

## Fiscal Year 2009-10 Capital Construction Request

### Labor and Employment

#### *Internet Self-Service*

#### PROGRAM PLAN STATUS

2009-005

Approved Program Plan?

N/A

Date Approved:

#### PRIORITY NUMBERS

Prioritized ByPriority

Dept/Inst

1 of 2

OSP/

N/A of 44

OSP/ recommends that all cash projects be funded, but also assigned cash priorities.

#### PRIOR APPROPRIATION AND REQUEST INFORMATION

<u>Fund Source</u>	<u>Prior Approp.</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>Future Requests</u>	<u>Total Cost</u>
CF	\$3,040,018	\$2,883,316	\$0	\$0	\$5,923,334
<b>Total</b>	<b>\$3,040,018</b>	<b>\$2,883,316</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,923,334</b>

#### ITEMIZED COST INFORMATION

<u>Cost Item</u>	<u>Prior Approp.</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>Future Requests</u>	<u>Total Cost</u>
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$2,728,756	\$2,593,780	\$0	\$0	\$5,322,536
Construction	\$0	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$0	\$0	\$0
Contingency	\$311,262	\$289,536	\$0	\$0	\$600,798
<b>Total</b>	<b>\$3,040,018</b>	<b>\$2,883,316</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,923,334</b>

#### PROJECT DESCRIPTION / SCOPE OF WORK

The Department of Labor and Employment is requesting cash funds spending authority for the second phase of a two-phase project to upgrade the Unemployment Insurance (UI) Program's internet self-service applications, and add five new applications to the department's internet self-service suite. The project will integrate and implement these applications to help claimants and employers of the UI Program access claim information and perform functions online. Phase I reengineered and updated the five existing UI Program applications: Initial Claims, Continued Claims, New Employer Registration, Tax and Wage Reporting, and Customer Maintenance. Phase II will deploy five additional applications: Additional and Unopened Claims, Customer Feedback, Claimant Information, Employer Information, and Appeals Filing.

The project will allow UI claimants to file and reopen claims, collect their benefits, file appeals for denied claims, and make certain changes through an Internet application. Web-based functionality will be added to the system to allow claimants to submit or continue new, additional, and re-opened claims. Claimants will also be able to review and update account information, claim information, and appeal status, and to provide feedback to the department. The project will allow employers to register new businesses, file appeals, review account information, report data on taxes and wages, submit various forms, make payments, and provide agency feedback.

The project will facilitate integration of the system's separate elements, with central management of data and shared security and administration. The project will also allow for growth in the system and adaptability to future technology. The project includes construction of a comprehensive disaster recovery plan for the system.

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These improved information technology (IT) systems will provide easy access to program services and ensure proper payments. According to the department, increased Internet capabilities will allow 50 percent of the UI Program's workload to be conducted electronically, and ensure that 90 percent of payments processed are accurate and timely. The department notes that the project is a prelude to a larger system initiative that will support a unified system for UI that incorporates both the benefits and tax systems.

**Six-month encumbrance deadline.** The department does not expect to encumber the funds within six months of the appropriation being made available. Thus, concurrent with the request for spending authority is request for a approval to waive the six-month encumbrance rule for this particular project.

#### PROJECT JUSTIFICATION

The department says the project will modernize outdated systems, meet customer demand for online services, and increase program performance and efficiencies, resulting in cost savings and reduced staff time. The project will also help the department meet its vision of moving toward a fully integrated UI Program.

The existing UI Internet applications were developed in 2002 and, according to the department, are outdated in their overall appearance and functionality. As of March 2008, technical support is no longer available for the software platform on which the applications were developed. Poor engineering in the current system requires staff to attend to additional customer claims due to format errors, while an updated and more efficient system would reduce these duties. According to the department, it is imperative that the current systems remain viable and be migrated into a new system.

