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# 2025 Unemployment Insurance Trust Fund Status Report

The financing structure of the Colorado Unemployment Insurance Trust Fund (UITF) was modified in HB11-1288. The legislation required that the Colorado Department of Labor and Employment (CDLE) issue a report on the fund's financial condition to several committees of the Colorado General Assembly by August 31 of each year.

This report provides a brief overview of recent UITF developments including the present financial condition of the UITF; the fund outlook under conditions of both economic growth and recession; and efforts the CDLE has taken to reduce improper payments of unemployment benefits made from the UITF.

## Executive Summary

- The trust fund balance as of June 30, 2025 was \$1,231,512,561.
- Employers remained on the 0-0.004 rate schedule in 2025 and will move to the lower 0.006-0.008 premium rate schedule in 2026.
- The solvency surcharge, which was triggered on in 2024, will continue in effect through calendar year 2026.
- The taxable wage base will increase from \$27,200 in 2025 to \$30,600 in 2026.
- The maximum weekly benefit entitlement for regular state UI claimants increased from \$809 to \$844 effective July 1, 2025.
- Trust fund reserves are forecast to increase from about \$1.2 billion at year-end 2025 to just over \$2.2 billion by year-end 2030 under moderate economic growth conditions.
- Conditions to remove the one week waiting period for unemployment insurance claimants were met during the second quarter of 2025.

## **Fund Status (Background)**

Colorado's annual average unemployment rate rose from 3.3 percent in 2023 to 4.3 percent in 2024 while annual private-sector nonfarm job gains slipped from 2.4 percent to 1.1 percent.<sup>1</sup> Trust fund reserves, which totaled \$255.1 million at year-end 2023, had grown to \$728.4 million twelve months later.

Employer premiums paid into the fund, including those from reimbursable employers, totaled \$1,093.5 million during 2024, up from \$837.2 million the prior year. Interest earnings on trust fund reserves nearly tripled, increasing from \$4.9 million in 2023 to \$13.7 million in 2024. The employer premium rate schedule moved from the deficit schedule in 2023 to the somewhat lower rate 0.000-0.004 schedule in 2024 while the taxable wage base rose from \$20,400 to \$23,800. The solvency surcharge, which had been statutorily suspended for 2023 by SB22-234, became effective starting 2024.

At \$789.9 million, 2024 regular state unemployment insurance benefit payments jumped substantially from the \$632.9 million paid in 2023. The increase in payments was due to the combined effect of an 18 percent rise in the total number of benefit weeks compensated and a 6 percent increase in the average weekly benefit amount. The number of individuals who received at least one regular state UI benefit payment rose to 115,464 in 2024, up from 102,355 the previous year.

## **Fund Status (Present)**

SB20-207 raised the taxable wage base from \$23,800 in 2024 to \$27,200 in 2025. Additionally, SB22-234 permanently eliminated the waiting week for unemployment benefits once the UITF balance reached \$1 billion, which occurred during the second quarter of 2025.<sup>2</sup> The solvency surcharge, a temporary measure intended to quickly

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<sup>1</sup> An unknown, and possibly significant, portion of the apparent slowdown in 2024 job growth may be related to data quality issues associated with parts of the newly automated UI system rather than a sharp decline in the number of jobs. The Department has been investigating the issue and intends to establish remedial measures to improve the reliability of jobs data over the coming year.

<sup>2</sup> Elimination of the waiting week does not increase the total benefit entitlement for a UI claimant. It merely reduces the time before a claimant receives their first UI payment, an important consideration for lower-wage claimants who may have an immediate need for income replacement. The overall impact upon total benefit payments from the trust fund is expected to be relatively small.

augment fund reserves when the trust fund becomes marginally solvent, is in effect for 2025 and will stay on through 2026.

## Forecasts

Uncertainty surrounding federal fiscal policy, tariffs, and immigration, compounded by UI data reliability problems, increases the ambiguity and range of this year's long-term economic forecasts. Because, however, the forecast values are replaced with actual data each quarter (essentially, a quarterly benchmark of the forecast is performed every three months) the short-term forecasts are not affected to the same degree. The Department will continue to monitor and assess UITF solvency in the context of changing federal and state economic conditions.

