

FISCAL NOTE

Bill #: HB0177

Title: Extend Unemployment Benefits to employees of Montana Resources

Primary

Sponsor: Jim Keane

Status: As Introduced

Sponsor signature

Date

Chuck Swysgood, Budget Director

Date

Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Expenditures:	0	0
Revenue:		
Other- UI Trust Fund	2,721,524	0
Net Impact on General Fund Balance:	0	0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

FY 2001 – THIS BIENNIUM

1. Although there may be benefit impacts in FY2002 (depending upon when an individual's 26 weeks of benefits are paid), all benefits are assumed to be paid in FY 2001.
2. Montana Resources reported 398 employees in second quarter 2000 and each employee would be eligible for the additional unemployment benefits provided by this bill. These individuals will qualify for the maximum weekly benefits (\$263) and maximum duration (26 weeks).
3. Theoretically, since all 398 employees may eventually claim benefits for all 26 additional weeks of benefits, the benefit payments would equal \$2,721,524.

4. Review of the Unemployment Insurance system records, of the 398 eligible employees 282 have drawn benefits as follows:

Exhausted benefits prior to January 19, 2001	
Expected to exhaust within 4 weeks	70
Expected to exhaust within 8 weeks	57
<u>Expected to exhaust after 8 weeks</u>	<u>147</u>
Total	282

If only 282 employees draw unemployment benefits for the additional 26 weeks the cost to the Unemployment Trust fund would be reduced to \$1,928,316.00

5. The Department of Labor and Industry (DLI) would incur additional costs. Two options exist for handling the additional 26 weeks of claims:

Option A. Modify/Upgrade Computer System: The new Unemployment Insurance Benefits Computer system (MISTICS) will require additional contracted programming. Estimated cost is \$120,000. (800 hours X \$150/hour). This would be similar to an option already in the system (the Federal Extended Benefits) and similar to the way that Montana employers are charged for state-approved additional benefits in other states. There will be regular benefits with no special rules (e.g., job refusal issue), consistent penalty rules, consistent waiting week rules, the benefits will be calculated from the parent UI claim (not out-of-state parent claim) and shifting weeks to/from this state-approved additional benefits claim will be consistent with all other programs.

The effort when adding a new program code is assessing the entire application and making program changes to include/exclude the new program code (e.g., additional benefits). Although current staff would be used, federal funding cannot be used for these state-approved purposes. Two programmers plus two UI experienced staff working for about one month reprogramming the soon-to-be-replaced BeAR system at \$25/hour equals \$15,000.

Option B. Process Claims Manually: Based on Unemployment Insurance Division experience with Disaster Unemployment Assistance (a federal extension of UI benefits due to last summer's fires), estimated costs for a manual payment system would be \$120,000. [DUA administrative costs were \$180,000 for 4 months and 900 claims were reviewed and processed $(\$180,000/4)*6/(400/900)$.] Although current staff would be used, federal funding cannot be used for these state-approved purposes. Even though this option is a manual process, programming the system must occur in order to tie back to the automated system for calculating the rate charged to employers for this UI experience. Programming will be \$60,000.

Whenever a manual system exists, there is increased risk of human error, which could result in overpayment or underpayment to the claimant or incorrect charges to the employer account. When individuals are being paid benefits from two separate systems there is always the possibility of paying the individual out of both systems for the same period of time.

A comparison of costs between a manual system and an automated system is:

	<u>Automated System</u>	<u>Manual System (Option B)</u>
Staff costs	15,000	120,000
MISTICS Programming	<u>120,000</u>	<u>60,000</u>
Total costs	\$ 135,000	\$180,000

6. Should additional benefits be authorized for other employers, the costs for automated systems will be the same if approved prior to mid-April 2001. If the additional authorized benefits occur post April 2001, the MISTICS system will be fully functional and the \$15,000 aspect of the automated system is not needed.

7. Costs for a manual system will increase. For every 300 additional claims, the manual system costs will double.
8. Department of Revenue will also incur some programming costs if this legislation is approved. They must enter benefit charges for these state-approved benefits into their computer system in order to accurately compute employer rates.

NEXT BIENNIUM: FY 2002 AND FY 2003

9. The UI Trust fund will recover the state-approved benefits by charging and recouping from the applicable employer/employers within FY 2002 as provided for law.

FISCAL IMPACT:

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<u>Expenditures:</u>	0	0
<u>Funding:</u>	0	0
<u>Revenues:</u>		
Other-UI Trust Fund	\$2,721,524	0
<u>Net Impact to Fund Balance over TWO biennia (Revenue minus Expenditure):</u>		
Other	0	0

TECHNICAL NOTES:

1. Since charges in excess of an employer's reserve revert to all employers of the UI Trust Fund, Montana employers will pay the costs to cover the money removed from the trust fund if Montana Resources does not have enough in reserves.
2. The US Department of Labor will not provide funds for the administrative costs of these state-approved benefits.
3. The administrative costs to bring this process into operation occur in FY 2001; the department does not have funding available for implementing these new benefits.