

**STATE
FISCAL IMPACT**

This fiscal note is prepared pursuant to Joint Rule 22.(b)(2).

Drafting Number: LLS 10-0749

Date: February 16, 2010

Prime Sponsor(s): Sen. Heath

Bill Status: Senate Business, Labor and Technology

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TITLE: CONCERNING THE ESTABLISHMENT OF THE COLORADO "WORK SHARE PROGRAM" TO ALLOW PAYMENT OF UNEMPLOYMENT COMPENSATION BENEFITS TO ELIGIBLE EMPLOYEES WHO HAVE RECEIVED A REDUCTION IN WORK HOURS.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
State Expenditures		
Cash Funds		
Unemployment Insurance Cash Fund	(\$12,104) to (\$2,160,688)	(\$12,104) to (\$2,160,688)
Federal Funds	\$133,200	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

With amendment L.003, this bill creates the Colorado Work Share Program. The program gives employers an alternative to employee layoffs by allowing them to reduce the overall work hours of a group of employees. Employees share the remaining work while receiving unemployment compensation benefits for the reduced work hours.

The Director of the Division of Employment and Training in the Department of Labor and Employment is responsible for establishing the program and approving work share plans submitted by eligible employers. Under a work share plan, an employer must agree not to reduce employee benefits and certify that total employee work hours would be reduced by the same amount if the employer did not participate in the program. Work must be reduced by at least 10 percent but not more than 40 percent and must apply to at least 10 percent of the employees in the affected unit. If the employer is subject to a collective bargaining agreement, the collective bargaining unit must agree in writing to the work share plan prior to implementation.

To calculate the benefit, an employee's regular weekly unemployment compensation benefit is multiplied by the percentage of the reduction in the employee's work hours. Program participants are not required to be available and actively seeking work to be eligible for benefits under this program. Benefits are limited to 18 weeks.

The program is set to repeal July 1, 2013, and will undergo sunset review by the Department of Regulatory Agencies.

Background

Work share programs or short-time compensation programs were first tried in California in 1978. Federal legislation enacted in 1982 enabled other states to implement these types of programs. As of 2009, 18 states operate work share programs.

State Expenditures

SB10-028 is expected to reduce the expenditures from the Unemployment Insurance Trust Fund by \$12,104 to \$2,160,688 in both FY 2010-11 and FY 2011-12 by reducing the number of employees laid off and collecting full unemployment benefits. Based on the experience of programs in other states, the fiscal note assumes that 26 to 34 percent of employees would avoid being laid off under this bill. Based on average weeks of benefits used in Colorado, the fiscal note assumes participants in a work share plan will require 14 weeks of benefits.

To implement the program, the division needs to make changes to the computer systems for benefits and premiums. These changes require 1,800 hours of contract programmer time at a cost of \$74 per hour for a total of \$133,200. These costs will be paid with federal funds for administration. Current division staff will support the ongoing administration of the work share program.

Local Government Impact

Local governments are eligible to participate but because they reimburse the trust fund 100 percent for benefits paid to their employees, local governments will not see a savings.

Departments Contacted

Labor and Employment

Personnel and Administration