HB 23-1078

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 23-0587	**Date:**	August 28, 2023
Prime Sponsors:	Rep. Willford; Gonzales-Gutierrez Sen. Hansen	**Bill Status:**	Postponed Indefinitely
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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 would have created a dependent allowance for an individual receiving unemployment compensation. Starting in FY 2024-25, the bill would have increased state expenditures and workload on an ongoing basis.

Appropriation Summary: No appropriation was required.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill. This bill was postponed indefinitely by the Senate Business, Labor, and Technology Committee on May 2, 2023; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 23-1078

		Budget Year FY 2023-24	Out Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue		-	-	-	
Expenditures	Unemploy. Comp. Fund	-	-	-	$20.4 million
	Employ. Support Fund	-	$712,214	$532,507	$1,168,626
	Central Approp.	-	$32,561	$161,272	$439,799
	Total Expenditures	**-**	**$744,775**	**$693,779**	**$21,961,612**
	Total FTE	**-**	**1.2 FTE**	**6.5 FTE**	**20.0 FTE**
Transfers		-	-	-	-
Other Budget Impacts		-	-	-	-

Summary of Legislation

Starting July 1, 2026, 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, 2026.

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 $744,775 in FY 2024-25, $693,779 in FY 2025-26, and $22.0 million in FY 2026-27, with similar amounts required 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	FY 2026-27
Expanded State Unemployment Benefits		-	-	$20.4 million
Department of Labor & Employment				
Personal Services	-	$91,984	$403,672	$1,141,626
Operating Expenses	-	$1,890	$8,775	$27,000
Capital Outlay Costs	-	$13,340	$120,060	-
Computer Programming	-	$605,000	-	-
Centrally Appropriated Costs[1]	-	$32,561	$161,272	$439,799
Total Cost	**-**	**$744,775**	**$693,779**	**$21,961,612**
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 March 2023 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 $20.4 million in FY 2026-27, with amounts in future years depending on economic conditions as well as population growth. Expanded benefits are not expected to impact the employer premium rate schedule within the forecast period.

Administrative costs in CDLE. The CDLE will have costs to implement the new dependent allowance program and to maintain timely processing of claims, as well as sufficient detection and deterrence of fraudulent claims. The CDLE will also have one-time computer programming costs of $605,000 in FY 2024-25 for a vendor to create the new dependent allowance requirements in the division.

While some determinations for dependent allowance can be automated, the majority will require staff time to process. This includes evaluating the documentation submitted, requesting additional information, processing the payment amount for the additional allowance, and adjudicating claims that request an additional dependent allowance.

In FY 2024-25, 1.2 FTE is required to support the vendor and create the computer system. In FY 2025-26, the division requires 6.5 FTE to initiate the dependent allowance program and additional staff to handle claims are assumed to begin work in April. Starting in FY 2026-27, the division will require 20.0 FTE to complete workload for the program, based on current initial claims volume and processing times, which are estimated at approximately 55,000 claims with a dependent allowance, and a processing rate of two to four claims per hour. Staffing levels are prorated for staggered start dates, with full staffing levels beginning in FY 2026-27 for the first full year of operation. 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 and Local Government Contacts

Information Technology	Labor	Personnel