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Fiscal Note

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Prime Sponsors: Rep. Bird; Sirota Bill Status: House Appropriations
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Bill Topic: EMPLOYMENT-RELATED FUNDING & WORKFORCE ENTERPRISE

Summary of Fiscal Impact: [ ] State Revenue [x] State Diversion [ ] Local Government
[x] State Expenditure [ ] TABOR Refund [ ] Statutory Public Entity

Budget package bill. The bill creates the Workforce Development Enterprise; makes adjustments to employer support surcharge deposits; and modifies caps for unemployment administration funds.

Appropriation Summary: For the current FY 2023-24, the bill includes several adjustments to appropriations that result in no net change in state expenditures. For FY 2024-25, the bill includes an appropriation of \$14.0 million to Department of Labor and Employment.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was recommended by the Joint Budget Committee as part of the FY 2024-25 budget package.

Table 1
State Fiscal Impacts Under HB 24-1409

Table with 4 columns: Category, Current Year FY 2023-24, Budget Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue, Diversions and Expenditures (Employment Support Fund, Unemployment Insurance (UI) Trust, Technology Fund, Workforce Development Fund), Net Change, and Other Budget (TABOR Refund).

1 The bill diverts money from the Employment Support Fund to other funds. The amount of these diversions to/from the affected funds corresponds with the change in expenditures from each fund under the bill.

## Summary of Legislation

The bill creates the Workforce Development Enterprise; makes adjustments to employer support surcharge deposits; and modifies caps for unemployment administration funds.

**Workforce Development Enterprise.** The bill creates the Workforce Development Enterprise in the Division of Employment and Training in the Department of Labor and Employment (CDLE) for the purpose of ensuring resident access to workforce development services and centers. The board of directors for the enterprise consists of 11 members, including the Colorado Workforce Development Council director or their designee, and 10 members representing each local workforce council, appointed by CDLE's executive director. The Workforce Development Fund is created for the enterprise and subject to annual appropriation.

**Employer support surcharge deposits and fund caps.** Employers pay an annual support surcharge to fund unemployment administration and support the solvency of the Unemployment Insurance Trust Fund (UITF, also called the Unemployment Compensation Fund). Under current law, this surcharge is deposited into several different funds. The bill adjusts these deposits. Each of these funds has a limit on the maximum amount of money that can be in the fund at the end of each year. The bill adjusts these funding caps and requires the maximum amount to be adjusted for inflation based on the Denver-Aurora-Lakewood consumer price index. These modifications are shown in Table 2.

**Table 2**  
**HB 24-1409 Adjustments to Employer Support Surcharge Deposits and Fund Caps**

	Deposits		Fund Caps	
	Current Law	Bill	Current Law	Bill
Employment Support Fund	59.46%	35%	\$32,500,000	\$7,000,000
Benefit Recovery Fund	18.92%	19%	\$15,000,000	\$15,000,000
Technology Fund*	21.62%	32%	\$31,000,000	\$13,200,000
Workforce Development Fund*	n/a	14%	n/a	\$6,800,000
<b>Net Change</b>	<b>100%</b>	<b>100%</b>	<b>\$78,500,000</b>	<b>\$42,000,000</b>

\* These funds are TABOR-exempt.

## Background

The Joint Budget Committee Staff's [CDLE figure setting document](#) includes additional background information about this bill.

## State Diversions

Beginning in the current FY 2023-24, this bill diverts money from the ESF, which is used to pay expenditures that are subject to TABOR, to other cash funds used to pay TABOR-exempt expenses, as follows:

- a one-time diversion of \$25.5 million from the ESF to the Unemployment Insurance (UI) Trust Fund resulting from the reduction of the fund cap from \$32.5 million to \$7.0 million in FY 2023-24 only;
- an ongoing diversion of about \$10.5 million from the ESF under current law to the Technology Fund under the bill resulting from the availability of federal funding to cover other Tech Fund-related costs; and
- an ongoing diversion of \$13.5 million in FY 2023-24, \$14.0 million in FY 2024-25, and similar amounts adjusted for pay increases in future fiscal years from the ESF under current law to the newly created Workforce Development Enterprise under the bill.

Funding diverted from the ESF totals \$49.5 million in the current FY 2023-24, and \$24.5 million in FY 2024-25 and ongoing. To the extent employer support surcharge revenue exceeds the lower total cap established by the bill to the various funds receiving funding under the new allocation formula, additional funds may be routed back to the UI Trust Fund relative to current law.

## State Expenditures

After accounting for the diversions above, the following amounts will be available to spend from the various fund sources.

**Unemployment Insurance Trust Fund.** The bill increases funds available to spend from the TABOR-exempt UI Trust Fund by \$25.5 million in the current FY 2023-24.

**Tech Fund.** The availability of federal funds to cover certain ESF expenditures will allow \$10.5 million in expenditures per year that would otherwise be paid using federal funds to be covered by TABOR-exempt revenue from the Tech Fund instead.

**Workforce Development Enterprise and Fund.** The newly created Workforce Development Enterprise and its fund will have expenditures of \$13.5 million per year and a staff of 57.4 FTE, which represent current ESF expenditures and staff shifting to the enterprise. Enterprise spending is exempt from TABOR.

**SPARC and federal funds shifts.** The bill shifts federal funding for one-stop workforce center contracts to the Workforce Innovation and Opportunity Act with 36 FTE. It also shifts Strengthening Photovoltaic and Renewable Careers (SPARC) one-stop workforce center contracts to a separate SPARC-related line item.

## Other Budget Impacts

**TABOR refunds.** The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$49.5 million in FY 2023-24 and \$24.5 million in FY 2024-25 and FY 2025-26. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26.

The reduction occurs from diverting funding that would have otherwise been used to pay for expenses covered by TABOR to instead be spent on TABOR-exempt enterprise functions from the UI Trust Fund, the Tech Fund, and the Workforce Development Fund. The result is a reduction in cash fund revenue subject to TABOR. Decreased cash fund revenue subject to TABOR will increase the amount of General Fund available to spend or save elsewhere in the budget.

## Effective Date

The bill takes effect June 15, 2024.

## State Appropriations

**For FY 2023-24, the bill makes the following adjustments to FY 2023-24 Long Bill appropriations to the Department of Labor and Employment:**

- a reduction of \$10,457,137 from the Employment Support Fund and a corresponding increase of \$10,457,137 from the Employment and Training Technology Fund;
- a decrease of \$3,669,974 and 57.4 FTE from the Employment Support Fund and a corresponding increase of \$3,669,974 and 57.4 FTE from the Workforce Development Fund;
- a decrease of \$9,829,126 from the Employment Support Fund and a corresponding increase of \$9,829,126 from the Workforce Development Fund;
- a decrease of \$11,031,925 and 36.0 FTE from federal funds for one-stop workforce center contracts and a corresponding increase of \$11,031,925 and 36.0 FTE from the Workforce Innovation and Opportunity Act; and
- a decrease of \$68,513 from the SPARC Program Fund for one-stop workforce center contracts and a corresponding increase of \$68,513 from the SPARC Program Fund for state operations and program costs.

**For FY 2024-25, the bill includes the following appropriation:**

- \$14,003,304 from the Workforce Development Fund to CDLE.

## State and Local Government Contacts

Joint Budget Committee Staff

Labor and Employment

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).