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SB 20-207

**REVISED
FISCAL NOTE**

(replaces fiscal note dated May 29, 2020)

Drafting Number: LLS 20-1279
Prime Sponsors: Sen. Hansen; Winter

Date: June 4, 2020
Bill Status: Senate Appropriations
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Bill Topic: **UNEMPLOYMENT INSURANCE**

**Summary of
Fiscal Impact:**

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

This bill amends the Colorado Employment Security Act to codify current practices, address public health emergencies, and to increase the amount a person can earn while receiving benefits. It also requires a study of unemployment assistance. It will increase unemployment insurance benefits paid on an ongoing basis beginning in FY 2020-21.

**Appropriation
Summary:**

No appropriation is required. See State Appropriations Section.

**Fiscal Note
Status:**

The revised fiscal note reflects the introduced bill as amended by the Senate Finance Committee.

**Table 1
State Fiscal Impacts Under SB 20-207**

		FY 2020-21	FY 2021-22
Revenue		-	-
Expenditures	Unemployment Insurance Trust Fund	\$18.0 million	\$18.0 million
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

This bill amends the Colorado Employment Security Act to:

- increase the amount of wages someone can earn before their weekly unemployment insurance (UI) benefit is reduced until September 1, 2022;
- exclude payments made to an election judge from the definition of wages;
- direct the Division of Unemployment Insurance (division) in the Department of Labor and Employment (CDLE) to consider whether the individual has separated from employment or refused to accept new employment due to factors related to a public health emergency;
- modify the terms of work share plans to match federal rules;
- reduce the time for interested parties to respond to a notice of claim from 12 to 7 calendar days; and
- remove the cap on funds deposited into and retained in the Employment Support Fund.

The Office of Future of Work in the CDLE is required to study unemployment assistance as part of its study on the modernization of worker benefits and protections. The office will submit an initial report to the Governor and the General Assembly by January 15, 2021.

Background

UI premiums are paid by Colorado employers. The Division of Unemployment Insurance in the CDLE administers the UI program. UI benefits are paid to individuals unemployed through no fault of their own from the UI Trust Fund. The division constitutes an enterprise for purposes of TABOR.

The balance of the UI Trust Fund is, or will soon be, negative and insufficient to pay all UI claims. The division is required to borrow from the federal government whenever the trust fund balance drops below \$0, and can do so at 0 percent interest until the end of the year. Whenever the fund balance falls below 0.05 percent of total private wages, a solvency surcharge is assessed in order to help restore the fund balance. In addition, a lower fund balance shifts employers to a higher premium rate schedule. According to current LCS forecast, these measures are not expected to restore the fund to solvency within the forecast period.

During the Great Recession, the UI Trust Fund became insolvent in January 2010, and the division began borrowing from the federal government, ultimately borrowing a total of \$1.1 billion. The federal government began charging interest on these loans in 2011, and businesses were charged a special interest assessment to pay for this. In order to restore the fund to solvency and repay outstanding federal loans, \$640 million in bonds were issued in 2012. Employers were assessed a bond principal surcharge to repay these bonds from 2013 to 2017.

State Expenditures

This bill impacts the CDLE as discussed below.

Weekly benefit. The bill is expected to increase the amount of benefits paid to unemployed individuals by at least \$18.0 million per year from the UI Trust Fund. This is due to increasing the amount of wages a claimant can earn before their weekly UI benefit is reduced, from 25 percent to 50 percent of the weekly benefit amount. This estimate is based on data from calendar year 2019, and may be higher due to the uniquely high number of UI claims currently resulting from the pandemic.

Workshare. By changing the terms for workshare plans, the bill is expected to result in an increase in the use of workshare plans and a reduction in benefit payments. This amount has not been estimated.

Unemployment study. The bill will increase the workload for the Future of Work Office to study unemployment assistance. This office is already working on this project and has the resources necessary to complete the study within existing appropriations.

Local Government

The bill may result in an increase in UI premiums for local government employers. These impacts will vary and cannot be determined.

Effective Date

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

State Appropriations

The funds used to pay UI benefits are not subject to appropriation by the General Assembly and do not appear in the Long Bill.

State and Local Government Contacts

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