

Unemployment Insurance



COLORADO
Department of
Labor and Employment



What we have done to date:

- SB20-207 turned off the solvency surcharge for 2021 and 2022.
- Executive Order D20-012 held employer experience rates harmless for COVID related layoffs through September 6th 2021.
- Paid first batch of interest using CRF dollars, not through additional employer assessment (apx. \$1.5 million).
- Taxable wage base will increase significantly over the next 5 years:
 - 2021: \$13,600
 - 2022: \$17,000
 - 2023: \$20,400
 - 2024: \$23,800
 - 2025: \$27,200
 - 2026: \$30,600

Problem:

- In March of 2020 the Unemployment Insurance Trust Fund (UITF) was at historic high of **+\$1.1 billion**.
- The UITF was fully depleted on August 18th 2020, and to-date we have borrowed **\$1.014 billion** to continue paying UI benefits.
- State law mandates several premium increases in a deficit:
 - Interest surcharge (By law, interest payments cannot be made by traditional premium revenue)
 - Solvency surcharge - Off until 2023
 - Rate schedule shift - will move to highest rate schedule in 2022
 - Federal Unemployment Tax Act credit reduction

Considerations

- We want to both provide trust fund relief for fiscal management, and corresponding long term relief to employers.
- Any reduction to employers should be backfilled with stimulus funding to ensure the stability of the UITF.
- Beginning Sept 07, 2021 the interest accumulates daily at \$63,300 per day, and with anticipated borrowing to begin again in the next few months, that amount will increase as the debt increases.
 - We anticipate a total interest payment due September 30, 2022 of between \$20 - \$25 million if no action is taken to reduce the debt.
- Ensuring the health of the trust fund reduces future taxes on employers, and prepares Colorado for the next recession.

Vertical portion determined by health/level of UI trust fund

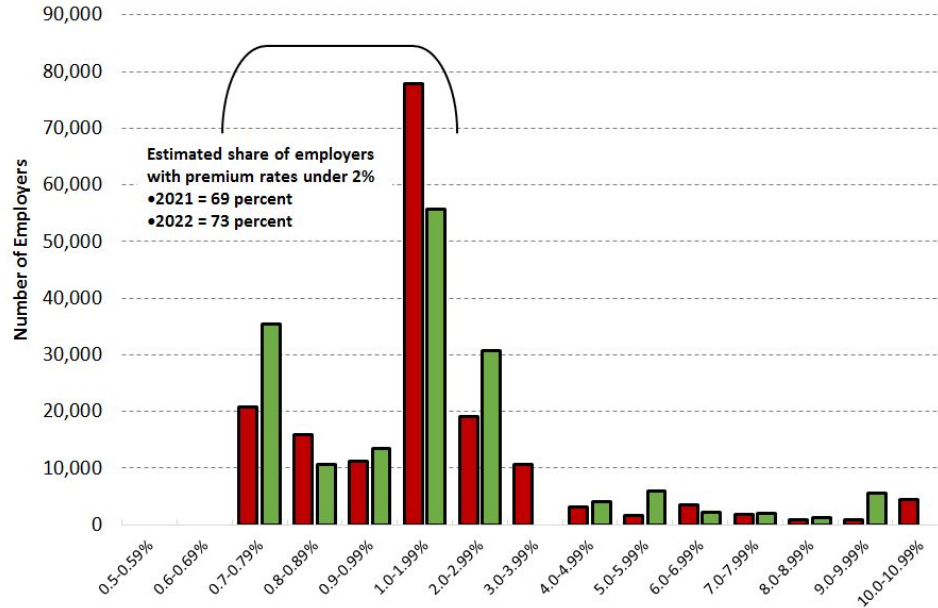
				2020			2021	2022
	Eligible Employers Percent of Excess	Reserve Ratio 0.014 or Greater	Reserve Ratio 0.011 to 0.014	Reserve Ratio 0.008 to 0.011	Reserve Ratio 0.006 to 0.008	Reserve Ratio 0.004 to 0.006	Reserve Ratio 0.000 to 0.004	Reserve Ratio 0.000 to Deficit
Best layoff history	+20 or more	0.0051	0.0056	0.0058	0.0062	0.0066	0.0071	0.0075
	+18 to +19	0.0057	0.0062	0.0064	0.0069	0.0073	0.0078	0.0082
	+16 to +17	0.0058	0.0063	0.0065	0.0070	0.0074	0.0079	0.0084
	+14 to +15	0.0061	0.0067	0.0069	0.0075	0.0080	0.0086	0.0091
	+12 to +13	0.0066	0.0072	0.0075	0.0082	0.0088	0.0095	0.0101
Horizontal portion determined by employer's layoff history	+10 to +11	0.0075	0.0083	0.0087	0.0094	0.0102	0.0110	0.0118
	+8 to +9	0.0095	0.0105	0.0110	0.0120	0.0130	0.0140	0.0150
	+6 to +7	0.0116	0.0129	0.0135	0.0148	0.0160	0.0173	0.0186
	+4 to +5	0.0138	0.0154	0.0161	0.0177	0.0192	0.0207	0.0223
	+2 to +3	0.0193	0.0214	0.0225	0.0247	0.0269	0.0291	0.0313
	+0 to +1	0.0271	0.0302	0.0317	0.0348	0.0379	0.0410	0.0441
	Unrated	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	-0 to -1	0.0346	0.0386	0.0406	0.0447	0.0487	0.0527	0.0568
	-2 to -3	0.0368	0.0412	0.0433	0.0476	0.0519	0.0562	0.0606
	-4 to -5	0.0391	0.0437	0.0460	0.0506	0.0552	0.0598	0.0644
	-6 to -7	0.0414	0.0462	0.0487	0.0535	0.0584	0.0633	0.0682
	-8 to -9	0.0436	0.0488	0.0514	0.0565	0.0617	0.0668	0.0720
	-10 to -11	0.0459	0.0513	0.0540	0.0595	0.0649	0.0703	0.0758
	-12 to -13	0.0481	0.0539	0.0567	0.0624	0.0681	0.0738	0.0796
	-14 to -15	0.0504	0.0564	0.0594	0.0654	0.0714	0.0774	0.0834
-16 to -17	0.0527	0.0589	0.0621	0.0683	0.0746	0.0809	0.0872	
-18 to -19	0.0549	0.0615	0.0648	0.0713	0.0779	0.0844	0.0910	
-20 to -21	0.0572	0.0640	0.0674	0.0743	0.0811	0.0879	0.0948	
-22 to -23	0.0594	0.0666	0.0701	0.0772	0.0843	0.0914	0.0986	
-24 to -25	0.0617	0.0690	0.0727	0.0801	0.0875	0.0949	0.1023	
Worst layoff history	More than -25	0.0628	0.0703	0.0740	0.0815	0.0890	0.0964	0.1039

