

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	149.50	149.50	148.12	148.12	149.50	148.12	(1.38)	(0.92)%
Personal Services	7,996,743	8,503,499	9,269,869	9,274,412	16,500,242	18,544,281	2,044,039	12.39 %
Operating Expenses	3,534,917	4,292,790	6,530,307	6,511,138	7,827,707	13,041,445	5,213,738	66.61 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Transfers	0	87,345	0	0	87,345	0	(87,345)	(100.00)%
Debt Service	7,609	7,830	20,350	29,905	15,439	50,255	34,816	225.51 %
Total Costs	\$11,539,269	\$12,891,464	\$15,820,526	\$15,815,455	\$24,430,733	\$31,635,981	\$7,205,248	29.49 %
State/Other Special Rev. Funds	3,490,575	3,612,945	4,813,660	4,810,069	7,103,520	9,623,729	2,520,209	35.48 %
Federal Spec. Rev. Funds	8,048,694	9,278,519	11,006,866	11,005,386	17,327,213	22,012,252	4,685,039	27.04 %
Total Funds	\$11,539,269	\$12,891,464	\$15,820,526	\$15,815,455	\$24,430,733	\$31,635,981	\$7,205,248	29.49 %

Program Description

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to unemployed workers. The division provides services through three bureaus: 1) Contributions; 2) Claims Processing; and 3) Program Support. The Contributions Bureau is responsible for UI employer registration, contribution rate assignments, tax and wage report collection, wage revisions, and employer audits. The Claims Processing Bureau has two claims processing centers (Billings and Helena) that file and process claims (monetary eligibility, issue investigation, adjudication, and employer charging) and respond to all UI claim related inquiries. The Claims Processing Bureau is also responsible for Trade Readjustment Assistance, military, federal, and multi-state claims. The Program Support Bureau manages the information technology systems and infrastructure, the division budget and accounting, and the UI trust fund. They also provide management analysis and research for economic, program management, reporting, and legislative purposes in addition to operating tax and benefit quality control, benefit payment control, and integrity programs.

Program Highlights

Unemployment Insurance Division Major Budget Highlights
<ul style="list-style-type: none"> Executive proposes to increase budget \$7.2 million or 29.5% between the 2015 and 2017 biennium \$3.0 million of the increase in operating expenses is due to a proposal to create proprietary rates for the newly formed Technology Services Division
Major LFD Issues
<ul style="list-style-type: none"> Ongoing vacancies in Unemployment Insurance Division

Program Discussion -*Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base*

The following table highlights the differences between the FY 2015 appropriations as shown in the program comparison table on the previous page compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor & Industry - Unemployment Division							
FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	\$9,077,503				\$173,577	(\$747,581)	\$8,503,499
Operations	5,309,934			(7,830)	(4,206)	(1,005,108)	4,292,790
Tranfers	87,345						87,345
Debt Service				7,830			7,830
Program Total	\$14,474,782	\$0	\$0	\$0	\$169,371	(\$1,752,689)	\$12,891,464

The majority of the changes are related to the formation of the Technology Services Division. UI transferred 8.00 FTE, \$0.7 million in personal services appropriation authority, and \$1.0 million in operating expenses to the newly formed division. In addition, transfers of \$173,577 in personal services authority were made from the Workforce Services Division increasing funding authority by 2%. DOLI transferred 4.50 FTE from the Workforce Services Division to the Unemployment Insurance Division.

Comparison of the FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures are \$2.9 million below the FY 2015 legislative appropriation. Primary reasons for the difference are:

- Reorganization in FY 2014 that transferred \$1.8 million in authority to the new division
- High number of vacancies, especially in insurance claims examiners, in FY 2014, which impacts personal services

Executive Request

The program budget comparison table shows the impacts of the proposed budget changes after the transfers of appropriation authority are taken into account. As shown the Unemployment Insurance Division personal services increase \$1.3 million each year of the biennium when compared to FY 2014 actual spending.

In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13, other changes include:

- Market, proficiency agreement progression, and negotiated pay schedule increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Reclassification of 16 positions between biennia
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement

**LFD
ISSUE**Ongoing Vacancies in Unemployment Insurance Division

The Unemployment Insurance Division has experienced a high number of vacancies within its UI claims examiners. This is part of the reason for the increase of \$1.3 million in personal services, compared to FY 2014 actuals, each year of the 2017 biennium shown in program budget comparison. In FY 2014 UI had 3.00 FTE that were vacant all year including 2.00 FTE for UI claims examiners and 1.00 FTE for a training development specialist.