This year CDLE produced five UITF forecasts intended to show the general path of the trust fund through 2030—three that simulate different conditions of uninterrupted economic growth (high, moderate, and low growth forecasts) as well as two recession scenario forecasts. The growth forecasts assume various positive rates of employment and wage growth combined with relatively low jobless rates, while the recession forecasts are predicated upon economic contractions that begin in 2026.

The UITF remains solvent through 2030 under all conditions of uninterrupted economic growth. The difference in the year-end 2030 fund balance between the low and high growth forecasts, however, is roughly \$2 billion.<sup>3</sup> The moderately optimistic growth forecast, which has been closely tracking actual fund movements this year, is summarized below.

The current CDLE fund forecast is predicated upon modest economic gains persisting through the 2030 forecast horizon. Annual nonfarm job growth is assumed to average slightly less than 2 percent between 2025 and 2030 with unemployment rates ranging from 3.5 to 5.5 percent. Average weekly earnings are projected to rise between 2.5 to 3.0 percent each year during the forecast period.

Under these conditions fund reserves are anticipated to progressively reach just over \$2.2 billion by year-end 2030. The solvency ratio (otherwise known as the reserve

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<sup>3</sup> Trust fund reserves by year-end 2030 are forecast to range between about \$1.5 billion and \$3.5 billion under continued growth conditions.

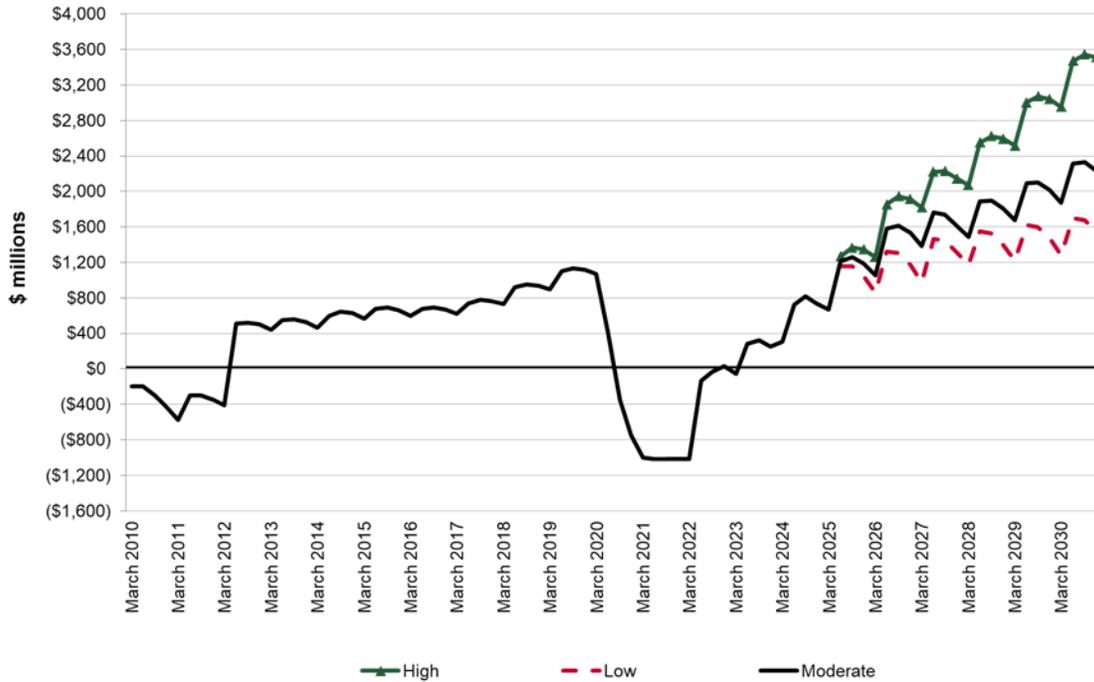
ratio), a simple measure of the fund's financial soundness, will improve significantly through 2030, increasing from around 0.64 percent this year to about 0.88 percent by 2030.<sup>4</sup> The last time the solvency ratio was at least 1.0 percent was in 2001. The UITF is considered fully solvent under Colorado's premium rate structure when the reserve ratio reaches 1.4 percent so that although the fund will remain solvent through 2030, under moderate growth conditions it may fail to attain fully funded status.

