**Colorado**

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## MEMORANDUM

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January 14, 2009

**TO:**        Members of the House Business Affairs and Labor Committee

**FROM:**    Christie Lee, Research Associate, 303-866-2756

**SUBJECT:**  Unemployment Insurance

This memorandum provides an overview of Colorado's unemployment insurance program.

**Colorado's Unemployment Insurance Law**

Unemployment insurance is an income maintenance program that provides temporary help to Colorado citizens who become unemployed through no fault of their own, or whose hours are reduced to less than full time through no fault of their own. In Colorado, unemployment insurance is paid entirely by employers who are covered by the Colorado Employment Security Act (CESA).[1] In order to qualify for unemployment benefits, applicants must have earned at least $2,500 in wages, be 18 years and older, be able to provide proof that they are lawfully present in the United States, and have left their employer through no fault of their own.

Summarized below are the steps the Colorado Department of Labor and Employment (DOLE) takes to determine whether an individual is eligible for unemployment benefits.

***Reason for separation.*** Although an employee has the right to leave a job for any reason at any time, the reason for separation will determine if and when an applicant will receive benefits. Once a claim is filed, DOLE contacts the applicant and his or her previous employer, and any other employer the applicant had during the base period, in order to

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[1] Articles 70 to 82 of Title 8, C.R.S.

make a decision on whether or not the applicant will receive benefits. The base period is a pre-determined 12-month period of time that is made up of the first four quarters of the last five completed calendar quarters immediately preceding the applicant's filing of a valid claim for unemployment insurance benefits. Table 1 illustrates the various base periods that exist based on the date the applicant's claim was filed. For example, if an applicant files a claim in January, February, or March 2009, the applicant's base period will be October 2007 through September 2008, or the first four of the last five completed calendar quarters.

## Table 1: Base Periods

| If a claim is filed during one of the months in a shaded box, the base period of that claim will include the months to the left of that box. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| PRIOR YEAR (2007) | LAST YEAR (2008) | | | | THIS YEAR (2009) | | | |
| OCT NOV DEC | JAN FEB MAR | APR MAY JUN | JUL AUG SEP | | JAN FEB MAR | | | |
| | JAN FEB MAR | APR MAY JUN | JUL AUG SEP | OCT NOV DEC | | APR MAY JUN | | |
| | | APR MAY JUN | JUL AUG SEP | OCT NOV DEC | JAN FEB MAR | | JUL AUG SEP | |
| | | | JUL AUG SEP | OCT NOV DEC | JAN FEB MAR | APR MAY JUN | | OCT NOV DEC |

Source: Colorado Department of Labor and Employment

## Formulas Used to Calculate Unemployment Benefits

There are two separate formulas used to calculate unemployment benefits in Colorado. The one that results in the highest weekly amount for the applicant is the one that is used.

The first formula takes the total wages paid for the highest two consecutive quarters in the base period and divides that number by the number of weeks in that six-month period. That number is then multiplied by 0.6 to determine the applicant's weekly benefit amount. According to Colorado law, this weekly benefit amount cannot exceed $431 per week, or be less than $25.

The second formula takes the total wages paid in the 12-month base period and divides that total by the number of weeks in a year. That number is cut in half to determine the applicant's weekly benefit amount. According to Colorado law, this weekly benefit amount cannot exceed $475 per week nor be less than $25.