

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2012-13 STAFF BUDGET BRIEFING
DEPARTMENT OF LABOR AND EMPLOYMENT**

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

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**FY 2012-13 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF LABOR AND EMPLOYMENT

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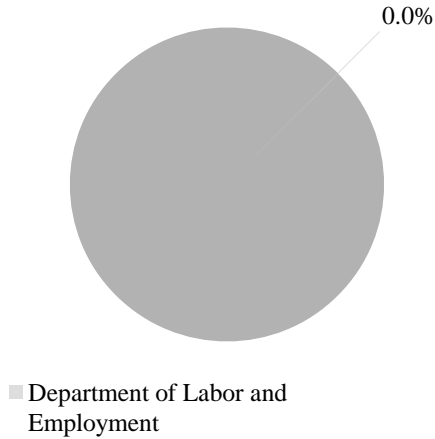
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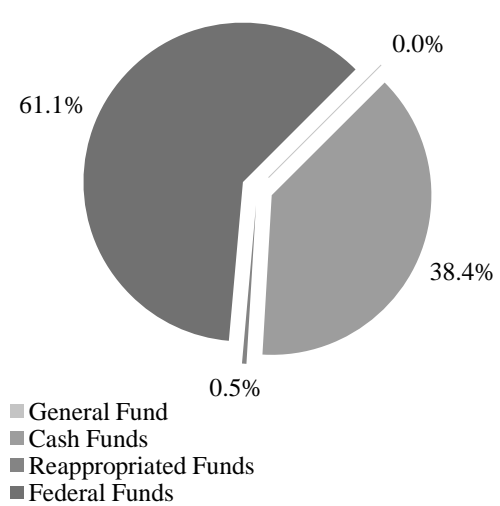
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GRAPHIC OVERVIEW

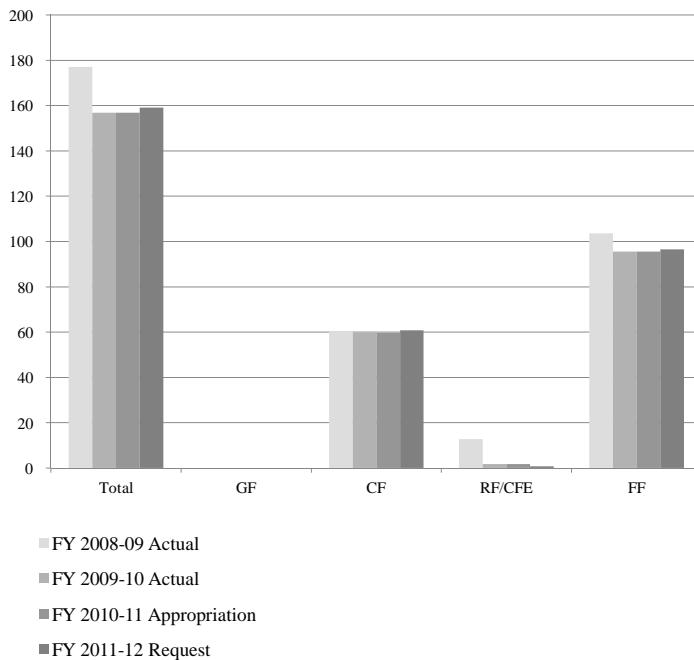
Department's Share of Statewide General Fund



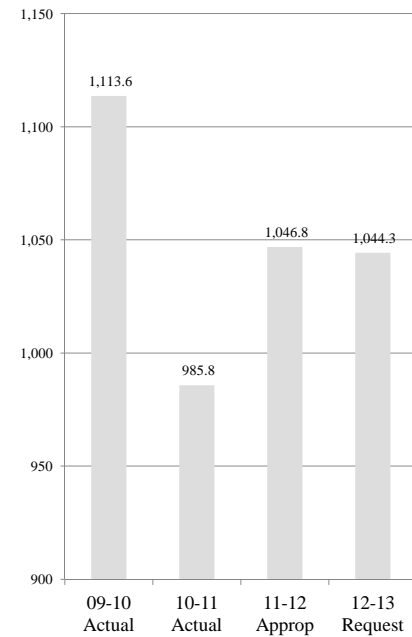
Department Funding Sources



**Budget History
(Millions of Dollars)**



FTE History

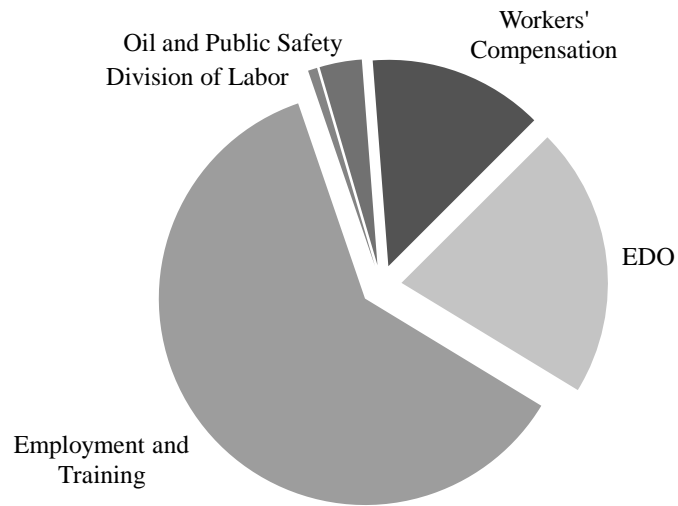


Unless otherwise noted, all charts are based on the FY 2011-12 appropriation.

Distribution of General Fund by Division

The Department of Labor and Employment received no General Fund appropriation for FY 2011-12.

Distribution of Total Funds by Division



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DEPARTMENT OVERVIEW

Key Responsibilities

Unemployment Insurance Program

- Collects unemployment insurance premiums and surcharges from employers, administers the payment of unemployment insurance benefits to qualified claimants, and conducts audits to ensure proper payment of premiums and benefits.

Workforce Development Centers and Employment and Training Programs

- Assists job seekers with job training and placement, works to ensure veterans, migrant seasonal farm workers, dislocated workers, youth, and displaced homemakers receive job services. During economic growth, workforce centers work closely with employers to identify qualified job seekers.

Workforce Development Council

- Provides workforce policy recommendations, serves as a liaison between the business community and the Governor, offers technical support to local Workforce Investment Boards, directs improvement of the workforce system.

Labor Market Information

- Provides annual and monthly information on general labor market trends, including unemployment rates, industry trends, and employee compensation by region and industry.

Division of Oil and Public Safety

- Conducts inspections of petroleum storage sites, and tests retail products for compliance with state quality standards.
- Licenses conveyances, conveyance inspectors, mechanics and contractors. Reviews the inspection records for conveyances.
- Inspects boilers, pressure vessels, explosive storage units, amusement park and carnival rides for compliance with inspection standards.

Division of Workers' Compensation

- Oversees workers' compensation injury claims and compliance, mediates disputes
- Administers the Special Funds Programs which provide medical benefits for workers who were permanently injured or disabled by at least one workplace injury.

Factors Driving the Budget

Unemployment Insurance Programs

Unemployment Insurance Programs (UI Programs) provide temporary compensation to individuals who are laid off through no fault of their own. Benefits are paid on a weekly basis and ranged from \$25 to \$500 during calendar year 2011. UI Programs make up approximately 21.8 percent of the Department's budget, 78.8 percent of UI Programs funding is federal.

UI Programs workload numbers and the balance of the Unemployment Insurance Trust Fund are counter cyclical. When the economy is growing, the number of applications for benefits are low, and the UITF balance grows. When the economy is slow, the number of benefit applications increase and the UITF balance decreases. The following table shows the dramatic increase in amount of UI benefits paid from FY 2007-08 to FY 2011-12.

UI Benefit Payments from FY 2007-08 to FY 2011-12			
Fiscal Year	Benefit Payments	Change from Previous Year	Percent Change from Previous Year
FY 2007-08 Actual	\$354,966,705	n/a	n/a
FY 2008-09 Actual	1,053,793,289	\$698,826,584	196.8%
FY 2009-10 Actual	1,063,306,485	9,513,196	0.9%
FY 2010-11 Actual	761,771,730	(301,534,755)	(28.3)%
FY 2011-12 Estimated	379,663,065	(382,108,665)	(50.1)%

Source: Department of Labor and Employment

Workforce Development Programs

Employment and training programs provide employment services for businesses, job training and job placement through a network of state and county run one-stop workforce centers. Total funding for this subdivision makes up 37.3 percent of the Department's budget, and of this 82.2 percent is federal. Currently, economy workforce centers are focused on matching job seekers with employers. In a strong economy emphasis is placed on matching employers with qualified job seekers.

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DECISION ITEM PRIORITY LIST

1	Requested Letternote and Appropriation, Division of Labor	Total Funds	<u>\$0</u>
	Division of Labor. The Department is requesting a revision to the letternote for the Personal Services line in the Division of Labor. The revision will include an appropriation for the Employment Verification Cash Fund created in Section 8-2-122, C.R.S. The Employment Verification Cash Fund receives fines from employers found falsifying employment information and is intended to help finance employment verification activities.	<i>FTE</i>	0.0
		CF	0
TOTAL DECISION ITEM PRIORITY LIST			
		Total Funds	<u>\$0</u>
		<i>FTE</i>	0.0
		CF	0

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NON-PRIORITIZED DECISION PRIORITY LIST

1	Annual Fleet Vehicle Replacement		
	Executive Director's Office. This nonprioritized, common policy decision item reflects assumed changes in the billing for the centralized provision of vehicles by the Department of Personnel and Administration. <i>Statutory authority: Section 24-30-1104 (2), C.R.S.</i>	Total Funds	<u>(\$2,367)</u>
		<i>FTE</i>	0.0
		CF	(1,657)
		FF	(710)
TOTAL NON-PRIORITIZED PRIORITY LIST			
		Total Funds	<u>(\$2,367)</u>
		<i>FTE</i>	0.0
		CF	(1,657)
		FF	(710)

