



Fiscal Note
Legislative Council Staff
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SB 25-242: DIV UNEMPLOYMENT INSURANCE FUNDING MECHANISM

Prime Sponsors:
Sen. Amabile; Bridges
Rep. Sirota; Taggart

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Bill Outcome: Signed into Law
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Fiscal note status: The final fiscal note reflects the enacted bill, which was recommended by the Joint Budget Committee as part of the FY 2025-26 Long Bill budget package.

Summary Information

Overview. The bill makes adjustments to employer support surcharge revenue distributions, revenue caps, and fund balance caps. It also renames and expands the allowable uses of the Employment and Training Technology Fund.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Transfers and Diversions
- TABOR Refunds

Appropriations. For FY 2024-25 and FY 2025-26, the bill includes several changes to appropriations for the Department of Labor and Employment, resulting in a net increase of \$30 million.

Table 1
State Fiscal Impacts

Type of Impact ¹	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0	\$0
State Expenditures	\$30.0 million	\$34.5 million	\$30.0 million
Transferred Funds ²	-\$47.8 million	-\$19.5 million	-\$9.8 million
Diverted Funds ²	-\$24.4 million	-\$11.4 million	-\$18.8 million
Change in TABOR Refunds	-\$4.5 million	-\$27.2 million	-\$22.1 million
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

¹ Fund sources for these impacts are shown in the tables below.

² The net change in available revenue, after accounting for transfers, diversions and other changes in the bill is shown in Table 3 in the State Transfers and Diversions section.

**Table 1A
State Expenditures**

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund ¹	\$0	\$4.5 million	\$0
Cash Funds	\$30.0 million	\$30.0 million	\$30.0 million
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$0	\$0	\$0
Total Expenditures	\$30.0 million	\$34.5 million	\$30.0 million
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

¹ Under the March 2025 OSPB Forecast selected by the Joint Budget Committee for balancing, the bill would not require a \$4.5 million General Fund expenditure in FY 2025-26, such that total expenditures would be \$30.0 million in every year.

**Table 1B
State Transfers**

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
Employment Support Fund	\$0	\$0	\$0
Benefit Recovery Fund	\$0	\$0.6 million	\$5.8 million
UI Program Support Fund	\$0	\$0	\$0
Workforce Development Fund	\$47.8 million	\$18.9 million	\$4.0 million
UI Trust Fund	-\$47.8 million	-\$19.5 million	-\$9.8 million
Total Transfers	\$0	\$0	\$0

**Table 1C
State Diversions**

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
Employment Support Fund	\$19.4 million	-\$4.2 million	\$3.5 million
Benefit Recovery Fund	\$3.7 million	\$2.0 million	-\$0.8 million
UI Program Support Fund	\$17.3 million	\$14.9 million	\$14.2 million
Workforce Development Fund	-\$53.7 million	-\$11.1 million	-\$6.5 million
UI Trust Fund	\$13.3 million	-\$1.6 million	-\$10.4 million
Total Diversions	\$0	\$0	\$0

Table 1D
Changes to Employer Surcharge Initial Revenue Distributions

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
Employment Support Fund	-\$23.7 million	-\$21.5 million	-\$21.3 million
Benefit Recovery Fund	-\$3.9 million	-\$3.6 million	-\$3.5 million
UI Program Support Fund	\$21.7 million	\$34.6 million	\$33.7 million
Workforce Development Fund	\$5.9 million	\$4.1 million	\$3.9 million
UI Trust Fund	\$0	\$0	\$0
Net Change in Distributions	\$0	\$0	\$0

Table 1E
Change in TABOR Refunds¹

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
Prop. Tax Reimbursement to Local Govts.	-\$4.5 million	\$0	\$0
Six-Tier Sales Tax Refunds	\$0	-\$27.2 million	-\$22.1 million
Net Change in TABOR Refunds	-\$4.5 million	-\$27.2 million	-\$22.1 million

¹ Under the March 2025 OSPB Forecast selected by the Joint Budget Committee for Balancing, the bill would reduce six-tier sales tax refunds by \$4.3 million in FY 2024-25, \$25.7 million in FY 2025-26, and \$23.0 million in FY 2026-27, with no change to refunds via property tax reimbursements to local governments.

Summary of Legislation

The bill makes several changes to the funding mechanism of the Unemployment Insurance Program, including:

- renaming the Employment and Training Technology Fund to the Unemployment Insurance Program Support Fund;
- expanding the allowable uses of the Unemployment Insurance Program Support Fund and increasing expenditures from the fund;
- adjusting employer support surcharge distributions, revenue caps, and fund balance caps for funds that receive revenue from the employer support surcharge; and
- shifting certain centrally appropriated costs from the Employment Support Fund to the Unemployment Insurance Program Support Fund and the Workforce Development Fund.

