

Schedule 13
Change Request for FY 09-10 Budget Request Cycle

Decision Item FY 09-10 Base Reduction Item FY 09-10 Supplemental FY 08-09 Budget Request Amendment FY 09-10

Request Title: Internet Self-Service (Year 2)
 Department: Labor & Employment
 Priority Number: DI #1

Dept. Approval by: *[Signature]* Date: 10/20/08
 OSPB Approval: *[Signature]* Date: 10-22-08

	1	2	3	4	5	6	7	8	9	10
	Prior-Year Actual FY 07-08	Appropriation FY 08-09	Supplemental Request FY 08-09	Total Revised Request FY 08-09	Base Request FY 09-10	Decision/ Base Reduction FY 09-10	Total November 1 Request FY 09-10	Budget Amendment FY 09-10	Total Revised Request FY 09-10	Change from Base (Column 5) FY 10-11
Total of All Line Items	Total 0 0.0 0 0 0 0 0	503,720 2.5 0 0 503,720 0 0	0 0.0 0 0 0 0 0	503,720 2.5 0 0 503,720 0 0	0 0.0 0 0 0 0 0	167,126 2.5 0 0 167,126 0 0	167,126 2.5 0 0 167,126 0 0	0 0.0 0 0 0 0 0	167,126 2.5 0 0 167,126 0 0	0 0.0 0 0 0 0 0
Internet Self-Service Program Costs*	Total 0 0.0 0 0 0 0 0	503,720 2.5 0 0 503,720 0 0	0 0.0 0 0 0 0 0	503,720 2.5 0 0 503,720 0 0	0 0.0 0 0 0 0 0	167,126 2.5 0 0 167,126 0 0	167,126 2.5 0 0 167,126 0 0	0 0.0 0 0 0 0 0	167,126 2.5 0 0 167,126 0 0	0 0.0 0 0 0 0 0

Letternote revised text: _____

Cash Fund name/number, Federal Fund Grant name: _____

IT Request: Yes No

Request Affects Other Departments: Yes No

Employment Support Fund pursuant to Section 8-77-109, CRS

If Yes, List Other Departments Here: _____

**Schedule 13
Change Request for FY 2009-10 Budget Request Cycle**

Decision Item FY 2009-10		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10				
Request Title: Maximize Federal Funding for the Unemployment Insurance Program										
Department: Labor and Employment										
Priority Number: DI #2										
Dept. Approval by: <i>[Signature]</i> Date: 10/17/08										
OSP Approval: <i>[Signature]</i> Date: 10-19-08										
Fund	1 Prior-Year Actual FY 2007-08	2 Appropriation FY 2008-09	3 Supplemental Request FY 2008-09	4 Total Revised Request FY 2008-09	5 Base Request FY 2009-10	6 Decision/ Base Reduction FY 2009-10	7 November 1 Request FY 2009-10	8 Budget Amendment FY 2009-10	9 Total Revised Request FY 2009-10	10 Change from Base (Column 5) FY 2010-11
Total of All Line Items	Total	33,625,037	0	33,625,037	34,709,905	0	34,709,905	0	34,709,905	0
	FTE	0.0	0.0	466.9	463.8	0.0	463.8	0.0	463.8	0.0
	GF	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0
	CF	0	0	5,842,049	7,158,522	0	7,158,522	0	7,158,522	0
	CFE/RF	0	0	0	0	0	0	0	0	0
	FF	0	0	27,782,988	27,551,383	0	27,551,383	0	27,551,383	0
(2)(A) Unemployment Insurance Programs	Total	32,116,404	0	32,116,404	33,126,802	1,583,103	34,709,905	0	34,709,905	1,583,103
	FTE	0.0	0.0	440.9	437.8	26.0	463.8	0.0	463.8	26.0
	GF	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0
	CF	0	0	4,333,416	5,575,419	1,583,103	7,158,522	0	7,158,522	1,583,103
	CFE/RF	0	0	0	0	0	0	0	0	0
	FF	0	0	27,782,988	27,551,383	0	27,551,383	0	27,551,383	0
(2)(B) Unemployment Insurance Fraud Program	Total	1,508,633	0	1,508,633	1,583,103	(1,583,103)	0	0	0	(1,583,103)
	FTE	0.0	0.0	26.0	26.0	(26.0)	0.0	0.0	0.0	(26.0)
	GF	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0
	CF	0	0	1,508,633	1,583,103	(1,583,103)	0	0	0	(1,583,103)
	CFE/RF	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None
 Letternote Revised Text: a. Of this amount, \$5,575,419 shall be from the Employment Support Fund pursuant to Section 8-77-109(1), C.R.S., \$1,583,103 shall be from the Unemployment Revenue Fund created in Section 8-77-106(1), C.R.S.

Cash or Federal Fund Name and COFRS Fund Number: Unemployment Revenue Fund #702
 Reappropriated Funds Source, by Department and Line Item Name: Not applicable
 Approval by OIT? Yes: No: N/A:
 Schedule 13s from Affected Departments: Not applicable

CHANGE REQUEST for FY 09-10 BUDGET REQUEST CYCLE

Department:	Labor and Employment
Priority Number:	2
Change Request Title:	Maximize Federal Funding for the Unemployment Insurance Program

SELECT ONE (click on box):

- Decision Item FY 09-10
- Base Reduction Item FY 09-10
- Supplemental Request FY 08-09
- Budget Request Amendment FY 09-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

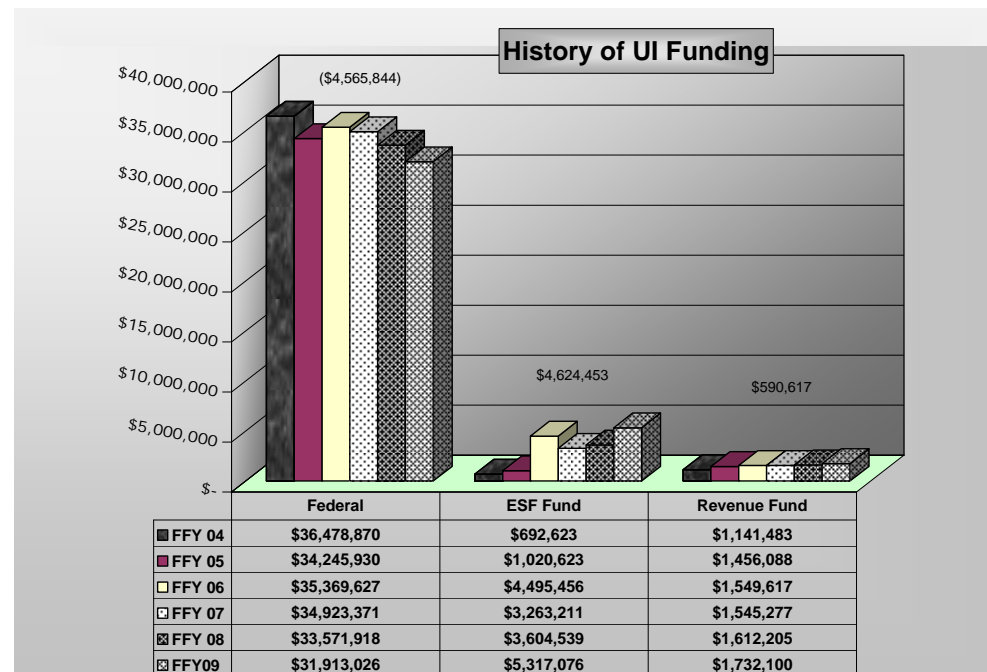
This request is to maximize federal funding for the Unemployment Insurance Program (UI) by transferring state funded positions to fully funded federal positions; and reallocating federal positions that are less than fully-funded to state positions. By doing so, the department estimates an additional \$179,906 in federal funding in FY 2009-2010. By FY 2012-2013, total additional yearly federal funding is estimated at \$529,136. There is no cost to the state for this proposal. Under the current Long Bill the UI Program is broken out into two line items: UI Program Costs and UI Fraud Program. The department requests these lines be combined under UI Program Costs. This will provide the department with the necessary flexibility to maximize the federal funds as described in this request.

