

Department of Labor And Industry
Unemployment Insurance (UI)
Program Overview

Presented To:
House Business and Labor Committee
January 2011



Purpose of UI

- UI is a wage insurance program that provides short-term economic assistance to eligible workers from a trust fund financed by employers.

Federal Unemployment Tax Act (FUTA)

- ❑ FUTA is paid on the first \$7,000 of wages on an employee.
- ❑ Credit is granted to employers when state UI program meets various requirements of federal law.

FUTA Tax - 6.2% (.062) or **\$434**

FUTA Credit - 5.4% (.054) Granted to Employers or **\$378**

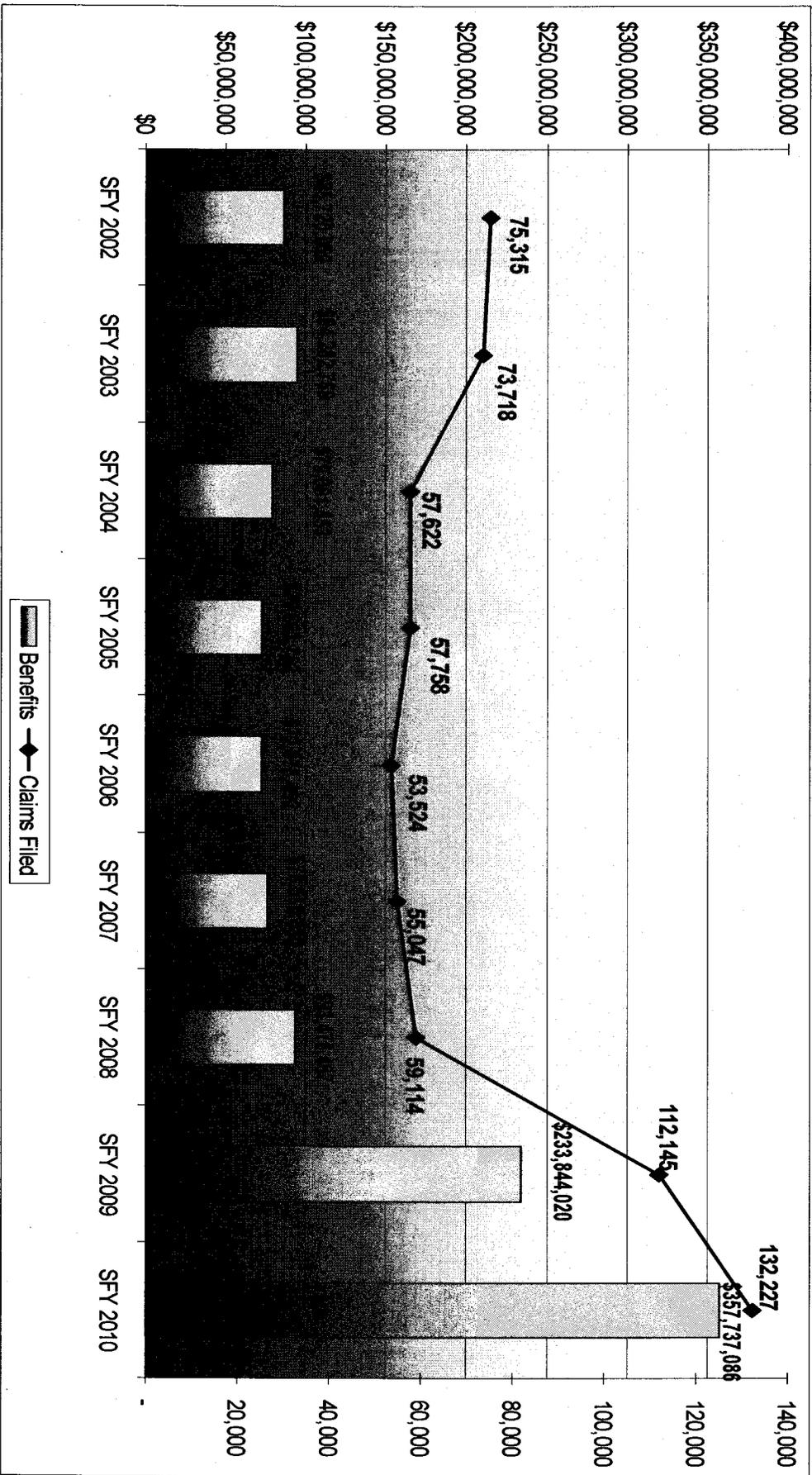
Net FUTA Paid by Employers - .80% (.008) or **\$56**



Overview of UI Benefits

- Claimants must be unemployed through no fault of their own.
- Claimants must be able, available, and actively seeking employment to be eligible to receive benefits.

