authority for the purchase of two new test engines. Current projections are that the fund's reserves will increase from \$4.6 million at the end of FY 2007-08 to \$5.1 million at the end of FY 2008-09, so reserves appear adequate to fund this request.

Staff recommends the Committee approve the Department's request. Consistent with the Committee's decision on reappropriated funds, these funds will be shown as "cash funds".

Supplemental Budget Amendment #1 (Public School Construction):

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

The State Auditor conducted a performance audit of the Public Safety Division and issued the final report in June, 2007. The report found several serious deficiencies within the public school construction review and inspection program. The report identified weaknesses in all areas of the program due to insufficient resources and expertise within the Division. An emergency supplemental request for \$271,272 was submitted and approved in August, 2007 that provided for an immediate but temporary solution to the shortcomings identified in the Auditor's report. The Committee has previously approved a supplemental budget request for FY 2007-08 for \$195,347 and 2.5 FTE for a permanent solution to the problem; this request for \$645,880 and 10.0 FTE for FY 2008-09 annualizes that supplemental request.

In accordance with the Auditor's recommendations, the Department evaluated the options available to it in conjunction with a group of representative stakeholders. These stakeholders included public school districts, local fire marshals, building inspectors for local jurisdictions, affected State departments, and architectural consultants. The group met at least twice per month for four months to assist the Division in developing rules, proposed statutory provisions, and program implementation details, including the level of resources required. Some of the necessary options will require statutory changes; the necessary legislation, H.B. 08-1027, is being sponsored by the Audit Committee.

The fiscal note for H.B. 08-1027 includes an additional \$78,500 cash funds and 1.0 FTE. That request does not overlap with this budget amendment. The funding provided by the bill will cover the activities that the Department will conduct that are not allowed under current statute. Staff notes that if the provisions of H.B. 08-1027 that allow them to qualify local jurisdictions and third-party inspectors fail, the funding requested in this budget amendment will not be adequate to allow the Department to conduct all of the activities required under current statute.

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

Staff recommends the Committee approve the Department's request for \$645,880 and 10.0 FTE for FY 2008-09.

Personal Services

Staffing Summary Div. of Oil and Public Safety	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
Management	1.0	1.0	1.0	1.0
Professional Staff	13.7	17.3	23.3	23.3
Scientists / Env. Protection Specialists	17.9	18.3	18.3	18.3
Inspectors	16.2	18.5	20.7	20.7
Support Staff	3.2	4.5	6.3	6.3
TOTAL	52.0	59.6	69.6	69.6

The appropriation for FY 2007-08 includes the effects of H.B. 07-1228, which expanded the Division's fuel tank responsibilities to include renewable (non-petroleum) fuels, S.B. 07-123, which created a registration and inspection program for elevators and other mechanical conveyances, and supplemental decision item #1, which expands the school construction review and inspection program. The Department requests \$4,925,838 and 69.6 FTE for FY 2008-09. **Staff recommends an appropriation of \$4,756,916 and 69.6 FTE calculated in accordance with Committee common policy.** Staff's calculation is summarized in the following table.

Summary of Personal Services Recommendation (4) Division of Oil and Public Safety – Department of Labor & Employment		
	Total Funds	FTE
FY 2007-08 Long Bill (S.B. 07-239)	3,949,523	55.3
H.B. 07-1228	24,119	1.0
S.B. 07-123	68,846	3.3
Public School Construction Emergency Supplemental	262,412	0.0
Public School Construction Regular Supplemental	151,928	2.5
Annualize Emergency Supplemental	(262,412)	0.0
Annualize Public School Construction Regular Supplemental	456,801	7.5
Prior Year Salary Survey	116,689	n.a.
Prior Year Performance Pay	32,446	n.a.
Common Policy Base Reduction	(43,436)	n.a.

JBC Staff Recommendation	4,756,916	69.6
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Operating Expenses. The Department total request is for \$815,069. **Staff recommends the Department's request for \$815,069.** Staff's calculation is summarized in the following table.

Summary of Operating Expenses Recommendation (4) Division of Oil and Public Safety – Department of Labor & Employment	
	Total Funds
FY 2007-08 Long Bill	339,859
H.B. 07-1228	2,570
S.B. 07-123	32,640
Decision Item #3 - Fuel Research Engines	440,000
JBC Staff Recommendation	815,069

Indirect Cost Assessment. This line item was added through a supplemental appropriation in FY 2005-06, so that administrative costs associated with the program can be properly offset through department-wide indirect cost recoveries in the Executive Director's Office. This line became necessary as a result of legislation that authorized the Petroleum Tank Storage Fund to become an enterprise (S.B. 05-039). The Department's request for this line item in FY 2008-09 is a continuation level of \$964,000. **Staff recommends the Department's request for an appropriation of \$964,000.**

Bottom Line Funding Recommendation. The Division of Oil and Public Safety is funded by various sources, but the funding split is done on a "bottom line" basis rather than for individual line items. The following table summarizes staff's recommendations for funding splits with cash funds exempt and with reappropriated funds. The Department receives \$19,516 from the Department of Public Health and Environment.