Background and Appropriation History:

The UI Program receives 85 percent of its funding for administration through a federal grant from the U.S. Department of Labor (USDOL), 10 percent from the state Employment Support Fund (ESF), and the remaining five percent from the state Unemployment Revenue Fund.

Prior to 1994, Congress appropriated amounts requested by USDOL that reflected state UI program needs. Since 1994, federal-funding policies changed from reflecting state UI program administrative costs to limiting the amount of annual cost increases. This has led to state UI programs not being adequately funded. In Colorado, the department has supplemented the administration of the UI program with state cash funds from the Employment Support Fund in an effort to sustain customer service levels.

The table below shows the reduction in federal funds and the corresponding increase to state cash sources over the past five years. From federal fiscal year 2004 to 2009 federal funds have declined by \$4.5M. This is a 12% decrease (not adjusted for inflation) in federal funding while the workload for the UI program has remained the same.



The Unemployment Revenue Fund supports the Division of Employment and Training for the purpose of enforcing the "Colorado Employment Security Act." Fund revenue is generated from interest collected on delinquent unemployment insurance taxes; penalties imposed on employers who fail to pay UI taxes on time; and penalties assessed against claimants for UI overpayments. Revenue Fund dollars are appropriated to the UI Fraud Program.

General Description of Request:

The mechanism used by USDOL to allocate federal administrative funds to each of the states is the Resource Justification Model. The Resource Justification Model consists of a set of spreadsheets and was developed in the late 1990s for the purpose of capturing actual expense data from each state under a common methodology. This allows for a comparison of all states equally by rolling up all state costs to support and justify the USDOL budget request. The original intent was to demonstrate the actual state budget need to Congress.

Today, instead of being used as a tool for analysis of overall funding needs, the Resource Justification Model is being used as an allocation tool using the funding formula described below, which it was not designed for. This funding formula forces all state costs to fit within the USDOL approved budget. Based on this current method, the Resource Justification Model now funds states at a level that is well below the demonstrated need.

RESOURCE JUSTIFICATION MODEL FEDERAL FUNDING FORMULA

The Resource Justification Model calculation employs five steps, beginning with the collection of actual cost data and ending with the USDOL allocation of funds.

STEP 1: Costs are classified into nine functional activity areas. For five functional activities, costs are then converted to minutes per unit using a combination of the number of staff years and the State specific workload statistics. For the remaining four functional areas, a conversion to position costs is made.

STEP 2: States report costs based on source of funds. All state funds are removed from the Resource Justification Model by USDOL when calculating the new year allocation.

STEP 3 & 4: USDOL calculates the average minutes per unit for the last three years and then each state’s award is reduced proportionally to ensure that the allocations fit within the USDOL budget limitations.

STEP 5: The minutes per unit are multiplied by the anticipated workload for each state and the cost per position to come up with the allocation for a particular state.

The table below shows the actual minutes per unit for two of the functional areas, Initial Claims and Tax, for the federal program year starting October 1, 2006 and ending September 30, 2007 (FFY 07). The second column lists the same minutes per unit after the state funds are removed. Column three shows the 3 year average for minutes per unit that is calculated by USDOL. Finally, column four shows the minutes per unit after the USDOL reduction is applied.

The bottom two functional activities, Benefit Payment Control and UI Performs, result in total staff needs instead of minutes per unit. These functions are reduced once the state funds are removed (column two). An additional reduction results from the 3 year average (column three); however, the final USDOL reduction is not applied (column four).

COMPARISON OF Minutes Per Unit (MPU)							
	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5		
Functional Activity	Total MPU FFY 2007	MPU minus state funds	MPU 3 year Average	MPU final reduction	USDOL final allocation	Total MPU Change	% of Change
INITIAL CLAIMS	86.537	74.102	57.455	48.419	\$ 3,305,019	(38.118)	-44%
TAX	106.008	94.763	77.058	76.846	\$ 6,200,390	(29.162)	-28%
Functional Activity	Total Staff FFY 07	Total Staff minus state funds	Total Staff 3 year Average	Total Staff final reduction	USDOL final allocation	Total Staff Change	% of Change
BENEFIT PAYMENT CONTROL	44.90	18.840	14.700	14.700	\$ 949,297	(30.200)	-67%
UI PERFORMS	13.63	5.190	3.900	3.900	\$ 216,657	(9.730)	-71%

As you can see, the actual minutes per unit and total staff required to run the UI program are reduced significantly through this process.

Of the nine functional activity codes, the Benefit Payment Control activity is the UI Fraud Program. This activity code does not receive the final USDOL reduction but is always funded at 100% by USDOL. However, if the state is funding these positions there is no need for USDOL to fund them, instead the USDOL funds an initial claims position or tax position at a fraction of the actual need.

The department would like to maximize federal funding by eliminating the state funding to positions that are fully funded by USDOL; and instead allocate the state funds to positions that receive reductions to the minutes per unit and are therefore only partially funded by USDOL. In other words, if the state funds the positions that are most likely to get cut and USDOL funds the positions that are fully funded, the department can maximize the federal grant in future years.

According to statute, the department can use the Revenue Fund dollars to support “enforcement activities.” The majority of these activities are found under the Benefit Payment Control functional activity code; however, the department feels that a number of enforcement activities can also be found within the following functional activity codes:

Initial Claims

1. Fact finding with respect to wage record issues, separation, or non-separation issues on interstate claims.
2. Computing weekly and maximum benefit amounts and notifying claimants or employers.
3. Ascertaining facts and disposing of protests, inquiries and appeals concerning wage credit disputes.

Tax

1. Maintaining necessary controls to establish tax and wage report delinquency.
2. Establishing and maintaining experience rating accounts, records and files.

3. Determining tax rates and notifying employers.

Therefore, the department would like to use the Revenue Fund dollars to support the UI Program Costs line item appropriation where these additional functional activities occur.

Consequences if Not Funded:

An unnecessary reduction in federal dollars requiring an increase in state expenditures.

Calculations for Request:

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.0
(A) Unemployment Insurance Program Costs	\$ 1,583,103	\$ 0	\$ 1,583,103	\$ 0	\$ 0	26.0
(B) Unemployment Insurance Fraud Program	(\$ 1,583,103)	\$ 0	(\$ 1,583,103)	\$ 0	\$ 0	-26.0

This request to combine these lines under UI Program Costs is a permanent change starting in FY09-10. This will provide the department with the necessary flexibility to maximize the federal funds as described in this request.