The solvency surcharge, which goes into effect when the reserve ratio falls below 0.5 percent, triggered on effective 2024 and is anticipated to stay on through 2026. The surcharge will generate roughly \$772 million in additional revenues over the three-year period.

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<sup>4</sup> The solvency ratio (i.e. reserve ratio) is the trust fund balance divided by annual total private wages. Prior to the 2020 COVID-induced downturn, CDLE had estimated that a solvency ratio of 1.4 percent measured from the start date of the recession would have been large enough to allow the fund to pay benefits without borrowing over the course of a typical recession. The premium rate schedules adopted in HB11-1288 set employer premium rates at their minimum when fund reserves reached the desired 1.4 percent threshold. To reach the 1.4 percent solvency ratio by 2030 would require a fund balance of about \$3.2 billion.

**Colorado Unemployment Insurance Trust Fund Balance (Millions)**  
**(Growth Forecasts 2025 - 2030)**

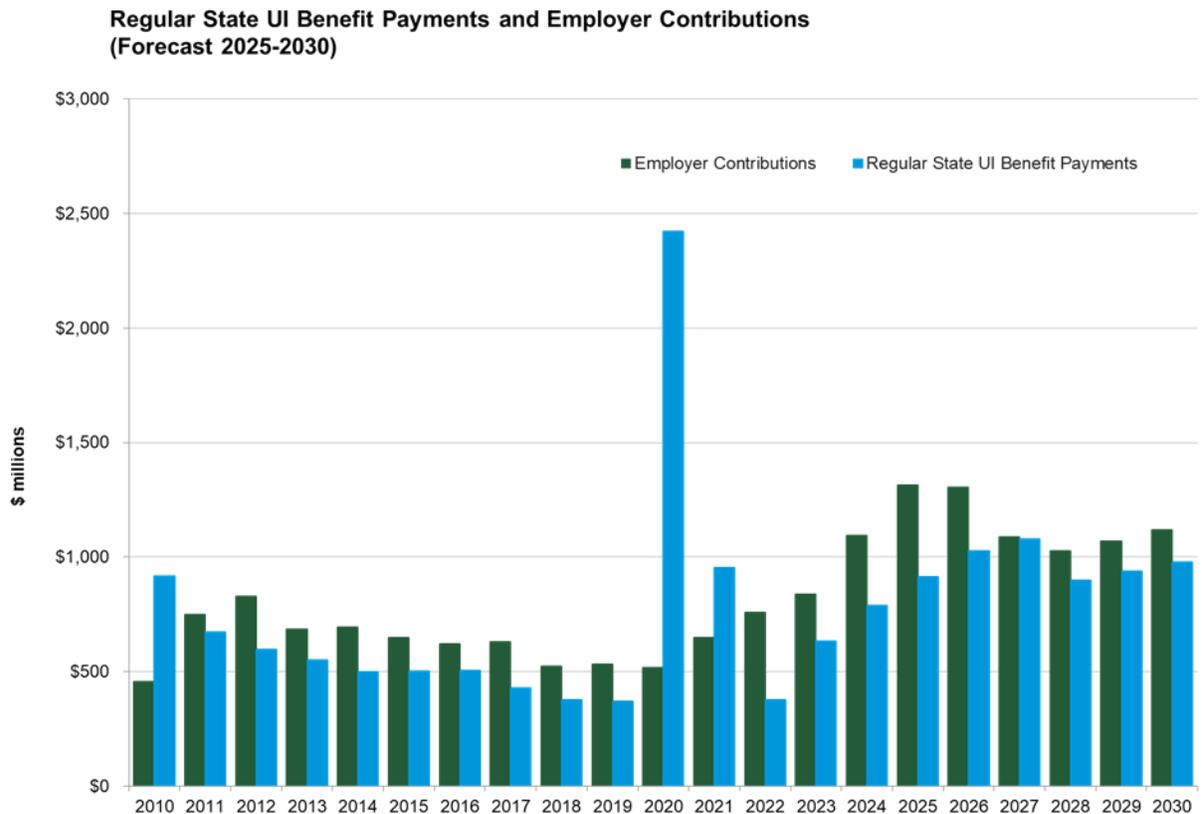


Under moderate growth assumptions employer contributions are forecast to gradually decline from \$1.3 billion in 2025 to \$1.1 billion by 2030.<sup>5</sup> The taxable wage base, which is \$27,200 this year, will increase to \$30,600 next year and \$34,200 by 2030. The average employer tax rate is anticipated to drop from 0.66 percent this year to 0.45 percent by the end of the forecast period. Annual interest earnings on fund reserves are expected to increase from \$18.7 million this year to \$43.0 million by 2030. Employers move from the 0-0.004 premium rate schedule this year to the more favorable 0.008 - 0.011 rate schedule by 2030.

In a moderate growth scenario benefits are projected to remain relatively stable through 2030 as labor markets remain relatively tight and unemployment low. Benefit payments are expected to increase from about \$914 million this year to \$979 million by 2030. The annual benefit cost rate, which is expected to be 0.46 this year, will

<sup>5</sup> Employer contributions will subside for two reasons. As the fund balance grows, employers move to lower premium rate schedules, reducing their UI tax liability. Additionally, the solvency surcharge will trigger off after 2026. The increase in the taxable wage base over the forecast horizon will offset much, but not all, of the decrease in fund revenues stemming from those two effects.

decline slightly over the forecast period.<sup>6</sup> Through May of this year, 68,659 Coloradans have received at least one regular state UI payment compared to 63,250 for the same period last year.