Similar to the Workforce Services Division vacancies, the ongoing nature of the vacancies, the decreased need for employment services due to the Montana economic recovery as indicated by an unemployment rate of 4.5%, and the use of technology to serve a number of the unemployed are the reason that further reductions in FTE may be indicated. The executive proposes \$332,711 over the biennium to support these positions.

Legislative Option

If the legislature wishes to more closely align spending on personal services with estimated costs for the 2017 biennium it can reduce funding by \$332,711 over the biennium for personal services supporting the 3.0 FTE that were vacant all of FY 2014.

When compared to FY 2014 actual spending, operating costs increase by \$3.0 million each year of the biennium. About \$2.9 million is due to the proposal to implement proprietary rates for the Technology Service Division. As shown in the table on the previous page, the division transferred \$1.0 million in operating expenses and \$0.7 million in personal services to TSD in FY 2014. Both components are included in the rates for the 2017 biennium. Increases to costs of TSD are presented in the "Proprietary Rate" narrative for that division.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Labor & Industry, 02-Unemployment Insurance Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02258 Employment Security Account	9,595,315	0	0	9,595,315	99.70 %
02315 DLI Info Exchange/Rental	28,414	0	0	28,414	0.30 %
State Special Total	\$9,623,729	\$0	\$0	\$9,623,729	3.21 %
03278 UI PENALTY & INTEREST	1,431,377	0	0	1,431,377	6.50 %
03954 UI Administrative Grants	20,580,875	0	0	20,580,875	93.50 %
03967 UI Reed Act	0	0	0	0	0.00 %
Federal Special Total	\$22,012,252	\$0	\$0	\$22,012,252	7.34 %
06069 UI Tax Benefit Fund	0	268,417,592	0	268,417,592	100.00 %
Proprietary Total	\$0	\$268,417,592	\$0	\$268,417,592	89.46 %
Total All Funds	\$31,635,981	\$268,417,592	\$0	\$300,053,573	

HB 2 Funding

The HB 2 funded functions of the division support the administrative and operational portions of unemployment insurance.

State Special Revenues

The majority of the state special revenues are derived from an assessment charged to employers as a percentage of their payroll and deposited into the employment security account.

Federal Revenues

Unemployment insurance (UI) administrative grants are federal funds that Montana receives for the administration of the unemployment insurance program. Montana businesses pay a federal unemployment tax that is partially used to fund these grants. For further information on the sources and uses of federal unemployment tax see the appendix for the Department of Labor and Industry.

Proprietary Funding

State unemployment taxes (SUTA) are paid into a proprietary account to fund unemployment benefits for claimants. The amount of the tax depends on the ratio of unemployment insurance trust fund balance to the total covered wages in Montana and the employer's experience. Montana uses 11 schedules with 9 contribution rates in each schedule to assess the SUTA. In calendar year 2014 Montana used schedule V, while in calendar year 2015 the rate will be calculated using schedule III, a reduction in costs to Montana employers.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
-----General Fund-----					-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	14,474,782	14,474,782	28,949,564	0.00 %
PL Adjustments	0	0	0	0.00 %	(1,641,667)	(1,648,607)	(3,290,274)	0.00 %
New Proposals	0	0	0	0.00 %	2,987,411	2,989,280	5,976,691	0.00 %
Total Budget	\$0	\$0	\$0		\$15,820,526	\$15,815,455	\$31,635,981	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments									
-----Fiscal 2016-----					-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law									
0.00	0	14,345	178,021	192,366	0.00	0	15,065	181,844	196,909
DP 99 - LEG. Present Law									
0.00	0	(136,770)	(1,697,263)	(1,834,033)	0.00	0	(141,200)	(1,704,316)	(1,845,516)
Grand Total All Present Law Adjustments									
0.00	\$0	(\$122,425)	(\$1,519,242)	(\$1,641,667)	0.00	\$0	(\$126,135)	(\$1,522,472)	(\$1,648,607)

DP 98 - LEG. Personal Services Present Law -

The following table outlines various components of the changes included in the PSPL adjustment.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	148.12	\$0	\$15,711	\$56,275	\$71,986
Executive Implementation of 2015 Pay Increase		-	33,232	119,033	152,265
Fully Fund 2015 Legislatively Authorized FTE		-	35,907	-	35,907
Other		-	(70,505)	2,713	(67,793)
Personal Services Present Law Adjustments	148.12	\$0	\$14,345	\$178,021	\$192,366
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	148.12	\$0	\$15,711	\$56,275	\$71,986
Executive Implementation of 2015 Pay Increase		-	33,234	119,032	152,265
Fully Fund 2015 Legislatively Authorized FTE		-	35,907	-	35,907
Other		-	(69,787)	6,537	(63,250)
Personal Services Present Law Adjustments	148.12	\$0	\$15,065	\$181,844	\$196,909

Reductions as shown in table as other are related to the division's implementation of the boilerplate language contained in HB 2 as enacted by the 2013 Legislature.