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Cash Balance	FY 2008-09 End of Year Cash Balance Estimate	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate
Unemployment Revenue Fund	702	\$2,118,622	\$6,560,936	\$7,705,802	\$9,076,382	\$10,700,808

Assumptions for Calculations:

Net impact to implement this request is \$0. Under the current Long Bill the UI Program is broken out into two line items: UI Program Costs and UI Fraud Program. The department requests these lines be combined under UI Program Costs. This will provide the department with the necessary flexibility to maximize the federal funds as described in this request.

Impact on Other Government Agencies:

No impact.

Cost Benefit Analysis:

The potential benefit is the addition of federal dollars (avoid further federal funding cuts). The table below uses the FFY 2007 minutes per unit and calculates the current funding formula compared to the estimated funding if this decision item is approved.

For the Benefit Payment Control functional activity code this refinance could result in \$1.6M in additional federal funds. That amount is offset by the Initial Claims and Tax functions which will be partially funded from the Revenue Fund. The minutes per unit for these activities are currently being reduced by 35% and 19% and under the new funding formula these activities will be reduced by only 21% and 17%. The total potential gain to the federal allocation is \$529,136.

The increase to the federal grant will occur incrementally over the next 3 years as the effects of this request will slowly impact the 3 year average for these activities. The department anticipates realizing the full gain of this funding change in FFY 2013.

CHANGE IN FEDERAL FUNDING BASED ON THIS PROPOSAL						
CURRENT FUNDING FORMULA	Total Staff FFY 07	Total Staff minus state funds	Total Staff USDOL final	TOTAL REDUCTION	USDOL Allocation	Allocation per MPU
BENEFIT PAYMENT CONTROL	44.90	18.84	14.70	-67%	\$ 949,297	\$ 64,578
ESTIMATED FUNDING BASED ON THIS PROPOSAL	Total Staff FFY 2007	Total Staff minus state funds	Total Staff USDOL final	TOTAL REDUCTION	USDOL Allocation	Allocation per MPU
Benefit Payment Control (BPC)	44.90	N/A	44.90	0%	\$ 2,609,598	\$ 58,120
ESTIMATED CHANGE IN FEDERAL FUNDS					\$ 1,660,301	
CURRENT FUNDING FORMULA	Total MPU FFY 2007	MPU minus state funds	MPU USDOL final	TOTAL REDUCTION	USDOL Allocation	Allocation per MPU
INITIAL CLAIMS	86.537	74.102	48.419	-35%	\$ 3,305,019	\$ 68,259
TAX	106.008	94.763	76.846	-19%	\$ 6,200,390	\$ 80,686
ESTIMATED FUNDING BASED ON THIS PROPOSAL	Total MPU FFY 2007	MPU minus state funds	MPU USDOL final	TOTAL REDUCTION	USDOL Allocation	Allocation per MPU
INITIAL CLAIMS	86.537	57.693	45.577	-21%	\$ 2,955,497	\$ 64,846
TAX	106.008	85.172	70.693	-17%	\$ 5,418,747	\$ 76,652
ESTIMATED CHANGE IN FEDERAL FUNDING					\$ (1,131,165)	
TOTAL CHANGE IN FEDERAL FUNDS					\$ 529,136	

Implementation Schedule:

Task	Month/Year
Spending authority booked	June 2009
COFRS codes created for personal services and operating expenses	July 2009
Federal grant program year 2009 ends	September 2009
Resource Justification Model worksheets submitted for program year 2009	January 2010
Federal allocation of UI administrative costs released (reflects 3 months of	June 2010

refinance)	
Resource Justification Model worksheets submitted for program year 2010	January 2011
Federal allocation of UI administrative costs released (reflects full year impact of refinance)	June 2011

Statutory and Federal Authority:

C.R.S. 8-70-101 thru 8-82-105

Specifically, CRS 8-77-106, Unemployment revenue fund

(1) There is hereby created the unemployment revenue fund, to which shall be credited all interest collected by the division on delinquent taxes pursuant to the provisions of section 8-79-101, all penalties collected by the division pursuant to sections 8-79-104 (1) (a) and (1) (c) and 8-81-101 (4) (a) (II), all remaining moneys in the federal advance interest repayment fund after all known interest charges and associated administrative costs pursuant to section 8-77-103 have been paid pursuant to section 8-77-108 (3), and all investigative costs collected by the division pursuant to section 8-81-101 (4) (a) (III).

(2) All moneys accruing to the unemployment revenue fund in any manner whatsoever shall be maintained in a separate account by the state treasurer and shall be annually appropriated by the general assembly to the division for the purpose of enforcing compliance with the "Colorado Employment Security Act". Moneys in the unemployment revenue fund shall first be used to make refunds of interest erroneously collected under the provisions of section 8-79-101.

(3) and (4) Repealed.

(5) Prior to the beginning of any fiscal year in which the department requests an allocation diversion from the unemployment revenue fund, the joint budget committee in conjunction with the state auditor shall certify that the department has met the goals and time lines established in the work plans submitted the previous year. No additional money shall be appropriated until all such prior conditions of the work plan are satisfied.

(6) Of the moneys appropriated to the department for allocation to the division for administrative services, not less than fifty percent shall be used to fund enforcement activities. None of the remaining moneys shall be allocated to services which compete directly with services available in the private sector.

Performance Measures:

Ensure that 90% of the payments processed are accurate and timely. Maximizing our federal funds will assist in acquiring the resources necessary for this performance measure.

**Schedule 13
Change Request for FY 2009-10 Budget Request Cycle**

Decision Item FY 2009-10		Internal Audit		Base Reduction Item FY 2009-10		Supplemental FY 2008-09		Budget Amendment FY 2009-10									
Request Title:		Labor and Employment		Dept. Approval by: <i>[Signature]</i>		OSP Approval:		Date: <i>10/8/09</i>									
Priority Number:		DI #3		OSP Approval:		Date: <i>10-21-08</i>											
Fund		Prior-Year Actual FY 2007-08		Appropriation FY 2008-09		Supplemental Request FY 2008-09		Total Revised Request FY 2008-09		Total Revised Request FY 2009-10		Budget Amendment FY 2009-10		November 1 Request FY 2009-10		Change from Base (Column 5) FY 2010-11	
Total of All Line Items		Total	15,540,915	15,103,122	0	15,103,122	0	15,103,122	15,730,679	85,722	15,816,401	0	15,816,401	15,816,401	0	80,314	
	FTE	160.0	160.0	167.4	0.0	167.4	0.0	167.4	164.4	0.0	164.4	0.0	164.4	164.4	0.0	0.0	
	GF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	GFE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	CF	8,455,811	8,270,391	8,270,391	0	8,270,391	0	8,270,391	8,594,681	46,856	8,641,537	0	8,641,537	8,641,537	0	43,976	
	CFE/RF	502,005	484,124	484,124	0	484,124	0	484,124	505,611	2,754	508,365	0	508,365	508,365	0	2,575	
	FF	6,583,098	6,348,607	6,348,607	0	6,348,607	0	6,348,607	6,630,387	36,112	6,666,499	0	6,666,499	6,666,499	0	33,764	
(1) Executive Director's Office - Personal Services		Total	13,100,829	12,605,645	0	12,605,645	0	12,605,645	13,233,202	76,790	13,309,992	0	13,309,992	13,309,992	0	76,790	
	FTE	160.0	160.0	167.4	0.0	167.4	0.0	167.4	164.4	0.0	164.4	0.0	164.4	164.4	0.0	0.0	
	GF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	GFE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	CF	6,769,853	6,513,967	6,513,967	0	6,513,967	0	6,513,967	6,838,257	40,910	6,879,167	0	6,879,167	6,879,167	0	40,910	
	CFE/RF	448,572	431,617	431,617	0	431,617	0	431,617	453,105	2,542	455,647	0	455,647	455,647	0	2,542	
	FF	5,882,403	5,660,061	5,660,061	0	5,660,061	0	5,660,061	5,941,840	33,338	5,975,178	0	5,975,178	5,975,178	0	33,338	
(1) Executive Director's Office - Operating		Total	1,560,533	1,533,477	0	1,533,477	0	1,533,477	1,533,477	6,178	1,539,655	0	1,539,655	1,539,655	0	950	
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	GF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	GFE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	CF	806,405	792,424	792,424	0	792,424	0	792,424	792,424	3,192	795,617	0	795,617	795,617	0	491	
	CFE/RF	53,433	52,506	52,506	0	52,506	0	52,506	52,506	212	52,718	0	52,718	52,718	0	33	
	FF	700,695	688,547	688,547	0	688,547	0	688,547	688,547	2,774	691,320	0	691,320	691,320	0	426	
(4) Oil and Public Safety Indirect Cost Assessment		Total	879,553	964,000	0	964,000	0	964,000	964,000	2,754	966,754	0	966,754	966,754	0	2,575	
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	GF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	GFE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	CF	879,553	964,000	964,000	0	964,000	0	964,000	964,000	2,754	966,754	0	966,754	966,754	0	2,575	
	CFE/RF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	FF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

