



COLORADO'S UNEMPLOYMENT INSURANCE PROGRAM

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Unemployment insurance (UI) provides temporary, partial wage replacement to workers who have lost their jobs through no fault of their own. The state program is administered by the Division of Employment and Training within the Colorado Department of Labor and Employment (CDLE). This *issue brief* provides an overview of Colorado's unemployment insurance program, including employer contributions to the Unemployment Insurance Trust Fund and the process for receiving benefits and filing an appeal.

Unemployment Insurance Trust Fund

The Unemployment Insurance Trust Fund is used to pay unemployment benefits and contains revenue from premiums charged to employers. The trust fund is exempt from the Taxpayer's Bill of Rights. If the balance of the trust fund falls below zero, the state is federally required to borrow money from the federal UI Trust Fund to cover required benefit payments.

Premiums. Employers pay premiums quarterly to CDLE if they:

- paid any wages of at least \$1,500 in any quarter during the prior or current calendar year; or
- employed at least one person for any part of 20 weeks during the prior or current calendar year.

Employers pay the premium on a portion of the wages paid to an employee. In 2016, the wage base on which premiums are paid is \$12,200;

in 2017, it will be \$12,500. New employers pay a standard premium rate based the company's business classification for a specific number of quarters. Existing employers pay a premium rate based on:

- an "experience rating" that rewards companies with a stable workforce and is calculated based on the employer's total premiums paid, total benefits charged, and average chargeable payroll; and
- the solvency ratio of the trust fund. Currently, the ratio is about 0.6 percent, meaning the trust fund balance is 0.6 percent of total annual wages. As the ratio increases, employers pay a lower premium rate; as the ratio decreases, employers pay a higher premium rate.

For example, if an employer has one employee who earns at least \$12,200 during the year and is charged a one percent premium and no additional surcharges, the employer pays \$122 ($0.01 \times 12,200$) annually.

Bond principal surcharge. In 2012, Colorado issued unemployment compensation bonds to repay the debt incurred by borrowing from the federal UI Trust Fund to cover increased benefit payments during the recession. The bonds are repaid through a surcharge paid by employers. In 2016, the surcharge is 24.47 percent of an employer's premium rate. Based on the prior example, the surcharge for the employer would be \$29.85 in 2016. The bonds will be paid off in May 2017.

Solvency surcharge. If the fund's solvency ratio drops below 0.5 percent, a solvency surcharge is assessed on employers. The surcharge stays in effect until the June 30 trust fund balance is at least 0.7 percent of total annual wages reported, and the surcharge rate is based on an employer's experience rating. The solvency surcharge was assessed from 2004 to 2012, but is not currently in effect.

Current balance. The balance of the UI Trust Fund at the end of FY 2015-16 was \$679.8 million. The September 2016 Legislative Council Staff forecast projects that in the next three years, the amount of benefits paid out will increase, while employer contributions will remain stable.

Unemployment Insurance Benefits

Eligibility. To be eligible for unemployment benefits, an individual must:

- have lost a job through no fault of his or her own;
- have earned at least \$2,500 in wages during the base period;
- be at least 18 years old; and
- be able to provide proof that he or she is lawfully present in the United States.

Base period. The base period is a pre-determined 12-month period consisting of the first four of the last five completed quarters before the start of the claim. For example, if an applicant files a claim in the first quarter of 2016, the base period is the fourth quarter of 2014 through the third quarter of 2015, or October 2014 through September 2015.

Claiming benefits. Eligible individuals must first file a claim with CDLE. Claims typically take four to six weeks to process. CDLE verifies the applicant's information and circumstances with the applicant's previous employer, and considers any vacation, severance, pension, workers' compensation, military or federal wages, or 401(k) benefits the applicant has received, as well as any work done by the applicant in other states.

Receiving benefits. Once the claim is approved, the recipient must request payment every two weeks. Payments may be deposited onto a prepaid debit card or directly deposited into the recipient's bank account. The benefit amount is calculated by one of two formulas; the formula that calculates the highest weekly benefit amount is used. The benefit cannot exceed \$516 per week or be less than \$25, and is intended to provide temporary replacement of up to one-half the average weekly wage. Recipients can receive benefits for up to 26 weeks.

If it is determined that benefits should not have been paid, the recipient is required to repay the benefits, regardless of what caused the overpayment. Overpayment may result from a reversal of a previous award or incorrectly reported information, among other causes.

Maintaining eligibility. To continue to receive benefits, recipients must meet certain requirements, including:

- actively seeking work and recording the search on a log;
- being available to begin work immediately if offered a job;
- reporting hours worked and wages earned; and
- registering with a local workforce center within four weeks of filing a claim.

Filing an appeal. If a recipient disagrees with a decision made by CDLE, he or she may submit an appeal within 20 days of the decision, and a hearing may be scheduled to review the decision. The hearing decision may be appealed to the Industrial Claim Appeals Office, where a panel reviews the case and makes a final decision. Additional appeals take place through the Colorado Court of Appeals. Recipients may continue to request payment while the appeal is ongoing.