The U.S. Department of Labor uses a measure called the average high cost multiple (AHCM) to assess fund solvency. The AHCM shows how long trust fund reserves can pay benefits at historically high payout rates excluding employer contributions that flow into the UITF. The AHCM is expressed in years so that an AHCM of 1.0 means the trust fund has enough reserves to pay benefits for a year at recession levels while an AHCM of 0.5 would mean the fund could pay benefits for six months.

The USDOL recommends that all state trust funds reach an average high cost multiple of at least 1.0—states meeting this standard are eligible for interest-free short-term

<sup>6</sup> The average employer tax rate is total premiums divided by total private wages while the average benefit cost rate is total benefit payments divided by total private wages. Under growth conditions the annual average tax rate is expected to exceed the annual benefit cost rate through 2030 which means that fund reserves would grow over this period.

loans from the Federal Unemployment Account should it become necessary to borrow to continue to pay UI benefits. The 2025 AHCM for Colorado is estimated to be 0.43 and is expected to rise to about 0.65 by 2030, well short of the recommended federal level.<sup>7</sup>

## **Fund Stress Forecasts**

Colorado's UITF became insolvent in 1982 following the back-to-back recessions of the early 1980s; narrowly averted insolvency in the wake of the 2001 recession; became insolvent in 2010 following the Great Recession; and, entered insolvency again in 2020 during the COVID public health emergency.

A fundamental principle of unemployment insurance financing is forward financing, meaning that the trust fund should hold enough reserves to be able to pay benefits through an economic downturn without having to borrow. Insolvency imposes substantial financial burdens upon Colorado businesses in the form of high premium rates, premium surcharges, interest payments, and administrative expenses associated with the issuance of revenue bonds or federal borrowing. Because the fund is vulnerable to insolvency during recessions or lengthy periods of economic stagnation, these costs are felt at the very time when it is most difficult for employers to bear them.<sup>8</sup>

Accordingly, the Department models various recession scenarios that essentially serve as stress tests of the fund and show the extent of its vulnerability to economic downturns. This year CDLE looked at two scenarios in which the economy contracts beginning in 2026. These forecasts provide a broad outline of how the fund might react to a mild slump as well as a much deeper and more protracted event like the Great Recession.