Standard Premium Rate Schedule

- The current standard premium rate schedule was created through HB11-1288.
- The solvency surcharge has a separate rate schedule, which can be viewed in the [Colorado Employment Security Act](#) (page 75).
- An employer's total UI premium contributions for the year are determined by multiplying their individual rate by the total amount of their wages that are subject to UI premiums. In 2022 that will be up to \$17,000, per employee. This is known as the wage base.

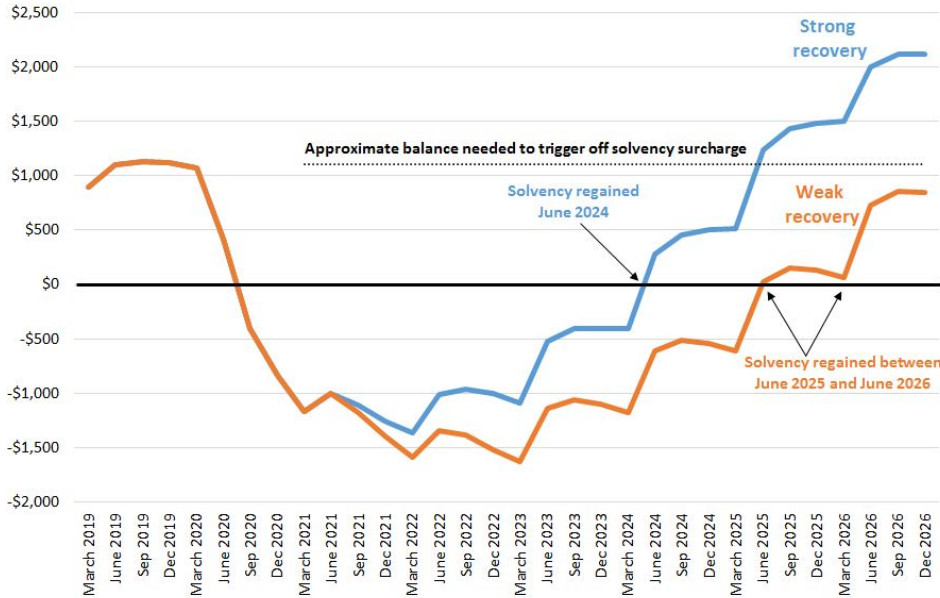
Most Employers Are Concentrated on the Lower End of the Rate Schedule

UI Premium Rate Distribution 2022 (Red) vs. 2021 (Green)
(Experience-rated employers only)