Annual Benefits Data

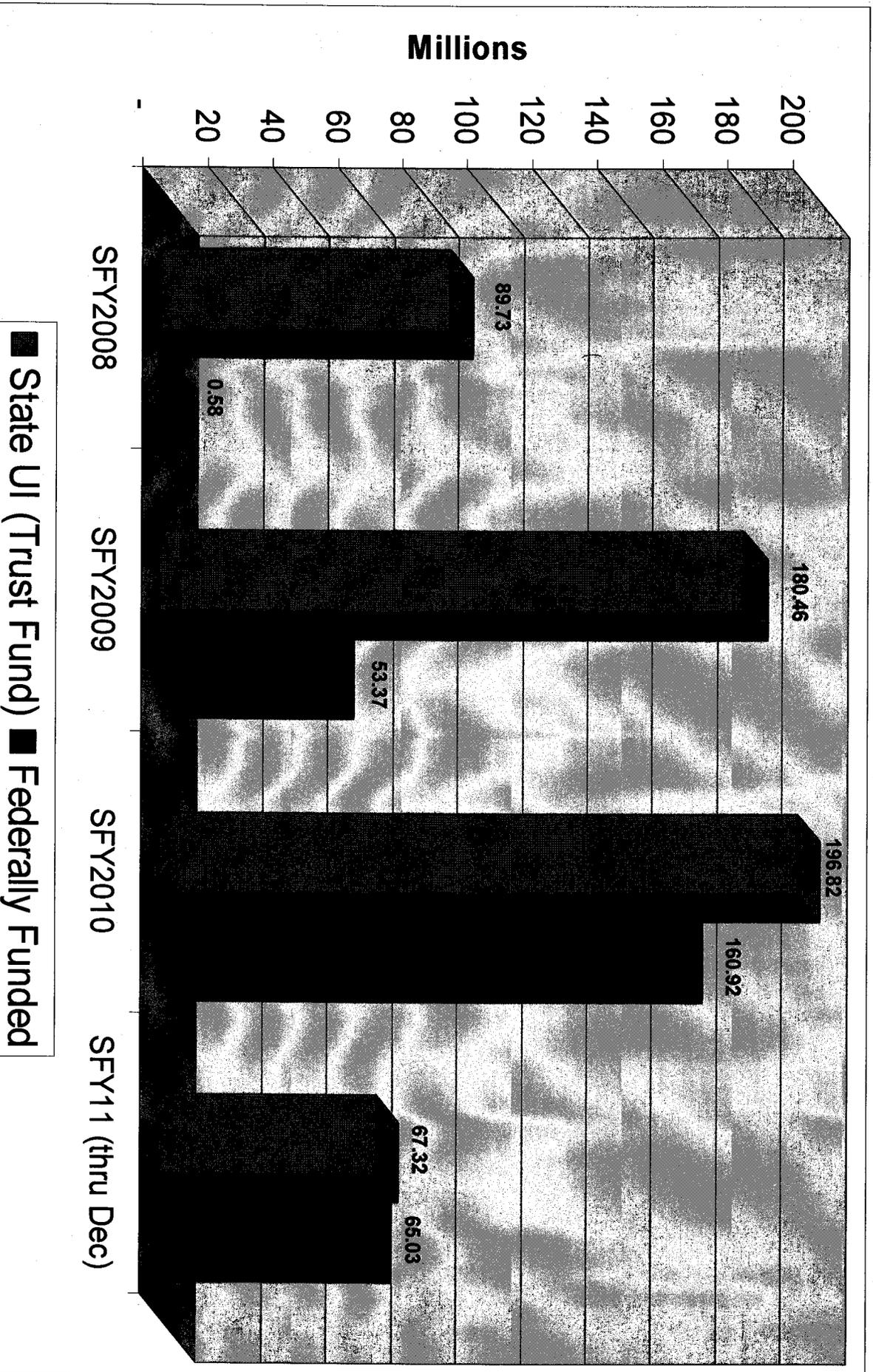




Additional UI Benefits

- Claimants may be eligible for additional benefits which are funded primarily by federal funds.
- **Emergency Unemployment Compensation (EUC)**
- **Extended Benefits (EB) (Not Currently Available)**
- **Trade Readjustment Act (TRA)**

State Funded Versus Federally Funded UI Benefits



Emergency Unemployment Compensation (EUC)

EUC is enacted in Tiers:

- **Tier I:** Up to 20 weeks eligibility
- **Tier II:** Up to 14 weeks eligibility
- **Tier III:** Up to 13 weeks eligibility – Currently Available
 - Based on a trigger of unemployment rates
- **Tier IV:** Up to 6 weeks eligibility – Ended July 3, 2010
 - Based on a trigger of unemployment rates – Currently triggered off

Is Everyone Receiving “99” Weeks?

| Prior Benefit Options | Up to: |