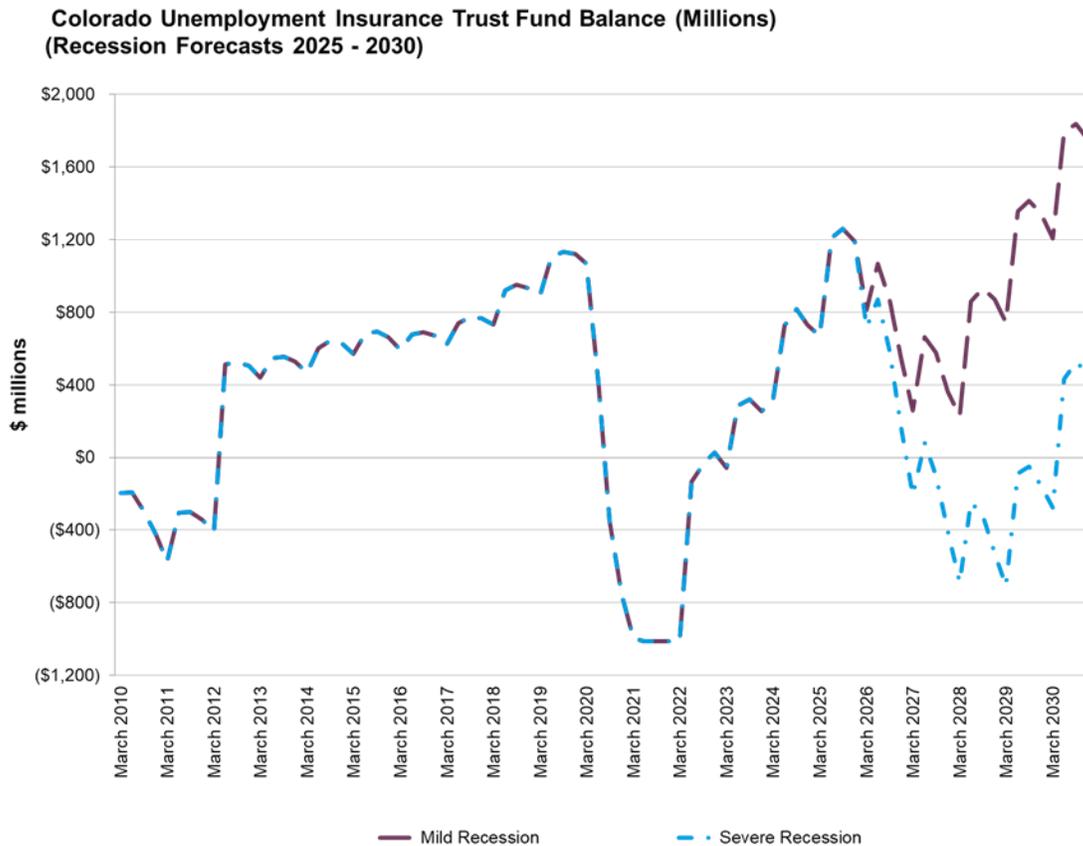
Although the moderate recession forecast has the fund remaining solvent through 2030, the more severe recession forecast shows the trust fund becoming insolvent in

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<sup>7</sup> Although the fund will remain solvent under continuing conditions of economic growth, even robust economic growth may not allow it to reach an AHCM of 1.0. The current high-growth forecast implies an AHCM of 0.94 by 2030.

<sup>8</sup> HB11-1288 and SB20-207 strongly improved the fund's forward financing posture by updating the premium rate schedules, significantly raising the taxable wage base, and thereafter indexing the taxable wage base to a measure of wage growth.

2027 before recovering in 2030.<sup>9</sup> The solvency surcharge would remain on through at least 2030 under both recession scenarios.



## 2025 UI Premium Rates

Federal rules governing UI financing require that covered employers pay state UI taxes in a way that links their worker layoff history to their UI premium rates – businesses with a history of relatively high layoffs are assessed higher tax rates than those with a low layoff history. This relationship between layoffs and premium rates is called experience rating. In Colorado, experience rating is accomplished by calculating something called employer percent of excess (POE), where POE is the sum of all UI taxes paid by an employer since the firm became liable minus the sum of all benefits

<sup>9</sup> Were recession conditions to prevail starting in 2025 rather than 2026 the solvency outlook would change considerably since the fund would have one less year to accumulate reserves prior to the onset of a recession. This illustrates the sensitivity of the fund to not only the duration and severity of any economic downturn but the timing as well.