Unemployment Insurance Program Support Fund

The bill renames the Employment and Training Technology Fund to the Unemployment Insurance Program Support Fund. Additionally, the bill expands the allowable uses of the fund to include all administrative costs for the Unemployment Insurance division, including technology, staffing, and other expenses. As a result, the bill increases spending authority from the fund by \$30 million on an ongoing basis beginning in FY 2024-25.

Surcharge Distributions, Revenue Caps, and Fund Balance Caps

Employers pay the employer support surcharge to fund unemployment insurance administration and support the Unemployment Insurance Trust Fund (UITF, also called the Unemployment Compensation Fund) which funds benefits payments. Revenue from this surcharge is distributed to the Employment Support Fund, Benefit Recovery Fund, Unemployment Insurance Program Support Fund, and Workforce Development Fund, except that some revenue may be diverted to the UITF if certain revenue or fund balance caps are exceeded. The bill adjusts these distribution percentages, revenue caps, and fund balance caps, as shown in Table 2.

Table 2
Adjustments to Employer Support Surcharge
Distributions, Revenue Caps, and Fund Balance Caps

Fund and TABOR Status	Current Law Distributions and Caps	SB 25-242 Distributions and Caps
Employment Support Fund (Nonexempt)	<p>Receives up to 35% of surcharge revenue.</p> <p>Surcharge revenue that would cause the end-of-year fund balance to exceed \$7.2 million, adjusted annually by the rate of inflation, is diverted to the Employment and Training Technology Fund or the Workforce Development Fund.</p>	<p>Receives up to 11% of surcharge revenue.</p> <p>Surcharge revenue that would cause the end-of-year fund balance to exceed \$3.5 million, adjusted annually by the rate of average weekly wage growth, is diverted to the UITF.</p>
Benefit Recovery Fund (Nonexempt)	<p>Receives 19% of surcharge revenue, except that any revenue above \$15 million is diverted to the Employment Support Fund.</p> <p>At the end of each fiscal year, any money in the fund in excess of \$30.7 million, adjusted annually by the rate of inflation, is transferred to the UITF.</p>	<p>Receives up to 15% of surcharge revenue, except that any revenue above \$15 million is diverted to the Employment Support Fund.</p> <p>Surcharge revenue that would cause the end-of-year fund balance to exceed \$30 million, adjusted annually by the rate of average weekly wage growth, is diverted to the UITF.</p>
Unemployment Insurance Program Support Fund (Exempt)	<p>Receives 32% of surcharge revenue.</p> <p>If revenue exceeds \$13.6 million, adjusted annually by the rate of inflation, the excess revenue is then credited to the UITF.</p>	<p>Receives up to 54% of surcharge revenue.</p> <p>Surcharge revenue that would cause the end-of-year fund balance to exceed \$25 million, adjusted annually by the rate of average weekly wage growth, is diverted to the UITF.</p>
Workforce Development Fund (Exempt)	<p>Receives 14% of surcharge revenue.</p> <p>At the end of each fiscal year, any money in the fund in excess of \$6.8 million, adjusted annually for inflation, is transferred to the UITF.</p>	<p>Receives up to 20% of surcharge revenue.</p> <p>Surcharge revenue that would cause the end-of-year fund balance to exceed \$6.8 million, adjusted annually by the rate of average weekly wage growth, is diverted to the UITF.</p>

Note: The fund balance caps referenced in this table are adjusted each year. The fund balance cap amounts in this table are for the current FY 2024-25.

Background and Assumptions

The Joint Budget Committee Staff's [CDLE Figure Setting Document](#) includes additional background information about this bill. This fiscal note assumes the [March 2025 LCS Forecast](#) for employer support surcharge revenue, inflation, average weekly wage growth, and the TABOR surplus.

State Transfers and Diversions

By changing revenue distributions, revenue caps, and fund balance caps, the bill changes the amount of employer surcharge revenue diverted and transferred to each fund on an ongoing basis beginning in the current FY 2024-25, as shown in Tables 1B, 1C, and 1D.

The change in the amount of employee support surcharge revenue retained each fund is shown in Table 3, after accounting for all of the bill's changes to revenue distributions, revenue caps, fund balance caps, and expenditures. Table 3 is effectively the sum of Tables 1B, 1C, and 1D. The table shows that in FY 2024-25, the Employment Support Fund, Benefit Recovery Fund, and UITF will receive less revenue from the employer support surcharge on net, the Unemployment Insurance Program Support Fund will receive more revenue, and the Workforce Development Fund will receive the same amount of revenue.