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BASE AND TECHNICAL CHANGES

Restoration of S.B. 11-076 (PERA Contribution)		
Executive Director's Office, Division of Employment and Training, Division of Labor, Division of Oil and Public Safety, Division of Workers' Compensation. The FY 2012-13 budget request restores the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA) pursuant to S.B. 11-076.	Total Funds	<u>\$1,627,550</u>
	<i>FTE</i>	0.0
	CF	605,829
	RF	3,600
	FF	1,018,121
Centrally Appropriated Line Item Adjustments		
Executive Director's Office, Division of Workers' Compensation. The FY 2012-13 budget request includes adjustments to common policy items directed by the Department of Personnel and Administration.	Total Funds	<u>\$1,495,743</u>
	<i>FTE</i>	0.0
	CF	797,222
	FF	698,521
Annualize ARRA Special Transfer		
Division of Employment and Training. The FY 2012-13 budget request annualizes the increase of \$500,000 of federal funds for administration of Unemployment Insurance programs.	Total Funds	<u>(\$500,000)</u>
	<i>FTE</i>	0.0
	FF	(500,000)
Annualize H.B. 11-1288		
Division of Employment and Training. The FY 2012-13 budget request shows the annualization of a one-time transfer from the Employee Support Fund to the Division of Employment and training.	Total Funds	<u>(\$62,900)</u>
	<i>FTE</i>	0.0
	CF	(62,900)
Annualize H.B. 11-209 (Internet Self Service)		
Division of Employment and Training. The FY 2012-13 budget request does not include a request for additional spending authority. The Internet Self Service project is scheduled to be completed during FY 2011-12.	Total Funds	<u>(\$162,948)</u>
	<i>FTE</i>	(2.5)
	CF	(162,948)

Annualize Green Jobs Program		
Division of Employment and Training. The FY 2012-13 budget request reflects the end of the Green Jobs Colorado Training Program, pursuant to H.B. 10-1333.	Total Funds	<u>(\$100,000)</u>
	<i>FTE</i>	0.0
	RF	(100,000)
Annualize OPS Enterprise System		
Division of Oil and Public Safety. The FY 2012-13 budget request annualizes spending authority for the Enterprise Database System.	Total Funds	<u>\$56,700</u>
	<i>FTE</i>	0.0
	CF	42,525
	FF	14,175
TOTAL BASE AND TECHNICAL CHANGES		
	Total Funds	<u>\$2,354,145</u>
	<i>FTE</i>	(2.5)
	CF	1,219,728
	RF	(96,400)
	FF	1,230,817

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OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2011-12 appropriation and its FY 2012-13 request

Table 1: Total Requested Change, FY 2011-12 to FY 2012-13 (millions of dollars)

Category	CF	RF	FF	Total	FTE
FY 2011-12 Appropriation	\$60.6	\$1.0	\$96.5	\$158.1	1,046.8
FY 2012-13 Request	61.8	0.9	97.7	160.4	1,044.3
Increase / (Decrease)	\$1.2	(\$0.1)	\$1.2	\$2.4	(2.5)
Percentage Change	2.0%	(10.0%)	1.3%	1.5%	(0.2%)

The following table highlights the categories of changes contained in the Department's FY 2012-13 budget request, as compared with the FY 2011-12 appropriation.

Table 2: Total Department Requested Changes, FY 2011-12 to FY 2012-13 (millions of dollars)

Category	CF	RF	FF	Total	FTE
Non-Prioritized Items	0.0	0.0	0.0	0.0	0.0
Technical/Base Changes	1.2	(0.1)	1.2	2.4	(2.5)
TOTAL	\$1.2	(\$0.1)	\$1.2	\$2.4	(2.5)

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BRIEFING ISSUE

ISSUE: Performance-based Goals and the Department's FY 2012-13 Budget Request

This issue brief summarizes the Department of Labor and Employment report on its performance relative to its strategic plan and discusses how the FY 2012-13 budget request advances the Department's performance-based goals. Pursuant to the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act (H.B. 10-1119), the full strategic plan for the Department of Labor and Employment can be accessed from the Office of State Planning and Budgeting web site.

The issue brief assumes that the performance-based goals are appropriate for the Department. Pursuant to the SMART Government Act legislative committees of reference are responsible for reviewing the strategic plans and recommending changes to the departments. The issue brief also assumes that the performance measures are reasonable for the performance-based goals. Pursuant to the SMART Government Act the State Auditor periodically assesses the integrity, accuracy, and validity of the reported performance measures. Please note that the Department's strategic plan includes five overarching highest priority objectives and performance measures and additional division-specific objectives and performance measures. This issue brief discusses only the five overarching objectives.

DISCUSSION:

Background

The Department of Labor and Employment addressed culture change during its strategic planning process. Employees and senior leaders were surveyed to identify areas where change was necessary. Twenty percent of employees were included in the planning process. The Department developed a new mission statement and vision, as outlined below. The majority of these objectives are based on future action, thus have no baseline data to compare goal progress or aggressiveness of specific goals. Since the Department has undertaken an effort to promote a culture change across all Divisions, historical data would not be particularly useful as a reference.

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

Vision: Quality and excellence in all we do

In addition to the performance based goals, the Department has committed to addressing goals of efficiency, effectiveness, and elegance through the following:

- Addressing the need for culture change;
- Developing greater coordination between and among state agencies;

- Implementing regulatory/legislative review process; and
- Identifying slow/burdensome agency processes and addressing needed changes.

Performance-based Goals and Measures

The Department's five top priority objectives are:

1. Employee Engagement & Accountability

Objective: Establish a culture of employee engagement and accountability resulting in high performance

a. How is the Department measuring the specific goal/objective?

The Department is measuring Employee Engagement and Accountability through a semi-annual employee survey. The most recent survey indicates employees do not feel valued, respected or engaged. Generally, each Division strives to increase communication, solicit staff input, improve employee recognition, increase professional training, and implement change based on employee survey results and audit recommendations. I have highlighted the time specific actions that were outlined in the strategic plan:

Target Date	Measure
Division of Workers' Compensation	
October 2011	Begin implementing training, complete one training for each unit
September 2012	Establish a training or staff development program specific to the needs of each unit
Division of Oil and Public Safety	
July 2012	Improve method for tracking peer review results for all OPS closed claims

b. Is the Department meeting its objective, and if not, why?

No. The Department identified future goals and did not provide any baseline data to determine if their efforts result in improvement over past performance. Survey trends across time could be used to evaluate this objective in the future, if a standard survey is used.

c. How does the budget request advance the performance-based goal?

Performance related to employee engagement and employee accountability is independent of the FY 2012-13 budget request, and does not advance to this goal.

2. Customer Service

Objective: Increase customer satisfaction.

a. How is the Department measuring the specific goal/objective?

The Department mentions creating and implementing a customer service survey specific to each Division. The Department's plan also includes goals to use technology to improve customer satisfaction, as well as taking advantage of customer service survey results in order to anticipate future customer needs. Date targeted measures are outlined below:

Target Date	Measure
Unemployment Insurance Program	
June 2012	Create metrics for customer service baseline
December 2012	Set customer service metrics for improvement
Division of Workers' Compensation	
June 2013	Begin surveying DOWC customers and implementing improvements based on data
Division of Oil and Public Safety	
July 2012	Implement customer service surveys
December 2012	Increase online and electronic transaction availability

b. Is the Department meeting its objective, and if not, why?

No. The proposed measures are future actions, yet the Department has recognized the importance of baseline data for future evaluations.

c. How does the budget request advance the performance-based goal?

The budget request for FY 2012-13 is not advanced by customer satisfaction performance measures.

3. Process Improvement

Objective: Reform and Improve Key Processes

a. How is the Department measuring the specific goal/objective?

The Department is measuring its success at process improvement with a timeline of action that is outlined below. Division objectives also included evaluating informational bulletins, improving online form access, and examining organizational structure.

Department of Labor and Employment Timeline	
Target Date	Measure
July 2012	Identify team to lead continuous process improvement effort
August 2012	Select a process of improvement to use throughout the department
September 2012	Begin training process improvement team members in selected process
October 2012	Team members to begin facilitating process improvement discussions with Divisions
June 2013	At least one process improvement will be made within each Division
Division of Labor	
January 2012	Review and update all advisory bulletins
March 2012	Appoint a committee to review all claims closure categories
July 2012	Create a peer review process to review closed claims
Division of Oil and Public Safety	
January 2012	Begin evaluation of all major regulatory review and approval processes
July 2012	Begin implementing changes to improve quality and efficiency of service delivery

b. Is the Department meeting its objective, and if not, why?

No, the Department outlines future actions to reform and improve key processes.

c. How does the budget request advance the performance-based goal?

The FY 2012-13 budget request does not advance this goal.

4. Technology

Objective: Implement optimal technology solutions to deliver timely and accurate customer service.

a. How is the Department measuring the specific goal/objective?

The Department would like to consolidate systems where possible, and survey technology assets to properly assess future needs. The Unemployment Insurance program has joined a Technology Infrastructure consortium to build a new Unemployment Insurance platform with pooled resources and federal grants.

Target Date	Measure
Unemployment Insurance Program	
March 2012	Ensure ability to join WyCAN consortium to replace CATS and CUBS
April 2012	RFP for development vendor
July 2012	Select vendor for project
Division of Oil and Public Safety	
September 2013	Complete consolidated OPS Enterprise Database

b. Is the Department meeting its objective, and if not, why?

No, the Department outlines future actions to survey and refine technology systems.

c. How does the budget request advance the performance-based goal?

The FY 2012-13 budget request includes the annualization of prior legislation which appropriated funds to consolidate the Oil and Public Safety (OPS) Enterprise Database. The OPS Enterprise Database request for FY 2012-13 is \$56,700.

5. Partnerships & Stakeholder Relationships

Objective: Increase opportunities with strategic partners and stakeholders to provide value to Colorado

a. How is the Department measuring the specific goal/objective?

The Department recognizes the importance of leveraging partnerships in the community. The Department hopes to be able to utilize a survey, similar to the one being constructed for the customer service goal. Department deadlines are outlined below:

Target Date	Measure
Department of Labor and Employment	
July 2012	Assess current partners and why they value the partnership
December 2012	Each division will determine opportunities for new partnerships (ongoing)
February 2013	CDLE will set a strategy to expand their network

b. Is the Department meeting its objective, and if not, why?

No, the Department outlines future actions to leverage and improve partnerships.

c. How does the budget request advance the performance-based goal?

These goals are independent of the FY 2012-13 budget request.

