

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Labor and Employment
Priority Number:	S-4 / BA-2
Change Request Title:	Unemployment Insurance Postage

SELECT ONE (click on box):

- Decision Item FY 08-09
- Base Reduction Item FY 08-09
- Supplemental Request FY 07-08
- Budget Request Amendment FY 08-09

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 for \$0 additional funds and is being submitted to explain the change in postage funding between the Department and the U.S. Department of Labor (DOL) and why this change resulted in a supplemental request from the Department of Personnel and Administration.

Background and Appropriation History:

The Employment and Training Administration (ETA) within US DOL administers a number of programs including the Unemployment Insurance programs, Foreign Labor Certification, Trade Adjustment Assistance, Wagner-Peyser and Work Opportunity Tax Credit, to name a few. ETA, through the Official Mail Accounting System (OMAS), covered all postage expenses incurred by the above programs by using federal penalty mail meters. These penalty mail meters were loaded with postage paid directly by ETA.

In October 1993, ETA implemented direct accountability methods for postal management in the form of postal meters and permit numbers specific to each state. This was the first time ETA had actual costs information for state postage expenses.

In 1998 and 1999, ETA established a federal/state postage work group to review states' postage costs. The work group discussed various strategies and potential formulas for allocating postage resources to states and queried states on their mailing practices and postage costs. The results of the joint work group's efforts was the elimination of direct federal billing of postage and an allocation method to provide postage funding to each state.

In August 2006, the ETA issued a guidance letter informing all the states of their intention to eliminate their authority to pay the US Postal Service directly for postage costs beginning with the federal fiscal year 2008.

General Description of Request:

In January 2007, the Department formed a project team to convert the current mail accounting process from direct federal funding to the state's Unemployment Insurance program costs. The Department utilized the knowledge and abilities offered through the Department of Personnel and Administration, Division of Central Services (DCS). DCS was established by state statute to provide economical support services to state agencies. The Department approved the recommendation from the project team to utilize Mail Services for the following:

1. Metered mail: Utilize Mail Services for the metered mail portion of the conversion. Mail Services has existing metered mail accounts. Using the current mail processes Mail Services will continue to handle the UI Programs outgoing mail and will apply postage using the Mail Services metered mail machines and then bill the Department through COFRS.
2. Permit mail: A Federal G-12 permit will no longer be valid for mass-mailings. Mail Services has a state permit that can be used for mass mailings. Working with the current envelope vendor, MeadWestVaco, the Mail Services permit will be applied to new orders of envelopes that are impacted by the Federal G-12 mass-mailing permit. Mail Services will bill the Department for permit mail through COFRS.

3. Direct Mail: The UI Program will apply for and obtain a business reply mail (BRM) permit directly from the U.S. Postal Service.

The average postal expenses for the UI Program are \$2,079,934 per year. For the federal fiscal year 2008, the UI Program received a postage allocation of \$1,266,756.

UI BASE GRANT REVENUE			
	FFY 06	FFY 07	FFY 08
Federal grant	34,872,652	33,952,802	32,255,162
Reduction from previous year		(919,850)	(1,697,640)
Postage estimate			2,079,937
Postage allocation			1,266,756
			(813,181)
		TOTAL SHORTFALL	(2,510,821)

Based on the above cuts to the UI Programs federal grant no additional spending authority is required for this funding change. The Department is pursuing a number of postage efficiency measures including an Electronic Benefits Payment Card (EBPC), Internet based publications that can be printed by claimants and employers, mail bundling (i.e., condensing three separate mailings to claimants into one), Zip + 4, address cleansing software that provides address validation, and changing our mailing endorsement from Address Services Requested to Forwarding Service Requested. These initiatives are intended to reduce postage costs to absorb the shortfall in funding. However, because of this federal policy change, the Department of Personnel and Administration will now require spending authority equal to \$950,067 in FY 07-08 and \$1,266,756 in FY 08-09 (all Cash Funds Exempt from federal funds transfers from DOLE) to process DOLE mailings.

Consequences if Not Funded: The Department of Personnel and Administration will not have sufficient spending authority to pay for the United States Postal Service payments that will be incurred.

Calculations for Request: N/A

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request	\$0	\$0	\$0	\$0	\$0	0.0

Assumptions for Calculations: N/A

Impact on Other Government Agencies: The Department of Personnel and Administration will need additional spending authority for postage costs and subsequent payments to the Department of Personnel and Administration.

Implementation Schedule: All outgoing mail from the UI Program will be processed through DPA, Mail Services penalty meter and permit mail accounts effective October 1, 2007.

Statutory and Federal Authority: C.R.S. 8-70-101 thru 8-82-105

Specifically, CRS 8-73-101, Payment of Benefits

“(2) An individual's eligibility and benefit amounts shall be determined weekly. **Unemployment insurance benefit checks shall be issued once every two weeks** (emphasis added); except that the division, when it determines it to be necessary for proper administration of articles 70 to 82 of this title, including the effecting of administrative economies, may issue benefit checks on a weekly basis. Under no circumstance shall benefit checks be issued less frequently than once every two weeks.”

As amended August 7, 2006

Performance Measures:

Ensure that 90% of UI payments processed are accurate and timely.