


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 09-1016
Prime Sponsor(s): Rep. Ferrandino
 Sen. Veiga

Date: April 24, 2009
Bill Status: House Business Affairs and Labor
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TITLE: CONCERNING THE AUTHORITY FOR THE UNEMPLOYMENT COMPENSATION SECTION OF THE DIVISION OF EMPLOYMENT AND TRAINING IN THE DEPARTMENT OF LABOR AND EMPLOYMENT TO OPERATE AS AN ENTERPRISE FOR PURPOSES OF SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION.

| Fiscal Impact Summary | FY 2009-2010 | FY 2010-2011 |
|--|--------------|--------------|
| State Revenue | | |
| State Expenditures | | |
| FTE Position Change | | |
| Effective Date: July 1, 2009 | | |
| Appropriation Summary for FY 2009-2010: None. | | |
| Local Government Impact: None. | | |

Summary of Legislation

This bill establishes the Unemployment Compensation Section in the Department of Labor and Employment as an enterprise as long as the section retains authority to issue revenue bonds and receives less than 10 percent of its total annual revenue from state and local grants. As an enterprise, revenue collected by the section will not be subject to Section 20 of Article X (TABOR) of the state constitution. Employers are required to pay premiums, premium surcharges, and a solvency surcharge, when applicable, instead of taxes, to fund the unemployment compensation benefit system.

State Revenue

By giving the section enterprise status, \$400 million in revenue collected annually for unemployment benefit payments will no longer be included in the TABOR base thereby reducing total state revenue subject to the limit. The TABOR limit and the Referendum C Cap will also be adjusted downward by \$400 million.

State Expenditures

During future years in which a TABOR refund is required, the amount of General Fund needed for the TABOR refund may increase or decrease. When unemployment insurance revenue increases at a rate faster than population growth plus inflation — the rate at which TABOR allows all state revenue to increase — it increases the size of the TABOR refund. If that revenue source were to be taken out of the equation, the TABOR refund would be smaller. Conversely, refunds would be larger than under current law during years that unemployment insurance revenue increases at a rate slower than population growth plus inflation. Because unemployment insurance revenue is very volatile, there are years it grows faster and years it grows slower than the allowable TABOR growth rate.

The General Assembly has chosen to refund the surplus out of the General Fund, so changes in the amount of the TABOR refund also change the amount of money available in the General Fund to pay for other General Fund obligations. The March 2009 Legislative Council Forecast does not anticipate a TABOR surplus during the next 3 years, therefore no General Fund impact is expected until at least FY 2012-13.

Departments Contacted

Labor and Employment