

HOUSE BILL NO. 59

INTRODUCED BY J. KEANE

BY REQUEST OF THE DEPARTMENT OF LABOR AND INDUSTRY

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5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING ASSESSMENTS USED FOR PAYMENT OF EXPENSES
6 INCURRED FOR ADMINISTRATION OF THE UNEMPLOYMENT INSURANCE PROGRAM; PROVIDING THAT
7 FUNDS IN THE EMPLOYMENT SECURITY ACCOUNT MAY BE USED FOR EXPENSES INCURRED IN
8 ADMINISTRATION OF THE UNEMPLOYMENT INSURANCE PROGRAM; CHANGING CONTRIBUTION RATES
9 TO THE UNEMPLOYMENT INSURANCE PROGRAM FOR GOVERNMENTAL ENTITIES AND ADJUSTING
10 RATE SCHEDULES FOR EMPLOYERS UNDER THE UNEMPLOYMENT INSURANCE PROGRAM; AMENDING
11 SECTIONS 39-51-404, 39-51-409, 39-51-1121, 39-51-1212, 39-51-1218, AND 39-51-3207, MCA; AND
12 PROVIDING EFFECTIVE DATES."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15
16 **Section 1.** Section 39-51-404, MCA, is amended to read:

17 **"39-51-404. Administrative expenses.** (1) Money credited to the account of this state in the
18 unemployment trust fund by the secretary of the treasury of the United States pursuant to sections 903 and 904
19 of the Social Security Act, {42 U.S.C. 1103 and 1104}, as amended, may be requisitioned and used for the
20 payment of expenses incurred for the administration of this chapter pursuant to a specific appropriation by the
21 legislature if the expenses are incurred and the money is requisitioned after the enactment of an appropriation
22 law that:

- 23 (a) specifies the purposes for which the money is appropriated and the amounts appropriated; and
- 24 (b) limits the amount that may be used during any 12-month period beginning on July 1 and ending on
25 the next June 30 to an amount not exceeding the amount by which the aggregate of the amounts credited to the
26 account of this state pursuant to sections 903 and 904 of the Social Security Act, {42 U.S.C. 1103 and 1104}, as
27 amended, during the same 12-month period and the 34 preceding 12-month periods exceeds the aggregate of
28 the amounts used pursuant to this section and charged against the amounts credited to the account of this state
29 during any of the 35 12-month periods.

30 (2) For the purposes of this section, amounts used during any 12-month period must be charged against

1 equivalent amounts that were first credited and that are not already charged, except that an amount used for
2 administration during any 12-month period may not be charged against any amount credited during a 12-month
3 period earlier than the 34th preceding period. Money requisitioned for the payment of expenses of administration
4 pursuant to this section must be deposited in the unemployment insurance administration account but, until
5 expended, must remain a part of the unemployment insurance fund.

6 (3) The department shall maintain a separate record of the deposit, obligation, expenditure, and return
7 of funds deposited. If any money deposited is for any reason not to be expended for the purpose for which it was
8 appropriated or if it remains unexpended at the end of the period specified by the law appropriating the money,
9 it must be withdrawn and returned to the secretary of the treasury of the United States for credit to this state's
10 account in the unemployment trust fund.

11 (4) ~~An assessment equal to 0.13% of all taxable wages provided for in 39-51-1108 and 0.05% of total~~
12 ~~wages paid by employers not covered by an experience rating must be levied against and paid by all employers.~~
13 ~~All assessments and investment income must be deposited in the employment security account provided for in~~
14 ~~39-51-409. The following assessments must be levied against and paid by the indicated employers:~~

15 (a) beginning January 1, 2008:

16 (i) 0.13% of all taxable wages paid by employers assigned a Rate Class 1, Schedule I, contribution rate
17 as provided in 39-51-1218;

18 (ii) 0.17% of all taxable wages paid by employers assigned a contribution rate other than Rate Class 1,
19 Schedule I, as provided in 39-51-1218;

20 (iii) 0.17% of all taxable wages paid by employers assigned an industrial rate as provided in 39-51-1217;

21 (iv) 0.07% of total wages paid by all employers as provided in 39-51-1124;

22 (b) beginning July 1, 2008, 0.09% of total wages paid by all employers as provided in 39-51-1212.

23 (5) All assessments and investment income must be deposited in the employment security account
24 provided for in 39-51-409.