|-------------------------|------------------|
| ■ Regular UI & EB | 39 weeks |
| ■ FUC (Tier I – IV) | <u>53 weeks</u> |
| ■ Total | 92 weeks maximum |
| Current Benefit Options | Up to: |
| ■ Regular UI | 28 weeks |
| ■ FUC (Tier I – III) | <u>47 weeks</u> |
| ■ Total | 75 weeks maximum |

Fraud and Overpayments

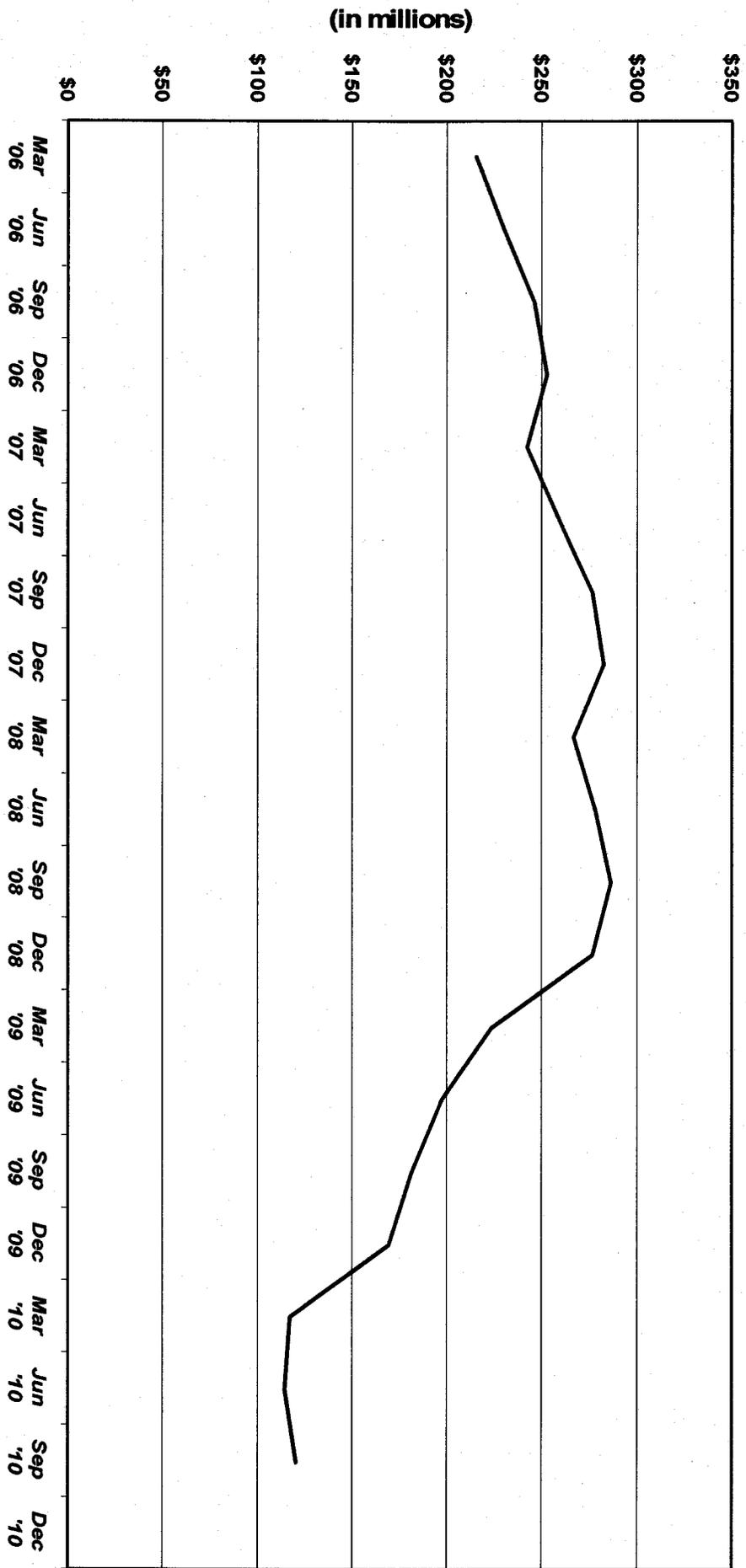
- Unemployment Insurance takes fraud against the program seriously.
- **Tools used to detect fraud:**
 - Cross matches (Workers Comp, Social Security, Corrections)
 - Investigations with State and National Directories of New Hires
 - Tips and Leads
 - Audits
- **Collection of Overpayments**
 - Offset of future benefits
 - Monthly payment plans
 - File Liens
 - Collections and Intercepts from State warrants (Tax Refunds)
 - Request other states to offset benefits.
 - Requesting authority to intercept state lottery winnings.



