



COLORADO FISCAL POLICY INSTITUTE

Justice and Economic Security for all Coloradans

The Unemployment Insurance Modernization Act and Colorado

Colorado Must Adopt an Alternative Base Period and Other Reforms Now to Draw Down \$127.5 million in Federal Aid to Unemployed Workers

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Both the House and Senate economic recovery packages included the Unemployment Insurance Modernization Act (UIMA) and it will be a part of the package that is likely to reach President Obama's desk by Monday, February 16th.

The UIMA provides a total of \$7 billion in financial incentives to states to close major gaps in the unemployment insurance system. It also provides \$500 million to aid states in improving administrative systems in order to better serve unemployed workers.

There are a limited number of improvements that are needed in Colorado in order to collect more than **\$127.5 million** in UIMA financial incentives.

Alternative Base Period = \$42.5 million federal funds to Colorado

In order to qualify for one-third of its UIMA funding and be eligible to receive any UIMA funds, Colorado must adopt an "alternative base period" which counts a worker's recent earnings when needed in order to qualify that worker for unemployment insurance (UI) benefits.

When a worker loses a job through no fault of their own and files an unemployment claim, all states use a base period, or "look-back" period, to determine eligibility and benefits. The ABP provides an option for some unemployed Coloradans, mostly low-wage workers and recent entrants to the workforce, to shift the look back period to include more of their recent earnings when determining UI eligibility.

Over 40% of workers who fail to qualify for benefits because of insufficient earnings (whose earnings average just \$9.00/hour) end up collecting benefits with the help of the alternative base period. In Colorado, the number of workers that did not meet the monetary eligibility requirement of \$2,500 was estimated in 2008 to be 1,500 of our

state's most vulnerable wage-earners. *The ABP is used only if the worker does not earn the \$2,500 in the regular base period.*

Other improvements = \$84.9 million federal funds to Colorado

Once the state has implemented the ABP, the remaining 2/3 of funding will be allocated to a state if it implements two of a possible four reforms: (1) Extended UI while in Training; (2) Part-Time Worker Coverage; (3) Weekly \$15 Dependent Allowance; (4) Compelling Family Reasons for Leaving Work (must include ALL 3 of the following provisions: Domestic Violence, Spouse Relocation; and Illness & Disability).

The status of these provisions in Colorado are as follows:

- 1) Colorado currently does not extend UI for workers involved in re-training;
- 2) Colorado already allows PT workers to qualify for benefits, but only if they can demonstrate that 60% of the wages earned in the base period were from PT work. The UIMA requires that this figure be dropped to 50% and that part-time workers be considered actively looking for work even if they can only look for PT work.
- 3) Colorado does not currently pay a \$15 weekly dependent allowance;
- 4) Colorado already allows quits for compelling family reasons that include illness/disability, military spousal relocation and domestic violence. Colorado would need to broaden the quit to follow a spouse exemption.

By making modest improvements, Colorado will receive \$84.9 million in additional funds to help our economy and struggling, unemployed workers.

Administrative Funds

Colorado will receive \$9 million in administrative funds to streamline processes, hire additional technicians and assist with claims payment.

Unemployment insurance is the first line of defense against a recession, helping to smooth the consumption patterns of recently unemployed workers. According to Economy.com's lead economist, Mark Zandi, every \$1 spent on unemployment insurance benefits results in a \$1.64 increase in economic growth. Adopting these improvements to the UI system in Colorado is a win/win for workers, the economy and the state.

For more information:

Kathy White
Colorado Fiscal Policy Institute
789 Sherman Street, Suite 300
Denver, Colorado 80203
303-573-5669 ext. 303
kwhite@cclponline.org