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Labor and Employment**

BRIEFING ISSUE

ISSUE: Unemployment Insurance Trust Fund Mechanisms and Changes

The Colorado Unemployment Insurance Trust Fund (UITF) is used to pay state benefits for the first 26 weeks of Unemployment Insurance benefits. The funding mechanisms for the UITF have remained relatively unchanged while average wages (and UI payments) have increased. House Bill 11-1288 modified aspects of the UI Program to increase UITF revenue, and reform processes in the program.

SUMMARY:

- Colorado's unemployment rate nearly doubled from 2007 through 2011, resulting in unanticipated increases in state UI benefit payments and an insolvent Colorado Unemployment Insurance Trust Fund.
- Employers are assessed state UI premiums based on the first \$10,000 in taxable earning per employee, commonly referred to as the wage base. Beginning January 2012 the wage base will increase to \$11,000.
- Colorado has been borrowing to pay the state's obligation of 26 weeks of UI benefits. As of December 2011, the outstanding federal debt is \$293 million. Borrowing money from the federal government to pay UI benefits has resulted in interest payments for employers, and the potential risk of a federal tax credit reduction.

RECOMMENDATION:

Staff recommends that the Department discuss the Federal Unemployment Insurance Tax (FUTA) rate assessed to Colorado employers, and any changes applicable to Colorado, during the Department's hearing.

DISCUSSION:

Background

The Unemployment Insurance (UI) Program is administered through a federal-state partnership to provide unemployment benefits to individuals who are unemployed through no fault of their own. Colorado is responsible for paying the first 26 weeks of benefits with the balance of the Unemployment Insurance Trust Fund (UITF). The Colorado UITF receives moneys from employers through three mechanisms: regular UI premiums, an UI surcharge, and an UI solvency premium. Employer's regular UI premium rates are determined annually by the Department based on the employer's experience rating, and the balance of the UITF. Additionally, employers in Colorado pay Federal UI tax of .06 percent, on the first \$7,000 in

taxable earnings, per employee. The table below outlines employer tax, premium, and surcharge liability:

Colorado Unemployment Insurance Trust Fund Revenue Sources				
Revenue Source	Low	High	Wage Base	Notes
Federal UI Tax	0.6%	6.0%	\$7,000	Employers in Colorado receive a tax break of 5.4%, and pay .06%.
Regular UI Premium	0.0%	5.4%	\$10,000*	Premium rate is based on an employer's experience rating, and the balance of the UITF.
UI Surcharge	0.22%	0.22%	\$10,000*	Established in Section 8-76-102 (4) (d), C.R.S. standard rate for employers with over \$100 in claims during the past three years
UI Solvency Premium	0.0%	5.4%	\$10,000*	Activated when UITF balance is less than .09% of previous year's reported wages, compounds annually.

*The wage base will increase to \$11,000 in January 2012

Calculation of Experience Ratings

Annual employer experience ratings determine the premium rate (0.0 to 5.4 percent) on the wage base of \$10,000. However, the balance of the UITF can impact employer premiums, which are higher when the UITF balance decreases. To determine an employer's experience rating the Department:

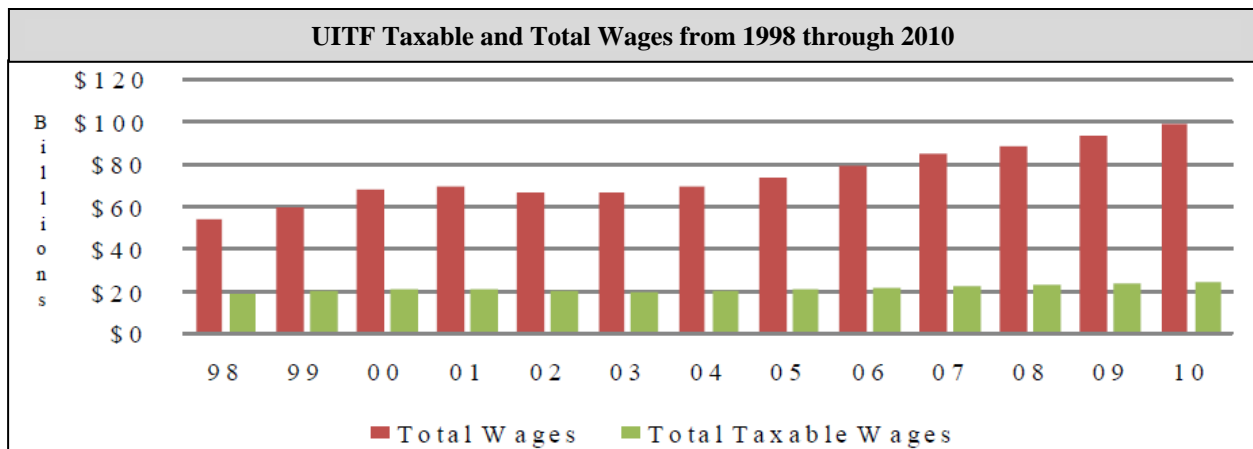
1. Subtracts the total benefits charged from premiums paid to an employer's account;
2. Divides this figure by an employer's average annual payroll to determine percent of excess; and
3. Locates the percent of excess and balance of the UITF on the rate table to determine premium rate (0.0 percent to 5.4 percent).

Colorado's Unemployment Insurance Trust Fund

Colorado's UITF became insolvent during January 2010, initiating federal borrowing to pay the state's share of UI benefits. As of December 2011, 28 states have outstanding loans, Colorado's outstanding loan balance is \$293 million. The two major reasons attributed to an insolvent UITF included:

1. The wage base had not increased from 1988 through 2011; and
2. The unemployment rate nearly doubled from 2007 through 2011.

The figure below outlines the increase in total wages from 1988 through 2010, and the relationship to the wage base:

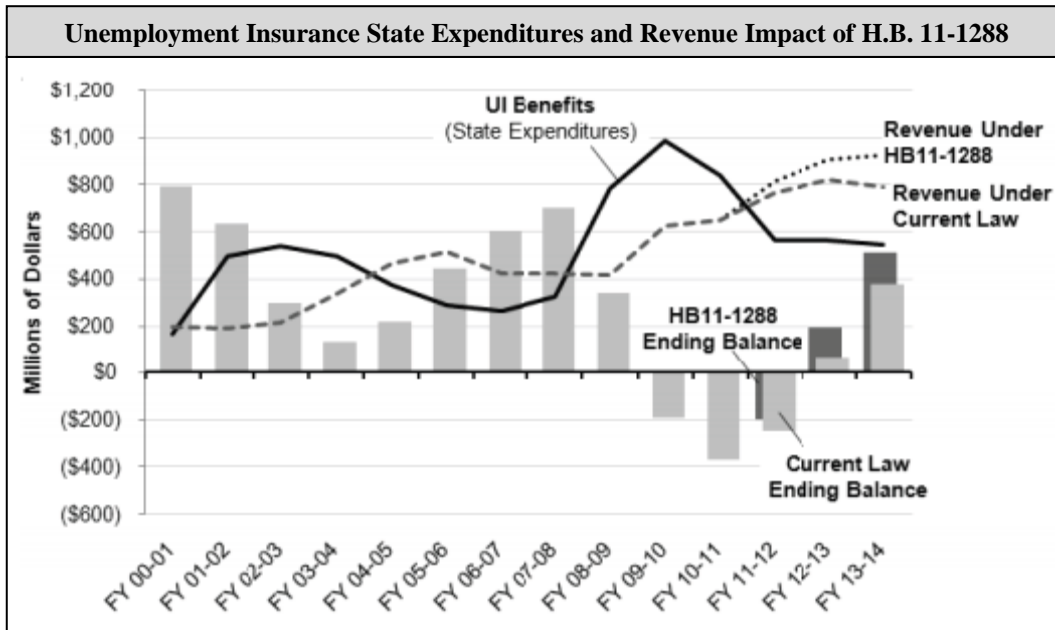


House Bill 11-1288

House Bill 11-1288 (Liston/Morse) raises the wage base to the first \$11,000 in taxable earnings, per employee, beginning January 1, 2012. A number of other provisions adopted by H.B. 11-1288 will not go into effect until the UITF becomes solvent. When the balance of the UITF is greater than zero, and the federal debt has been repaid, the current UITF financing mechanisms will be repealed. The following changes will take place:

1. The wage base will be indexed to the percentage change in average weekly earnings;
2. The regular UI Premium and the UI Surcharge will be combined to one rate table; and
3. The Solvency Surcharge will be added to the single rate schedule when the UITF balance is less than .5 percent but no more that .7 percent of total wages for the previous calendar year.

The Department anticipates the outstanding federal debt to be paid by January 2014; however, Legislative Council Staff forecast the federal debt to be paid by January 2013. It is reasonable to assume that the funding mechanism changes pursuant to H.B. 11-1288 could take effect as early as 2013. It is estimated that the increased wage base alone will generate an additional \$50 million during the remainder of FY 2011-12. The graphic below illustrates the relationship between expenditures, revenue, and the UITF balance before and after H.B. 11-1288:



House Bill 11-1288 also included notable provisions to reform the UI Program:

1. Employers can make voluntary payments to their unemployment insurance accounts to positively impact their experience rating, which could decrease their premium rate;
2. Employers can appeal quarterly benefit charges to their accounts within 60 days of statement mailing date;
3. The Department has a deadline of January 1, 2013, to develop an online application that will allow employers to manage their accounts online; and
4. Employers will receive premium credits when the balance of the UITF is above 1.6 percent of total wages for the preceding calendar year.

Consequences of Federal Debt

In addition to the schedule of employer state obligations, employers are responsible for paying the balance and interest on the outstanding federal debt. Principle payments are made with revenue collected from employers, as outlined above. As of November 2011, the interest rate assessed on federal debt is 4.08 percent. Interest payments are made by all employers, unless the employer has had no claims charged against their account, or is assigned a positive experience rating of 7 or higher.

The first interest payment was submitted in September 2011, the second payment will be due September 2012. To determine the interest payment per employer the Department calculated a Trust Fund Assessment rate (TFA) by dividing the interest and administrative costs of the loan by the total gross wages for experience rated employers during the second quarter of 2010. The TFA rate is then multiplied by fourth quarter gross wages for each experience rated employer to determine employer payment obligation.

