

Colorado Legislative Council Staff Fiscal Note



STATE FISCAL IMPACT

Drafting Number: LLS 15-0328	Date: March 18, 2015
Prime Sponsor(s): Rep. Pabon; Williams Sen. Cooke; Heath	Bill Status: House Business, Affairs and Labor
	Fiscal Analyst: Alex Schatz (303-866-4375)

BILL TOPIC: SKILLED WORKER OUTREACH, RECRUITMENT AND TRAINING

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	Potential minimal increase. See State Revenue section.	
State Expenditures	<u>\$3.3 million</u>	<u>\$3.3 million</u>
General Fund	3,254,618	3,255,447
Centrally Appropriated Costs**	45,382	44,553
FTE Position Change	2.0 FTE	2.0 FTE
TABOR Set-Aside	Potential minimal increase.	
Appropriation Required: at least \$3.3 million - 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 creates the Skilled Worker Outreach, Recruitment, and Key Training Grant Program (program) in the Colorado Department of Labor and Employment (CDLE). Starting January 1, 2016, the program accepts applications for matching grants from public and private providers of qualified skilled worker training programs. Qualified grant recipients offer training for skills that are needed in the workplace, with a credential or other evidence of achievement awarded at the completion of training.

Grant applicants must supply information concerning the specific uses of grant money, including recruitment of participants, location of the program, skills to be taught, projected enrollment, and job prospects for participants. The specific information required of an applicant depends on whether their training program is already in existence or planned for the future.

Applications received by the CDLE are transmitted to a grant review committee composed of representatives of certain government agencies, including CDLE, the Office of Economic Development and International Trade (OEDIT), the Department of Higher Ed (DHE), the Colorado Workforce Development Council (CWDC) in CDLE, as well as representatives from employers and industry. The bill sets forth guidelines for the review of applications by the committee, and the committee is directed to establish formal criteria and rank applications. The committee's recommendations and rankings are submitted to the executive directors of CDLE, DHE, and OEDIT. These directors then jointly determine grant recipients and amounts. Each grant recipient is required to submit an annual report to the committee, and the committee must, by May 1, 2017, and each May 1 until 2019, submit an annual report to the Governor and the General Assembly's business committees.

A new cash fund, the Skilled Worker Outreach, Recruitment, and Key Training Grant Program Fund (fund), is created to receive appropriations by the General Assembly, federal funding, and any gifts, grants, or donations received by CDLE. Moneys in the fund may be used for CDLE's direct and indirect costs to implement the program, subject to annual appropriation by the General Assembly.

The bill directs the General Assembly to appropriate a total of \$10 million to the fund for FY 2015-16 through FY 2017-18. Expenditures in any fiscal year are limited to a maximum of \$3.5 million. The bill permits CDLE to use five percent of total spending on the program for its administrative costs.

Background

House Bill 12-1061 (the Skills for Jobs Act) charged the DHE, in consultation with CDLE and the Department of Regulatory Agencies (DORA), with the production of an annual report concerning the state's workforce needs and any gaps between these needs and current training and education programs. The most recent Skills for Jobs Act report was issued in January 2015. This report includes data on job demand by occupational classification and the demand for educational credentials by occupation.

Senate Bill 14-205 required the CWDC to partner with DHE, CDLE, and OEDIT in the production of an annual Colorado Talent Pipeline Report (the talent report). The talent report provides an overview of Colorado's workforce, top jobs and required skills sets in key industries, and progress and policies related to the development of career pathways and a talent pipeline for jobs in Colorado. The first talent report was presented to the General Assembly on January 2, 2015.

State Revenue

The CDLE is authorized to seek and accept gifts, grants, and donations to the Skilled Worker Outreach, Recruitment, and Key Training Grant Program Fund. No source of gifts, grants, or donations has been identified and the fiscal note assumes any such revenue received in FY 2015-16 or future fiscal years is minimal.

TABOR Impact

This bill potentially increases state revenue, which will increase the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

State Expenditures

The bill increases annual state expenditures by \$3.3 million starting in FY 2015-16, with similar expenditures in FY 2016-17 and FY 2017-18. As summarized in Table 1, these expenditures are budgeted in CDLE and support grants and administrative efforts, with an allocation of 2.0 FTE for fiscal years FY 2015-16 through FY 2017-18. The bill also increases workload for DHE and OEDIT.