The department says customer expectations have grown for web-based services since the development of the existing system, and the project offers customers a greater range of self-service functions in the UI Program. Currently, customers perform the business activities not yet added to the UI Program's Internet suite by contacting the department's call center, or through other labor-intensive interactions. For instance, the call center receives about 3,500 calls per week asking a variety of general questions regarding claims and payments, often waiting for long periods of time for answers. The department estimates that adding the Claimant and Employer Information application to the Internet suite will generate a benefit of over \$1 million annually for the department, and a time savings valued at \$1.8 million per year for customers. The department says upgrading currently available applications will generate additional savings. For example, upgrading the Customer Maintenance function will allow customers to submit forms electronically rather than by mail, as they do currently. The department estimates that this upgrade will reduce its mail volume by 30 percent, resulting in a savings of \$650,000 per year. Moving functions to the Internet also allows customers to attend to business in a more timely manner, and at times of their convenience outside of normal business hours, or during periods when call center activity is heavy.

The department notes that the project's update to a more fully integrated system will provide for greater flexibility in the event of power outages. Also, central management of data will eliminate separate information "silos" and the additional costs of maintaining them.

**Alternatives.** If spending authority were not approved for Phase II of the project, the department says it will continue to use the FY 2008-09 appropriation to modernize its five current Internet-based applications, but would be unable to develop and implement the five new applications. In addition, not approving Phase II funding would eliminate the option of Internet accounts for customers to conduct business with the UI Program and reduce the overall savings benefits of the project.

#### PROGRAM INFORMATION

The Department of Labor and Employment's Division of Employment and Training manages the UI Program, which "provides temporary and partial wage replacement to workers who have become unemployed through no fault of their own" under the Colorado Employment Security Act. The division processes unemployment insurance claims and appeals and pays out over \$340 million in benefits annually (FY 2008-09 estimate).

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## Labor and Employment

### Internet Self-Service

#### LEED CERTIFICATION INFORMATION

The project is not required to comply with the provisions of Senate Bill 07-051 regarding LEED certification because it is not being funded with state money.

#### PROJECT STATUS

The department is in the process of rolling out upgraded versions of the Continued Claims and Customer Maintenance applications.

#### SOURCE OF CASH FUNDS

The source of cash funds for this project is the department's Employment Support Fund, which supports unemployment insurance, workforce development, and labor standards activities within the department. Fifty percent of the unemployment insurance tax surcharge accrues to the fund, based on taxable wages. This fund generates about \$24 million in annual revenue, and had a balance of \$45.5 million as of June 30, 2008. Under state law, moneys from the fund are used to "offset funding deficits for program administration, including information technology initiatives."

#### STAFF QUESTIONS AND ISSUES

1. Will all unemployment insurance functions be available online for employers and employees once this project is complete? If not, does the department plan to add the remaining functions in the future?

*Not all UI functions can be automated as the integrity of the program must be protected through continued staff involvement in certain areas. As we move forward, if we find new ways to improve claimant/employer service and accessibility through internet services, we are building the system to accommodate upgrades and added functionality. This project currently addresses the full suite of internet services the UI program needs.*

2. The request says that the project will help the department sustain its projected workload. Is the department's workload projected to increase in the area of unemployment insurance in the coming years?

*The current economic climate throughout the country has significantly impacted the Unemployment Insurance Programs workload. Initial claims filings for UI benefits have increased by 57% over last year. It is unknown how long these economic conditions will continue however, the last increase in benefit claims occurred in 2002 when the UI Program saw a similar increase. The workload remained high through 2003 and reduced slowly over the next 2 years.*

3. Are contracts now in place for the project?

*A number of procurements have been finalized and contracts negotiated that include: Statewide Internet Portal Authority (SIPA), Technical Writer, Database Architect, and Program and IT staff backfill. In addition procurements are continuing for a Quality Manager, Database Administrator, Test Lead, and a Service Oriented Architect.*

4. The project description claims that increased internet capabilities will ensure that 90 percent of UI payments processed are accurate and timely. What about the other 10 percent?

