

# STATE OF COLORADO

## OFFICE OF THE GOVERNOR

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John W. Hickenlooper  
Governor

Dear Colorado Employers,

We are writing to provide you with an update regarding the state of the Unemployment Insurance Trust Fund (UITF) and a bond transaction we recently closed that will benefit employers and provide financial health to the fund. We hope this letter will help explain how the joint efforts by our two offices and the Colorado Department of Labor and Employment (CDLE) to secure the stability of the fund will positively affect Colorado businesses.

### ***What is the financial status of the UITF, and how does it affect employers?***

The UITF was severely weakened by the 2002 recession, and approached insolvency in 2004, which has led to additional solvency surcharges being collected from all employers over the last eight years. The historic recession that started in 2008 further destabilized the fund, which led to Colorado borrowing from the federal government in January 2010 to pay benefits. Net borrowing from the feds reached a peak of over \$600 million in April 2011.

CDLE projections estimated a negative balance of \$100 million by the end of June 2012. A negative balance increases the cost to employers, as Colorado businesses have to pay higher rates and additional Federal interest payments.

### ***What has been done to provide relief to employers and reach financial stability?***

The Governor's Office, Treasurer's Office and CDLE all view the negative balance to the Federal government as a direct debt to businesses, and share the position that we need to reach solvency in the UITF fund in order to provide up-front relief to Colorado businesses during these tough economic times. This concern prompted our offices to work with the Colorado business community on a transaction that will lead to increased financial health and provide relief to Colorado employers.

We have closed a bond transaction with the Colorado Housing Finance Authority (CHFA) on behalf of the UITF totaling \$630 million. This transaction will provide the following benefits to the UITF fund and Colorado employers.

#### ***Up-Front savings to Colorado employers:***

- Saves most Colorado businesses between \$20-\$120 per employee in 2013-2014
- "Turns off" the solvency surcharge to businesses for calendar year 2013 for the first time since 2004
- Moves the rates for employers based on a positive fund balance by June 30
- Allows bond assessments to count toward businesses' experience ratings
- Creates potential for future lower rates as the UITF reaches financial health more quickly

*Provides financial health to the UITF to benefit the fund for the long term:*

- Triggers solvency measures of HB11-1288, which will help prevent federal borrowing in future economic downturns
- Decreases interest cost associated with negative balance by half (from 3% to 1.4%), and stabilizes payments to make them more predictable
- Provides the UITF fund with a greater buffer that will promote quicker growth of UITF balance to protect employers from higher rates during future economic downturns

***How will bond assessments affect my Unemployment Insurance Premiums?***

Great care was devoted to ensuring the bond assessments will affect Colorado employers in a positive manner. We also worked to make the billing process easy and more streamlined so that Colorado businesses could easily understand the repayment process. Principal and interest will be repaid as follows:

*Bond Principal Repayments (Billing notices will begin in November 2012):*

- Annual bond repayments will be streamlined with the regular billing process to minimize confusion and avoid additional bills sent to employers.
- Statements will denote what percentage will be used for bond payment, currently estimated at about 18-25%.

*Bond Interest Repayments (Billing notices will begin in September 2012):*

- Interest payments will mirror the billing process in prior years for Federal interest payments associated with the UITF's negative Federal balance.
- Similar to Federal interest payments, this will be collected through a separate assessment billed in September.
- Bond interest will be charged only to businesses that have an experience rating of less than +7.

We are excited about the efforts of the Governor's Office, Treasurer's Office and CDLE to simultaneously provide relief to businesses and create greater stability to the UITF. We hope that Colorado employers find the streamlined billing process easy to understand, and view these efforts as a positive step toward providing greater relief and financial stability for our business community in the months and years to come.

Sincerely,



Governor John Hickenlooper



Treasurer Walker Stapleton