Funding Source	With Cash Funds Exempt	With Reappropriated
Cash Funds	2,174,503	5,966,262
RF / CFE	3,811,275	19,516
Federal Funds	550,207	550,207
Total	6,535,985	6,535,985

(5) DIVISION OF WORKERS' COMPENSATION

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

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

- ▶ The Workers' Compensation Cash Fund created in Section 8-44-112 (7), C.R.S.
- ▶ The Physician Accreditation Program Cash Fund created in Section 8-42-101 (3.6) (1), C.R.S. This fund is continuously appropriated.
- ▶ The Utilization Review Cash Fund created in Section 8-43-501 (2) (a), C.R.S.
- ▶ The Immediate Payment Fund created in Section 8-44-206 (3) (b) (I), C.R.S. This fund is continuously appropriated.
- ▶ The Cost Containment Cash Fund created in Section 8-14.5-108, C.R.S.

The sources of cash funds exempt in FY 2007-08 and prior years were *reserves* in these same cash funds. Consistent with JBC policy, all amounts from these funds that were classified as "cash funds exempt", representing spending from reserves, will now be classified as "cash funds". Under the new format, the division is funded entirely with cash funds. The majority of these funds are from the Workers' Compensation Cash Fund, which is funded with a surcharge fee assessed to insurance carriers on workers' compensation premiums.

(A) Workers' Compensation

Personal Services

Staffing Summary Workers' Compensation	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
Management / Professional Staff	9.0	9.0	9.0	9.0
Compensation Ins. Specialists	51.0	51.0	51.0	51.0
Statistical / Actuary Analysts	5.0	5.0	5.0	5.0
Health Professionals	2.0	2.0	2.0	2.0
Administrative Law Judges	5.0	5.0	5.0	5.0
Administrative Staff	30.0	30.0	30.0	30.0
TOTAL	102.0	102.0	102.0	102.0

The Department's request is for \$6,779,245 and 102.0 FTE. **Staff recommends an appropriation of \$6,694,707 and 102.0 FTE calculated in accordance with Committee common policy decisions.** Staff calculation is summarized in the following table. This sub-division's funding split occurs at the bottom line.

Summary of Personal Services Recommendation – Department of Labor & Employment (5) Division of Worker's Compensation – (A) Workers' Compensation		
	Total Funds	FTE
FY 2007-08 Long Bill	6,495,037	102.0
Prior Year Salary Survey	210,563	n.a.
Prior Year Performance Pay	56,730	n.a.
Common Policy Base Reduction	(67,623)	n.a.
JBC Staff Recommendation	6,694,707	102.0

Operating Expenses. The request is for a continuation level appropriation of \$639,345. **Staff recommends the Department's request for an appropriation of \$639,345.**

Administrative Law Judge Services. This line item is used to purchase administrative law services from the Department of Personnel and Administration. The Department of Labor and Employment is requesting an appropriation of \$2,555,957 cash funds (Workers' Compensation Cash Fund). **The staff recommendation for this line item is pending Committee common policy for FY 2008-09 administrative law judge services.**

Physicians' Accreditation. This line item is for physicians accreditation training, a program funded by a fee charged to physicians seeking accreditation so that they may work on workers' compensation claims. The request is for a continuation of FY 2007-08 funding at \$140,000 cash funds (Physician Accreditation Cash Fund pursuant to Section 8-42-101 (3.6) (l), C.R.S.). **Staff recommends the Department's request for an appropriation of \$140,000.**

Utilization Review. This line item is for independent physician reviews regarding the appropriateness of medical treatment previously provided for a workers' compensation claim. Such reviews can be requested by any party to a workers' compensation claim. The program is funded by fees paid by the requesting party, which are credited to the Utilization Review Cash Fund pursuant to Section 8-43-501 (2) (a), C.R.S. The request is for a continuation appropriation of \$60,000 (Utilization Review Fund). **Staff recommends the Department's request for an appropriation of \$60,000.**

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

Reappropriated Funds. All cash funds exempt included in this sub-division's budget are reserves from various cash funds used by the Department. Consistent with the Committee's policy, the entire budget for the sub-division is reclassified as cash funds.

(B) Major Medical Insurance and Subsequent Injury Funds

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

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

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

Subsequent Injury Programs. Injured workers who have become totally and permanently disabled from more than one industrial injury are eligible to receive compensation benefits from the Subsequent Injury Fund. Eligibility for benefits from the Subsequent Injury Fund is limited to injury cases that occurred prior to July 1, 1993, and to occupational disease cases that occurred prior to April 1, 1994 (see Section 8-46-105 (1) and (2), C.R.S. and Section 8-41-304 (2), C.R.S., respectively). Similar to the MMIF program, this program is not open to new injuries. As such, the number of clients is also declining each year. The following table shows the estimated number of indemnity claims for the Subsequent Injury Fund program through FY 2007-08.