25 (6) The following assessments and investment income from those assessments are designated to be
26 used for the administration of the unemployment insurance program:

27 (a) 0.04% of all taxable wages paid by all employers as provided in 39-51-1218;

28 (b) 0.04% of all taxable wages paid by employers assigned an industry rate as provided in 39-51-1217;

29 (c) 0.02% of total wages paid by all employers as provided in 39-51-1124; and

30 (d) beginning July 1, 2008, 0.04% of total wages paid by all employers as provided in 39-51-1212.

1 (7) If unemployment insurance funding sources exceed the needs of the unemployment insurance
2 program, all or a portion of the excess may be appropriated and used for the purposes outlined in 39-51-409."

3
4 **Section 2.** Section 39-51-409, MCA, is amended to read:

5 **"39-51-409. Employment security account.** (1) There is an account ~~created~~ in the state special
6 revenue fund called the employment security account.

7 (2) Money deposited in the employment security account may be appropriated to the department for
8 payment of:

9 (a) unemployment insurance benefits;

10 **(b) expenses incurred in the administration of the unemployment insurance program;**

11 ~~(b)~~(c) expenses incurred in collecting money deposited in the account;

12 ~~(c)~~(d) expenses incurred for the employment offices established in 39-51-307, including expenses for
13 providing services to the business community;

14 ~~(d)~~(e) expenses incurred for the apprenticeship and training program;

15 ~~(e)~~(f) expenses for displaced homemaker programs provided for under 39-7-305;

16 ~~(f)~~(g) expenses for department research and analysis functions that provide employment, wage, and
17 economic data; and

18 ~~(g)~~(h) expenses for department functions pertaining to wage and hour laws, prevailing wages, and
19 collective bargaining.

20 (3) The department may transfer funds from the employment security account to the unemployment
21 insurance fund account provided for in 39-51-402 upon receiving approval from the budget director that the
22 transfer will not decrease the money in the account below the level appropriated by the legislature to provide for
23 the employment services programs identified in subsection (2).

24 (4) The department may transfer appropriation authority in employment services programs between the
25 federal special revenue and the state special revenue fund types."

26
27 **Section 3.** Section 39-51-1121, MCA, is amended to read:

28 **"39-51-1121. Definitions.** As used in ~~this part and part 12~~ and this part, the following definitions apply:

29 (1) "Computation date" means the reporting period ending September 30 preceding the calendar year
30 for which a covered employer's contribution rate is effective.

1 (2) "Cutoff date" means October 31 immediately following the computation date. The department may
2 extend the cutoff date in meritorious cases.

3 (3) "Deficit employer" means an employer who is subject under this chapter and who has established
4 a record of accumulated benefits charged to the employer's account in excess of the employer's accumulated
5 contributions paid as of the cutoff date.

6 (4) "Eligible employer" means an employer who has been subject under this chapter for the 3 fiscal years
7 immediately preceding the computation date and who has:

8 (a) established a record of accumulated contributions in excess of benefits charged to the employer's
9 account; and

10 (b) paid wages in at least 1 of the 8 calendar quarters preceding the computation date.

11 (5) "Fiscal year" means the four consecutive calendar quarters ending on September 30.

12 (6) "Governmental entities" means the state or any political subdivision of the state or an instrumentality
13 of the state or a political subdivision, including any employing unit funded directly by tax levies.

14 (7) "New employer" means an employer who:

15 (a) has not been subject to the provisions of this chapter for the 3 fiscal years immediately preceding the
16 computation date; and

17 (b) has established a record of accumulated contributions in excess of benefits charged to the employer's
18 account.

19 (8) "Taxable wage base" means the amount of wages subject to contributions and to assessments under
20 39-51-404(4) for each calendar year. Payment of contributions and of assessments under 39-51-404(4) may
21 apply only to wages paid up to and including the amount specified in 39-51-1108."

22

23 **Section 4.** Section 39-51-1212, MCA, is amended to read:

24 **"39-51-1212. Experience rating for governmental entities.** (1) Governmental entities newly covered
25 under this chapter ~~after December 31, 1974, shall make payments for the period prior to July 1, 1977, equal to~~
26 ~~0.4% of total wages paid employees for services in employment during the calendar quarter and for the period~~
27 ~~after July 1, 1977, shall make payments at the median rate.~~

28 (2) The rates of governmental entities who have accumulated experience rating credits ~~shall~~ must be
29 adjusted annually as follows with each governmental entity assigned a rate based upon:

30 (a) its benefit cost experience, to be arrived at by dividing the total sum of benefits charged to the

1 employer's account for all past periods ~~which~~ that are completed transactions by December 31 by total wages
 2 from date of subjectivity of the employing unit through December 31; and

3 (b) the benefit cost for all past years of governmental entities electing to pay contributions compared with
 4 total payrolls reported for all past years by these governmental entities used as a median, with the rates ~~so~~ fixed
 5 using the median that the rates will, when applied to the total annual payroll for subject governmental entities,
 6 yield total paid contributions equaling approximately the total benefit costs.