Trust Fund Assessment Rate Calculation
$\frac{\text{Interest accrued for Jan to April 2011} + \text{admin costs for Jan to April 2011}}{\text{Total gross wages of all subject experience rated employers for 2nd qtr 2010}}$

States that have outstanding loan balances on January 1st for two consecutive years are required to repay their outstanding loan balance by November 10th, of the second calendar year to avoid a federal tax credit reduction. Assuming Colorado still has an outstanding balance on January 1, 2012, the outstanding loan balance would need to be paid by November 10, 2012, to ensure that the state is not subject to a federal tax break reduction.

The first tax break reduction results in an increase of 0.3 percent on the first \$7,000 in wages, per employee. An increase would be assessed to employers in the state, and would raise the federal tax rate to 0.9 percent in Colorado. If there were a change in the federal tax rate for Colorado it would go into effect on January 1, 2013, and remain in effect until the total balance of the loan is repaid. During 2011, 21 states were subject to a credit reduction based on outstanding loan balances. The Department is confident that a credit reduction can be avoided by repaying the loan balance by November 2012, which would eliminate the risk of a tax credit reduction.

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BRIEFING ISSUE

ISSUE: Unemployment Insurance Technology Challenges

The Unemployment Insurance Program has continued to address its need to improve its technology capabilities for the last decade. The Internet Self Service Project, scheduled to be completed in March 2012, will produce an online system allowing the following: claimants and employers to access unemployment insurance account information, claimants to file unemployment insurance benefit claims and appeals on benefit decisions, and employers to file wage and tax information. The Department has also restructured program units in FY 2011-12 to provide additional staff for to answer and return phone calls.

SUMMARY:

- The Internet Self Service Project, when completed, will enable claimants and employers to conduct business with the Unemployment Insurance Program over the Internet, reducing the volume of the call center and volume of paper mail.
- From FY 2008-09 through FY 2010-11 the Department has been appropriated \$6.8 million cash funds from the Employment Support Fund for the ISS project. The modernization and development of new applications for the Internet Self Service Project will be completed in seven phases, scheduled to be completed by March 2012.
- Phone call wait times can be lengthy due to a fixed number of phone lines. Additional employees are being trained to answer phone calls, with an anticipated result of shorter wait times.

RECOMMENDATION:

Staff recommends that the Department discuss future technology needs with JBC during its hearing, including an update on Colorado's recent membership to a Technology Infrastructure Consortium that was awarded \$72 million for development of UI technology platforms. Staff also recommends that the Committee consider future appropriations from the Employment and Support Fund and/or the Employment and Training Technology Fund to advance the goals of the Technology Infrastructure Consortium, as the project becomes more clearly defined and a vendor is selected during FY 2012-13.

DISCUSSION:

Internet Self Service Project

The Internet Self Service Project (ISS) will enable claimants to apply for benefits and employers to submit information, independent of the call center. Claimants will be able to file initial and

continued claims, access their account information, and appeal benefit decisions electronically instead of filing paper copies, or contacting the call center. Employers will be able to electronically submit tax and wage information, pay their taxes and premiums, and access their account information.

History of the Genesis Project

The ISS project originated from the State Unemployment Program E-government Resource System (SUPER) component of the failed Genesis Project. Accenture was contracted to complete SUPER which was intended to replace the Colorado Automated Tax System (CATS) and the Colorado Unemployment Benefits System (CUBS), and produce a fully integrated Unemployment Insurance platform.

Through a Project Recovery Assessment in 2006, the Department determined that none of the deliverables from Accenture were useable. The findings of the PRA initiated the Department's primary request for ISS project funding in FY 2008-09.

Funding for the Internet Self Service Project

Appropriations from the Employment Support Fund, for the ISS project, total \$6.8 million from FY 2008-09 through FY 2010-11 to finance capital construction and operating costs. In addition, during FY 2008-09 the Department received \$143,000 in one-time federal funds from the U.S. Department of Labor. The ISS project appropriation included 2.5 temporary FTE to offset the workload of individuals assigned to the ISS project. No additional appropriation is requested in the Department's FY 2012-13 budget request.

Current Applications Improvements

Prior to the ISS Project there were five Internet applications that claimants and employers could use, but these applications had the following issues: dated appearance, functionality limitations, difficulty in integrating with new applications. The ISS project will modernize these five applications and add functionality, with a desired outcome of efficiency by reducing phone contacts, and automating processes.

The ISS Project will develop four new applications: additional and reopened claims, customer feedback, claimant and employer information, and appeals filing. Additional claims are claims that have had a break in the consecutive request for benefits due to the claimant finding employment. Reopened claims are those claims that have had a break in consecutive request weeks not due to claimant employment.

ISS Project Timeline

ISS is divided into seven phases, which are outlined in the following table. It is important to note that the percent complete column indicates the completion of deliverables and it does not account for the amount of completed work that does not directly result in a final deliverable. In addition to the phases below, the Department had to write additional code to re-host the website with OIT, instead of a vendor.

Summary of the Internet Self Service Project Phases			
Phase	Target Completion Date	Description of Phase	Percent Complete
Phase 1 - MyUI Claimant	Oct. 27, 2009	Enables claimants to view their unemployment insurance account information online.	100.0%
Phase 2 - Smart Filing	March 23, 2011	Allow all claimants, regardless of their type of claim (initial, additional, continuation, or reopened) to file their UI claim electronically.	100.0%
Phase 3 - Continued Claims	December, 2011	Enables claimants to file the required information to continue receiving benefits online.	90.0%
Phase 4 - Employer Services Part 1	May 30, 2012	Enable employers to file wage, tax, and premium information electronically. Includes the option to pay UI taxes and premiums electronically.	37.0%
Phase 5 - My UI Employer	May 30, 2012	Allows employers and employer representatives to view the employers UI account information online.	37.0%
Phase 6 - Appeals	On Hold	Allows claimants and employers to view appeals status and information about the appeals decision electronically.	0.0%
Phase 7 - Communication and Enhancements	February 28, 2012	Allows employers and claimants to view, complete, and submit certain UI forms online.	13.0%
Project Close	March 31, 2012	Project close date will need to be adjusted	

House Bill 11-1288

House Bill 11-1288 required the implementation of website features for ease employer account access. The deadline to finish the employer program is January 2013. Required features include:

1. Premium report and payments;
2. Account review (balances, charges, premium rates and account status);
3. Account updates (address change, reinstate and close functions); and
4. Ability to receive and submit official correspondence.

The majority of the functions required by H.B. 11-1288 were addressed in ISS project proposal. The Department anticipates the employer functions to be available before the end 2012.

Multi-State Consortium

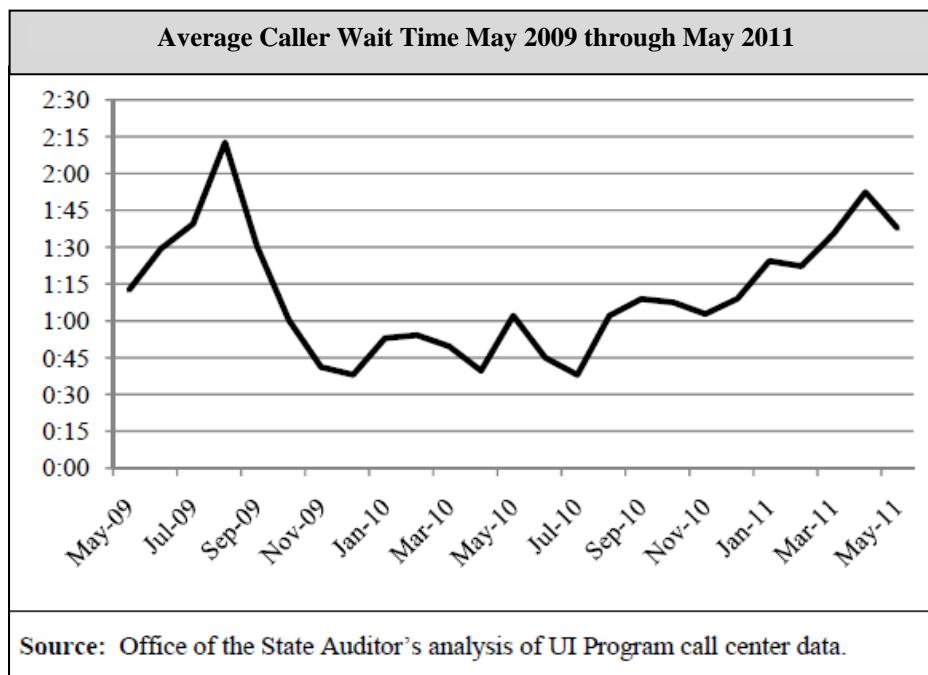
Colorado joined a technology infrastructure consortium in September 2011 that consists of Colorado, Arizona, Nevada, and Wyoming. The consortium was awarded \$72 million to help complete the following tasks:

1. Modify or develop a core benefit or tax and benefit system design;
2. Design additional core benefit or tax systems that are exportable to other states; and
3. Implement technology to decrease improper payments and increase recovery.

Unemployment Insurance Program leadership is collaborating with the Office of Information Technology to finalize details of Colorado’s role in the consortium. The Department of Labor and Employment has not included a request for appropriation in the FY 2012-13 budget request but they have identified July 2012 as the deadline to select a vendor for the project.

Call Center Update

The Unemployment Insurance call center has been challenged to keep up with the demands in recent years, resulting in phone wait times exceeding two hours, and periods of busy signals. As evidenced in the graphic below, call wait times have varied significantly, and have remained at high levels from May 2009 through May 2011:



In addition to being placed on hold to speak with an agent, claimants have the opportunity to go to the Unemployment Insurance Program building in Denver, receive help at some local workforce centers, or leave a message for a return call. The claimant call back center aims to return calls in five to seven business days, and made 40,000 return calls in 2010.

To address the lengthy call wait times experienced by claimants, the Department completed reorganization in late 2011, to be fully implemented in November 2011. The reorganization will train more employees to answer phone calls, and serve more direct claimant services roles. While the reorganization is complete, training for new roles is currently underway.