Fiscal Year Ending June 30	MMIF Open Cases	SIF Indemnity Claims
2008	1247	279
2009	1211	265
2010	1174	253

Fiscal Year Ending June 30	MMIF Open Cases	SIF Indemnity Claims
2011	1136	239
2012	1098	224

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

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

TABOR Emergency Reserve. A portion of both the MMIF and the SIF are designated in the FY 2007-08 Long Bill as a portion of the State's TABOR emergency reserve – \$64.0 million from the MMIF and \$16.0 million from the SIF. These amounts are in rough proportion to the relative amounts the funds will contain when they reach actuarial balance.

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

Interest Rate	Medical Inflation Rate		
	8.0%	10.0%	12.0%
4.0%	2011	2013	2015
5.0%	2010	2012	2013
6.0%	2010	2011	2013

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

Continuous Appropriations. Section 8-46-202 (1) (c), C.R.S., continuously appropriates the moneys in the MMIF to the Division of Workers' Compensation for the payment of benefits. Moneys in the SIF are similarly continuously appropriated by Section 8-46-101 (4) (b), C.R.S. Appropriations shown in the Long Bill for payment of benefits are for informational purposes only.

Reappropriated Funds: This sub-division is entirely cash funded; the reappropriated funds reclassification has no effect.

Personal Services

Staffing Summary Major Medical / Subsequent Injury	FY 2006-07 Actual	FY 2007-08 Approp.	FY 2008-09 Request	FY 2008-09 Recomm.
Compensation Insurance Specialists	5.7	8.0	8.0	8.0
General Professional	2.5	3.0	3.0	3.0
Accounting Technicians	2.3	3.0	3.0	3.0
Support Staff	2.1	2.0	2.0	2.0
Total	12.6	16.0	16.0	16.0

The Department's requests \$1,231,725 and 16.0 FTE. **Staff recommends an appropriation of \$1,231,725 and 16.0 FTE.** This appropriation is calculated in accordance with Committee common policy decisions, and is summarized in the following table. Note that the Department's request is smaller than staff's calculation using JBC common policies, and so becomes the recommendation.

Summary of Personal Services Recommendation – Department of Labor & Employment (5) Division of Worker's Compensation – (B) Major Medical and Subsequent Injury Funds		
	Cash Funds	FTE
FY 2007-08 Long Bill	1,231,110	16.0
Prior Year Salary Survey	28,787	n.a.
Prior Year Performance Pay	7,838	n.a.
JBC Staff Calculation	1,267,735	16.0
Department Request	1,231,725	16.0
JBC Staff Recommendation	1,231,725	16.0

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

Major Medical Benefits. The request is for a continuation \$7,000,000 cash funds exempt (reserves in the Major Medical Fund). In FY 2008-09 there will be approximately 1,225 open cases of workers who sustained catastrophic injuries between July 1, 1971, and June 30, 1981. Actual expenses for this line in FY 2005-06 were \$7.5 million and for FY 2006-07 were \$6.6 million. Actual expenses may fluctuate due to the specific medical treatments required by clients in a

particular year. **Staff recommends the Department's request for an appropriation of \$7,000,000.**

Major Medical Legal Services. This line item is used to purchase legal services from the Department of Law for any of the following purposes: (1) to defend a decision to deny a claimant's eligibility request; (2) to defend a decision to deny certain medical benefits; or (3) to defend the program in the event that a doctor appeals the decision of removal of a case during utilization review. The Department requests an appropriation for 208 legal service hours. From FY 2003-04 through FY 2006-07, the Department has been billed for, 79 hours, 47 hours, 19 hours, and zero hours of legal services. **Staff recommends an appropriation to support 150 hours of legal services.** The actual appropriation will be calculated based on the approved number of hours and the pending Committee common policy for FY 2008-09 legal hour rates.

Subsequent Injury Benefits. This line item is used to pay benefits to injured workers who have become permanently, totally disabled from more than one work-related injury. As discussed previously, this program is closed to new injuries. The request is for an appropriation of \$3,200,000 cash funds exempt (reserves in the Subsequent Injury Fund), a reduction of \$2.0 million from the previous appropriation. As the moneys in the fund are now continuously appropriated for the payment of benefits, the Department feels that it is no longer necessary for the appropriation to include a \$2.0 million "cushion" to account for unanticipated expensive treatments. **Staff recommends the Department's request for an appropriation of \$3,200,000.**

Subsequent Injury Legal Services. This line item is used to purchase legal services from the Department of Law to process and settle claims related to the Subsequent Injury program. The request is for a continuation appropriation of \$50,000 cash funds exempt (reserves in the Subsequent Injury Fund) to purchase approximately 694 legal service hours from the Department of Law. In both FY 2005-06 and FY 2006-07, the Division was billed for approximately 250 hours of legal service. **Staff recommends an appropriation to support 500 legal service hours.** The actual appropriation will be calculated based on the approved number of hours and the pending Committee common policy for FY 2007-08 legal hour rates.

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

Long Bill Footnotes and Requests for Information

The Long Bill for FY 2007-08 did not contain any footnotes specific to the Department of Labor and Employment. Staff recommends adding the following written request for information:

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.