7 (3) New governmental entities electing to pay contributions ~~shall~~ must be assigned the median rate for
 8 the year in which they become subject.

9 (4) ~~At no time may the~~ The minimum rate may not be less than ~~0.1%~~ 0.06% or the maximum rate be
 10 greater than 1.5%. The rates are to be graduated at one-tenth intervals.

11 (5) ~~In the event~~ If benefit charges exceed contributions paid in the last 2 completed fiscal years,
 12 governmental entities' rates ~~will~~ must be adjusted by increasing all rates to the next higher schedule.

13 (6) The computed rate is effective July 1 of each year.

14 (7) Governmental entities must be charged for their share of the total benefits paid to a claimant if the
 15 governmental entity contributed wages during the claimant's base period. The benefit charged must be based
 16 on the percentage of wages paid by the governmental entity as compared to the total wages paid by all employers
 17 in the claimant's base period.

18 (8) A payment may not be required under this section with respect to benefits paid to an individual if the
 19 governmental employer continues to provide employment to the individual with no reduction in hours or wages."
 20

21 **Section 5.** Section 39-51-1218, MCA, is amended to read:

22 **"39-51-1218. Rate schedules.**

23 SCHEDULES OF CONTRIBUTION RATES - Part I

24	Sched.	Sched.	Sched.	Sched.
25	I	II	III	IV
26 Minimum Ratio of Fund				
27 to Total Wages	(.0245)	(.0225)	(.0200)	(.0170)
28 Average Tax Rate	1.37	1.57	1.77	1.97
29 <u>Average Tax Rate</u>	<u>1.30</u>	<u>1.50</u>	<u>1.70</u>	<u>1.90</u>
30 Rate Class	Contribution Rates for Eligible Employers			

1	1	0.00%	0.07%	0.27%	0.47%
2	2	0.07	0.27	0.47	0.67
3	3	0.27	0.47	0.67	0.87
4	4	0.47	0.67	0.87	1.07
5	5	0.67	0.87	1.07	1.27
6	6	0.87	1.07	1.27	1.47
7	7	1.07	1.27	1.47	1.67
8	8	1.27	1.47	1.67	1.87
9	9	1.47	1.67	1.87	2.07
10	10	1.67	1.87	2.07	2.27

11 Rate Class Contribution Rates for Deficit Employers

12	1	3.17%	3.37%	3.57%	3.77%
13	2	3.37	3.57	3.77	3.97
14	3	3.57	3.77	3.97	4.17
15	4	3.77	3.97	4.17	4.37
16	5	3.97	4.17	4.37	4.57
17	6	4.17	4.37	4.57	4.77
18	7	4.37	4.57	4.77	4.97
19	8	4.57	4.77	4.97	5.17
20	9	4.77	4.97	5.17	5.37
21	10	6.37	6.37	6.37	6.37

22 Rate Class Contribution Rates for Eligible Employers

23	<u>1</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.20%</u>	<u>0.40%</u>
24	<u>2</u>	<u>0.00</u>	<u>0.20</u>	<u>0.40</u>	<u>0.60</u>
25	<u>3</u>	<u>0.20</u>	<u>0.40</u>	<u>0.60</u>	<u>0.80</u>
26	<u>4</u>	<u>0.40</u>	<u>0.60</u>	<u>0.80</u>	<u>1.00</u>
27	<u>5</u>	<u>0.60</u>	<u>0.80</u>	<u>1.00</u>	<u>1.20</u>
28	<u>6</u>	<u>0.80</u>	<u>1.00</u>	<u>1.20</u>	<u>1.40</u>
29	<u>7</u>	<u>1.00</u>	<u>1.20</u>	<u>1.40</u>	<u>1.60</u>
30	<u>8</u>	<u>1.20</u>	<u>1.40</u>	<u>1.60</u>	<u>1.80</u>