Technology Funding Needs

Senate Bill 09-076 (Heath/Court) created the Employment and Training Technology Fund (Tech Fund), with the intention of transferring 20 percent of the revenue collected from the Unemployment Insurance Surcharge to the Tech Fund. It was estimated that the transfer would provide \$9.3 million in FY 2009-10 and \$9.5 million in FY 2010-11 for technology and automation initiatives. The bill included a provision which transfers the balance of the Tech

Fund to the Unemployment Insurance Trust Fund, should the fund balance fall below \$25 million. The anticipated transfer to the Tech Fund was not utilized because of the balance of the UITF. This eliminated the potential benefit of \$18.8 million to improve automation initiatives. House Bill 11-1288 raised the UITF minimum balance to \$100 million, to use the balance of the Tech Fund. This decreases the probability that the Tech Fund will be utilized by the Department before the scheduled sunset of the Employment and Training Technology fund on December 31, 2016.

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BRIEFING ISSUE

ISSUE: Unemployment Insurance Benefit and Claimant Controls

The Unemployment Insurance Program has faced extreme demands following increased Unemployment Insurance claims, and resources that have not increased in proportion to those demands. This has led to challenges in a number of areas that serve the claimant population, specifically timeliness and accuracy of benefit payments. The demands placed on claimant services roles in the Department has uncovered areas that need additional resources to meet U.S. Department of Labor Standards (USDOL).

SUMMARY:

- Unemployment Insurance claims increased 190 percent from January 2007 through March 2009. The unemployment rate has also increased from 4.2 percent in 2007 to 8.06 percent in 2011, causing extreme demands on the UI Program.
- Overpayment rates have increased from CY 2006 through CY 2010 by 285 percent. Colorado's overpayment rate is currently 17.8 percent.
- While staffing and technology limitations are evident, the Department has performed below USDOL standards considering timeliness of benefits, and accuracy of benefits resulting in overpayments.

RECOMMENDATION:

Staff recommends that the Committee sponsor a bill to increase the weekly benefit amount offset, to recover overpayment of UI benefits, from 25 percent to 75 percent in cases of non-fraud Unemployment Insurance benefit overpayments.

DISCUSSION:

Eligibility for Unemployment Insurance Benefits

Individuals that submit claims for Unemployment Insurance benefits are evaluated to determine if they are eligible to receive benefits when the initial claim is filed with the Department of Labor and Employment. Claimants must demonstrate the following:

1. Earned wages exceeding \$2,500 in a qualifying base period (normally last calendar year);
2. Be unemployed through no fault of their own;
3. Be able and available to work;
4. Be legally present;
5. Seek employment; and

6. Be willing to accept work.

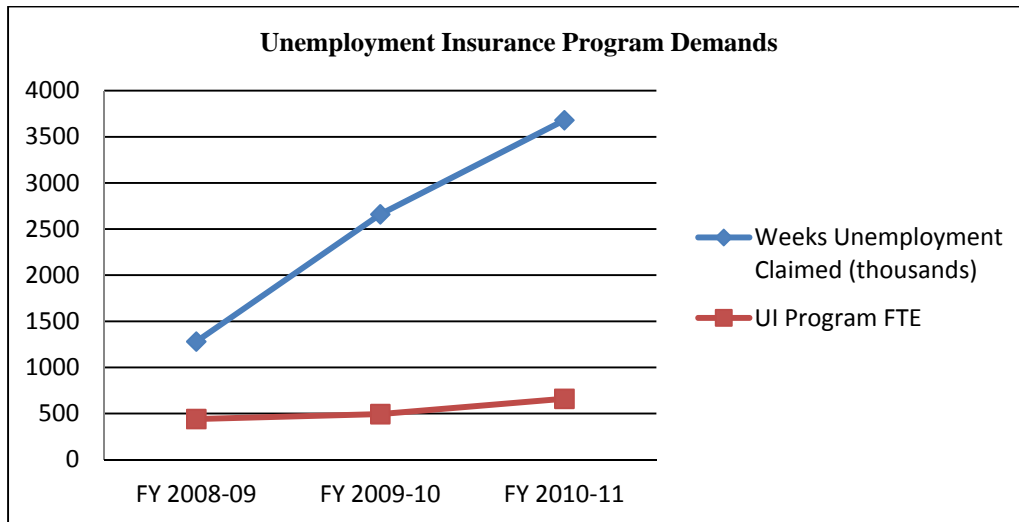
In addition to the initial application process, claimants file for benefit payments on a bi-weekly basis, either online or via phone. Continued claimant review during the bi-weekly filings helps to determine if a claimant is still eligible to receive benefits. Refer to Appendix E for a complete review of the application process.

Colorado is responsible for paying 26 weeks of benefits from the revenue deposited in the Unemployment Insurance Trust Fund (UITF). Federal unemployment benefits are paid with federal moneys and can currently extend up to 93 weeks, authorized through June 2012. Without additional federal legislation, after December 2012 new UI claimants will only be eligible for the first 26 weeks of UI benefits, paid by Colorado’s UITF. The following graphic outlines the varying levels of UI benefits:

Summary of Federal Benefit Extensions				
Tier	Maximum Benefit	Apply or Automatically Qualify?	Date must exhaust must qualify by	Last date payable
Tier 1	20 weeks	Apply after exhausting regular UI benefits	December 31, 2011	June 9, 2012
Tier 2	14 weeks	Automatic after exhausting Tier 1	December 31, 2011	June 9, 2012
Tier 3	13 weeks	Automatic after exhausting Tier 2	November 12, 2011	June 9, 2012
State Extended Benefits	20 weeks	Apply after exhausting Tier 3	December 31, 2011	January 7, 2012

Claimant Services Demands

Program demands are directly tied to the number of UI claims, and the staffing levels of the UI Program. Below is a graph that shows the increase in UI benefit weeks claimed, and the staff levels of the Unemployment Insurance program from FY 2007-08 through FY 2009-10:



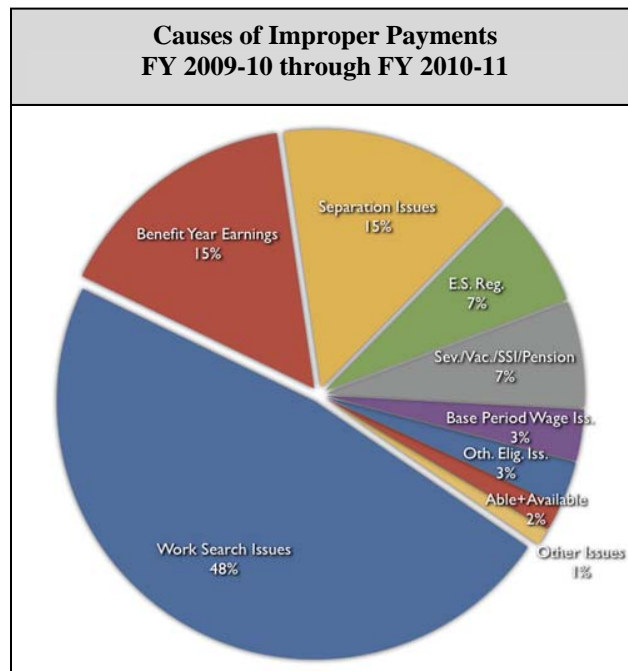
Timeliness of UI Benefits

Colorado did not meet USDOL standards for timeliness of first benefit payments. The benchmark for meeting the standard is that 87 percent of claims are paid within 14 days of the first week of claimant eligibility. Colorado succeeded in 85 percent of cases in 2009 and 84 percent of cases in 2010.

The Department plans to implement changes to be more efficient in meeting payment goals beginning in 2011, and continuing through 2012. These changes include: collecting claimant information online and possibly via phone to reduce the amount of paper forms being mailed and returned, allowing employers to submit information online regarding claimants' employment history, and providing claimant opportunity to submit detailed job separation information online instead of on a paper phone. These efforts could eliminate two documents that are now obtained via mail from two different sources (claimant and employer) and could greatly reduce employee hours to process these forms by scanning and manually entering information. The desired outcome of these actions is increased efficiency and benefit timeliness.

Overpayment of UI Benefits

Overpayments of Unemployment Insurance benefits are common among Unemployment Insurance programs. The national state average overpayment rate is currently 12.2 percent. Colorado's overpayment rate has fluctuated from 15 percent in 2006 to 19 percent in 2010. The current overpayment rate provided by the U.S. Department of Labor (USDOL) is 17.8 percent, which represent an estimated \$169 million in overpayments. Please refer to Appendix F for a detailed review of overpayments and overpayment causes. The following graphic displays the variety of causes of improper payments:



Almost half of the overpayments are attributed to work search issues, or claimants who are not fulfilling their work search requirement to make a minimum of five contacts per week. While it is not feasible, with the staff and technology resources available for the Department, to collect and verify this information for every claimant every two weeks; additional details clarifying the requirement are being added to the Unemployment Insurance handbook, and telephone and online benefit applications. Please note an overpayment would be counted if an individual was contacted after receiving benefits and was unable to produce the documentation of work contacts.

The other two main causes of overpayments are separation issues, being able to accurately verify the claimant is unemployed through no fault of their own, and additional non-separation issues such as inaccuracy in obtaining information from the claimant, or errors made by program staff. According to the USDOL, six percent of the overpayment total can be attributed to only an agency error.

Colorado is one of six states that the USDOL identified to increase monitoring of the state’s Unemployment Insurance program, and impose and action plan until the overpayment rate decreases below 10 percent of total payments. The actions used to increase monitoring and provide additional technical assistance to these states is still being developed.

Overpayment Recovery

The USDOL sets the performance standard for detection rate of overpayment of benefits at between 50 percent and 95 percent, measured over a period of three years. The higher the detection rate, the more overpayments can be recovered. Below is Colorado’s performance at meeting this standard:

Unemployment Insurance Program Benefit Payment Control Unit Performance Federal Fiscal Years 2006 through 2010					
	2006	2007	2008	2009	2010
USDOL Standard	60%	60%	61%	56%	53%
UI Program's 3-Year Detection Rate	61%	60%	68%	63%	42%

Two units are responsible for administrative tasks related to benefit payment and controls. The Benefit Accuracy Unit reviews statistically valid samples of claims to determine the causes and value of overpayments. The Payment Control Unit is responsible for detecting and recovering overpayments. A variety of methods are used by the Payment Control Unit determine when an overpayment has been made, including:

1. Wage Cross-Matches – comparing employer and claimant wage earning information;
2. New Hire Directory Matches – matching claimants to federal new hire database; and
3. Tips and Leads – information received from employers and other sources.