*A number of factors impact the accuracy and timeliness of claims processing. The 90% benchmark established by the department captures the portions of the process that the department has control over. The 10% covers incomplete or erroneous information received from claimants and employers.*

5. When does the department expect to embark on the "larger system initiative that will support a unified system for UI that incorporates both the benefits and tax systems?" And will the completion of a larger system initiative make this project obsolete, or will this system be integrated into the new system without changes?

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## Labor and Employment

### Internet Self-Service

The department is pursuing a legislative change to establish a funding source for technology initiatives. If that legislation is successful, the department anticipates that funding will be available for FY16. This Internet Self-Service project establishes a technology architecture that will serve as a system integrator and a foundation that will minimize the cost and complexity of future enhancements and future functionality.

6. The request states that there will be no operating costs for the project after year two. Please explain.

The system will be hosted and maintained by the Statewide Internet Portal Authority (SIPA). Current mainframe and maintenance costs that are in our base operating budget are not anticipated to be significantly different for this new system.

7. What is the status of the roll out of upgraded versions of the Initial Claims, New Employer Registration, and Tax and Wage Reporting applications?

As a result of preliminary requirements gathering by the program and our contractors, the following modules have been identified and are listed in their order of priority:

1. My UI: creates profiles and log-in screens and is the foundation for the project.
2. Customer Maintenance: will provide customers with the ability to update their data.
3. Reopens and Additional: this will be a plug-in application and is prioritized based on the anticipated reduction in call volume.
4. Tax and Wage Reporting
5. Appeals
6. Initial Claims: current Internet application will be re-engineered under this new platform.
7. Continued Claims: current Internet application will be re-engineered.

Two elements, Correspondence and Customer Feedback, were initially viewed as separate applications but are now being incorporated into the modules above. For example, correspondence related to Tax and Wage Reporting will be addressed as part of module 4.

The New Employer Registration (CR-100) is now a multi-agency initiative with Revenue and the Secretary of State utilizing the Statewide Internet Portal Authority and will be phased into our ISS project. The current estimate for full deployment is the 1st quarter of 2010.

8. How many clients with unemployment insurance claims were served in FY 2007-08? What is the projected FY 2008-09 number of clients with unemployment insurance claims?

	<u>FY07-08</u>	<u>FY08-09</u>
Initial Claims	125,964	200,505*

\*Over the last 6 months, initial claims have increased by 57% when compared to the same time last year.

### IMPACT ON OPERATING BUDGET

	1st Year	2nd Year	3rd Year	4th Year	5th Year	Total
Personnel Services	181,720	181,720	0	0	0	363,440
Maintenance	0	0	0	0	0	0
Utilities	0	0	0	0	0	0
Supplies/Equipment	312,000	0	0	0	0	312,000
Other	0	0	0	0	0	0
<b>Total</b>	<b>493,720</b>	<b>181,720</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>675,440</b>

