



UNEMPLOYMENT INSURANCE

by Hillary Smith

Unemployment insurance is a federal and state income maintenance program that provides temporary and partial wage replacement to workers who have become unemployed through no fault of their own. The program is administered by the Division of Employment and Training within the Colorado Department of Labor and Employment (CDLE). State laws that govern the unemployment insurance program must conform to the federal provisions of the Federal Unemployment Tax Act and the Social Security Act.

This issue brief provides an overview of Colorado's Unemployment Insurance Trust Fund and describes the process for claiming benefits and for appealing decisions made by the unemployment insurance program, such as the denial of a claim for benefits. A summary of recent federal and state legislation concerning unemployment insurance is included.

The Unemployment Insurance Trust Fund

Unemployment insurance (UI) benefits are paid from the UI Trust Fund, which is funded by a tax paid by employers. Employer tax rates are computed annually and are experience rated, which means that employers whose workforce is more stable and for whom less benefits are paid will have a lower tax rate than a less stable employer. Included in the combined employer tax rate is a solvency surcharge, which goes into effect when the UI Trust Fund has been depleted. The solvency surcharge has been in effect in Colorado since 2003, and is predicted to remain in effect until at least 2012.

Balance of the UI Trust Fund. The balance of the UI Trust Fund in FY 2007-08 was \$699.8 million. The June 2009 Revenue and Economic Forecast estimated that the balance of the UI Trust Fund would fall to \$332.2 million in FY 2008-09, and a negative balance is expected in FY 2009-10. When the balance of the UI Trust Fund falls below zero, the state is federally required to borrow money from the Federal UI Trust Fund. Economists predict that the effects of increasing surcharge rates, legislation, and economic recovery will allow the balance to return to positive territory in FY 2010-11.

Claiming Unemployment Insurance Benefits

Eligibility. An employee has the right to leave a job for any reason at any time. However, the reason for separation will determine if and when an applicant will receive benefits. Claims for benefits may be filed either online or by phone and require four to six weeks to process. Once a claim has been filed, CDLE contacts the applicant and his or her previous employers in order to determine eligibility. In order to qualify for UI benefits, a claimant must:

- have earned at least \$2,500 in wages during the base period;
- be at least 18 years old;
- 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.

Base Period. The base period is a pre-determined 12-month period consisting of the first four quarters of the last five completed calendar quarters immediately preceding the filing date. For example, if an applicant files a claim in July, August, or September 2009, the applicant's base period will be April 2008 through March 2009.

Calculation of UI Benefits. UI benefits are intended to provide temporary income replacement up to approximately one-half the average weekly wage. There are two formulas used to calculate UI benefits, and the one that results in the highest weekly amount for the claimant is the one that is used. The weekly benefit amount cannot exceed \$475 per week nor be less than \$25 per week. A benefits estimator is available on the CDLE website.

Payment of UI Benefits. UI benefits are paid every two weeks and are electronically transferred to a Colorado Automated Payment (CAP) Card, a debit card issued by CDLE. Individuals may request that their benefits be directly deposited into a bank account. Benefits can be paid for a maximum of 26 weeks. However, additional weeks of benefits, known as extended benefits, may be available in times of high unemployment. Claimants must reapply for benefits every two weeks. To remain eligible for UI benefits, claimants must be able and available to work, must actively seek work, and must be willing to accept suitable work.

Appeals process. Claimants and employers who disagree with a decision issued on a claim or a tax rate can appeal that decision. The UI Appeals branch of CDLE must receive a written appeal by mail or by fax within 20 calendar days after the mailing date of the decision. All appeals must be filed separately using a form available on the CDLE website. It is important to note that claimants who file an appeal must continue to file for benefits while the appeal is being processed; claimants can receive benefits only for weeks in which a valid claim has been filed.

Recently Enacted Federal and State Legislation

The American Recovery and Reinvestment Act of 2009 is an economic stimulus package that provides

federal funding to extend UI benefits and expand eligibility. To allow the state to receive the funding, **Senate Bill 09-247** was passed and signed into law. The bill:

- expands eligibility for benefits to include individuals who leave a job for certain compelling family reasons such as domestic abuse;
- allows a claimant to designate an alternative base period in order to qualify for UI benefits;
- establishes triggers based on the state unemployment rate that determine when the state will be eligible for federal funding for extended benefits; and
- makes enhanced UI benefits available to claimants participating in an approved training program for the following three fiscal years.

Additional UI-related bills enacted in 2009 include:

- **House Bill 09-1076**, which requires that all types of payments a claimant receives when leaving employment be treated the same in calculating when the claimant can begin receiving UI benefits and the maximum allowable benefit. Additionally, benefits will not be reduced for claimants who also receive social security payments;
- **House Bill 09-1054**, which extends UI benefits to the surviving working spouses of military personnel who live in Colorado, have a spouse who is stationed in Colorado and is killed in combat operations, and relocate to a new place of residence from which it is impractical to commute to the same job; and
- **Senate Bill 09-178**, which waives the requirement for employees attached to regular jobs to register for work and report to an employment office as a condition of being eligible to receive UI benefits for a period of 26 weeks. The bill is directed at claimants who are unemployed due to a temporary lack of work from their most recent employer, but who anticipate returning to work with that employer.