UI Trust Fund

- Montana's UI trust fund is financed from employer's contributions (premium payments) that are used to pay benefits to unemployed workers.

UI Trust Fund Balance 2006 - 2010
\$125.9 Million as of 11/30/2010

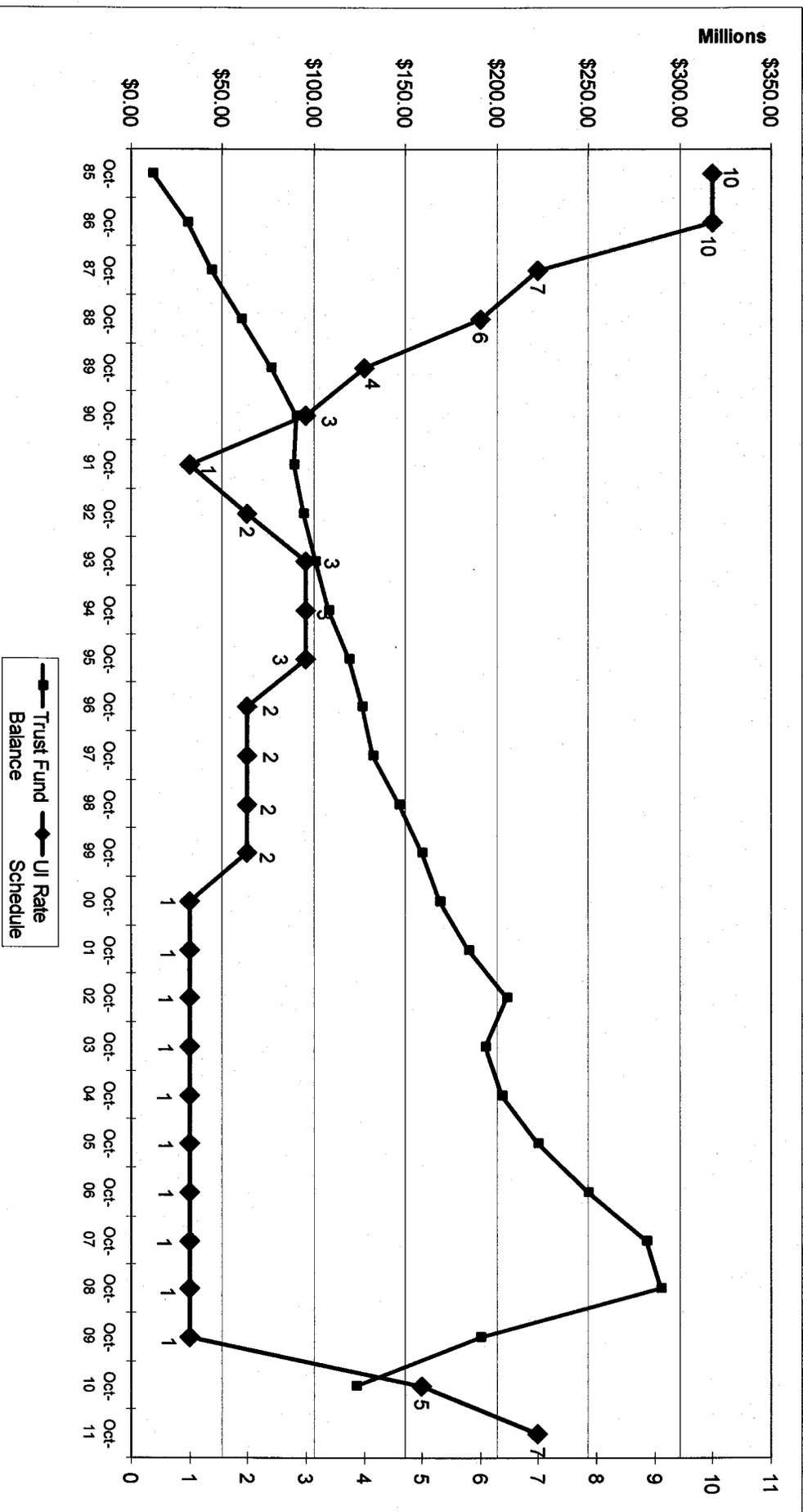


Schedule of Contribution Rates

MCA 39-51-1218

| Schedule of Contribution Rates | | I | II | III | IV | V | VI | VII | VIII | IX | X | XI |
|---|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Minimum Ratio of Fund to Total Wages: (.0260) (.0245) (.0225) (.0200) (.0170) (.0135) (.0095) (.0075) (.0050) (.0025) (...) | | | | | | | | | | | | |
| Average Tax Rate: | | 1.12 | 1.32 | 1.52 | 1.72 | 1.92 | 2.12 | 2.32 | 2.52 | 2.72 | 2.92 | 3.12 |
| Rate Class | Contribution Rates for Eligible Employers | | | | | | | | | | | |
| 1 | 0.00% | 0.00% | 0.02% | 0.22% | 0.42% | 0.62% | 0.82% | 1.02% | 1.22% | 1.42% | 1.62% | 1.82% |
| 2 | 0.00 | 0.02 | 0.22 | 0.42 | 0.62 | 0.82 | 1.02 | 1.22 | 1.42 | 1.62 | 1.82 | 2.02 |
| 3 | 0.02 | 0.22 | 0.42 | 0.62 | 0.82 | 1.02 | 1.22 | 1.42 | 1.62 | 1.82 | 2.02 | 2.22 |
| 4 | 0.22 | 0.42 | 0.62 | 0.82 | 1.02 | 1.22 | 1.42 | 1.62 | 1.82 | 2.02 | 2.22 | 2.42 |
| 5 | 0.42 | 0.62 | 0.82 | 1.02 | 1.22 | 1.42 | 1.62 | 1.82 | 2.02 | 2.22 | 2.42 | 2.62 |
| 6 | 0.62 | 0.82 | 1.02 | 1.22 | 1.42 | 1.62 | 1.82 | 2.02 | 2.22 | 2.42 | 2.62 | 2.82 |
| 7 | 0.82 | 1.02 | 1.22 | 1.42 | 1.62 | 1.82 | 2.02 | 2.22 | 2.42 | 2.62 | 2.82 | 3.02 |
| 8 | 1.02 | 1.22 | 1.42 | 1.62 | 1.82 | 2.02 | 2.22 | 2.42 | 2.62 | 2.82 | 3.02 | 3.22 |
