

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0760 **Date:** March 10, 2015
Prime Sponsor(s): Rep. Esgar; Kraft-Tharp **Bill Status:** House Business, Affairs & Labor
 Sen. Merrifield **Fiscal Analyst:** Alex Schatz (303-866-4375)

BILL TOPIC: ENHANCED UNEMPLOYMENT COMPENSATION BENEFITS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	<u>\$4,000,000</u>	<u>\$4,000,000</u>
General Fund	3,974,201	3,977,309
Centrally Appropriated Costs**	25,799	22,691
FTE Position Change	1.2 FTE	1.0 FTE
Appropriation Required: \$3,974,201 - Department of Labor and Employment (FY 2015-16)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill reenacts the Enhanced Unemployment Insurance Compensation Benefits Program (program) in the Colorado Department of Labor and Employment (CDLE). The Division of Unemployment Insurance will review and approve job training programs and pay enhanced benefits to eligible claimants enrolled in job training for three fiscal years, starting in FY 2015-16 and ending in FY 2017-18. Up to \$4 million may be expended for the program, including benefit payments, in any fiscal year, with no more than \$12 million in expenditures obligated by the division over the three fiscal years affected by the bill. The state General Fund pays for program costs.

The division's administration of the program includes:

- input from local workforce investment boards and the Division of Labor in CDLE regarding occupations for which training should be approved;
- outreach to unemployed workers, informing them of the program;
- weekly payment of the benefit to eligible claimants, with a maximum cumulative benefit amount calculated based on the monetary amount of the individual claimant's benefit for a regular unemployment claim; and
- rulemaking deemed necessary by the division's director to implement, administer, or take enforcement action related to the program.

By December 31, 2016, and December 31, 2017, the division must submit an annual report to the Joint Budget Committee and the business committees of the General Assembly. This report will contain detailed information regarding the program and its outcomes.

Background

The Enhanced Unemployment Insurance Compensation Benefits Program was introduced in Colorado with the enactment of Senate Bill 09-247, an omnibus unemployment insurance bill that included numerous other provisions and funding from the federal American Recovery and Reinvestment Act of 2009 (ARRA). House Bill 12-1272 extended the program for two years beyond its original repeal date at the end of FY 2011-12. Federal ARRA funding for the program was completely depleted when the program reached its statutory repeal date on July 1, 2014.

Under the program, claimants already qualified to receive unemployment insurance benefits could receive an additional monetary benefit by enrolling in an approved job training program. According to the statutory report concerning the original program, at least 229 occupations or occupational categories were targeted by this job training. Approximately 5,500 persons utilized the program over its original five-year period.

State Expenditures

The bill increases state expenditures in CDLE by **\$3,974,201 and 1.2 FTE in FY 2015-16**, and by **\$3,977,309 and 1.0 FTE in FY 2016-17**. These new resources are dedicated to increased workload in the Division of Unemployment Insurance and will continue through FY 2017-18. Increased workload in other CDLE divisions is minimal and does not require additional resources.

As summarized in Table 1, all costs under the bill are paid out of the General Fund. Personal services costs in FY 2015-16 are prorated to reflect the General Fund pay date shift.

Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$58,277	\$51,345
FTE	1.2	1.0
Operating Expenses	31,235	30,950
Capital Outlay Costs	4,703	0
Enhanced Unemployment Benefit Payments	3,862,476	3,895,014
Information Technology - Programming (OIT)	17,510	0
Centrally Appropriated Costs*	25,799	22,691
TOTAL	\$4,000,000	\$4,000,000

* Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. The fiscal note incorporates the following assumptions into its analysis:

- Based on historical data, up to 1,500 unemployment claimants are expected to utilize the reenacted program in each fiscal year. Benefit payments for job training under the program will exhaust available funding.
- Administrative costs, including both direct and indirect costs, are included in the bill's \$4 million annual limit on expenditures.

- As contemplated by the bill, and based on a lack of authority under current law for cash funds within the scope of the Division of Unemployment Insurance to receive a General Fund appropriation, all expenditures for the program are paid from the General Fund.
- The bill does not affect the Unemployment Insurance Trust Fund or the enterprise status of associated activities.

CDLE — Division of Unemployment Insurance. To implement and administer the bill, the division must conduct outreach to unemployed workers, review and approve training programs, pay benefits and monitor claims, adjudicate any violations or appeals by claimants, promulgate rules as needed, and produce annual reports. These efforts require the division to hire one full-time program specialist starting in FY 2015-16 and continuing through FY 2017-18. The division will also incur annual costs of \$30,000 for travel, mailings, and other outreach materials.

A one-time update of the Colorado Unemployment Benefits System (CUBS) is necessary for the division to make benefit payments and monitor claims. In FY 2015-16, CDLE staff (0.3 FTE) will assist the Office of Information Technology (OIT) with appropriate updates. In this process, hourly services from OIT are expected to cost \$17,510 (170 hours x \$103/hour).

CDLE — Other divisions. Workload will increase for other divisions of CDLE to assist in the implementation and oversight of the program. The Division of Labor will provide labor market information to guide the selection of occupations for approved job training. The Colorado Workforce Development Council (CWDC), budgeted within CDLE's Division of Employment and Training, will incorporate the program in its outreach to workers seeking employment assistance. The CWDC may also assist in the development of training objectives or other policies driven by input from employers with whom the CWDC has contact. The increased workload in these other divisions of CDLE is within the scope of existing programs and personnel and does not require new appropriations.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB 15-1231*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$9,627	\$8,028
Supplemental Employee Retirement Payments	4,517	4,394
Indirect Costs	11,655	10,269
TOTAL	\$25,799	\$22,691

*More information is available at: <http://colorado.gov/fiscalnotes>

Effective Date

The bill takes effect July 1, 2015.

State Appropriations

For FY 2015-16, the Department of Labor and Employment requires a General Fund appropriation of \$3,974,201. Of this amount, \$17,510 is reappropriated to the Office of Information Technology.

State and Local Government Contacts

Labor and Employment
Local Affairs

Personnel and Administration
Joint Budget Committee Staff