1	<u>9</u>	<u>1.40</u>	<u>1.60</u>	<u>1.80</u>	<u>2.00</u>
2	<u>10</u>	<u>1.60</u>	<u>1.80</u>	<u>2.00</u>	<u>2.20</u>
3	<u>Rate Class</u>	<u>Contribution Rates for Deficit Employers</u>			
4	<u>1</u>	<u>3.10%</u>	<u>3.30%</u>	<u>3.50%</u>	<u>3.70%</u>
5	<u>2</u>	<u>3.30</u>	<u>3.50</u>	<u>3.70</u>	<u>3.90</u>
6	<u>3</u>	<u>3.50</u>	<u>3.70</u>	<u>3.90</u>	<u>4.10</u>
7	<u>4</u>	<u>3.70</u>	<u>3.90</u>	<u>4.10</u>	<u>4.30</u>
8	<u>5</u>	<u>3.90</u>	<u>4.10</u>	<u>4.30</u>	<u>4.50</u>
9	<u>6</u>	<u>4.10</u>	<u>4.30</u>	<u>4.50</u>	<u>4.70</u>
10	<u>7</u>	<u>4.30</u>	<u>4.50</u>	<u>4.70</u>	<u>4.90</u>
11	<u>8</u>	<u>4.50</u>	<u>4.70</u>	<u>4.90</u>	<u>5.10</u>
12	<u>9</u>	<u>4.70</u>	<u>4.90</u>	<u>5.10</u>	<u>5.30</u>
13	<u>10</u>	<u>6.30</u>	<u>6.30</u>	<u>6.30</u>	<u>6.30</u>

SCHEDULES OF CONTRIBUTION RATES - Part II

15	Sched.	Sched.	Sched.	Sched	.Sched.	Sched.
16	V	VI	VII	VIII	IX	X
17	(.0135)	(.0095)	(.0075)	(.0050)	(...)	(...)
18	2.17	2.37	2.57	2.77	2.97	3.17
19	<u>2.10</u>	<u>2.30</u>	<u>2.50</u>	<u>2.70</u>	<u>2.90</u>	<u>3.10</u>

Contribution Rates for Eligible Employers

21	0.67%	0.87%	1.07%	1.27%	1.47%	1.67%
22	0.87	1.07	1.27	1.47	1.67	1.87
23	1.07	1.27	1.47	1.67	1.87	2.07
24	1.27	1.47	1.67	1.87	2.07	2.27
25	1.47	1.67	1.87	2.07	2.27	2.47
26	1.67	1.87	2.07	2.27	2.47	2.67
27	1.87	2.07	2.27	2.47	2.67	2.87
28	2.07	2.27	2.47	2.67	2.87	3.07
29	2.27	2.47	2.67	2.87	3.07	3.27
30	2.47	2.67	2.87	3.07	3.27	3.47

<u>Contribution Rates for Deficit Employers</u>						
2	<u>3.97%</u>	<u>4.17%</u>	<u>4.37%</u>	<u>4.57%</u>	<u>4.77%</u>	<u>4.97%</u>
3	<u>4.17</u>	<u>4.37</u>	<u>4.57</u>	<u>4.77</u>	<u>4.97</u>	<u>5.17</u>
4	<u>4.37</u>	<u>4.57</u>	<u>4.77</u>	<u>4.97</u>	<u>5.17</u>	<u>5.37</u>
5	<u>4.57</u>	<u>4.77</u>	<u>4.97</u>	<u>5.17</u>	<u>5.37</u>	<u>5.57</u>
6	<u>4.77</u>	<u>4.97</u>	<u>5.17</u>	<u>5.37</u>	<u>5.57</u>	<u>5.77</u>
7	<u>4.97</u>	<u>5.17</u>	<u>5.37</u>	<u>5.57</u>	<u>5.77</u>	<u>5.97</u>
8	<u>5.17</u>	<u>5.37</u>	<u>5.57</u>	<u>5.77</u>	<u>5.97</u>	<u>6.17</u>
9	<u>5.37</u>	<u>5.57</u>	<u>5.77</u>	<u>5.97</u>	<u>6.17</u>	<u>6.37</u>
10	<u>5.57</u>	<u>5.77</u>	<u>5.97</u>	<u>6.17</u>	<u>6.37</u>	<u>6.37</u>
11	<u>6.37</u>	<u>6.37</u>	<u>6.37</u>	<u>6.37</u>	<u>6.37</u>	<u>6.37</u>