| 9 | 1.22 | 1.42 | 1.62 | 1.82 | 2.02 | 2.22 | 2.42 | 2.62 | 2.82 | 3.02 | 3.22 | 3.42 |
| 10 | 1.42 | 1.62 | 1.82 | 2.02 | 2.22 | 2.42 | 2.62 | 2.82 | 3.02 | 3.22 | 3.42 | |
| Rate Class | Contribution Rates for Deficit Employers | | | | | | | | | | | |
| 1 | 2.92% | 3.12% | 3.32% | 3.52% | 3.72% | 3.92% | 4.12% | 4.32% | 4.52% | 4.72% | 4.92% | 5.12% |
| 2 | 3.12 | 3.32 | 3.52 | 3.72 | 3.92 | 4.12 | 4.32 | 4.52 | 4.72 | 4.92 | 5.12 | 5.32 |
| 3 | 3.32 | 3.52 | 3.72 | 3.92 | 4.12 | 4.32 | 4.52 | 4.72 | 4.92 | 5.12 | 5.32 | 5.52 |
| 4 | 3.52 | 3.72 | 3.92 | 4.12 | 4.32 | 4.52 | 4.72 | 4.92 | 5.12 | 5.32 | 5.52 | 5.72 |
| 5 | 3.72 | 3.92 | 4.12 | 4.32 | 4.52 | 4.72 | 4.92 | 5.12 | 5.32 | 5.52 | 5.72 | 5.92 |
| 6 | 3.92 | 4.12 | 4.32 | 4.52 | 4.72 | 4.92 | 5.12 | 5.32 | 5.52 | 5.72 | 5.92 | 6.12 |
| 7 | 4.12 | 4.32 | 4.52 | 4.72 | 4.92 | 5.12 | 5.32 | 5.52 | 5.72 | 5.92 | 6.12 | 6.32 |
| 8 | 4.32 | 4.52 | 4.72 | 4.92 | 5.12 | 5.32 | 5.52 | 5.72 | 5.92 | 6.12 | 6.32 | 6.52 |
| 9 | 4.52 | 4.72 | 4.92 | 5.12 | 5.32 | 5.52 | 5.72 | 5.92 | 6.12 | 6.32 | 6.52 | 6.72 |
| 10 | 4.72 | 4.92 | 5.12 | 5.32 | 5.52 | 5.72 | 5.92 | 6.12 | 6.32 | 6.52 | 6.72 | 6.92 |

Montana UI Trust Fund and UI Rate Schedules





Comparison to Other States

As of 01/7/2011, there were 31 states whose UI trust funds were broke and had to borrow from the Federal Unemployment Trust Fund, in the amount of \$40.6 billion.

Between 2009 and 2010, 45 states had some increase in their UI premium rates.