The Department has committed more resources to benefit overpayment recovery during a recent reorganization. Currently, the Policy/Integrity and Program Support Unit accounts for 24 percent of total staff in the UI program. The Department reports that of \$52 million in

discovered overpayments during 2011, \$23 million was recovered. An Integrity Action Plan has been implemented to focus on recent overpayments, which have a higher rate of recovery. The action plan includes use of the National Directory of New Hires to detect overpayments sooner, a recent federal requirement.

If the Payment Control unit in the Unemployment Insurance Program is unable to collect a debt, the collection is sent to Central Collection Services. Once the debt has been referred to Central Collection Services that individual's state tax return can be intercepted to recover the money. Following the U.S. Claims Resolution Act of 2010, states now have the ability to intercept federal tax refunds through the U.S. Department of the Treasury's Treasury Offset Program to collect unemployment compensation debts. Colorado currently does not participate in the Treasury Offset Program, but plans to by the 2012 tax season.

Recently discovered overpayments have a much higher likelihood of being collected, when compared to older debts. Pursuant to Section 8-79-102, C.R.S., if an overpayment is identified while the claimant is still receiving benefits, the claimants future weekly benefit amount can be offset by up to 25 percent of the weekly benefit amount.

Staff Recommendation

Staff recommends that the Committee sponsor a bill to increase the weekly benefit amount offset to recover overpayment of UI benefits, from 25 percent to 75 percent in cases of non-fraud overpayment of Unemployment Insurance benefits.

States' weekly benefit amount offsets range from one percent to 100 percent. Colorado falls among the bottom fourteen percent of states that offset benefits by 25 percent or less. The national average of weekly benefit amount offset is 70 percent. The following table shows the distribution of states and the percentage that they offset weekly claimant benefit amounts:

Unemployment Insurance Weekly Benefit Payment Adjustments	
Percentage Offset	Number of States with offset
100 %	25
26-50 %	18
25%	5
<25%	2

It is important to consider that benefits can only be offset for active UI claimants. When an individual stops receiving benefits the likelihood that the overpayment can be recovered decreases with time. This means increasing the benefit offset amount to ensure full collection of an overpayment would be effective in recovering the overpaid moneys. In cases of overpayment due to fraud, the statute is less flexible. Pursuant to Section 8-81-101 C.R.S, when overpayments are due to fraud, the weekly benefit amount offset is 100 percent, the claimant is charged a penalty of 50 percent of the benefit amount, and the claimant is denied benefit eligibility for four times the number of weeks that benefits were fraudulently claimed.

A few states have varying levels of benefit payment amount offsets related to the claimant's financial situation, and the type of error, if it was caused by the claimant or the Department. It is

reasonable to assume a claimant that has been overpaid benefits could recognize the error and report it to the Department. Since the claimant was overpaid benefits to which they were not entitled, a weekly benefit amount offset should not cause undue hardship. In a case that a claimant believes repayment over overpaid benefits would cause financial hardship, they may request an overpayment waiver, within 20 days of notice of the overpayment. The waiver judgment is made by the Payment Control Unit. If the request is denied, claimants can file an additional appeal.

Sponsoring a bill to increase the amount of overpayments collected from active UI claimants will generate revenue as the overpayments are discovered. Collecting overpayments while a claim is active could also decrease the collection effort for claimants that are no longer receiving UI benefits, which could potentially decrease the workload for collection efforts both through the Department, and Central Collection Services. Fifty percent of states collect non-fraud overpayments by offsetting the weekly benefit amount at 100 percent. If the statute is modified to reflect a weekly benefit amount offset of 75 percent, Colorado would still rank in the lower half of states offsetting benefits to recover payments.

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DEPARTMENT OF LABOR AND EMPLOYMENT Ellen Golombek, Executive Director
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(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. This division is bottom line funded in the Long Bill.

Personal Services	12,951,514	7,331,177	7,512,589	7,663,406	
<i>FTE</i>	159.6	91.7	99.9	99.9	
Health, Life, and Dental	5,504,347	5,342,993	6,671,857	6,138,461	
Short-term Disability	82,762	79,048	103,831	104,203	
S.B. 04-257 Amortization Equalization Disbursement	974,018	1,156,587	1,651,327	1,883,884	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	540,344	841,254	1,319,889	1,618,963	
Shift Differential	26,301	11,084	9,734	14,460	
Workers' Compensation	580,751	586,172	457,276	591,393	
Operating Expenses	1,547,169	1,737,499	1,759,608	1,759,608	
Legal Services	539,757	569,193	598,488	598,488	
Purchase of Services from Computer Center	1,379,133	5,822,847	6,647,650	7,817,266	
Multiuse Network Payments	75,210	698,637	921,062	703,005	
Management and Administration of OIT	0	427,635	439,118	455,316	

*This line item includes a decision item.

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Payment to Risk Management and Property Funds	84,140	25,326	53,501	28,766	
Vehicle Lease Payments	93,905	108,366	107,625	105,258	*
Leased Space	3,024,919	3,257,226	3,800,000	3,800,000	
Capitol Complex Leased Space	35,389	31,812	29,169	25,007	
Communication Services Payments	1,181	1,108	1,200	0	
Utilities	238,017	260,308	260,309	260,309	
Information Technology Asset Maintenance	536,627	553,573	553,627	553,627	
Statewide Indirect Cost Assessment	1,087,610	499,121	599,281	749,654	
Total Funds - (1) Executive Director's Office	29,303,094	29,340,966	33,497,141	34,871,074	4.1%
<i>FTE</i>	<u>159.6</u>	<u>91.7</u>	<u>99.9</u>	<u>99.9</u>	<u>0.0%</u>
Cash Funds	11,965,179	13,380,421	15,735,075	16,315,463	3.7%
Reappropriated Funds	1,043,833	1,176,761	375,826	375,826	0.0%
Federal Funds	16,294,082	14,783,784	17,386,240	18,179,785	4.6%

*This line item includes a decision item.

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(2) DIVISION OF EMPLOYMENT AND TRAINING

Primary Function: Provide supplemental income benefits to individuals who have lost their job through no fault of their own; and identifying, investigating and prosecuting individuals who attempt to receive unemployment benefits to which they are not entitled.

(A) Unemployment Insurance Programs

Program Costs	<u>40,893,611</u>	<u>40,449,066</u>	<u>34,683,940</u>	<u>34,893,198</u>	
<i>FTE</i>	542.8	501.5	467.1	467.1	
Cash Funds	6,707,773	7,180,355	7,253,095	7,367,393	
Federal Funds	34,185,838	33,268,711	27,430,845	27,525,805	
Internet Self-Service	<u>167,126</u>	<u>162,948</u>	<u>162,948</u>	<u>0</u>	
<i>FTE</i>	2.3	2.4	2.5	0.0	
Cash Funds	167,126	162,948	162,948	0	

Total Funds - (A) Unemployment Insurance Programs	<u>41,060,737</u>	<u>40,612,014</u>	<u>34,846,888</u>	<u>34,893,198</u>	0.1%
<i>FTE</i>	<u>545.1</u>	<u>503.9</u>	<u>469.6</u>	<u>467.1</u>	(0.5%)
Cash Funds	6,874,899	7,343,303	7,416,043	7,367,393	(0.7%)
Federal Funds	34,185,838	33,268,711	27,430,845	27,525,805	0.3%

(B) Employment and Training Programs

State Operations	<u>13,295,700</u>	<u>14,254,659</u>	<u>13,669,939</u>	<u>13,900,711</u>	
<i>FTE</i>	124.6	136.7	143.7	143.7	
Cash Funds	8,830,616	9,180,109	9,197,552	9,319,265	
Reappropriated Funds	8,400	6,652	9,600	9,600	
Federal Funds	4,456,684	5,067,898	4,462,787	4,571,846	

*This line item includes a decision item.

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One-Stop County Contracts	<u>11,017,634</u>	<u>9,769,463</u>	<u>9,123,544</u>	<u>9,164,335</u>	
<i>FTE</i>	24.7	0.0	28.0	28.0	
Federal Funds	11,017,634	9,769,463	9,123,544	9,164,335	
Trade Adjustment Act Assistance	<u>2,965,597</u>	<u>3,040,716</u>	<u>3,288,070</u>	<u>3,288,070</u>	
Federal Funds	2,965,597	3,040,716	3,288,070	3,288,070	
Workforce Investment Act	<u>28,452,423</u>	<u>39,702,423</u>	<u>32,230,133</u>	<u>32,223,045</u>	
<i>FTE</i>	47.8	47.8	61.2	61.2	
Cash Funds	725,000	725,000	807,540	807,540	
Reappropriated Funds	0	0	100,000	0	
Federal Funds	27,727,423	38,977,423	31,322,593	31,415,505	
Workforce Development Council	<u>390,267</u>	<u>280,360</u>	<u>462,416</u>	<u>466,016</u>	
<i>FTE</i>	3.9	1.9	4.0	4.0	
Reappropriated Funds	214,440	0	462,416	466,016	
Federal Funds	175,827	280,360	0	0	
Workforce Improvement Grants	<u>587,733</u>	<u>55,000</u>	<u>860,036</u>	<u>870,000</u>	
<i>FTE</i>	3.5	0.0	10.0	10.0	
Cash Funds	0	0	20,000	20,000	
Federal Funds	587,733	55,000	840,036	850,000	
TANF - Support Subsidized Employment	<u>11,250,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Reappropriated Funds	11,250,000	0	0	0	

*This line item includes a decision item.

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Total Funds - (B) Employment and Training Programs	67,959,354	67,102,621	59,634,138	59,912,177	0.5%
<i>FTE</i>	<u>204.5</u>	<u>186.4</u>	<u>246.9</u>	<u>246.9</u>	<u>(0.0%)</u>
Cash Funds	9,555,616	9,905,109	10,025,092	10,146,805	1.2%
Reappropriated Funds	11,472,840	6,652	572,016	475,616	(16.9%)
Federal Funds	46,930,898	57,190,860	49,037,030	49,289,756	0.5%

(C) Labor Market Information

Program Costs	<u>1,657,590</u>	<u>1,440,279</u>	<u>1,997,257</u>	<u>2,041,230</u>
<i>FTE</i>	25.8	22.4	30.3	30.3
Cash Funds	0	0	11,509	11,509
Federal Funds	1,657,590	1,440,279	1,985,748	2,029,721

Total Funds - © Labor Market Information	1,657,590	1,440,279	1,997,257	2,041,230	2.2%
<i>FTE</i>	<u>25.8</u>	<u>22.4</u>	<u>30.3</u>	<u>30.3</u>	<u>0.0%</u>
Cash Funds	0	0	11,509	11,509	0.0%
Federal Funds	1,657,590	1,440,279	1,985,748	2,029,721	2.2%

Total Funds - (2) Division of Employment and Training	110,677,681	109,154,914	96,478,283	96,846,605	0.4%
<i>FTE</i>	<u>775.4</u>	<u>712.7</u>	<u>746.8</u>	<u>744.3</u>	<u>(0.3%)</u>
Cash Funds	16,430,515	17,248,412	17,452,644	17,525,707	0.4%
Reappropriated Funds	11,472,840	6,652	572,016	475,616	(16.9%)
Federal Funds	82,774,326	91,899,850	78,453,623	78,845,282	0.5%

*This line item includes a decision item.

