

Schedule 13

Funding Request for the FY 2015-16 Budget Cycle

Department of Labor And Employment

PB Request Number: NPR-01

Request Titles

NPR-01 Annual Fleet Vehicle Request

Dept. Approval By: <u></u>	_____	Supplemental FY 2014-15
	x	Change Request FY 2015-16
	_____	Base Reduction FY 2015-16
OSPB Approval By: <u></u>	_____	Budget Amendment FY 2015-16

Line Item Information	FY 2014-15		FY 2015-16		FY 2016-17
	Appropriation	Request	Base Request	FY 2015-16	Continuation
Fund					
Total	\$122,159	\$0	\$122,159	\$13,550	\$0
FTE	-	-	-	-	-
Total of All Line Items					
GF	\$0	\$0	\$0	\$0	\$0
CF	\$92,196	\$0	\$92,196	\$10,217	\$0
RF	\$0	\$0	\$0	\$0	\$0
FF	\$29,963	\$0	\$29,963	\$3,333	\$0

Line Item Information	FY 2014-15		FY 2015-16		FY 2016-17	
	Appropriation	Request	Base Request	FY 2015-16	Continuation	
Fund						
Total	\$122,159	\$0	\$122,159	\$13,550	\$0	
CF	\$92,196	\$0	\$92,196	\$10,217	\$0	
01. Executive Director's Office - Vehicle Lease Payments	FF	\$29,963	\$0	\$29,963	\$3,333	\$0

Letternote Text Revision Required? Yes No x _____ _____ _____	If Yes, describe the Letternote Text Revision:
Cash or Federal Fund Name and CORE Fund Number:	
Reappropriated Funds Source, by Department and Line Item Name:	
Approval by OIT? Yes No Not Required: x	_____
Schedule 13s from Affected Departments:	
Other Information:	

Schedule 13

Funding Request for the FY 2015-16 Budget Cycle

Department of Labor And Employment

PB Request Number R-01

Request Titles

R-01 Unemployment Insurance Automation Initiatives

Dept. Approval By:	<i>[Signature]</i> 10-28-14	<input checked="" type="checkbox"/>	Supplemental
			Change Request FY 2015-16
			Base Reduction FY 2015-16
OSPB Approval By:	<i>[Signature]</i>	<input type="checkbox"/>	Budget Amendment FY 2015-16

Line Item Information	FY 2015-16				Year 2
	FY 2014-16	Request	Base Request	FY 2015-16	Continuation Governor Budget Request
Fund					
Total	\$38,213,467	\$0	\$39,319,217	\$8,565,464	\$8,572,930
FTE	479.1	-	479.1	0.0	0.0
Total of All Line Items					
GF	\$0	\$0	\$0	\$0	\$0
CF	\$10,109,784	\$0	\$10,341,755	\$8,565,464	\$8,572,930
RF	\$0	\$0	\$0	\$0	\$0
FF	\$28,103,683	\$0	\$28,977,462	\$0	\$0

Line Item Information	FY 2015-16				Year 2
	FY 2014-16	Request	Base Request	FY 2015-16	Continuation Governor Budget Request
Fund					
Total	\$38,622,721	\$0	\$36,728,471	(\$830,004)	(\$830,004)
CF	\$7,519,036	\$0	\$7,751,009	(\$830,004)	(\$830,004)
02, Division of Unemployment Insurance - Program Costs					
FF	\$28,103,683	\$0	\$28,977,462	\$0	\$0
FTE	467.1	-	467.1	(14.0)	(14.0)
Total	\$2,690,746	\$0	\$2,690,746	\$7,395,468	\$7,402,934
02, Division of Unemployment Insurance - Employment And Training Technology Initiatives					
CF	\$2,690,746	\$0	\$2,690,746	\$7,395,468	\$7,402,934
FTE	12.0	-	12.0	14.0	14.0

Letternote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	If Yes, describe the Letternote Text Revision:
Cash or Federal Fund Name and CORE Fund Number: Fund 24M0 - Employment and Training Technology Fund				
Reappropriated Funds Source, by Department and Line Item Name:				
Approval by OIT?	Yes	<input checked="" type="checkbox"/>	No	Not Required: _____
Schedule 13s from Affected Departments:				
Other Information:				



