



The Bell Policy Center

Research • Advocacy • Opportunity

1801 Broadway, Suite 280
Denver, Colo. 80202
(303) 297-0456 metro Denver
(866) 283-8051 statewide
(303) 297-0460 fax

www.thebell.org

Alternative Base Period for Calculating Unemployment Insurance Benefits in Colorado

Testimony to the Senate Business Affairs, Labor and Technology Committee

by Rich Jones

March 23, 2005

My name is Rich Jones and I am the Director of Policy and Research for the Bell Policy Center. The Bell is a non profit, public policy organization committed to making Colorado a state of opportunity for all regardless of race or economic background. The Bell seeks to reinvigorate the debate on issues affecting the well-being of families and working adults.

The Bell Policy Center supports House Bill 1020 to establish an alternative base period for calculating unemployment insurance benefits in Colorado.

1. The Bell has called for the adoption of an Alternative Base Period for determining eligibility for Unemployment Benefits in our 2002 Opportunity Report and 2004 Opportunity Lost Report.
2. In our free market economy the ultimate gateway to opportunity is a good job that pays well and provides benefits that allow families to accumulate assets and save for the future. Unfortunately, some workers earn such low wages that it is difficult for them to accumulate savings to fall back on in times of economic crisis.
3. Because of the relatively high unemployment rate Colorado experienced in recent years, the Unemployment Insurance system is a critically important tool in keeping workers and their families from falling out of the cycle of opportunity and into poverty.
4. According to the most recent U.S. Department of Labor statistics, in the fourth quarter of 2004 over 100,000 unemployed Coloradans were not receiving unemployment benefits. Stated another way, only 22% or about one out of every five unemployed Coloradans receives unemployment benefits. Colorado ranks 50th among the states on this measure and below the national average of 35%. Colorado ranks much higher in terms of the number of employees covered by Unemployment Insurance (22nd) and the number of employers subject to UI taxes (15th).¹
5. Using the standard base period of the first four of the last five completed quarters blocks some low income workers from eligibility. Many of these workers are recent entrants or re-entrants to the work force and some have intermittent work histories. Under this method anywhere from three to almost six months of earnings may not be counted in determining eligibility for unemployment benefits.
6. Using an alternative base period that counts earnings in the previous four quarters before the filing quarter would help low-income workers use more of their recent earnings to qualify for benefits.
7. Eighteen other states and the District of Columbia use the Alternative Base Period (ABP) and studies show that most workers who qualify under the ABP are low income workers.²



The Bell
Policy Center

8. Colorado currently has low unemployment insurance tax rates. According to the U.S. Department of Labor, the tax rate on taxable wages in the fourth quarter of 2004 was 1.7%. This is below the national average of 2.6% ranking Colorado 37th. The tax rate on total wages is 0.5%, which is also below the national average of .75%. Colorado ranks 42nd on this measure.¹

9. According to the fiscal note, House Bill 1020 is projected to have no effect on the tax rate schedules or the solvency surcharge levied on all employers in the state.

10. It is estimated that this change will affect a relatively small number of people. About 870 people are projected to be eligible under the alternative base period or less than 1% of the total Unemployment Insurance beneficiaries. However, for the low-income workers who would be eligible for benefits and their families, it may represent the difference between remaining in the cycle of opportunity or falling into poverty.

Thank you for the opportunity to share this information with you today. If you have any questions or if I can provide further information please call me at 303.297.0456 or email me at Jones@theBell.org

End notes

- ¹ United States Department of Labor, Employment and Training Division, Unemployment Insurance Data Summary, State Finance/Labor Force at http://www.workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum04/4thqtr/finance.asp
- ² Connecticut, District of Columbia, Georgia, Hawaii, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Vermont, Virginia, Washington and Wisconsin.