Source: Colorado Department of Labor and Employment

Colorado Unemployment Insurance Trust Fund Balance (Millions)
(Forecasts 2021-2026, Based on Current Law and No Injection of Federal Funds)



Source: Colorado Department of Labor and Employment

UI Trust Fund Forecast (Current Law, No Federal Funds)

Blue = Strong Recovery;
Orange = Weak Recovery

Year	Rate Schedule (Strong Growth)	Rate Schedule (Weak Growth)
2022	Deficit (highest rates)	Deficit
2023	Deficit (highest)	Deficit
2024	Deficit (highest)	Deficit
2025	0.000 to 0.004 (2nd highest)	Deficit
2026	0.006 to 0.008 (4th highest)	Deficit or 0.000 to 0.004
2027	0.011 to 0.014 (2nd lowest)	0.004 to 0.006 (3rd highest)

Additional Employer Costs Due to the Current Level of the UI Trust Fund: Higher Rates

- **Premium rates:** as discussed in prior slides, the rate schedule for a given year is determined by the health/level of the trust fund. An insolvent fund will result in the highest rate schedule.

Year	Is Solvency Surcharge On?	Estimated Range of Total Annual Solvency Surcharge Cost
2022	No, suspended per SB207	N/A
2023	Yes	\$200m-\$250m
2024	Yes	\$250m-\$300m
2025	Yes	\$300m-\$350m
2026	Maybe (strong recovery); Yes (low recovery)	\$0 if off; or \$300m-\$350m if on
2027	No (strong recovery); Yes (low recovery)	\$0 if off; or \$300m-\$350m if on

Additional Employer Costs Due to the Current Level of the UI Trust Fund: Solvency Surcharge

- **Solvency surcharge:** premiums employers pay in addition to their base premiums, rates determined by each employer's layoff history (i.e. experience rating)

Year	Will There Be a FUTA Credit Reduction?	Effective FUTA Tax Rate	Estimated Range of Total Added Cost to Employers with FUTA Credit Reduction**
2021	No	0.6%, or \$42 per employee	N/A
2022	Yes	0.9%, or \$63 per employee	\$50m-\$75m
2023	Yes	1.2%, or \$84 per employee	\$110m-\$135m
2024	No* (strong recovery); Yes (low recovery)	1.5%, or \$105 per employee	\$170m-\$195m
2025	No (strong recovery); No* (low recovery)	0.6%, or \$42 per employee	N/A*
2026	No (strong recovery); No (low recovery)	0.6%, or \$42 per employee	N/A

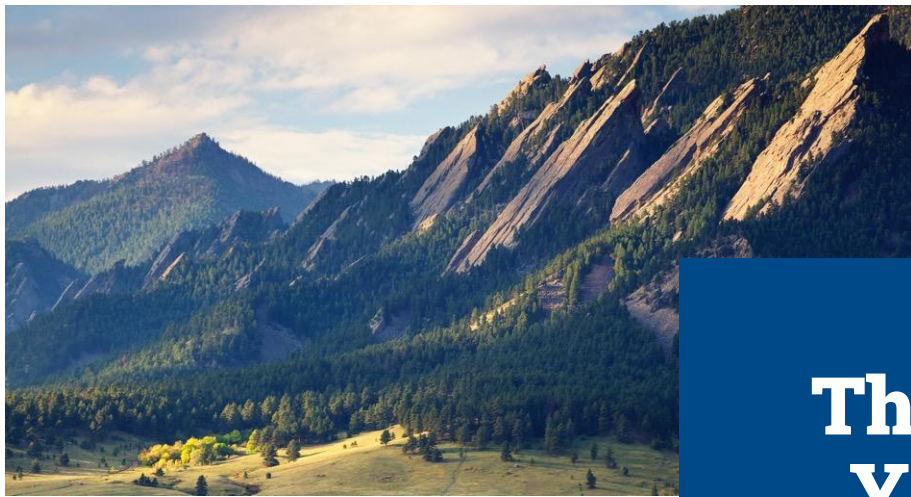
Additional Employer Costs Due to the Current Level of the UI Trust Fund: FUTA Credit Reduction

- **FUTA credit reduction:** a detailed explanation of the credit reduction is available on page 12 of the [2021 UITE status report](#). Additional information can also be found in this USDOL [link](#), as well as this [link](#). Simply, the credit reduction will cost employers an additional \$21 per employee, per year as long as there is still an outstanding loan balance. All of the revenue generated from a FUTA credit reduction is credited against the state's outstanding loan balance.

*As long as outstanding loan balance is paid by November 10 of that year

**Additional amounts due by January 31 of the following calendar year

Discussion



**Thank
You!**

**Until We
Meet Again!**

