



Unemployment Insurance Trust Fund Legislative Proposal

Legislative Fact Sheet
April 27, 2022

Background:

The Unemployment Insurance Trust Fund (UITF), 100% funded through employer premiums, is the only funding source used to cover payments for regular unemployment insurance benefits. Due to the massive surge of pandemic related claims, Colorado's UITF was fully depleted, and relied on loans from the federal government to pay benefits.

Today, the UITF has a debt of \$1.04 billion, and per state law, employers will pay higher base premiums along with surcharges to cover this debt and related interest owed. Without any government intervention, employers will be responsible to restore the UITF to solvency through significantly higher premiums and surcharges.

Summary of Proposal and Benefits:

This bill has a number of pieces to it, addressing the UITF debts, impending employer surcharges, alternative options for relieving the debt, and worker reforms within the UI system.

- ◆ Transfers \$600 million in American Rescue Plan Act dollars to the agency to pay off some of the federal loan balance, and to cover interest accrued since October of 2021 through September of 2022.
 - » This investment will accelerate the return to solvency, and help alleviate additional costs to employers.
- ◆ Clarifies CDLE's bonding authority to allow the agency to use bonding as an alternative financing mechanism should market conditions lead to a positive gain for employers, both short term and long term.
 - » Bonding to some degree may make the difference in lowering costs for employers next year and future years. Allowing for flexibility means we have more tools at our disposal.
- ◆ Suspends the solvency surcharge for calendar year 2023
 - » This will save employers more than \$300 million in additional premiums that would otherwise be owed.
- ◆ Makes the temporary increase to partial unemployment benefits provided in SB20-207 permanent.
 - » This allows claimants to collect some unemployment benefits while working part time, and incentivizes a faster return to the workforce.

- ◆ Repeals the one week waiting period once the trust fund reaches a \$1 billion balance. We anticipate this to be in 2024.
- ◆ Requires a study on implementation of a dependents allowance, which is currently active in 13 other states.
- ◆ Requires an employer to provide notice to a separated employee that includes information on Unemployment Insurance benefits.
- ◆ Creates the Benefit Recovery Fund, which will contract with a third party to provide wage replacement for unemployed individuals that are not eligible for state administered wage replacement assistance for reasons related to their authorization to work.

Anticipated Fiscal Impact:

\$600 million of ARPA

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