Schedule 13

Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10	<input checked="" type="checkbox"/>	Base Reduction Item FY 2009-10	<input type="checkbox"/>	Supplemental FY 2008-09	<input type="checkbox"/>	Budget Amendment FY 2009-10	<input type="checkbox"/>
Request Title:		Internal Audit					
Department:		Labor and Employment					
Priority Number:		2					
Dept. Approval by:		Date:					
OSPB Approval:		Date:					

Non-Line Item Request: None.
Letternote Revised Text: Increase various cash funds by \$46,856, increase Reappropriated Petroleum Storage Tank fund by \$2,754 and increase federal sources by \$36,112. OPS section (4) increase Petroleum Storage Tank Fund \$2,754.

Cash or Federal Fund Name and COFRS Fund Number: Petroleum Storage Tank (Fund 130), Boiler Inspection (Fund 137), Public Employees Social Security (Fund 138), Conveyance Safety (Fund 13d), Worker's Compensation Self Insurance (Fund 140), Public Safety (Fund 141), Workers' Compensation (Fund 142), Liquefied Petroleum Gas (Fund 144), Employee Leasing Company Certification (Fund 21U), Nonimmigrant Agricultural Seasonal Worker Pilot Program (Fund 22Z), Employment Support (Fund 232), Physicians Accreditation (Fund 259), Subsequent Injury (Fund 416), Major Medical (Fund 417), Unemployment Revenue (Fund 702), 10% Wagner Peyser, Disabled Veterans Outreach, 90% Wagner Peyser, ES Re-employment, Labor Certification, Local Veterans Outreach Program, Workforce Investment Act, and LUST/UST Grants

Reappropriated Funds Source, by Department and Line Item Name: The reappropriated funds are from the assessment within the Division of Oil & Public Safety (see above).
Approval by OIT? Yes: No: N/A:
Schedule 13s from Affected Departments: N/A

CHANGE REQUEST for FY 09-10 BUDGET REQUEST CYCLE

Department:	Labor and Employment
Priority Number:	3
Change Request Title:	Internal Audit Program

SELECT ONE (click on box):

- Decision Item FY 09-10
- Base Reduction Item FY 09-10
- Supplemental Request FY 08-09
- Budget Request Amendment FY 09-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

The department requests \$85,722 in various cash, reappropriated, and federal sources and 0.0 FTE in FY 2009-10 to develop and implement a system of internal financial controls throughout the department and create an Internal Audit Program to effectively monitor and enforce these new controls. This request is intended to reduce risk of financial and other loss through an effective internal audit and control program. The department will use current FTE authority for this position.

Background and Appropriation History:

The Audit Unit at CDLE has historically consisted of 2.0 auditors. Currently, the department has funding for only one audit position. The current Auditor is responsible for external on-site monitoring of the employment and training grant sub-recipients entire financial system and testing of all grants received by CDLE on an annual basis.

Each year the OSPB/JBC required the Department to absorb cuts in personal services of 0.2% in FY 2006-07, 0.5% in FY 2007-08, and a full 1% in the most recent fiscal year 2008-09. From FY2006-07 through FY2008-09, the total reduction in the Executive Director's Office was \$211,812. In addition, the CDLE received cuts in federal funding

in the Unemployment Insurance grant of \$2.5 million and a rescission in the Workforce Investment Act grant of \$8.9 million in FY07-08. The reduction in funding and a focus on the risks associated with our numerous external partners combined, resulted in the emphasis on the external audit element. External audits are federally required, therefore, by not performing these tasks the department jeopardizes receipt of federal grants.

The department of Revenue recently identified an \$11 million dollar employee theft, caused in large part by the lack of internal financial controls. As a result, management is increasingly aware of the need for strong internal financial controls to safeguard taxpayer funds. Key programs, systems and process areas are not audited regularly due to insufficient staff. Consequently, the Department is at greater risk of fraud and has limited ability to identify opportunities for improvement.

General Description of Request:

The department requests \$82,968 (Cash Funds, Reappropriated Funds, and Federal Funds) and 0.0 FTE in FY 2009-10 to further develop and strengthen its system of internal controls throughout the Department and institute an Internal Audit Program to effectively monitor and enforce internal controls and examine potential risk. Once implemented, the Department will perform an analysis to determine if additional resources are required.

The Internal Audit Program is an independent, objective assurance and consulting activity responsible for evaluating the effectiveness of the department's risk management, control, and governance processes. Internal audits are designed to identify and evaluate significant exposures to financial and other risk. In addition, internal audits evaluate the effectiveness and efficiency of the department's system of internal controls and processes for establishing and communicating goals, monitoring performance, and ensuring accountability. Internal audits include an analysis of both current and proposed systems and programs for all divisions and processes within the department.

The Chief Auditor will recognize that his/her goal is the same as that of the programs, to ensure the efficient, courteous, ethical, and accurate delivery of statutorily required services. However, all audits will be independent of any program. Audits will provide

objective, unbiased, and transparent analysis of financial activities to ensure accountability, promote integrity, and generate efficiency while minimizing risk and exposure to fraud. The Chief Auditor will prioritize selected audits through a formal risk assessment performed by the audit unit.

A comprehensive program and strategic vision will be established by the Chief Internal Auditor after the initial development and implementation of the program.

The department collects or handles a significant portion of the states cash funds (over \$500 million in FY 2006-07). The department also has complexities and risks associated with the payment of \$200 to \$500 million in unemployment insurance benefits annually. Therefore, the risks associated with not staffing an internal audit function are tremendous.

The requested position will focus on:

- Internal financial audits and controls. Audit financial procedures and implement strengthened policies.
- Internal program/financial audits. Conduct program reviews as required by statute and federal regulations.
- Audit tracking and follow-up. Ensure the Department tracks and implements State Auditor recommendations.