COLORADO

Department of
Labor and Employment

Priority: R-01
Unemployment Insurance Automation Initiatives
FY 2015-16 Change Request

Cost and FTE

- The Department requests \$7,395,468 Cash Fund spending authority in FY 2015-16 from the Employment and Training Technology Fund to continue the implementation of automation initiatives in the Unemployment Insurance (UI) premium and benefits system known as WyCAN.
- The Department also requests an FTE neutral transfer of 14.0 FTE with a corresponding reduction of \$830,004 Cash Funds from the Unemployment Insurance Division to the WyCAN project line. This results in a net increase to the Department's budget of \$6,565,464, or 3.9 percent.
- No additional cash fees will be added. The project will be funded within existing cash funds.

Current Program

- The Unemployment Insurance (UI) Division provides temporary compensation to individuals who are laid off through no fault of their own. The payment of unemployment benefits is funded through employer premiums.

Problem or Opportunity

- The legacy UI premium and benefits system was brought online in 1985 and does not have the ability to meet claimant, employer, nor departmental needs and reporting requirements.
- Colorado has joined a multi-state consortium called WyCAN to begin upgrading its mainframe UI system. The WyCAN Consortium consists of the UI programs of Arizona, Colorado, North Dakota, and Wyoming. The Consortium is implementing a combined UI premiums and benefits system that will leverage the inherent commonalities between the WyCAN states to be cost-effective for development, operations, and support.
- The Department submitted a budget amendment for the first phase of the WyCAN project in FY 2013-14 that was funded at \$3,838,746 Cash Funds and 12.0 FTE. OIT and UI staff have now completed the first phase of data transfers and "cleansing" of the Colorado mainframe system, preparing the mainframe for programming of state requirements, and the financial management system interface of WyCAN with CORE.
- Continued spending authority and a transfer of staff to serve as subject matter experts (SME) is now needed to ensure state statutes and regulations are incorporated within the program design and implemented within each phase of the project.

Consequences of Problem

- Without continued funding, the Department's systems will not be efficiently updated with state specific employer premiums, claimant payments, and department reporting requirements. These delays have negative consequences impacting employers, claimants, and the state, as well as the delivery of the Colorado version of the WyCAN project and the consortium WyCAN project as a whole.

Proposed Solution

- Additional staff and OIT support will provide severely needed expertise to perform critical test script development, test script execution, documentation, training, and initial deployment activities in FY 2015-16 and FY 2016-17. The project is expected to be completed in state FY 2017.



COLORADO

Department of Labor and
Employment

FY 2015-16 Funding Request | November 1, 2014

John W. Hickenlooper
Governor

Ellen Golombek
Executive Director

Department Priority: R-01
Request Detail: Unemployment Insurance Automation Initiatives

Summary of Incremental Funding Change for FY 2015-16	Total Funds	Cash Funds
Unemployment Insurance Automation Initiatives	\$6,565,464	\$6,565,464

Problem or Opportunity:

The current legacy mainframe Unemployment Insurance (UI) benefits and tax system was brought online in 1985 and does not have the ability to meet claimant, employer, nor departmental needs and reporting requirements. This results in several issues, such as: UI staff have to manually process some claims; IT changes to the system take a great deal of time and resources to implement; and the Department cannot rapidly report concise financial information. Further, the various systems within the UI program are unable to interface with other department and state systems. For example, this system does not automatically provide input into the state's financial system nor have the ability to readily verify legal residency.

Since the 1985 implementation of Colorado's Unemployment Insurance system, the UI customer base has progressed in utilizing more advanced technology. The Internet Self Service project developed web-based UI applications; however, this project did not address the underlying mainframe systems. Due to the need for automation, Colorado has joined a multi-state consortium called WyCAN to begin automating its mainframe UI computer system.

The WyCAN Consortium consists of the UI programs of the states of Arizona, Colorado, North Dakota, and Wyoming. The Consortium is implementing a combined UI premiums and benefits system that is extensible and configurable and will be cost-effective for development, operations, and support. One of the goals of the Consortium is to leverage the inherent commonality between the WyCAN states to reduce the development costs relative to the collective development costs of four separate states.