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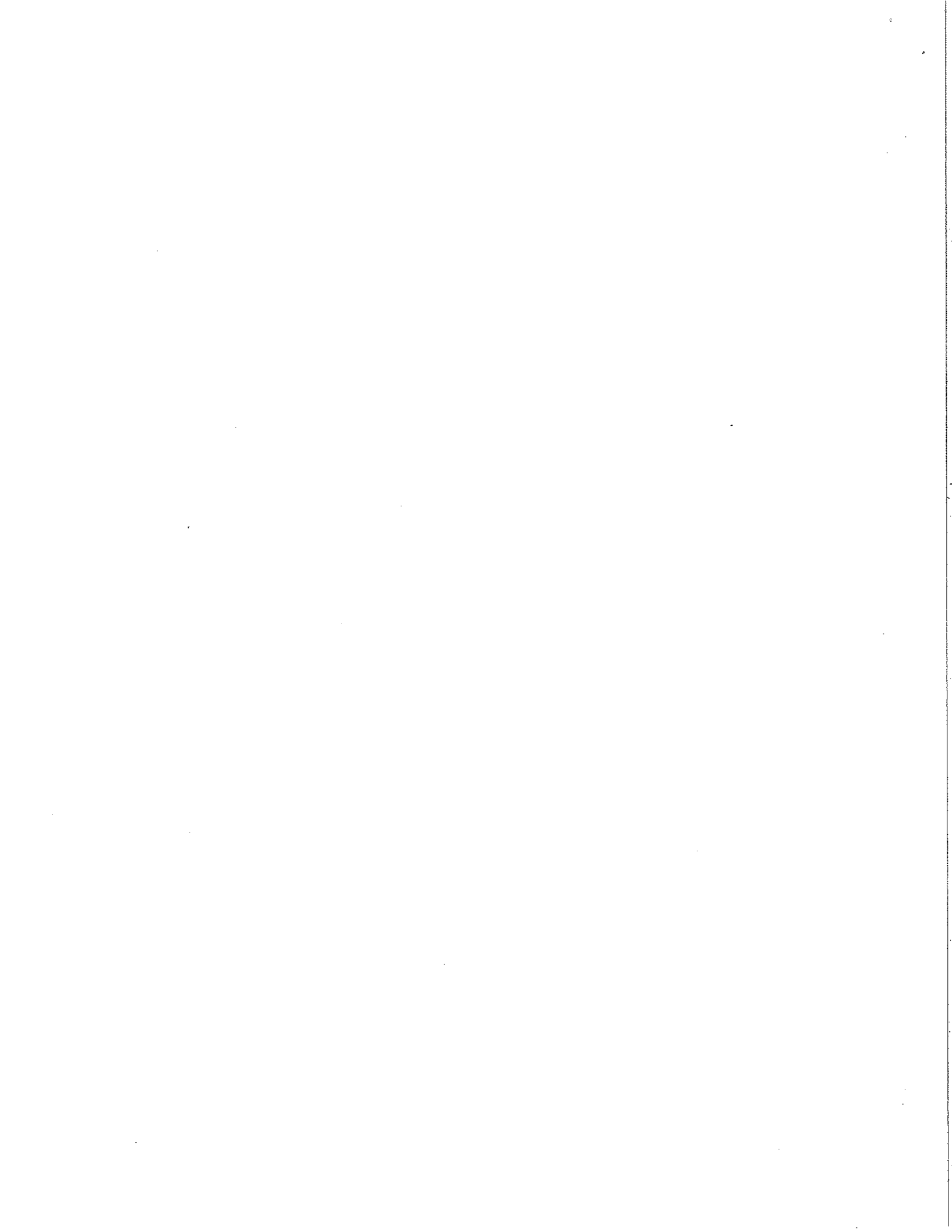
## Labor and Employment

*Internet Self-Service*

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### PROJECT SCHEDULE

	Start Date	Completion Date
Request for Proposal / Contract Negotiation	July 2008	September 2008
Development & Implementation	July 2008	October 2010
Independent Verification & Validation	July 2008	October 2010
Roll Out	July 2008	October 2010



# Fiscal Year 2009-10 Capital Construction Request

## Labor and Employment

*Roof Replacement, 251 East 12th Avenue*

### PROGRAM PLAN STATUS

2010-014

Approved Program Plan?  Yes  No      Date Approved:

### PRIORITY NUMBERS

Prioritized By	Priority	
Dept/Inst	2 of 2	
OSP/B	N/A of 44	OSP/B recommends that all cash projects be funded, but also assigned cash priorities.

