HB 23-1078

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 23-0587	**Date:**	February 7, 2023
Prime Sponsors:	Rep. Willford Sen. Hansen	**Bill Status:**	House Business
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Bill Topic: **UNEMPLOYMENT COMPENSATION DEPENDENT ALLOWANCE**

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure
☐ State Transfer
☐ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

The bill creates a dependent allowance for an individual receiving unemployment compensation. Starting in FY 2023-24, the bill increases state expenditures and workload on an ongoing basis.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of $655,530 to the Department of Labor and Employment.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 23-1078

		Budget Year FY 2023-24	Out Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-	-
Expenditures	Unemployment Compensation Fund	-	$10.7 million	$21.7 million
	Employment Support Fund	$655,530	$532,507	$1,168,626
	Centrally Appropriated	$32,236	$161,272	$439,799
	Total Expenditures	**$687,766**	**$11,360,569**	**$23,327,546**
	Total FTE	**1.2 FTE**	**6.5 FTE**	**20.0 FTE**
Transfers		-	-	-
Other Budget Impacts		-	-	-

Summary of Legislation

Starting July 1, 2025, the bill creates a dependent allowance for each dependent of an individual receiving unemployment insurance (UI) compensation. The dependent allowance is the lesser of $35 per dependent per week, adjusted annually for inflation, or the individual's average weekly wage from the highest-earning quarter used to determine benefit amounts. The bill defines a "dependent" as an individual who is under 18 years of age or is 18 years of age or older and incapable of self-care because of a mental or physical disability. Only one individual may receive a dependent allowance for a dependent. The bill requires the Division of Unemployment Insurance (division) in the Colorado Department of Labor and Employment (CDLE) to report to the General Assembly on the dependent allowance annually, starting August 31, 2025.

Background

The Colorado UI program provides temporary and partial wage replacement to workers who have become unemployed through no fault of their own. UI benefits are paid from the Unemployment Compensation Fund, which is funded through premium and surcharge rates charged to employers on the first $20,400 of each covered employee's wages each year.

State Expenditures

The bill increases state expenditures by $687,766 in FY 2023-24, $11,360,569 in FY 2023-24, and $23,327,546 in subsequent years for expanded state unemployment benefits and administration within CDLE. These expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 23-1078

	FY 2023-24	FY 2024-25	FY 2025-26
Expanded State Unemployment Benefits	-	$10.7 million	$21.7 million
Department of Labor and Employment			
Personal Services	$90,300	$403,672	$1,141,626
Operating Expenses	$1,890	$8,775	$27,000
Capital Outlay Costs	$13,340	$120,060	-
Computer Programming	$550,000	-	-
Centrally Appropriated Costs[1]	$32,236	$161,272	$439,799
Total Cost	**$687,766**	**$11,360,569**	**$23,327,546**
Total FTE	**1.2 FTE**	**6.5 FTE**	**20.0 FTE**

[1] *Centrally appropriated costs are not included in the bill's appropriation.*

Expanded state unemployment benefits. Assuming the December 2022 Legislative Council Staff forecast, and State Demography Office 2022 Colorado population estimates by age, the expansion of unemployment compensation to individuals is expected to result in additional benefits paid from the Unemployment Compensation Fund of $10.7 million in FY 2024-25, a half-year impact, and $21.7 million in FY 2025-26, with amounts in future years depending on economic conditions as well as population growth.

Administrative costs in CDLE. The CDLE will have one-time computer programming costs of $550,000 in FY 2023-24 for a vendor to create the new dependent allowance requirements in the division. Workload in the division will also increase to process, evaluate, and adjudicate claims that request an additional dependent allowance. This includes evaluating the documentation submitted, requesting additional information, and processing the payment amount for the additional allowance. Starting in FY 2023-24 and ongoing, the division requires 2.0 FTE to initiate the dependent allowance program. Starting in FY 2024-25 and ongoing, the division will require an additional 18.0 FTE to complete workload for the program, based on current initial claims volume and processing times. These amounts are prorated in FY 2023- 24 and FY 2024-25, and total 20 FTE for the first full year of operation, in FY 2025-26. Standard operating and capital expenses are included for this new staff. Administrative costs are paid from the Employment Support Fund.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2023-24, the bill requires an appropriation of $655,530 to the Department of Labor and Employment, and 1.2 FTE.

Departmental Difference

Based on federal oversight of the state UI program, the department requests that the General Fund be used for administrative costs under the bill. The fiscal note assumes that these administrative costs constitute allowable uses of funds in the Employer Support Fund.

State and Local Government Contacts

Information Technology	Labor	Personnel