DP 99 - LEG. Present Law -

As shown in the present law adjustment table on the previous page, the executive proposes reductions in funding for operating expenses. \$1.0 million of the reduction is due to the reorganization. In total federal funding support for the program was reduced by \$1.5 million a year, \$0.7 million for the reorganization and the remainder due to reduced costs overall in FY 2014 that were carried forward into the 2017 biennial budget.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals									
Fiscal 2016					Fiscal 2017				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 202004 - Unemployment Insurance Funding Switch	0.00	0	(31,491)	31,491	0	0.00	0	(31,502)	31,502
DP 202005 - TSD Funding Switch	0.00	0	1,068,549	1,918,862	2,987,411	0.00	0	1,068,679	1,920,601
Total	0.00	\$0	\$1,037,058	\$1,950,353	\$2,987,411	0.00	\$0	\$1,037,177	\$1,952,103

DP 202004 - Unemployment Insurance Funding Switch -

UI is proposing a fund switch from state special revenue (DLI Info Exchange/ Rental) to federal special revenue (UI Administrative Grants) to be in compliance with federal regulations. UI receives program income from information sharing and is required by federal regulations to use the revenue before requesting funds from the federal grant.

DP 202005 - TSD Funding Switch -

The Unemployment Insurance Division requests \$2,938,012 in FY 2016 and \$2,940,237 in FY 2017 for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount Unemployment Insurance Division will be assessed through Technology Services Division rates.

Other Issues -

Proprietary Rates

UI Tax Benefit Fund - 06069

Proprietary Program Description

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their Unemployment Insurance. DLI expends the funds by paying Unemployment Insurance benefit claims.

Program Narrative

Expenses

Significant costs for the program are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax benefits and child support payments the claimants have elected to be taken out of the benefit check. Projected expenses and revenues for the 2015 and 2017 biennium are shown in the following chart.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor & Industry			Program Name: Unemployment Insurance Division			
	Fund	Fund Name					
	06069	UI Tax Benefit Fund					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Revenue A		3,594,398	4,197,229	4,985,071	6,370,000	7,180,000	7,445,000
Revenue B		159,224,666	160,367,957	157,284,437	137,711,000	116,425,000	109,208,000
Revenue C		92,485,617	56,772,451	24,674,343	15,053,000	15,300,000	15,800,000
Total Operating Revenues		255,304,681	221,337,637	186,943,851	159,134,000	138,905,000	132,453,000
Expenses:							
Other Operating Expenses		217,829,746	179,826,038	136,174,297	136,155,914	134,208,796	134,208,796
Total Operating Expenses		217,829,746	179,826,038	136,174,297	136,155,914	134,208,796	134,208,796
Operating Income (Loss)		37,474,935	41,511,599	50,769,554	22,978,086	4,696,204	(1,755,796)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		37,474,935	41,511,599	50,769,554	22,978,086	4,696,204	(1,755,796)
Change in Net Position		37,474,935	41,511,599	50,769,554	22,978,086	4,696,204	(1,755,796)
Beginning Net Position - July 1		100,700,222	138,175,157	179,686,756	230,456,310	253,434,396	258,130,600
Change in Net Position		37,474,935	41,511,599	50,769,554	22,978,086	4,696,204	(1,755,796)
Ending Net Position - June 30		138,175,157	179,686,756	230,456,310	253,434,396	258,130,600	256,374,804
Net Position (Fund Balance) Analysis							

Revenues

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund. As shown in the figure above, although premiums are projected to fall throughout the 2017 biennium, the fund balance will increase due to the corresponding decrease in unemployment benefit payments associated with the low unemployment rate.

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
Unemployment Insurance Premiums	\$157,284,437	\$137,711,000	\$116,425,000	\$109,208,000
Investment Earnings	\$4,985,071	\$6,370,000	\$7,180,000	\$7,445,000
MCA 39-51-1217 sets the rate which the employers are charged contributions for the purpose of paying Unemployment Insurance Benefits.				

Rates and Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. The rate calculation is set in statute under 39-5-1217, MCA.