

Bill Spotlight: SB22-234 Unemployment Compensation

MAY 2022

Background

Due to the influence of the COVID-19 pandemic and the state government’s policy responses, Colorado’s unemployment levels spiked in early 2020 and caused the state’s Unemployment Insurance Trust Fund to become deeply insolvent. Now, the Trust Fund is projected to remain insolvent until the 2024 fiscal year.

- Colorado is one of only 9 states with an unemployment insurance program in debt to the federal government and has the 6th-highest debt among those states.ⁱ
- Between 2023 and 2026, Colorado employers stand to pay \$4.2 billion more in state and federal UI taxes than they would at a pre-pandemic baseline.
- Total UI taxes are projected to peak in 2024 at \$1.64 billion, which amounts to a 135% increase from the 2020 level of \$697 million.

A rising unemployment insurance tax is just one piece among many new taxes and fees estimated to cost Coloradans billions of dollars in total over the coming years.ⁱⁱ

SB22-234: Unemployment Compensation

SB22-234 proposes to allocate \$600 million received from the American Rescue Plan Act to the repayment of the federal loan, which will reduce employers’ UI payroll taxes. It also makes several minor changes to the state’s unemployment insurance program that will permanently increase total benefit payments.ⁱⁱⁱ

Employer Savings

- SB22-234 would save employers \$845 million by 2026.
 - The bill would trigger lower UI payroll tax rates and suspend the solvency surcharge through 2023.
- Before 2026, much of the allocation would increase the Trust Fund’s resilience against the potential of another economic downturn.

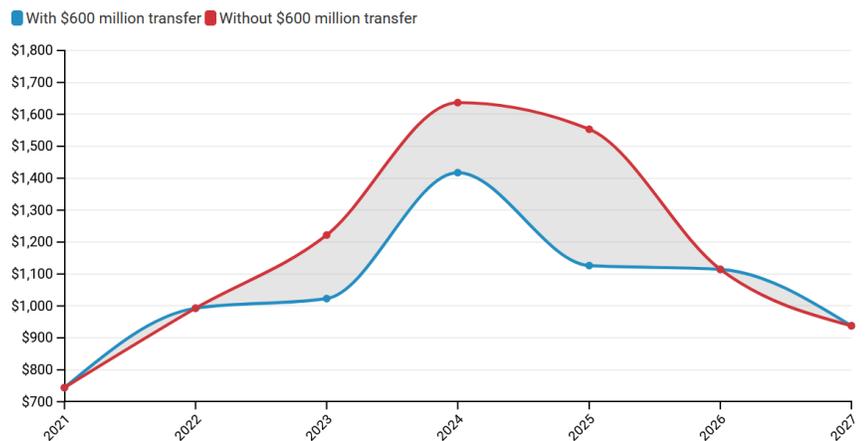
Benefit Changes

SB22-234 makes several changes to Colorado’s unemployment insurance law. Among them are:

- A permanent benefit increase for partially unemployed workers.
- A repeal of the one-week ineligibility period for recently unemployed workers.
- An increase of funding to the Employment Support Fund for the purpose of granting “recovery benefits” to eligible unemployed people irrespective of immigration status.

SB22-234's Impact on Unemployment Insurance Payroll Taxes

Total payroll taxes will increase from \$697 million in 2020 to \$1.64 billion in 2024. The shaded area represents \$845 million of savings for employers as a result of a \$600 million transfer to the Trust Fund and a suspension of the solvency surcharge through 2023.



Source: Internal modeling based upon March 2022 Legislative Council Staff projections and population data from the Colorado Demographer’s Office

ⁱ <https://oui.doleta.gov/unemploy/budget.asp>

ⁱⁱ <https://commonsenseinstituteco.org/the-steep-price-tag-of-the-2021-legislative-session/>

ⁱⁱⁱ <https://leg.colorado.gov/bills/sb22-234>