Consequences if Not Funded:

If this request is not funded, the department's internal audit function will continue to be un-staffed, resulting in weak financial controls and greater exposure to fraud. Without an effective Internal Audit Program, the department will lack a critical component of the system of internal controls required by statute, and remain at risk of the following consequences:

- The department's operations will not be reviewed, increasing the risk that errors and irregularities will go undetected.

- The department will not effectively address the prevention, identification, and detection of fraud.
- Only the required external audits will be performed.

Calculations for Request:

The cash fund appropriation of indirect cost assessment in the Division of Oil and Public Safety needs to be adjusted in order increase the reappropriated funds in the Executive Director’s Office. Therefore, \$2,754 of the request is duplicate spending authority.

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Reappr. Funds	Federal Funds	FTE
Total Request	\$85,722	\$0	\$46,856	\$2,754	\$36,112	0.0
(1) Executive Director’s Office-Personal Services	\$76,790	\$0	\$40,910	\$2,542	\$33,338	0.0
(1) Executive Director’s Office-Operating	\$6,178	\$0	\$3,192	\$212	\$2,774	0.0
(4) Division of Oil and Public Safety – Indirect Cost Assessment	\$2,754	\$0	\$2,754	\$0	\$0	0.0

Summary of Request FY 10-11	Total Funds	General Fund	Cash Funds	Reappr. Funds	Federal Funds	FTE
Total Request	\$80,314	\$0	\$43,976	\$2,575	\$33,764	0.0
(1) Executive Director’s Office-Personal Services	\$76,790	\$0	\$40,910	\$2,542	\$33,338	0.0
(1) Executive Director’s Office-Operating	\$950	\$0	\$491	\$33	\$426	0.0
(4) Division of Oil and Public Safety – Indirect Cost Assessment	\$2,942	\$0	\$2,575	\$0	\$0	0.0

Assumptions for Calculations:

This request is for an Auditor IV and 0.0 FTE. The department will use existing FTE authority for this position. This high level position is necessary due to the skill sets required for a

successful internal auditor of information systems combined with complex financial systems. Consequently, this position will require a combination of a strong IT and financial background. The position will work to ensure that as more of the Department moves to E-Commerce applications (direct deposit, electronic benefit payment cards, online payment of fees, etc.) that the internal controls are sufficiently sophisticated to deter and limit fraud.

OSPB Common Policy for FTE Requests			
FTE and Operating Costs Labor and Employment Audit Decision Item			
Fiscal Year(s) of Request		FY 09-10	FY 10-11
PERSONAL SERVICES	Title:	Auditor IV	
Number of PERSONS / class title		1	1
Number of months working in FY 08-09, FY 09-10 and FY 10-11		12	12
Number months paid in FY 08-09, FY 09-10 and FY 10-11 ¹		12	12
Calculated FTE per classification		0.0	0.0
Annual base salary		\$68,808	\$68,808
Salary		\$68,808	\$68,808
PERA	10.15%	\$6,984	\$6,984
Medicare	1.45%	\$998	\$998
Subtotal Personal Services at Division Level		\$76,790	\$76,790
OPERATING EXPENSES			
Supplies @ \$500/\$500 ²	\$500	\$500	\$500
Computer @ \$900/\$0	\$900	\$900	\$0
Office Suite Software @ \$330/\$0	\$330	\$330	\$0
Office Equipment @ \$3,998/\$0 (includes cubicle and chair)	\$3,998	\$3,998	\$0
Telephone Base @ \$450/\$450 ²	\$450	\$450	\$450
Other ^{3,4}			
Other ^{3,4}			
Other ^{3,4}			
Subtotal Operating Expenses		\$6,178	\$950
GRAND TOTAL ALL COSTS		\$82,968	\$77,740

Various cash and federal sources are affected by this decision item. Each of the following cash and federal sources will be used to fund this proposal in accordance with the department's federally approved internal indirect cost allocation plan.

Cash sources include: fund 142 Worker's Compensation cash fund, fund 232 Employment Support fund, fund 130 Petroleum Storage Tank fund, fund 137 Boiler fund, fund 702 UI Revenue fund, fund 138 PESS fund, fund 141 Public Safety fund, fund 143 Worker's Compensation Cost Containment fund, fund 140 Worker's Compensation Self Insurance fund, fund 13D Conveyance fund, fund 144 Liquefied Petroleum Gas fund, fund 416 Major Medical fund, and fund 417 Subsequent Injury fund.

Federal sources include: Wagner Peyser funds, Current Employment Statistic funds, Mass Layoff Statistic funds, One-Stop LMI funds, Local Area Unemployment Statistic funds, Occupational Employment Statistic funds, Disabled Veteran funds, ES Re-employment funds, Labor Certification funds, TAA Administrative funds, Workforce Investment Act funds, LUST funds, Local Veterans Outreach funds, and WOTC funds.

Impact on Other Government Agencies: Not applicable.

Cost Benefit Analysis: Implementing a robust Internal Audit Program will allow the department to effectively establish a system of internal controls that will minimize risk. No system of internal controls can eliminate the risk of fraud; however, risk can be reduced and limited. However, implementation of an effective internal financial audit program is supported by best practices. For example, the UI program received over \$1 billion in revenue and paid out over \$600 million in benefits in total over the past two fiscal years. Internal fraud of even 0.1% would result in over \$1 million in lost taxpayer funds. Assuming systematic oversight and safeguarding of CDLE funds reduces the odds of internal fraud by half, the estimated yearly savings when assuming a small 0.1% rate of internal fraud would save over \$500,000.

Implementation Schedule:

Task	Month/Year
------	------------

Finance Office/programs document all internal controls	February 2009
Post Chief Auditor Position	May 2009
Fill Chief Auditor Position	July 2009
Formally update and adopt Audit Charter	August 2009
Analyze Department audit needs (high risk areas)	August 2009
Implement Internal Controls Program	October -December 2009

Statutory and Federal Authority:

Section 24-17-102 (1) (e), C.R.S. (2007) requires:

(1) Each principal department of the executive department of the state government listed in section 24-1-110 shall institute and maintain systems of internal accounting and administrative control within said department, which shall be applicable to all agencies within said department and which shall provide for:

- (a) A plan of organization that specifies such segregation of duties as may be necessary to assure the proper safeguarding of state assets;
- (b) Restrictions permitting access to state assets only by authorized persons in the performance of their assigned duties;
- (c) Adequate authorization and record-keeping procedures to provide effective accounting control over state assets, liabilities, revenues, and expenditures;
- (d) Personnel of quality and integrity commensurate with their assigned responsibilities;
- (e) An effective process of internal review and adjustment for changes in conditions.

Performance Measures:

This request does not directly relate to any one performance measure within the Department. Notwithstanding this lack of a direct relationship, an internal audit function will assist the Department in fulfilling its mission.

