

## Unemployment Insurance Overview

### 1. Purpose of the Unemployment Insurance Program

- Cooperative federal/state program to provide temporary income replacement for workers who have lost their job through no fault of their own.
- Provides for workforce and economic stability.
- Federal basis is in Federal Unemployment Tax Act and Social Security Act – state laws must conform to the framework provided in these documents.
- Articles 70 to 82 of Title 8 (Labor and Industry) constitute the Colorado Employment Security Act which governs the unemployment insurance program within Colorado.
- Failure to keep Colorado law in conformity with federal law can result in the loss of federal administrative funding and the loss of a 5.4% federal tax credit (difference of \$56/employee to \$434/employee or \$378/employee).

### 2. The Unemployment Insurance Trust Fund – Employers and Taxes

- Benefits are paid from the unemployment insurance trust fund which receives contributions from a tax paid by employers on the first \$10,000 of wages paid each employee in covered employment.
- Employer tax rates are computed annually and are “experience-rated”.
- The combined employer tax rate is a combination of a base rate, an ineffective charging surcharge (0.22 of one percent), and potentially a solvency surcharge.
- The solvency tax surcharge is in effect for the 6<sup>th</sup> year in 2009. We project it will be on in 2010 and 2011.
- All base rate contributions, solvency surcharge contributions and 50% of the ineffective charging surcharge are deposited in the unemployment insurance trust fund. The remaining 50% of the ineffective charging surcharge contributions are deposited in the Employment Support Fund.
- Monies from the unemployment insurance trust fund can only be used to pay UI benefits.
- The Employment Support Fund is used to augment federal administrative grants for the unemployment insurance program and

workforce programs. Additionally, ESF monies are used to fund programs in the Division of Labor (labor standards, labor relations, and the Colorado works grievance procedure).

- The balance of the UI Trust Fund as of November 30, 2008 was \$660 million. The balance of the Employment Support Fund as of June 30, 2008 was \$44.5 million.

### 3. Claiming benefits

- Claims are filed with the unemployment insurance program either by telephone or over the internet.
- Staff collect the information regarding the separation from both the claimant and the employer to determine the reason an individual is no longer working for an employer.
- Two decisions are made, an eligibility decision based on wages earned in the base period and an entitlement decision based on the reasons for separation.
- To be eligible a claimant must have earned at least \$2500 in wages during the base period, the first four of the last five completed calendar quarters. For today the base period would include all wages earned between April 1, 2007 and March 31, 2008. Over 97% of those who file are monetarily eligible.
- To be entitled to benefits, the claimant must not be at fault for the separation from employment. In Colorado we adjudicate all separations.
- The intent is to provide temporary income replacement up to approximately one-half the average weekly wage. Currently the minimum weekly benefit amount is \$25 and the maximum benefit amount is \$475. (\$49,500 in the base period to receive maximum WBA). The average weekly benefit amount is \$337.

### 4. The appeals process

- Claimants and employers who disagree with a decision issued on a claim or a tax rate can appeal that decision.
- First-level appeals are decided by hearing officers assigned to the appeals branch of the unemployment insurance program in a de novo hearing.
- Second-level appeals are handled by Administrative Law Judges in the Industrial Claims Appeals Office assigned to CDLE.

- Appeals beyond the ICAO go first to the Colorado Court of Appeals and then to the Colorado Supreme Court.

## 5. Administration

- Administrative funding is provided primarily through the federal base grant. Additional funding comes from the Employment Support Fund and Revenue Fund. (For 2009 - Base Grant=\$31.9 million, ESF=\$6.1 million, Revenue Fund=\$1.7 million, Total=\$39.8million)
- There are 466 FTE assigned to the program.
- A few more statistics from CY 2007 ....
  - 166,200 claims filed
  - 157,000 employers
  - 2.5 million wage records processed quarterly
  - \$380 million in regular state benefits paid (plus an additional \$100 million in federal EUC benefits paid)
  - \$415 million in taxes collected
  - Average claim duration 13.4 weeks

## 6. Questions?