The U.S. Department of Labor awarded the WyCAN Consortium \$58.0 million to contract and develop the UI integrated benefit and tax system. While tremendous savings will be realized through the joint development of a common UI Benefits and Premium application working through the WyCAN Consortium, there is still a need to customize components of WyCAN and the overall UI system within the context of Colorado laws and requirements. Common functions amongst states represent an estimated 65-75 percent of the overall WyCAN application. This leaves approximately 25-35 percent of the system to be maintained individually by each state. Each state in the Consortium is responsible for integrating their state-specific requirements and interfaces to the core system, which they will need to do using their own state IT staff or through a contractor of their choosing. Furthermore, state-specific sub-systems will not

necessarily be addressed by WyCAN and in some cases will need to be modernized to allow for interface with the modernized system.

The Department submitted a budget amendment for the first phase of the WyCAN project in FY 2013-14 that was funded at \$3,838,746 Cash Funds and 12.0 FTE. To continue supporting the 12.0 FTE working on the project, \$2,590,746 and 12.0 FTE continued into FY 2014-15. The additional funds in the first year supported OIT contract services related to the project. OIT and UI staff have now completed the first phase of data transfers and “cleansing” of Colorado mainframe system, preparing the mainframe for programming of state requirements, and the financial management system interface of WyCAN with CORE.

The next phase of the project is to design and program Colorado-specific requirements. While reviewing Colorado Revised Statutes, Sections 8-72-102 through 8-81-103, the Department determined that the Colorado UI program does not have sufficient subject matter expertise (SME) staff on the WyCAN project to incorporate Colorado-specific statutory requirements into the new UI computer system. The Colorado Project Manager worked with his team leads to cross reference the WyCAN staffing gaps with the WyCAN project schedule to provide an analysis of the skills (SMEs) still needed on the project to meet the Department’s obligations. The following positions were determined to be critical to the success of the WyCAN project:

- Administrative Assistant II (1)
- Auditor IV (1)
- Labor/Employment Specialist II (4)
- Labor/Employment Specialist III (4)
- Labor/Employment Specialist IV (3)
- Unemployment Insurance Technician (1)

Continued spending authority from the Employment and Training Technology Fund and a transfer of staff to serve as subject matter experts (SMEs) is needed to ensure state statutes and regulations are incorporated within the program design and implemented within each phase of the project. Eligibility for unemployment insurance, benefit amounts and the length of time benefits are available are determined by Colorado law. Premiums charged to employers are also specific to each state. Other systems not addressed by WyCAN that require updating and configuration include citizen verification, reporting capabilities, internet portal (IP) address applications tracking, and additional automated or online features, among others. This request will enable the Department to address these facets of the program within the WyCAN context while also ensuring funding for the Colorado-specific components of WyCAN.

Proposed Solution:

The Department is requesting \$7,395,468 Cash Fund spending authority for the Employment and Training Technology Fund beginning in FY 2015-16, annualizing to \$7,402,934 in FY 2016-17. The request includes an FTE neutral transfer of 14.0 FTE with a corresponding reduction of \$830,004 Cash Funds from the Unemployment Insurance Division to the Employment and Training Technology Initiatives (WyCAN project) line. This results in a net increase of \$6,565,464 Cash Funds. The increase in cash funds from the Employment and Training Technology Fund will be used to continue the implementation of automation initiatives in the Unemployment Insurance (UI) premium and benefits system known as WyCAN. This added funding will assist the Department with functional development of the system in areas such as UI claimant information, employer services, and fraud analytics.

The UI staff being transferred will develop, build, and quality test each phase of the newly established tax and benefit system. The FTE that would be transferred from the UI Division to the Employment and Training Technology Initiatives line for Test, Training, and Deployment Services will provide severely needed additional support to perform critical test script development, test script execution, documentation, training, and initial deployment activities in FY 2015-16 and FY 2016-17. The Department will strategically transfer staff from the UI base grant and shift them to the WyCAN project while minimizing operational impacts to the regular UI program. The internal expertise is needed on Colorado's statutes relating to Tax Premiums Performance Measures, benefit payments, Benefit Accuracy Measurements (BAM), and UI benefit claims. State statutes related to timelines need to be incorporated into this system. OIT has been a partner from the beginning of the WyCAN project and the department will continue to work closely with OIT in finding the right IT vendors to help in completing the Colorado specific portions of the system.