Comparison to Surrounding States

Average Rate Increases between 2009 and 2010

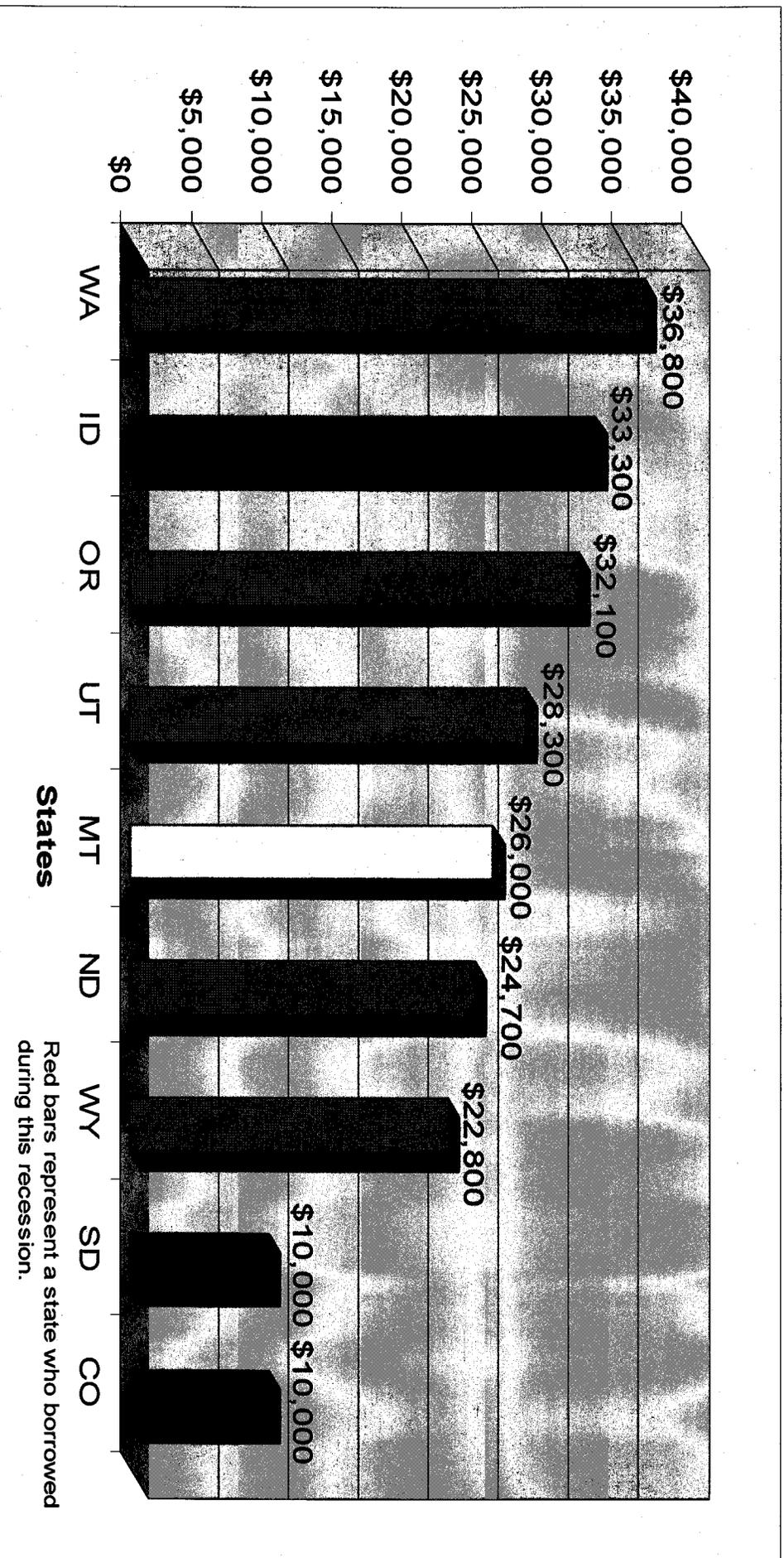
- Montana's average rate increase during this time was .80 percent.
- Colorado (currently borrowing), Oregon, South Dakota and Washington increased rates between .50 and 1.0 percent.
- Idaho (currently borrowing) and Wyoming increased more than 1.0 percent.
- North Dakota and Utah increased less than .50 percent.



MT Taxable Wage Base

- The taxable wage base and weekly benefits are linked to the state's annual average wage.
- 27 states increased their taxable wage base between 2009 and 2010.
- Taxable wage base is 80% of the state average annual wage.
- 2010 taxable wage base was \$26,000.
- 2011 taxable wage base is \$26,300.

Comparison to Other States Taxable Wage Base (2010)



Comparison to Surrounding States Minimum and Maximum Weekly Benefit Amounts

| State | Maximum | Minimum |
|--------------|---------|---------|
| Washington | \$560 | \$135 |
| Oregon | \$496 | \$116 |
| Utah | \$451 | \$29 |
| Colorado | \$445 | \$25 |
| North Dakota | \$442 | \$43 |
| Wyoming | \$430 | \$31 |
| | | |
| Idaho | \$334 | \$72 |
| South Dakota | \$314 | \$28 |



Economic Impact of UI

From July 2008 to November 2010, Montana has paid out **\$698.3 million** in benefits.

| Total Benefits Paid | Turnover Rate | Economic Impact |
|---------------------|---------------|-----------------|
| \$698.3 Million | 1.6 | \$1.12 Billion |
| \$698.3 Million | 2.0 | \$1.40 Billion |



Questions?

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