Table 3
Net Change in Funding Available

Fund and TABOR Status	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
Employment Support Fund (nonexempt)	-\$4.3 million	-\$25.7 million	-\$17.8 million
Benefit Recovery Fund (nonexempt)	-\$0.2 million	-\$1.0 million	\$1.5 million
UI Program Support Fund (exempt)	\$39.0 million	\$34.6 million	\$33.7 million
Workforce Development Fund (exempt)	\$0	\$13.2 million	\$2.8 million
UI Trust Fund (exempt)	-\$34.5 million	-\$21.1 million	-\$20.3 million
Net Change	\$0	\$0	\$0

State Expenditures

The bill increases state expenditures on net by \$30.0 million in FY 2024-25, \$34.5 million in FY 2025-26, and \$30.0 million in FY 2026-27 and ongoing.

Unemployment Insurance Program Support Fund

The bill increases expenditures from the Unemployment Insurance Program Support Fund by \$30.0 million on an ongoing basis beginning in FY 2024-25 to address a budget shortfall arising from a decrease in federal funding and increased technology and administration costs.

Property Tax Reimbursements to Local Governments

For FY 2025-26 only, the bill increases General Fund expenditures by \$4.5 million as a result of reduced revenue subject to TABOR in FY 2024-25. Under the March 2025 LCS Forecast, the FY 2024-25 TABOR surplus is not expected to be large enough to fully fund reimbursements to local governments for the constitutional homestead exemptions. The fiscal note assumes that General Fund expenditures will be required to fully fund the reimbursements. Therefore, reducing revenue subject to TABOR by \$4.5 million in FY 2024-25 results in a corresponding increase in General Fund expenditures for FY 2025-26 to fund property tax reimbursements.

Shift in Centrally Appropriated Costs

Beginning in FY 2024-25, the bill shifts certain expenditures from the non-exempt Employment Support Fund to TABOR-exempt funds, with no change in total expenditures. The bill reduces expenditures on an ongoing basis from the Employment Support Fund by \$14.6 million for centrally appropriated costs for the department's executive director's office, and correspondingly increases expenditures from the Unemployment Insurance Program Support Fund by \$8.2 million and the Workforce Development Fund by \$6.4 million.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$4.5 million in FY 2024-25, \$27.2 million in FY 2025-26, and \$22.1 million in FY 2026-27. This estimate assumes the March 2025 LCS Forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Decreased cash fund revenue subject to TABOR decreases the amount of General Fund revenue required to be refunded to taxpayers under TABOR, and increases the amount of General Fund available to spend or save elsewhere in the budget.

The bill reduces revenue subject to TABOR by reducing the amount of revenue retained in the Employment Support Fund via reduced expenditures and a lower fund balance cap, reducing the amount of employer support revenue retained in the Business Recovery Fund, and replacing a current transfer from the Business Recovery Fund to the UITF with a diversion. The impacts of each of these changes on revenue subject to TABOR is shown in Table 4.

Table 4
Change in Revenue Subject to TABOR

Fund and TABOR Status	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
Employment Support Fund Retained Revenue	-\$4.3 million	-\$25.7 million	-\$17.8 million
Benefit Recovery Fund Retained Revenue	-\$0.2 million	-\$1.0 million	\$1.5 million
Benefit Recovery Fund Transfer to UITF	\$0	-\$0.6 million	-\$5.8 million
Net Change	-\$4.5 million	-\$27.2 million	-\$22.1 million

Note: Totals may not sum due to rounding.

Effective Date

The bill was signed into law by the Governor and took effect on June 3, 2025.

State Appropriations

For FY 2024-25, the bill makes the following Long Bill adjustments to Department of Labor and Employment appropriations:

- reduces appropriations from the Employment Support Fund by \$14,599,685 and correspondingly increases appropriations from the Unemployment Insurance Program Support Fund and the Workforce Development Fund by \$8,227,673 and \$6,372,012 respectively; and
- increases appropriations from the Unemployment Insurance Program Support Fund by \$30,000,000.

For FY 2025-26, the bill makes the following Long Bill adjustments to Department of Labor and Employment appropriations:

- reduces appropriations from the Employment Support Fund by \$14,571,029 and correspondingly increases appropriations from the Unemployment Insurance Program Support Fund and the Workforce Development Fund by \$8,210,933 and \$6,360,096 respectively; and
- increases appropriations from the Unemployment Insurance Program Support Fund by \$30,000,000.

For FY 2025-26, under the March 2025 LCS Forecast, the bill would also require an appropriation of \$4,494,337 from the General Fund to the Department of the Treasury for property tax reimbursements. Under the March 2025 OSPB Forecast selected by the Joint Budget Committee for balancing, this appropriation is not required, and therefore is not included in the bill.

State and Local Government Contacts

Department of Labor and Employment

Joint Budget Committee Staff