Without continued funding, the Department's systems will not be efficiently updated with state-specific employer premiums, claimant payments, and department reporting requirements. These delays have negative consequences impacting employers, claimants, and the state as well as the delivery of the Colorado version of the WyCAN project and the consortium WyCAN project as a whole.

The WyCAN Consortium design schedule does not allow the Department to wait for customization of state-specific elements until after all of the federal requirements are programmed for WyCAN. Colorado is the lead state on this project and the first state scheduled for implementation of the new system. Thus, the design schedule calls for Colorado-specific programming to be done alongside the Consortium's common components of the system. Failure to meet these requirements would cause a delay in implementation for all WyCAN consortium states. Thus state laws and requirements would not be incorporated in to the system which would not allow the Department to update all UI program systems in a timely manner and could ultimately delay the final release of the project. Any delay will force the continued use of outdated systems for a longer period of time, not allow for improved customer service, and increase costs to the state.

Anticipated Outcomes:

Funding automation projects will allow the Department more efficient and sustainable tracking and reporting capabilities. Funding will enhance automated features available online to both claimants and employers.

The final outcome of the project will be to implement a robust and modern UI computer-based system where all components successfully interface and that will meet the needs of three main essential constituents:

- 1) Colorado Employers - Allow Colorado employers to pay premiums online;
- 2) Colorado Citizens - Provide full and robust access for claimants to file claims and check their status anywhere and anytime; and
- 3) Administrative Efficiency - Give the Department the tools to automate required verification checking and reporting capabilities.

This request aligns with the UI's performance measure to meet or exceed federal performance metrics within the Department's strategic plan. The performance measure states: "Meet or exceed federal performance metrics for First Payment Promptness." The measurement for this objective is the national benchmark of completing 87 percent of all first payments made to claimants within 14 days.

Determinations made by the UI Division on unemployment claims and the resulting outcome relative to the percentage of those decisions that are prompt is a key customer service and internal process within the UI Division for a number of reasons:

- The time it takes for decisions to be made on claims can be a primary driver for inbound calls into our Customer Service Center (CSC).
- The adjudication function is a primary driver of other internal functions within the UI Division—its outcomes are inputs into other processes.
- Because of an outdated information technology system platform, there are limitations to access on the status of a pending claim for a customer; this in turns drives inbound calls to the CSC.
- Similarly, current information technology hinders communication capabilities to customers on the status of their pending claim, again driving inbound calls to the CSC.
- Finally, when the UI Division does make payments promptly to waiting customers, it prevents inbound calls.

Assumptions and Calculations:

The total WyCAN and associated system costs are estimated to be \$57 million. Sixty-five percent of these costs will be covered by federal funds. The remaining 35 percent of the WyCAN costs will be specific to the State of Colorado. Thus, the overall assumption of state cash funds needed is $\$57,000,000 \times 0.35 = \$19,950,000$. Currently, C.R.S. 8-77-109 allows for the department to request up to \$10 million of spending authority. With this request, the Employment and Training Technology Initiatives spending authority will total \$9,986,214. The Department is requesting roll forward spending authority, via letter note, for the Employment and Training Technology Initiatives Long Bill line to cover contractual obligations to vendors that will occur in FY 2016 but may not be fully expended by June 30, 2016. The project is expected to end in state fiscal year 2017. The Employment and Training Technology Fund has sufficient revenue to support the request; it is projected that \$10 million in new revenue will be collected each fiscal year through FY 2016-17.

OIT contractual costs will be \$5,789,240 for FY 2015-16. This includes \$5.5 million for an IT Vendor to perform functional development and testing of premium collections and benefit payments and \$75,000 for a service contracts fee. OIT will be the lead on IT vendor selections and is assumed will contract on behalf of the department. OIT will provide one additional staff programmer in order to transition state requirements from the legacy mainframe database to the new system, and will build and run test scripts on the new system. The 1.0 FTE is calculated at \$103 per hour for 2,080 hours for a total cost of \$214,240. OIT costs are detailed in Appendix A. As described in the request, the Department will need 14.0 FTE at a cost of \$1,556,228 in FY 2015-16 and \$1,563,694 in FY 2016-17. These costs are broken down further in Appendix A. Staff within the Labor and Employment job classification series will develop, build, and quality test each phase of the newly developed tax and benefit system.

