


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 08-0048
Prime Sponsor(s): Rep. Stephens and
 Rep. Loopier

Date: January 29, 2008
Bill Status: House Business Affairs and Labor
Fiscal Analyst: Ron Kirk (303-866-4785)

TITLE: CONCERNING ELIGIBILITY FOR UNEMPLOYMENT INSURANCE BENEFITS FOR AN INDIVIDUAL WHO LEAVES EMPLOYMENT TO ACCOMPANY AN ACTIVE DUTY MILITARY FAMILY MEMBER WHO HAS BEEN TRANSFERRED.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue		
Cash Funds - Unemployment Insurance Trust Fund*	(\$67,414)	(\$70,178)
State Expenditures		
Cash Funds - Unemployment Insurance Trust Fund	\$1,037,144	\$1,079,667
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: Upon Signature of the Governor.		
Appropriation Summary for FY 2008-2009: None required. The General Assembly does not appropriate the Unemployment Insurance Trust Fund.		
Local Government Impact: None.		

*Loss in interest earnings.

Summary of Legislation

The bill extends unemployment insurance (UI) benefits to spouses of military personnel who are transferred as part of their military responsibilities.

State Revenue

Currently, the Unemployment Insurance Trust Fund earns 6.5 percent interest. Since an increase in benefit payments will cause a decrease in the fund balance, the interest earned on the fund will decrease. The total decrease in interest for FY 2008-09 is estimated at \$67,414 ($\$1,037,144 \times 6.5\%$) and \$70,178 ($\$1,079,667 \times 6.5\%$) for FY 2009-10.

The bill does not impact an employer's tax rate because benefits are not charged to the employer. The fiscal note assumes no additional UI tax revenue.

State Expenditures

Increased payments from the UI Trust Fund. Since the bill extends UI benefits to spouses of military personnel who are transferred as part of their military responsibilities, more people will qualify for UI benefits. **Additional UI benefit payments are estimated at \$1,037,144 in FY 2008-09 and will increase to \$1,079,667 in FY 2009-10.**

Background. According to recent data from the U.S. Department of Defense, 29,932 active duty military personnel were based in Colorado at the close of the federal fiscal year 2006.¹ An organization that promotes career development for military spouses called the Military Spouses' Career Network, finds that over half of military personnel are married and about one of four military personnel are transferred each year. Labor participation studies indicate that of this cohort, worker participation rates are increasing and data show that 66 percent of civilian spouses are in the workforce. Thus, of the 29,932 active duty military in Colorado, 2,469 spouses per year may be affected by this policy change.

The number of military spouses who *actually claim UI benefits* under this proposal when compared to their civilian counterparts, may be far less given claim rates in other states that allow similar UI benefits. For example, Florida which also extends UI benefits to military spouses, has found that claim rates for trailing spouses have been less than 1 percent of the active duty military population. UI benefits paid by Florida averaged about \$1.3 million annually for FYs 2004-05 through FY 2005-06.

Other states such as Texas and Georgia have also had claim rates that were less than one percent. Staff analysts in Florida and these states indicated that this benefit has not been actively promoted in the past and hence, may be resulting in very low claim rates. Analysts in Florida indicated that when the UI benefit was extended to trailing spouses, the Governor's office initially placed notice of the benefit in military installations throughout the state. But after the policy was enacted, no further promotion was exercised by the Governor's office or the state. In fact, the state has experienced a declining trend in participation.

Generally, claim rates for UI benefits vary by state, are affected by many economic factors, and are significantly higher for civilians than military spouses. Based upon Florida's and other states' experience, for purposes of this fiscal note, we are assuming a claims rate for military spouses that may range up to 1 percent (299) of Colorado's active duty military population (29,932).² If the program is promoted in Colorado, the percentage could be **much higher** along with the cost. Additional estimated benefits payable under this bill are estimated at \$1,037,144 in FY 2008-09.

¹ Department of Defense, *Selected Manpower Statistics*, Fiscal Year ending September 30, 2006.

² The estimate of 299 military spouses in this note is equivalent to a 12 percent claims rate for the military spouse cohort estimated at 2,469 on page 2 of this fiscal note. This claims rate is much lower than the national unemployment insurance reciprocity rates over the postwar period that ranged from a high of 58 percent in 1946, to a low of 29 percent in 1984.

The fiscal note assumes the following:

- the average duration for benefits paid will be 15 weeks, slightly longer than the average duration for all UI claimants in Colorado (13.3 weeks). The longer duration results from the transition period that results from a person relocating across states lines and engaging in a job search in a different region of the country;
- the average benefit paid to military spouses will be less than their civilian counterpart. Based upon the most recent studies, data from the U.S. Department of Defense show that median earnings for enlisted spouses, adjusted for personal income, would equal about \$20,044 in 2006. Based upon this salary, average weekly benefits are estimated at \$231; and
- the benefits paid will rise 4.1 % in FY 2008-09 and may decline afterwards.

State Appropriations

No new appropriations are required for this bill. The General Assembly does not appropriate the Unemployment Insurance Trust Fund.

Departments Contacted

Labor and Employment

Legislative Council Staff