### PRIOR APPROPRIATION AND REQUEST INFORMATION

Fund Source	Prior Approp.	FY 2009-10	FY 2010-11	Future Requests	Total Cost
FF	\$0	\$475,832	\$0	\$0	\$475,832
<b>Total</b>	<b>\$0</b>	<b>\$475,832</b>	<b>\$0</b>	<b>\$0</b>	<b>\$475,832</b>

### ITEMIZED COST INFORMATION

Cost Item	Prior Approp.	FY 2009-10	FY 2010-11	Future Requests	Total Cost
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$0	\$432,575	\$0	\$0	\$432,575
Construction	\$0	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$43,257	\$0	\$0	\$43,257
Contingency	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$475,832</b>	<b>\$0</b>	<b>\$0</b>	<b>\$475,832</b>

### PROJECT DESCRIPTION / SCOPE OF WORK

The Department of Labor and Employment is requesting federal funds spending authority to replace the 21,172-GSF tar and gravel roof top on its building at East 12th Avenue in Denver, which houses the department's Unemployment Insurance (UI) program. The project will address ongoing problems with leaks. The project includes installation of a ten-kilowatt solar energy system in the roofing membrane to generate electricity for the building.

The department will hire a contractor to remove the building's existing tar and gravel roofing surface down to the structural concrete roof deck, and install a LEED-approved, low-emissivity, "cool" roofing system. The roof will feature two layers of 2.5-inch insulation, a quarter-inch layer of gypsum board for fire proofing, and a white membrane layer for solar reflection to increase energy efficiency. The solar energy system will feature battery back-up that allows for uninterrupted power supply during a power outage, and the system will be expandable.

### PROJECT JUSTIFICATION

The roof replacement will address an ongoing problem with leaks. The 91,470-GSF, four-story building was constructed in 1956, with a 40,000-GSF addition constructed in 2004. A 2005 study recommended replacing the roof in three to four years. Portions of the roof are over 30 years old, and it is prone to leaks where material is wearing out around drain pipes. The building has also settled, resulting in improper drainage and buckling, and areas of the roof have standing water after it rains or snows. In addition, gravel on the roof clogs the roof drains, blocking water flow and causing additional leaks. In the winter of 2006-07, snow accumulation damaged seals around the old air

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### Roof Replacement, 251 East 12th Avenue

conditioning unit resulting in leaks that damaged ceiling tiles on the interior of the fourth floor. The department says old fixtures on the roof redirect water, increasing the likelihood that seals will deteriorate and cause continual leaking.

Integrating the addition of a solar energy system with the roof replacement allows for the generation of electricity for the building, resulting in operational savings. Utility rebates and credit programs, along with rising energy costs, make the installation more cost-efficient. In addition, state law allows the department to sell excess electricity generation to Xcel Energy. The department says the system is guaranteed for 20 years, and recent studies have shown that these systems may last up to 60 years. The department notes that the system requires minimal maintenance.

**Alternatives.** The department says not replacing the roof at this time would require continued patching of leaks as they occur. The potential for a major leak would continue to increase over time, with the potential for causing interior damage to the building and its equipment. According to the department, this could interfere with the ability of the department to provide UI services to its customers.

The department considered purchasing a larger, 100-kilowatt solar energy system capable of maximizing the building's roof area. The department says that, although the higher cost would have been spread over a number of years through a performance contract, the department has been experiencing funding shortfalls and feels it would not be prudent to commit itself to an extended payment program.

#### PROGRAM INFORMATION

The Department of Labor and Employment's Division of Employment and Training manages the UI Program, which "provides temporary and partial wage replacement to workers who have become unemployed through no fault of their own" under the Colorado Employment Security Act. The division processes unemployment insurance claims and appeals and pays out over \$340 million in benefits annually (FY 2008-09 estimate).

#### LEED CERTIFICATION INFORMATION

The project is not required to comply with the provisions of Senate Bill 07-051 regarding LEED certification because it is not being funded with state money. However, the department says the roof will be LEED compliant, and the building, which is registered as LEED EB (Existing Building) with the addition certified for New Construction, is expected to be certified LEED silver, the third highest of four possible certification levels. The department notes that once the original portion of the building is certified EB, it will be the first state government building in Colorado to be recognized for excellence in both design and construction for the addition, and operations and management for the original portion.

#### PROJECT STATUS

This is a new project.