**Schedule 13
Change Request for FY 2009-10 Budget Request Cycle**

Decision Item FY 2009-10 Base Reduction Item FY 2009-10 Supplemental FY 2008-09 Budget Amendment FY 2009-10
 Request Title: Disability Program Navigator
 Department: Labor and Employment
 Priority Number: DI #4

Dept. Approval by: *[Signature]*
 Date: 10/20/08
 OSPB Approval: *[Signature]*
 Date: 10-21-08

Fund	1		2	3	4	5	6	7	8	9	10
	Prior-Year Actual FY 2007-08	Appropriation FY 2008-09									
Total of All Line Items	0	870,000	0	870,000	0	870,000	0	870,000	0	870,000	0
FTE	0.0	1.0	0.0	1.0	0	1.0	9.0	10.0	0.0	10.0	9.0
GF	0	0	0	0	0	0	0	0	0	0	0
CF	0	20,000	0	20,000	0	20,000	0	20,000	0	20,000	0
CFE/RF	0	0	0	0	0	0	0	0	0	0	0
FF	0	850,000	0	850,000	0	850,000	0	850,000	0	850,000	0
(2) Division of Employment & Training	0	870,000	0	870,000	0	870,000	0	870,000	0	870,000	0
Workforce Improvement	0.0	1.0	0.0	1.0	0	1.0	9.0	10.0	0.0	10.0	9.0
Grants	0	0	0	0	0	0	0	0	0	0	0
CF	0	20,000	0	20,000	0	20,000	0	20,000	0	20,000	0
CFE/RF	0	0	0	0	0	0	0	0	0	0	0
FF	0	850,000	0	850,000	0	850,000	0	850,000	0	850,000	0

Non-Line Item Request: None.
 Letternote Revised Text: No additional text required.
 Cash or Federal Fund Name and COFRS Fund Number: Workforce Improvement Grants
 Reappropriated Funds Source, by Department and Line Item Name:
 Approval by OIT? Yes: No: N/A:
 Schedule 13s from Affected Departments: Department of Human Services

**Schedule 13
Change Request for FY 2009-10 Budget Request Cycle**

Decision Item FY 2009-10	<input checked="" type="checkbox"/>	Base Reduction Item FY 2009-10	<input type="checkbox"/>	Supplemental FY 2008-09	<input type="checkbox"/>	Budget Amendment FY 2009-10	<input type="checkbox"/>
Request Title:	Disability Program Navigator						
Department:	Human Services						
Priority Number:	NP-6						

Dept. Approval by: *Wigzel*
OSPAP Approval: *JM3*

Date: 10-16-08
Date: 10-21-08

Fund	1		2		3		4		5		6		7		8		9		10	
	Prior-Year Actual FY 2007-08	FTE	Appropriation FY 2008-09	Total Revised Request FY 2008-09	Supplemental Request FY 2008-09	Base Request FY 2009-10	Decision/ Base Reduction FY 2009-10	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 9) FY 2010-11									
Total of All Line Items	24,695,266	19.8	29,314,972	29,314,972	0	24,680,827	(931,000)	23,749,827	0	23,749,827	(931,000)									
FTE	19.8		27.0	27.0	0.0	27.0	(9.0)	18.0	0.0	18.0	(9.0)									
GF	0		0	0	0	0	0	0	0	0	0									
CF	66,244		1,034,500	1,034,500	0	35,126	0	35,126	0	35,126	0									
CFE/RF	6,647,095		5,224,824	5,224,824	0	5,237,126	(237,653)	4,999,473	0	4,999,473	(237,653)									
FF	17,981,927		23,055,648	23,055,648	0	19,408,575	(693,347)	18,715,228	0	18,715,228	(693,347)									
Total	24,695,266		29,314,972	29,314,972	0	24,680,827	(931,000)	23,749,827	0	23,749,827	(931,000)									
FTE	19.8		27.0	27.0	0.0	27.0	(9.0)	18.0	0.0	18.0	(9.0)									
GF	0		0	0	0	0	0	0	0	0	0									
CF	66,244		1,034,500	1,034,500	0	35,126	0	35,126	0	35,126	0									
CFE/RF	6,647,095		5,224,824	5,224,824	0	5,237,126	(237,653)	4,999,473	0	4,999,473	(237,653)									
FF	17,981,927		23,055,648	23,055,648	0	19,408,575	(693,347)	18,715,228	0	18,715,228	(693,347)									

Non-Line Item Request: None
Letternote revised text: Of this amount, it is estimated that \$4,376,363 shall be transferred from the Department of Education on behalf of school districts, \$378,864-\$241,201 shall be from community colleges, \$269,607 shall be transferred from the Mental Health and Alcohol and Drug Abuse Services section, \$100,000 shall be transferred from Community Services for People with Developmental Disabilities section, and \$100,000 shall be transferred from the Department of Labor.
Cash or Federal Fund Name and COFRS Fund Number: Federal Titles I, VI, and VII of the Rehabilitation Act;
Reappropriated Funds Source, by Department and Line Item Name: Department of Labor and Employment - Division of Employment & Training - Workforce Improvement Grants
Approval by OJT? Yes No NA
Schedule 13s from Affected Departments: Department of Labor and Employment

CHANGE REQUEST for FY 09-10 BUDGET REQUEST CYCLE

Department:	Labor & Employment
Priority Number:	1
Change Request Title:	Internet Self-Service (Year 2)

SELECT ONE (click on box):

- Decision Item FY 09-10
- Base Reduction Item FY 09-10
- Supplemental Request FY 08-09
- Budget Request Amendment FY 09-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Labor requests \$167,126 cash funds and 2.5 FTE as onetime expenses in FY 2009-10 to assist in the modernization of the current Internet self-service (ISS) applications, develop, implement and maintain the functionality of new applications, and integrate these elements into an Internet self-service “Suite.”

Over a two year span, 10 Internet self-service applications will be deployed. During the 2008 legislative session, one year of operating cash funding (\$503K) was approved to begin the modernization and enhancement of Internet functionality for the Unemployment Insurance (UI) Program. This request provides an update of the project status and identifies changes to the original decision item request for the second and final year. There are no permanent changes to FTE levels.

Background and Appropriation History:

During the 2008 legislative session, the first year of funding for this project was approved appropriating \$3.5M in state cash funds. The majority of these dollars, \$3,040,018 were capital construction funds with the remaining \$503,720 in operating dollars.

The ISS project initiation began in March 2008 with the development of a Project Charter and Governance documents, the creation of a Steering Committee, and the drafting of various Statements of Work for the procurements phase.

At the same time, the department entered into an agreement with the Statewide Internet Portal Authority (SIPA) whereby SIPA would host ISS on the state's web portal. The primary focus of SIPA is to provide electronic access to government information to individuals and businesses.

A number of meetings were held to familiarize staff and Steering Committee members with the services and capabilities that SIPA offers. As a result, the department will be utilizing SIPA instead of hiring contractors through the state's price agreement as originally planned. This new direction will result in cost savings to the project.

In addition, the procurements phase will continue as the department releases bids for a number of consultants which includes: Requirements Facilitator, Technical Writer, IT and Business Staff contractors, Project Manager, Database Architect and a Quality Manager.

FUNDING

CDLE is requesting approval for funding from the Employment Support Fund (ESF). The ESF supports the Division of Employment and Training in the UI, Workforce Development, and Labor programs. CRS 8-77-109(2)(a)(I) states that the ESF will "be used to offset funding deficits for program administration, including information technology initiatives, under the provisions of articles 70 to 82 of this title and to further support programs to strengthen unemployment fund solvency;"

ESF is the result of 50% of the Unemployment Insurance Tax Surcharge of .22% or .11%. The surcharge is based on taxable wages which are defined as the first \$10,000 earned by each employee annually. The Employment Support Fund receives .11% of taxable wages.

Under current statutory provisions, the ESF generates approximately \$24 million in revenue per year and as of the end of June 2008 had a cash balance of approximately \$45.5 million. There is sufficient fund balance to support this request. One of the original purposes of ESF was to fund technology projects. The department estimates that a fund balance of \$75.5M will be needed to support a unified automation system for UI that incorporates both the benefits and tax systems. This request is a prelude to that larger system initiative and will allow the department to realize some cost savings and program improvements in the short-term.