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(3) DIVISION OF LABOR

Primary Functions: Gathering and disseminating labor market and economic trend information.

Program Costs	<u>1,072,938</u>	<u>1,161,478</u>	<u>1,147,311</u>	<u>1,171,056</u>	
<i>FTE</i>	12.7	14.1	15.0	15.0	
Cash Funds	1,072,938	1,161,478	1,147,311	1,171,056	

Total Funds - (3) Division of Labor	<u>1,072,938</u>	<u>1,161,478</u>	<u>1,147,311</u>	<u>1,171,056</u>	2.1%
<i>FTE</i>	<u>12.7</u>	<u>14.1</u>	<u>15.0</u>	<u>15.0</u>	<u>0.0%</u>
Cash Funds	1,072,938	1,161,478	1,147,311	1,171,056	2.1%

(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; issuing explosive permits to qualified individuals, conducting annual inspections of all boilers and pressure vessels in commercial and multi-unit residential buildings, licensing of conveyances, conveyance inspectors, mechanics and contractors; registers and inspects amusement park rides, carnivals and other rides.

Personal Services	<u>4,698,283</u>	<u>4,597,811</u>	<u>4,603,222</u>	<u>4,699,146</u>	
<i>FTE</i>	63.8	63.6	67.0	67.0	
Cash Funds	3,522,914	3,671,912	4,044,574	4,109,770	
Reappropriated Funds	19,050	14,572	19,516	19,516	
Federal Funds	1,156,319	911,327	539,132	569,860	
Operating Expenses	<u>387,465</u>	<u>478,593</u>	<u>648,980</u>	<u>705,680</u>	
Cash Funds	315,508	401,053	518,134	560,659	
Federal Funds	71,957	77,540	130,846	145,021	
Indirect Cost Assessment	<u>781,284</u>	<u>895,838</u>	<u>0</u>	<u>0</u>	
Cash Funds	781,284	895,838	0	0	

*This line item includes a decision item.

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	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Total Funds - (4) Division of Oil and Public Safety	5,867,032	5,972,242	5,252,202	5,404,826	2.9%
<i>FTE</i>	<u>63.8</u>	<u>63.6</u>	<u>67.0</u>	<u>67.0</u>	<u>0.0%</u>
Cash Funds	4,619,706	4,968,803	4,562,708	4,670,429	2.4%
Reappropriated Funds	19,050	14,572	19,516	19,516	0.0%
Federal Funds	1,228,276	988,867	669,978	714,881	6.7%

(5) DIVISION OF WORKERS' COMPENSATION

The Division of Workers' Compensation is comprised of five major units that provide: claimant customer service, dispute resolution of frequently contested issues, medical cost containment, workers' compensation employer services, and special fund management.

(A) Workers' Compensation

Personal Services	<u>6,704,162</u>	<u>6,672,437</u>	<u>6,787,870</u>	<u>6,931,306</u>
<i>FTE</i>	90.2	86.9	102.1	102.1
Cash Funds	6,704,162	6,672,437	6,787,870	6,931,306
Operating Expenses	<u>463,603</u>	<u>680,780</u>	<u>680,780</u>	<u>680,780</u>
Cash Funds	463,603	680,780	680,780	680,780
Administrative Law Judge Services	<u>2,610,443</u>	<u>2,550,825</u>	<u>2,431,193</u>	<u>2,701,453</u>
Cash Funds	2,610,443	2,550,825	2,431,193	2,701,453
Physicians Accreditation	<u>77,033</u>	<u>115,553</u>	<u>140,000</u>	<u>140,000</u>
Cash Funds	77,033	115,553	140,000	140,000
Utilization Review	<u>24,549</u>	<u>41,360</u>	<u>60,000</u>	<u>60,000</u>
Cash Funds	24,549	41,360	60,000	60,000
Immediate Payment	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Cash Funds	0	0	10,000	10,000

*This line item includes a decision item.

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	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
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Total Funds - (A) Workers' Compensation	9,879,790	10,060,955	10,109,843	10,523,539	4.1%
<i>FTE</i>	<u>90.2</u>	<u>86.9</u>	<u>102.1</u>	<u>102.1</u>	<u>0.0%</u>
Cash Funds	9,879,790	10,060,955	10,109,843	10,523,539	4.1%

(B) Major Medical Insurance and Subsequent Injury Funds

Personal Services	<u>958,587</u>	<u>1,074,872</u>	<u>1,239,366</u>	<u>1,258,824</u>	
<i>FTE</i>	11.9	13.2	16.0	16.0	
Cash Funds	958,587	1,074,872	1,239,366	1,258,824	
Operating Expenses	<u>62,848</u>	<u>57,266</u>	<u>88,324</u>	<u>88,324</u>	
Cash Funds	62,848	57,266	88,324	88,324	
Major Medical Benefits	<u>4,996,836</u>	<u>5,220,180</u>	<u>7,000,000</u>	<u>7,000,000</u>	
Cash Funds	4,996,836	5,220,180	7,000,000	7,000,000	
Major Medical Legal Services	<u>14,329</u>	<u>24,937</u>	<u>7,571</u>	<u>7,571</u>	
Cash Funds	14,329	24,937	7,571	7,571	
Subsequent Injury Benefits	<u>1,865,805</u>	<u>1,710,679</u>	<u>3,200,000</u>	<u>3,200,000</u>	
Cash Funds	1,865,805	1,710,679	3,200,000	3,200,000	
Subsequent Injury Legal Services	<u>57,605</u>	<u>56,779</u>	<u>26,499</u>	<u>26,499</u>	
Cash Funds	57,605	56,779	26,499	26,499	
Medical Disaster	<u>651</u>	<u>628</u>	<u>6,000</u>	<u>6,000</u>	
Cash Funds	651	628	6,000	6,000	

*This line item includes a decision item.

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	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Total Funds - (B) Major Medical Insurance and Subsequent Injury Funds	7,956,661	8,145,341	11,567,760	11,587,218	0.2%
<i>FTE</i>	<u>11.9</u>	<u>13.2</u>	<u>16.0</u>	<u>16.0</u>	<u>0.0%</u>
Cash Funds	7,956,661	8,145,341	11,567,760	11,587,218	0.2%
Total Funds - (5) Division of Workers' Compensation	17,836,451	18,206,296	21,677,603	22,110,757	2.0%
<i>FTE</i>	<u>102.1</u>	<u>100.1</u>	<u>118.1</u>	<u>118.1</u>	<u>0.0%</u>
Cash Funds	17,836,451	18,206,296	21,677,603	22,110,757	2.0%
Total Funds - Department of Labor and Employment	164,757,196	163,835,896	158,052,540	160,404,318	1.5%
<i>FTE</i>	<u>1,113.6</u>	<u>982.2</u>	<u>1,046.8</u>	<u>1,044.3</u>	<u>(0.2%)</u>
Cash Funds	51,924,789	54,965,410	60,575,341	61,793,412	2.0%
Reappropriated Funds	12,535,723	1,197,985	967,358	870,958	(10.0%)
Federal Funds	100,296,684	107,672,501	96,509,841	97,739,948	1.3%

*This line item includes a decision item.

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APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- **S.B. 11-076 (Steadman/Becker):** For the 2011-12 state fiscal year only, reduces the employer contribution rate for the State and Judicial divisions of the Public Employees' Retirement Association (PERA) by 2.5 percent and increases the member contribution rate for these divisions by the same amount. In effect, continues the FY 2010-11 PERA contribution adjustments authorized through S.B. 10-146 for one additional year. Reduces the Department's total appropriation by \$1,631,728 total funds, of which \$610,007 is cash funds, \$3,600 is reappropriated funds, and \$1,018,121 is federal funds.
- **S.B. 11-143 (Hodge/Gerou):** Supplemental appropriation for the Department of Labor and Employment for FY 2010-11.
- **S.B. 11-164 (Hodge/Gerou):** Makes the following transfers from various cash funds to the General Fund in FY 2010-11.

Name of Fund	Department	Transfer Amount
Major Medical Insurance Fund	Labor and Employment	\$10,000,000
Drug Offender Treatment Fund	Judicial	672,725
Contingency Reserve Fund	Education	2,853,383
Colorado Travel and Tourism Promotion Fund	Governor	2,500,000
Supplemental Old Age Pension Health and Medical Care Fund	Health Care Policy and Financing	2,000,000
Local Government Permanent Fund	Local Affairs	4,800,000
Local Government Mineral Impact Fund	Local Affairs	15,000,000
Colorado Domestic Abuse Program Fund	Human Services	200,000
Perpetual Base Account of the Severance Tax Trust Fund	Natural Resources	5,000,000
Local Government Severance Tax Fund	Local Affairs	60,000,000
Total		\$103,026,108

- **H.B. 11-1288 (Liston/Morse):** Makes the following changes to the financing of the unemployment compensation system:
 - Increases the taxable wage base from the first \$10,000 to the first \$11,000 in calendar year 2012. Beginning in the first year after solvency the taxable wage base will be indexed annually to the percentage change in Colorado's unemployment insurance average weekly earnings.
 - In the first year after solvency is achieved, consolidates two of the three current assessments (base premium and socialized surcharge) and part of the third (solvency surcharge) into one combined premium and a new solvency surcharge.
 - In the first year after solvency is achieved, applies the consolidated premium to a new rate schedule based on employer experience and the balance of the Unemployment Insurance Trust Fund. Creates new fund balance intervals, adjusted annually based on a 1.4 percent solvency standard.
 - In the first calendar year after solvency is achieved, puts in place a premium credit based on a 1.6 percent solvency standard for employers with a positive experience history that have paid more into the unemployment compensation system than was charged in benefits during the calendar year in which the 1.6 percent solvency standard is exceeded.
 - Requires the Department to develop an internet self-service project to allow employers anytime access to their account information, and submit an annual report on the status of the Unemployment Insurance Trust Fund to the General Assembly.
 - Clarifies provisions relating to fraud and overpayments to claimants and requires notice to claimants of penalties for fraud and overpayments.
- Appropriates \$62,900 cash funds from the Employment Support Fund to the Division of Employment and Training, Unemployment Insurance Programs.