<u>Contribution Rates for Eligible Employers</u>						
13	<u>0.60%</u>	<u>0.80%</u>	<u>1.00%</u>	<u>1.20%</u>	<u>1.40%</u>	<u>1.60%</u>
14	<u>0.80</u>	<u>1.00</u>	<u>1.20</u>	<u>1.40</u>	<u>1.60</u>	<u>1.80</u>
15	<u>1.00</u>	<u>1.20</u>	<u>1.40</u>	<u>1.60</u>	<u>1.80</u>	<u>2.00</u>
16	<u>1.20</u>	<u>1.40</u>	<u>1.60</u>	<u>1.80</u>	<u>2.00</u>	<u>2.20</u>
17	<u>1.40</u>	<u>1.60</u>	<u>1.80</u>	<u>2.00</u>	<u>2.20</u>	<u>2.40</u>
18	<u>1.60</u>	<u>1.80</u>	<u>2.00</u>	<u>2.20</u>	<u>2.40</u>	<u>2.60</u>
19	<u>1.80</u>	<u>2.00</u>	<u>2.20</u>	<u>2.40</u>	<u>2.60</u>	<u>2.80</u>
20	<u>2.00</u>	<u>2.20</u>	<u>2.40</u>	<u>2.60</u>	<u>2.80</u>	<u>3.00</u>
21	<u>2.20</u>	<u>2.40</u>	<u>2.60</u>	<u>2.80</u>	<u>3.00</u>	<u>3.20</u>
22	<u>2.40</u>	<u>2.60</u>	<u>2.80</u>	<u>3.00</u>	<u>3.20</u>	<u>3.40</u>

<u>Contribution Rates for Deficit Employers</u>						
24	<u>3.90%</u>	<u>4.10%</u>	<u>4.30%</u>	<u>4.50%</u>	<u>4.70%</u>	<u>4.90%</u>
25	<u>4.10</u>	<u>4.30</u>	<u>4.50</u>	<u>4.70</u>	<u>4.90</u>	<u>5.10</u>
26	<u>4.30</u>	<u>4.50</u>	<u>4.70</u>	<u>4.90</u>	<u>5.10</u>	<u>5.30</u>
27	<u>4.50</u>	<u>4.70</u>	<u>4.90</u>	<u>5.10</u>	<u>5.30</u>	<u>5.50</u>
28	<u>4.70</u>	<u>4.90</u>	<u>5.10</u>	<u>5.30</u>	<u>5.50</u>	<u>5.70</u>
29	<u>4.90</u>	<u>5.10</u>	<u>5.30</u>	<u>5.50</u>	<u>5.70</u>	<u>5.90</u>
30	<u>5.10</u>	<u>5.30</u>	<u>5.50</u>	<u>5.70</u>	<u>5.90</u>	<u>6.10</u>

1	<u>5.30</u>	<u>5.50</u>	<u>5.70</u>	<u>5.90</u>	<u>6.10</u>	<u>6.30</u>
2	<u>5.50</u>	<u>5.70</u>	<u>5.90</u>	<u>6.10</u>	<u>6.30</u>	<u>6.30</u>
3	<u>6.30</u>	<u>6.30</u>	<u>6.30</u>	<u>6.30</u>	<u>6.30</u>	<u>6.30"</u>

4

5 **Section 6.** Section 39-51-3207, MCA, is amended to read:

6 **"39-51-3207. Authority to determine uncollectibility of debts -- transfer of debts for collection --**
7 **liability for payment of fees and costs of collection.** (1) After making all reasonable efforts to collect unpaid
8 contributions, assessments under 39-51-404(4), and penalties and interest, or overpaid benefits under
9 39-51-3206 and interest, the department may determine a debt to be uncollectible. Upon determining that a debt
10 is uncollectible, the department may transfer the debt to the department of revenue for collection as provided in
11 17-4-104.

12 (2) Subject to approval by the department, reasonable fees or costs of collection incurred by the
13 department of revenue may be added to the amount of the debt, including added fees or costs. The debtor is
14 liable for repayment of the amount of the debt plus fees or costs added pursuant to this subsection. All money
15 collected must be returned to the department to be applied to the debt, except that all fees or costs collected must
16 be retained by the department of revenue. If less than the full amount of the debt is collected, the department of
17 revenue shall retain only a proportionate share of the collection fees or costs."

18

19 NEW SECTION. **Section 7. Effective dates.** (1) [Section 2 and this section] are effective October 1,
20 2007.

21 (2) [Sections 1, 3, 5, and 6] are effective January 1, 2008.

22 (3) [Section 4] is effective July 1, 2008.

23

- END -