#### SOURCE OF CASH FUNDS

The source of cash funds for this project is federal funds under the Reed Act. The Reed Act allows the federal government to transfer moneys from the federal UI trust funds to states, with limitations on the use of the moneys. According to the department, Reed Act funds can be used by states for "the administration of its unemployment compensation law and public employment offices." The current balance of the state's portion of Reed Act funds is \$8.3 million. The department notes that the original building and the addition were both constructed with Reed Act moneys.

#### STAFF QUESTIONS AND ISSUES

1. Apart from ceiling tiles, has the building's interior or any of its contents been damaged as a result of leaking?



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## Labor and Employment

*Roof Replacement, 251 East 12th Avenue*

Yes. With a flat roof, the water travels along conduit above the ceiling tile and causes water damage wherever it reaches the lowest point of the conduit. In the past year, a section of windows and window frames needed repair because of water leaks attributed to the roof. In addition, this past summer one employee had to be temporarily moved because water was leaking onto her desk and computer. Facilities staff repaired the leak and there was no damage beyond everything getting wet.

2. Will the solar energy system generate enough electricity to meet all of the building's energy needs? When does the department project that the system's energy generation will recoup the costs of installing the system? Does the department anticipate generating an excess amount of energy? If so, would revenue for sale of this excess go into the Reed Act fund or another fund?

*The building uses an average of 206 kilowatts of energy each month. This small solar solution will generate 10 kilowatts and is projected to offset our current utility bill by \$93.12 per month which is less than 1% of the total electric bill. It will take approximately 19 years for the department to recover the costs of this application. The size of the application will not result in excess energy being generated.*

3. Why were problems with the roof not addressed when the building's addition was constructed in 2004?

*The roof was inspected and the current condition did not warrant replacement. In 2005, a study of the roof was conducted which resulted in a recommendation to replace the roof within the next three to five years.*

4. To what other functions are Reed Act moneys currently committed?

*During the 2008 legislative session, the department submitted a supplemental request for a total of \$1.4M in federal Reed Act funds to support the Wells Training Center. This appropriation to the Division of Employment and Training is available to the department until June 30, 2010. Please refer to page 10.12 which shows the estimated expenditures and fund balance by fiscal year.*

5. The request states that the roof's systems are virtually maintenance free. However, an operating impact table submitted with the request shows the cost of the project as an operating expense, without breaking out the impact of the project on the department's operating budget (five-year costs for maintenance, utilities, personnel services, etc., not associated with the project cost itself). Will the project have an impact on operating costs? If so, please resubmit a five-year operating impact table with clarification.

*This project requests funding for one-time replacement costs and does not have an impact to ongoing operating costs. The new roof being proposed will require little oversight and maintenance and current facility staff have the necessary expertise to maintain the roof therefore, no change to on-going operating costs is anticipated.*

6. The CC-C support information form notes that the department has been experiencing funding shortfalls and does not want to commit itself to an extended payment program for this project. Are these funding shortfalls for other capital projects or from the operating budget?

*The operating budget for Unemployment Insurance Program receives 90% of its funding from a federal grant. This federal grant has been cut in the two previous years by \$3.4M or 10%. Therefore, this request is for an appropriation from Reed Act funds.*

7. How many clients with unemployment insurance claims were served in FY 2007-08? What is the projected FY 2008-09 number of clients with unemployment insurance claims?

FY07-08 FY08-09  
Initial Claims 125,964 200,505\*

\*Over the last 6 months, initial claims have increased by 57% when compared to the same time last year.

**Fiscal Year 2009-10 Capital Construction Request**

**Labor and Employment**

*Roof Replacement, 251 East 12th Avenue*

**IMPACT ON OPERATING BUDGET**

	1st Year	2nd Year	3rd Year	Total
Personnel Services	The project has no impact on state operating costs.			
Maintenance				
Utilities				
Supplies/Equipment				
Other				

**PROJECT SCHEDULE**

	Start Date	Completion Date
Physical Planning	June 2008	May 2009
Construction	July 2009	August 2009
Equipment		
Occupancy		August 2009

\* The division explains that completion of these types of projects depends on factors such as the physical location of the project, weather, length of construction season, etc.