Appendix A

Expenditure Detail		FY 2015-16		FY 2016-17	
<i>Personal Services:</i>		FTE		FTE	
	Monthly Salary				
Administrative Assistant II	3,025	1.0	36,300	1.0	36,300
PERA			3,684		3,684
AED			1,597		1,742
SAED			1,543		1,724
Medicare			526		526
STD			80		80
Health-Life-Dental			7,927		7,927
Subtotal Position 1, 1.0 FTE		1.0	51,657	1.0	51,983
	Monthly Salary				
AUDITOR IV	6,467	1.0	77,604	1.0	77,604
PERA			7,877		7,877
AED			3,415		3,725
SAED			3,298		3,686
Medicare			1,125		1,125
STD			171		171
Health-Life-Dental			7,927		7,927
Subtotal Position 2, 1.0 FTE		1.0	101,417	1.0	102,115
	Monthly Salary				
LABOR/EMPLOYMENT SPEC II	4,044	4.0	194,112	4.0	194,112
PERA			19,702		19,702
AED			8,541		9,317
SAED			8,250		9,220
Medicare			2,815		2,815
STD			427		427
Health-Life-Dental			31,709		31,709
Subtotal Position 3, 4.0 FTE		4.0	265,556	4.0	267,302

	Monthly Salary				
LABOR/EMPLOYMENT SPEC III	5,323	4.0	255,504	4.0	255,504
PERA			25,934		25,934
AED			11,242		12,264
SAED			10,859		12,136
Medicare			3,705		3,705
STD			562		562
Health-Life-Dental			31,709		31,709
Subtotal Position 4, 4.0 FTE		4.0	339,515	4.0	341,814

	Monthly Salary				
LABOR/EMPLOYMENT SPEC IV	6,268	3.0	225,648	3.0	225,648
PERA			22,903		22,903
AED			9,929		10,831
SAED			9,590		10,718
Medicare			3,272		3,272
STD			496		496
Health-Life-Dental			23,782		23,782
Subtotal Position 5, 3.0 FTE		3.0	295,620	3.0	297,650

	Monthly Salary				
UNEMP INSURANCE TECH	3,403	1.0	40,836	1.0	40,836
PERA			4,145		4,145
AED			1,797		1,960
SAED			1,736		1,940
Medicare			592		592
STD			90		90
Health-Life-Dental			7,927		7,927
Subtotal Position 6, 1.0 FTE		1.0	57,123	1.0	57,490
Subtotal Personal Services		14.0	1,110,888	14.0	1,118,354

Operating Expenses

Regular FTE Operating Expenses

5,000 14.0 7,000 14.0 7,000

Telephone Expenses

4,300 14.0 6,300 14.0 6,300

PC, One-Time

1,200 - -

Office Furniture, One-Time	3,475	-	-
Building Lease Space (6th floor and 2nd Floor Link)		218,750	218,750
IT Vendor - Functional development and testing of premium collections and benefit payments		5,500,000*	5,500,000
IT Vendor Service Contracts		75,000*	75,000
OIT Support (1.0 FTE Computer Programming Service equivalent @ \$103/hr)		214,240*	214,240
Travel		50,000	50,000
Indirect Cost		213,290	213,290
Subtotal Operating Expenses		6,284,580	6,284,580
<u>TOTAL REQUEST</u>	14.0	<u>7,395,468</u>	14.0 <u>7,402,934</u>
	<i>Cash funds:</i>	7,395,468	7,402,934

	FY 2015-16	FY 2016-17
PERA	10.15%	10.15%
AED	4.80%	4.80%
SAED	4.25%	4.25%
Medicare	1.45%	1.45%
STD	0.33%	0.33%
Health-Life-Dental	\$7,927	\$7,927

*OIT contractual and support costs