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**APPENDIX C: UPDATE OF FY 2011-12
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Requests for Information

- 1 All Departments, Totals --** Every department is requested to submit to the Joint Budget Committee, by November 1, 2011 information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2010-11. The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2011-12.

Comment: The Department submitting the following in the FY 2012-13 budget request:

Summary of ARRA Funds and Associated FTE Received by the Department of Labor and Employment in FY 2010-11		
	FY 2010-11 Actual	FTE
Workforce Investment Act	\$6,627,504	16.85
Wagner Peyser	1,871,204	13.02
Labor Market Information	499,500	1.56
HB 1333 Green Jobs Council	12,994	0
Energy S P & Training Grant	1,487,198	2.87
Green Careers for Colorado	2,235	0
State Extended Benefits Admin	87,698	0
UI Recovery Act	-1,660,498	25.22
UI Special Transfer	5,105,114	87.33
Extended EUC	532,034,259	0
State Extended Benefits	206,234,285	0
TFAC Regular Stimulus Funds	14,235,755	0
FAC - EUC	44,829,169	0
LUST ARRA Personal Services	81,620	1.99
LUST ARRA Capital Construction	1,227,868	0
Total Department ARRA Funds and FTE	\$812,675,905	148.84

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APPENDIX D: STATE AUDITOR'S OFFICE LIST OF OUTSTANDING
RECOMMENDATIONS



State of Colorado

LEGISLATIVE AUDIT COMMITTEE
Legislative Services Building - Second Floor
200 East 14th Avenue
Denver, Colorado 80203

LOIS TOCHTROP, CHAIR
Senator
CINDY ACREE, VICE CHAIR
Representative
DEB GARDNER
Representative
LUCIA GUZMAN
Senator

JAMES KERR
Representative
STEVE KING
Senator
JOE MIKLOSI
Representative
SCOTT RENFROE
Senator

October 31, 2011

Representative Cheri Gerou, Chair
Joint Budget Committee

Dear Representative Gerou:

The Legislative Audit Committee has been concerned about departments not implementing audit recommendations that they have agreed to implement. The State Auditor and her staff have developed a database to track recommendations and produce reports identifying those not implemented. We are providing this report for your consideration as you evaluate the budget requests for the Department of Labor and Employment.

Attached you will find information regarding the following recommendations:

Department of Labor and Employment		
<u>Number of Recommendations</u>	<u>Audit of Origination</u>	<u>Audit Date</u>
6	State of Colorado Statewide Single Audit	Fiscal Year Ended June 30, 2009

Thank you for integrating this into your budget process.

Sincerely,

Senator Lois Tochtrop, Chair
Legislative Audit Committee

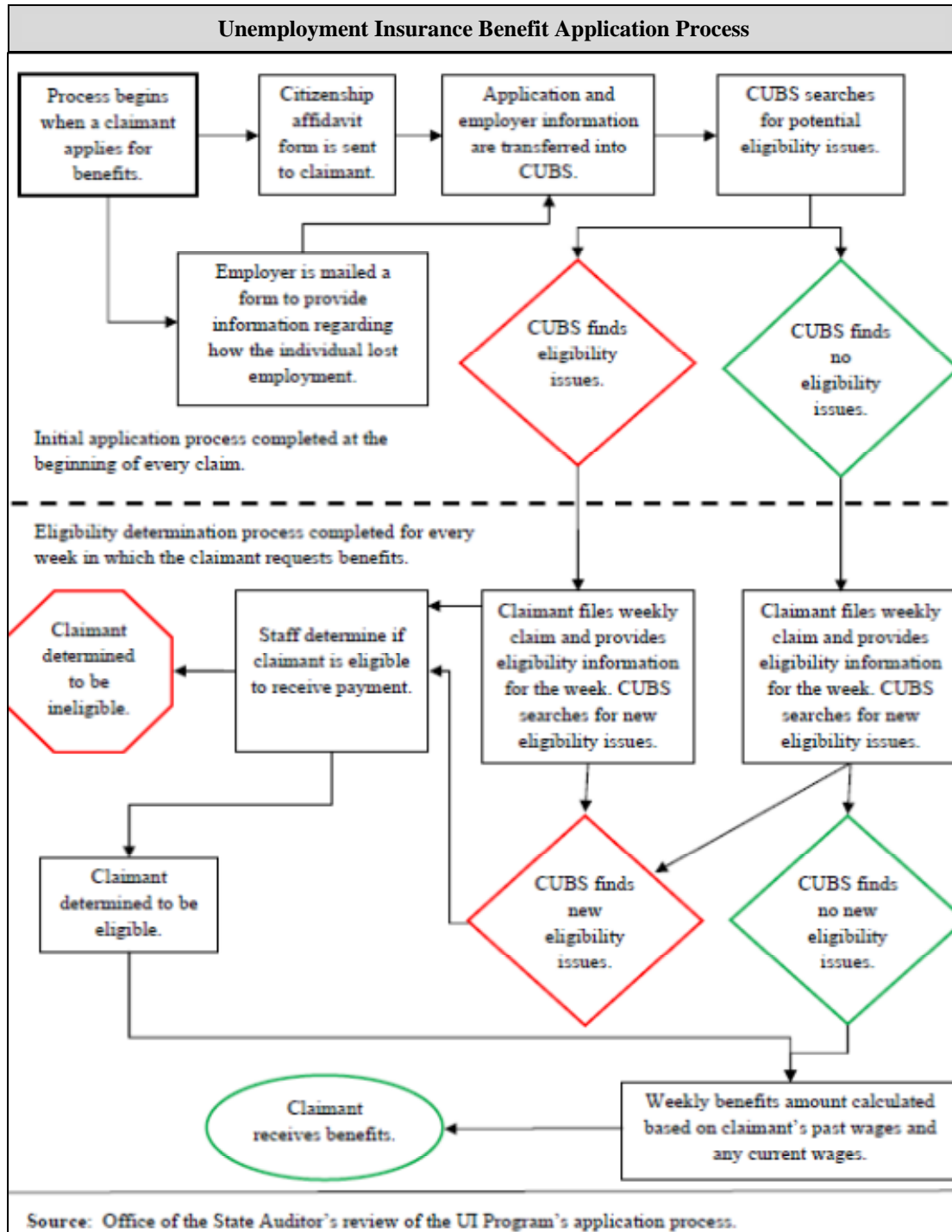
Office of the State Auditor Recommendations

Financial Recommendations Not Entirely Implemented As of Fiscal Year Ending June 30, 2010

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Labor and Employment	Improve information technology controls over the Colorado Unemployment Benefits System (CUBS) and the Colorado Automated Tax System (CATS) by: (b) developing and implementing a written procedure for granting user access to CUBS and CATS.	27	Significant Deficiency	Partially Implemented	December 2010	25b	Significant Deficiency	N/A	Agree - original implementation date is March 2010								
Department of Labor and Employment	Improve controls over federal reporting by: (b) correcting the carry forward balances in the Employment and Training Administration 227 report.	104	Significant Deficiency	Partially Implemented	January 2011	144b	Significant Deficiency	N/A	Implemented and ongoing								
Department of Labor and Employment	Improve controls over federal reporting by: (c) maintaining supporting documentation of the edit checks and verification process used in preparing the Employment and Training Administration 9001 and 9091 reports as required by federal requirements.	104	Significant Deficiency	Partially Implemented	January 2011	144c	Significant Deficiency	N/A	Implemented and ongoing								

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APPENDIX E: UI BENEFIT APPLICATION PROCESS



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Department of Labor and Employment**

APPENDIX F: UNEMPLOYMENT INSURANCE OVERPAYMENT CAUSES

Unemployment Insurance Program Overpayments Calendar Years 2006 Through 2010 (Dollars in Millions)											
Overpayment Cause	2006	%	2007	%	2008¹	%	2009¹	%	2010	%	% Change CY 2006 - 2010
Work Search Issues	\$ 6.9	16%	\$ 34.2	63%	\$ 20.6	70%	\$ 36.3	42%	\$ 83.0	49	1103%
Earned Wages	8.9	20	2.5	5	4.5	15	13.2	15	23.6	14	165
Separation Issues ²	13.3	30	6.5	12	1.0	3	12.6	15	24.0	14	80
Not Registered at a Workforce Center	2.5	6	4.2	8	0	0	12.6	15	13.0	8	420
Other Pay Upon Separation	4.1	9	2.5	5	2.1	7	8.4	10	11.7	7	185
Inadequate Base Period Wages	0.8	2	0.8	1	0.2	1	2.5	3	4.8	3	500
Claimant not Able and Available for Work	0.4	1	2.6	5	0	0	0	0	1.6	1	300
Other	7.0	16	0.6	1	1.2	4	0	0	7.5	4	7
Total Overpaid³	\$ 43.9	100%	\$ 53.9	100%	\$ 29.6	100%	\$ 85.6	100%	\$169.2	100%	285%
Total State Benefits Payments	\$291.3	-	\$308.1	-	\$193.9	-	\$511.4	-	\$907.3	-	211%
Percentage Overpaid	15%	-	17%	-	15%	-	17%	-	19%	-	4%

Source: U.S. Department of Labor and Employment.

¹Because the Unemployment Insurance Program did not complete the required number of claims reviews in Calendar Years 2008 and 2009, the overpayment figures provided are not statistically valid. Further, total payment figures provided are based on insufficient sampling and do not provide complete totals for the year.

²Includes claimants found to be ineligible due to the circumstances of their separation (e.g., quit, laid off, or fired) from employment.

³Includes only overpayments of regular state benefits. Federal and state extended benefits payments are not included in estimating the amount overpaid.