General Description of Request:

This request does not repeat the original narrative from the FY08-09 Internet Self-Service decision item but serves as an addendum to the original request and identifies the changes.

The decision item submitted last year by the department is being modified in three ways.

1. Originally, the department was planning on hiring contractors from the state's price agreement to modernize five current Internet self-service applications. Those applications include Initial Claims, Continued Claims, New Employer Registration, Tax & Wage Reporting and Customer Maintenance. The department estimated the need for 8,071 contractor hours at the IT Internet Developer level using the state's price agreement. Additionally, five new applications will be developed and integrated with the existing applications to form a "Suite" of Internet Self-Service applications. The new applications include Additional and Reopened Claims, Customer Feedback, Customer Information (both claimant and employer), Correspondence, and Appeals filing. The department estimated the need for 14,584 contractor hours at the IT Internet Developer level using the state's price agreement. Now, SIPA will be the contractor of choice.

Most state partnerships with SIPA are managed under a self-funded model. In essence, SIPA develops a user interface that allows customers to conduct business with a state agency online and, in exchange, SIPA charges a transaction fee. Since the ISS project includes elements that will not generate a transaction fee, the department plans to contract with SIPA to compensate them for the development of those online interfaces

that do not involve the processing of fees. Additionally, the existing timeline for ISS requires that SIPA ramp up with additional staff. The department anticipates a minimum savings of 5% in contractor costs from what was previously submitted.

2. The scope of the Enterprise Architect has been enlarged to a Database Architect and a Database Administrator. The department has determined there is an urgent need to address the complexity and disparity of the various infrastructure and database elements. Furthermore, the department wants to ensure that the data exchanges and interfaces required between the existing architecture and the ISS application suite are reliable, scalable, and allow for future enhancement. A database architect and administrator will be contracted to design a viable infrastructure to accommodate this need.

3. The primary purpose of the Independent Verification & Validation (IV&V) is to ensure the department obtains the expected project outcomes in terms of both design and implementation. This was a crucial concept in the original project vision of numerous contractors hired to work on individual systems and application components. Now that SIPA is playing an integral role in the development of the new applications, a traditional IV&V oversight function is excessive. Instead, the department will procure a Quality Manager that will perform periodic data gathering, design and development audits. These audits will ensure quality assurance and detailed documentation of project progress.

Consequences if Not Funded:

The department would use the FY08-09 appropriation of \$3.5M to modernize the five current applications but would be unable to develop and implement the five new applications. In addition, if funding is not approved it would eliminate the option of Internet accounts for customers to conduct business with the UI Program and reduce the dollar benefits of the overall project.

Calculations for Request:

Total Request	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request – Internet Self-Service Program Costs	\$167,126	\$0	\$167,126	\$0	\$0	2.5

Assumptions for Calculations:

The revised costs are outlined in the table below.

INTERNET SELF SERVICE REQUEST	ORIGINAL REQUEST		REVISED REQUEST	
	YEAR 1	YEAR 2	YEAR 1	YEAR 2
	FY08-09	FY09-10	FY08-09	FY09-10
1 Develop Requirements	\$ 650,904	\$ -	\$ 650,904	\$ -
2 Modernize current Internet Applications	\$ 1,073,429	\$ -	\$ 1,036,652	\$ -
3 New Applications	\$ 439,743	\$ 1,809,369	\$ 417,756	\$ 1,768,270
4 Integrate to Internet Self-Service Suite	\$ 228,000	\$ 208,000	\$ 347,000	\$ 327,000
5 Project Management	\$ 530,400	\$ 665,400	\$ 530,400	\$ 665,400
6 IV&V	\$ 310,000	\$ 310,000	\$ 125,000	\$ 125,000
7 Contingency	\$ 311,262	\$ 311,262	\$ 300,399	\$ 300,399
	\$ 3,543,738	\$ 3,304,031	\$ 3,408,111	\$ 3,186,069
PROJECT TOTAL		\$ 6,847,769		\$ 6,594,180
Revised Request Savings			\$ (135,627)	\$ (117,962)
TOTAL PROJECT SAVINGS				\$ (253,589)

For line item 1, no changes are anticipated to the original cost estimate. The department is bringing in a Requirements Facilitator to guide program staff in gathering and organizing comprehensive detail for each of the self-service functional areas. This effort will provide the backbone in each of the application areas.

Line items two and three above reflect an anticipated costs savings of 5% as a direct result of our collaborative partnership with SIPA.

Line item four has been enhanced as a result of enlarging the scope from an enterprise architect to a database architect and administrator.

No change has been made to the project management funding on line five. Line six has been reduced to replace the use of an IV&V with a Quality Manager. Finally, the contingency requirement has been recalculated based on the new project total.

These changes do not impact to the operating portion of this request. The \$253,589 in total savings for year one and two reduces the Year two capital construction continuation (submitted separately) from the original \$3.3M to \$3.0M as shown below.

Funding Source	ORIGINAL REQUEST		REVISED REQUEST	
	YEAR 1	YEAR 2	YEAR 1	YEAR 2
	FY08-09	FY09-10	FY08-09	FY09-10
Capital Construction	\$ 3,040,018	\$ 3,122,311	\$ 3,040,018	\$ 2,883,316
Operating	\$ 503,720	\$ 181,720	\$ 503,720	\$ 167,126
TOTAL	\$ 3,543,738	\$ 3,304,031	\$ 3,543,738	\$ 3,050,442
		\$ 6,847,769		\$ 6,594,180

Impact on Other Government Agencies:

N/A

Cost Benefit Analysis:

The modifications to the project do not significantly impact the original cost/benefit analysis. Total benefits through FY14 have been calculated at \$38.9M. These benefits are the result of time savings for both claimants and employers estimated to be \$23.9M and time savings and operating costs to the UI program which are estimated at \$14.9M.

Implementation Schedule:

This effort will be accomplished over 26 months or a little over two years, deploying ten Internet self-service applications in a phased implementation. This timeline has been

expanded from the original request that estimated a two-year or 24-month schedule. The expansion is a result of further planning and fine-tuning of the project scope and may be adjusted, if necessary, as part of contract negotiations with SIPA.

Project Timeline	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	
ISS Requirements																													
Initial Claims																													
Continued Claims																													
Addl/Reopen Claims																													
CR 100																													
Tax/Wage Reporting																													
Customer Maintenance																													
Customer Feedback																													
Claimant Information																													
Employer Information																													
Appeals Filing																													
Disaster Recovery																													

Statutory and Federal Authority:

Social Security Act of 1935 and the Federal Unemployment Tax Act.
Section 8-70-101 thru 8-82-105 C.R.S. (2008)

Section 8-70-102 C.R.S. (2008) – As a guide to the interpretation and application of this article, the public policy of this state is declared to be as follows: Economic insecurity due to unemployment is a serious menace to the health, morals, and welfare of the people of this state. Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the general assembly to prevent its spread and to lighten its burden which now so often falls with crushing force upon the unemployed worker and his family. The achievement of social security requires protection against this greatest hazard of our economic life. This can be provided by encouraging employers to provide more stable employment and by the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social

consequences of poor relief assistance. The general assembly, therefore, declares that in its considered judgment the public good and the general welfare of the citizens of this state require the enactment of this measure, under the police powers of the state, for the compulsory setting aside of unemployment reserves to be used for the benefit of persons unemployed through no fault of their own.