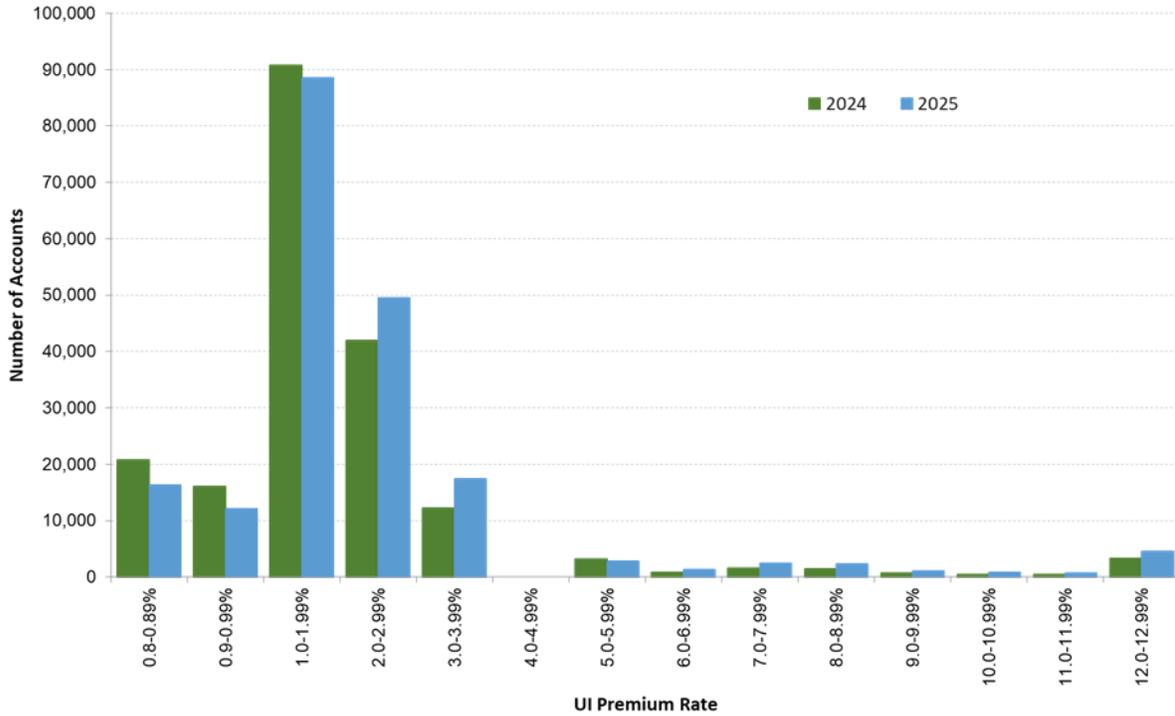
charged against that account, divided by average payroll over the prior three fiscal years.

Businesses that pay more in taxes than have benefits charged against them have a positive POE; those that have more benefits charged to their accounts than taxes paid have a negative POE. Positive rated employers have lower UI tax premium rates than negative rated businesses. Employers with a POE greater than 20 are assessed the lowest premium rate while those with a POE less than minus 25 have the highest rates, regardless of the rate schedule in effect. For 2025, 16,310 of the roughly 200,000 Colorado experience rated businesses were assigned the minimum UI premium rate of 0.81 percent while 4,296 had the maximum rate of 12.34 percent.

In most years, the large majority of Colorado employers have positive experience ratings although the distribution shifts toward lower ratings after economic recessions due to the accompanying increase in layoffs and expected increase in claims. For example, in SFY24 only 6.5 percent of Colorado employers had a negative experience rate compared with 18 percent in FY2011 and 13.8 percent in 2005.

In most years, only a small share of businesses has any benefits charged against them. In FY24 about 13.5 percent of active accounts had any benefits charged against them compared to only 11.5 percent in FY23. Nearly 70 percent of eligible accounts have never had any benefits charged to them since their initial liability date.