Table 1. Expenditures Under HB 15-1276		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$102,690	\$102,690
FTE	2.0	2.0
Standard Operating Expenses	1,900	1,900
Capital Outlay Costs	9,406	0
Outreach	6,500	6,500
Matching Grants for Training Programs	3,134,951	3,143,528
Centrally Appropriated Costs*	44,553	45,382
TOTAL	\$3,300,000	\$3,300,000

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

Assumptions. The fiscal note assumes that demand for training grants is sufficient to exhaust available funding. Accordingly, the grant review committee meets at least six times a year to review grant applications and make recommendations. Though the committee is responsible for implementing most features of the bill, significant administrative tasks are delegated to CDLE's Division of Employment and Training (division) through the chair of the committee, who is also the division's representative.

The bill is implemented beginning on July 1, 2015. All expenditures for program costs are from cash funds (see discussion below). To rationalize year-to-year budgeting for the program, \$3.3 million (approximately one-third of the three-year limit of \$10 million in expenditures) is appropriated for program costs in each fiscal year between FY 2015-16 and FY 2017-18.

CDLE. The bill increases CDLE expenditures by \$3.3 million annually for three fiscal years starting in FY 2015-16. Approximately \$3.1 million each year is awarded to grant recipients for training programs. The remaining amount is expended on administrative costs in the Division of Employment and Training.

The division expends approximately \$165,000, or five percent of annual program appropriations, for the development and administration of the program. This work includes periodic assessment of workforce needs and training programs, managing communications with grant applicants, verifying that applications are complete, and initial analysis of each application relative to criteria established by the committee and funding priorities articulated in the bill. The division, coordinating with the CWDC, will assist the committee with promulgation of criteria, recommendations, correspondence, and the annual report. Finally, the division will make payments to grant recipients, monitor training programs, and perform other related recordkeeping. Starting in FY 2015-16, the division will hire 2.0 FTE of professional staff to perform these duties. Annual expenditures also include standard operating costs and expenses for travel and outreach.

The CWDC will participate in the committee and integrate the program into its outreach efforts to employers and workers. The executive director of CDLE will also convene meetings as needed to review the recommendations of the committee and approve applications. If meetings or other workload of the committee is significantly greater than assumed in this analysis, any need for additional resources will be addressed in the annual budget process.

Other state agencies - DHE and OEDIT. The bill also requires the participation of DHE and OEDIT on the grant review committee, increasing the workload of these state agencies starting in FY 2015-16. The executive director of DHE and the director of OEDIT will periodically attend meetings to approve grants. Based on the anticipated meeting schedule of the committee, these duties increase the workload of these agencies by a minimal amount and do not require new appropriations. As with CDLE, if meetings or other workload of the committee is significantly greater than assumed in this analysis, any need for additional resources will be addressed in the annual budget process.

Cash Fund appropriations. Operating costs of the program, including grants, are paid from the Skilled Worker Outreach, Recruitment, and Key Training Grant Program Fund. This requires an initial General Fund appropriation to the fund in FY 2015-16, and appropriations in future fiscal years. The General Assembly may opt to cover the full amount of expenditures for the program in FY 2015-16 through FY 2017-18 by appropriating \$10 million to the fund in this bill. A fund balance of at least \$3.3 million is required to cover program expenditures in FY 2015-16. In any scenario, appropriations in FY 2016-17 and future fiscal years are part of the annual budget process.

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 15-1276*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$16,056	\$16,056
Supplemental Employee Retirement Payments	7,959	8,788
Indirect Costs	20,538	20,538
TOTAL	\$44,553	\$45,382

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

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

The bill requires a General Fund appropriation to the Skilled Worker Outreach, Recruitment, and Key Training Grant Program Fund. For FY 2015-16, this appropriation must be at least \$3.3 million, and may be up to \$10.0 million.

Also for FY 2015-16, the bill requires a cash fund appropriation of \$3.3 million from the Skilled Worker Outreach, Recruitment, and Key Training Grant Program Fund to the Department of Labor and Employment, and an allocation of 2.0 FTE.

State and Local Government Contacts

Labor and Employment
Higher Education
Law

Office of Economic Development and International Trade
Governor's Office
Corrections