Performance Measures:

- 1.1 Ensure that 90% of the payments processed are accurate and timely.
- 1.2 Increase Internet usage to the level of 50% of workload is conducted utilizing the Internet or other electronic method.

CHANGE REQUEST for FY 09-10 BUDGET REQUEST CYCLE

Department:	Labor and Employment
Priority Number:	DI #4
Change Request Title:	Disability Navigator Annualization

SELECT ONE (click on box):

- Decision Item FY 09-10
- Base Reduction Item FY 09-10
- Supplemental Request FY 08-09
- Budget Request Amendment FY 09-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Colorado Department of Labor and Employment (CDLE) requests \$0 and an additional 9.0 federal FTEs in FY2009-10 for the operation of the Disability Program Navigator initiative to provide employment services to persons with disabilities. The 9.0 FTEs are currently appropriated to the Division of Vocational Rehabilitation in the Department of Human Services. Senate Bill 08-231 appropriated the Colorado Workforce Development Council (Council) with the Workforce Improvement Grant of 1.0 FTE and \$850,000 in federal funds and \$20,000 in cash funds for the DPN project. This will bring the program to 10.0 FTE with an appropriation of \$870,000.

Background and Appropriation History:

Colorado was the initial pilot state for the Disability Program Navigator (DPN) in FY 2002-03. The program serves as a resource to the Workforce Development System and works in tandem with Workforce Center staff to provide services to individuals with disabilities who seek information about employment, including Social Security work incentives. The DPN addresses the needs of individuals with disabilities seeking training and employment opportunities through the Workforce Development System. The DPN provides expertise and serves as a resource to individuals with disabilities; including

Social Security Disability (SDI) and Supplemental Security Income (SSI) disability; and blindness beneficiaries.

Since the DPN initiative is funded by the USDOL and the 9.0 FTE are employed within the state Workforce Development System the FTE should reside within the CDLE. Nearly all states administer the DPN initiative in the state workforce agency. On July 1, 2005, CDLE transferred the 9.0 FTEs and associated costs to the Department of Local Affairs (DOLA) where the Council resided because of decreases in federal funding and various administrative issues. Prior to that date, the Council contracted with county-run regions directly and provided funds to the Colorado Rural Consortium in the CDLE.

In response to further administrative and funding issues, in FY 2007-08, the Council worked with the Department of Human Services (DHS), Division of Vocational Rehabilitation (DVR) to continue the DPN initiative at the workforce centers. A budget change request was submitted for FY 2007-08. The JBC approved GBA -3 (Governor's Budget Amendment) to effectuate this transfer. The Council transferred 9.0 DPN positions to DVR to ensure that services continued to flow to those with disabilities. In addition, Workforce Development Programs in the CDLE provided additional Employment Support Funds (cash fund) for the program in FY 2007-08 as the state match to help secure DVR's federal funds. Further, the Council provided Workforce Investment Act Discretionary funds to support the program. This combination of funding supported the program throughout FY 2007-08.

The Council has 1.0 full time position who manages the DPN initiative and other federal grants. Historically, the DPN has contracted with county-run workforce regions to staff 11.0 DPNs through contracts with counties and employs 9.0 FTEs in state-run workforce centers as shown in the chart below.

STATE-RUN	
Workforce Regions	Number of DPN Positions
Eastern	1.0
Northwest	1.0
Pueblo	1.0
Rural Resort	1.0
South Central	1.0
Southeast	1.0
Southwest	1.0
Upper Arkansas	1.0
Western	1.0
Sub-total	9.0
COUNTY-RUN	
Workforce Regions	Number of DPN Positions
Adams County	1.0
Arapahoe/Douglas County	1.0
Boulder County	1.0
Broomfield County	1.0
Denver County	2.0
Larimer County	1.0
Mesa County	1.0
Pikes Peak	1.0
Tri-County	1.0
Weld	1.0
Sub-total	11.0
Grand Total	20.0

Senate Bill 08-231 transferred the Council from the DOLA to the CDLE effective July 1, 2008. The bill appropriated the Workforce Improvement Grant with 1.0 FTE and \$850,000 in federal funds for the DPN program. Based on the current federal grant, it is anticipated that the Council will have over \$900,000 in federal funds available for the DPN program in FY 2008-09.

General Description of Request:

The Department requests that the 9.0 FTE within the DPN program be transferred to the CDLE in FY 2009-10. The 9.0 FTE are currently appropriated to the Division of Vocational Rehabilitation in the Department of Human Services. The Council has secured sufficient federal funding to support the program. This transfer will appropriately place the program staff authorizations with the receiving agency of the federal funds and remove the need for CDLE cash funds in the DVR.

Since the DPN initiative is funded by the USDOL and the 9.0 FTE are employed within the state Workforce Development System, the FTE should reside within the CDLE. This organizational structure is consistent with nearly all states as they administer the DPN initiative in the state workforce agency.

Consequences if Not Funded:

If this request is not approved, the Council will lose the federal funding that has been secured and state funding will need to be spent. Consequently, the outreach services and internal awareness of the disabled community within the workforce system may no longer be facilitated via the navigator program throughout the State of Colorado.

Calculations for Request:

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Reappr. Funds	Federal Funds	FTE
Total Request	\$0	\$0	\$0	\$0	\$0	9.0

Assumptions for Calculations:

The Workforce Improvement Grant line item must be increased by an additional 9.0 FTE. The appropriation for the DPN initiative is included in the Council's budget per Senate Bill 08-231. The appropriation consists of \$850,000 in federal funds and \$20,000 in cash funds, sufficient to fund the 9.0 FTE and the county contracted employees, therefore this

request has a \$0 dollar impact. The Department of Human Services, Division of Vocational Rehabilitation, will have a reduction of a total of 9.0 FTE and \$931,000 in reappropriated and federal funds.

Impact on Other Government Agencies:

The 9.0 FTE are currently appropriated to the Division of Vocation Rehabilitation in the Department of Human Services. The DVR will submit a companion Schedule 13 to reduce their FTE and remove the match funds appropriation of \$100,000 in cash funds and the corresponding annotation that the funds be transferred from the CDLE in the FY2008-09 Long Bill.

Cost Benefit Analysis:

The DPN positions are a valuable resource to the Workforce Development System addressing the needs of individuals with disabilities seeking training and employment opportunities. With the transfer of these FTE CDLE will not need to transfer \$100,000 of cash funds to help fund the positions as they will be federally funded. Without the transfer, the federal grant awarded to Colorado for this purpose will be lost.

Since inception of the DPN initiative in Colorado, individuals with disabilities served, entered employment, retention rate, and earnings have steadily increased. In 2002, approximately 2% of individuals with disabilities received employment services and by 2007, the rate increased to 7.6% demonstrating the efficacy of this valuable program.

Implementation Schedule:

Task	Month/Year
Transfer nine FTEs from DVR to CDLE	October 2008

Statutory and Federal Authority:

24-46.3-101 CRS 2008.

Performance Measures:

This request relates to a departmental performance measure for the Entered Employment Rate and a division performance measure for Employers Served. This request may not directly increase the entered employment rate however it will influence the number of clients from the disabled community that will be embedded within the number of those that have successfully entered employment.