**Employer Premium Rates 2024 - 2025  
(eligible experience rated accounts only)**



Typically, there are not large year-to-year movements in UI tax rates within the rate schedules.<sup>10</sup> The preceding chart shows that the premium rate distribution among businesses remained stable between 2024 and 2025. Because the same rate schedule is in effect for both years and the solvency surcharge is also on for both years, the changes between years reflects the aggregate net shift in UI premium rates among employers within the rate schedule.

Beginning January 1, 2025, just less than 70,000 experience-rated employers had no change to their UI tax rates compared with the prior year. Of the remaining 130,133 businesses, 54,408 saw their rates decline and 75,725 will see an increase. In other

<sup>10</sup> During recessions, layoffs become more widespread and that increase in benefit charging shifts employers to higher premium rates within the rate schedules. At the same time, the depletion of fund reserves leads to higher rate schedules and, possibly, the imposition of the solvency surcharge. The combined effect of the distribution shift within the rate schedules, the shift to higher rate schedules, and the injection of additional revenues into the fund via the solvency surcharge aid in recapitalizing the UITF after economic contractions. Although it generally takes several years for these recession-related events to fully impact UI tax rates, the increase in employer tax rates for several years immediately after the onset of a recession is significant.

words, 62 percent of employers either saw no change or a drop in their rates in 2025. For those businesses experiencing a decrease in premium rates, 95 percent had their rates fall between 0.1 and 1.99 percentage points. Of the nearly 76,000 businesses with an increase in rates, 90 percent experienced a rise between 0.1 and 3.99 percentage points.<sup>11</sup>

## **SB25-242**

Funding for the Employment Support Fund (ESF), the Benefit Recovery Fund (BRF), the Workforce Development Fund (WDF), and the Unemployment Insurance Program Support Fund (UIPSF) is accomplished through a separate program support surcharge premium paid by employers. SB25-242 made several changes to these four UI-related cash funds managed by CDLE by reducing the support surcharge allocations to the ESF and BRF and increasing the allotments to the UIPSF and WDF. The bill also expanded the allowable uses of UIPSF revenues to include administrative support of the UI program. The changes, which have no direct impact upon employer premiums, were largely designed to address anticipated shortfalls stemming from decreased levels of federal funding for UI operational and administrative functions, as well as increased technology costs related to UI modernization and ongoing system maintenance. The legislation also tied the annual increase in the amount of revenues allocated to each cash fund to the yearly increase in average annual earnings rather than the consumer price index.<sup>12</sup> For FY25, \$33.6 million in above cap fund revenue was credited to the UITF.

## **Improper Payments**

Improper payments in state UI programs became a national issue as a result of the pandemic. Federal benefit entitlement programs with improper payment rates greater than 10 percent are considered out of compliance with federal performance

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<sup>11</sup> The size of the increase for more than half of those accounts will be less than one percentage point.

<sup>12</sup> Indexing the increase in the fund caps to the change in wages more closely aligns the change in the fund revenue source to the annual allowable increase in the fund revenue cap.

standards.<sup>13</sup> For the calendar year 2024, the national rate of 14.23 percent remained higher than pre-pandemic rates.

CDLE's improper payment rate for calendar year 2024 was 6.33 percent, less than half the national average and well within the federal compliance standard. For 2024, Colorado was among the top eight states with the lowest improper payment rate. The rate declined from 8.78 percent in 2022 and is in sharp contrast to the 31.86 percent rate in 2021.

A variety of identity verification measures have helped prevent fraudulent claims from being paid. Strategies implemented pre-pandemic as well as the new UI benefit system have helped combat and reduce improper payments. Of note, last year Colorado implemented Id.me, a digital platform used to verify the identity of individuals filing claims and requesting benefit payments. CDLE also provides regular messaging to claimants on how to report earnings and what constitutes being able and available for work, two of the root causes for improper payments. To help limit improper payments related to job-separation determinations, the UI Quality Assurance team provides regular feedback, including tips, trends, and recommendations, to claims processing units.

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<sup>13</sup>An improper payment is one in which a claimant wrongly receives payment to which they are not entitled (overpayment) or is improperly denied payment to which they are entitled (underpayment). Historically, approximately 99 percent of Colorado improper payments have been overpayments.