

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 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	8,781,524	8,809,798	16,500,242	17,591,322	1,091,080	6.61 %
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 %
<b>Total Costs</b>	<b>\$11,539,269</b>	<b>\$12,891,464</b>	<b>\$15,332,181</b>	<b>\$15,350,841</b>	<b>\$24,430,733</b>	<b>\$30,683,022</b>	<b>\$6,252,289</b>	<b>25.59 %</b>
General Fund	0	0	0	0	0	0	0	0.00 %
State/Other Special Rev. Funds	3,490,575	3,612,945	4,384,801	4,367,209	7,103,520	8,752,010	1,648,490	23.21 %
Federal Spec. Rev. Funds	8,048,694	9,278,519	10,947,380	10,983,632	17,327,213	21,931,012	4,603,799	26.57 %
<b>Total Funds</b>	<b>\$11,539,269</b>	<b>\$12,891,464</b>	<b>\$15,332,181</b>	<b>\$15,350,841</b>	<b>\$24,430,733</b>	<b>\$30,683,022</b>	<b>\$6,252,289</b>	<b>25.59 %</b>

### 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 inquires. 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

<b>Unemployment Insurance Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The program budget increases 8.2% between the 2015 and 2017 biennium appropriations</li> <li>• \$3.0 million of the increase in operating expenses is due to the creation of proprietary rates for the newly formed Technology Services Division</li> </ul>

**Program Narrative***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
<b>Program Total</b>	<b>\$14,474,782</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$169,371</b>	<b>(\$1,752,689)</b>	<b>\$12,891,464</b>

The majority of the legislatively approved 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.

*Legislative Budget*

The program budget comparison table shows the impacts of the budget changes after the transfers of appropriation authority are taken into account. Personal services increases result, in part, from the implementation of pay raises and health insurance contributions included in HB 13 enacted by the 2013 Legislature. 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

As part of the agency's implementation of the boilerplate language included in HB 2 as enacted by the 2013 Legislature, DOLI included the majority of the reductions within the Workforce Services Division. The legislature provided personal services funding to offset vacancy savings reductions including:

- \$35,907 in state special revenues each year of the biennium for the 2% reduction due to vacancy savings assessed the division in the 2015 biennium
- \$48,000 in state special revenues and \$195,000 in federal revenues to mitigate the impacts of the agency's implementation of the boilerplate language. It should be noted that this increase was offset by additional reductions within the Workforce Services Division

About \$2.9 million of the increase in operating costs is due to implementing proprietary rates for the Technology Service Division. As shown in the table above, 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 as operating expenses. Increases to costs of TSD are presented in the "Proprietary Rate" narrative for that division. To ensure the reorganization was cost neutral, the legislature further reduced the budget by \$944,000 over the 2017 biennium, including reductions of \$90,000 in personal services each year of the biennium and \$383,000 in operating expenses.

## Funding

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

Department of Labor and Industry, 02-Unemployment Insurance Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0.00 %	
02258 Employment Security Account	8,583,596	0	0	8,583,596	98.08 %	
02315 DLI Info Exchange/Rental	168,414	0	0	168,414	1.92 %	
<b>State Special Total</b>	<b>\$8,752,010</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,752,010</b>	<b>2.93 %</b>	
03278 UI PENALTY & INTEREST	1,302,792	0	0	1,302,792	5.94 %	
03954 UI Administrative Grants	20,628,220	0	0	20,628,220	94.06 %	
03967 UI Reed Act	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$21,931,012</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,931,012</b>	<b>7.33 %</b>	
06069 UI Tax Benefit Fund	0	268,417,592	0	268,417,592	100.00 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$268,417,592</b>	<b>\$0</b>	<b>\$268,417,592</b>	<b>89.74 %</b>	
<b>Total All Funds</b>	<b>\$30,683,022</b>	<b>\$268,417,592</b>	<b>\$0</b>	<b>\$299,100,614</b>		

### 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.

### 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									
Budget Item	-----General Fund-----				-----Total Funds-----				
	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	94.35 %	
PL Adjustments	0	0	0	0.00 %	(2,130,012)	(2,113,221)	(4,243,233)	(13.83)%	
New Proposals	0	0	0	0.00 %	2,987,411	2,989,280	5,976,691	19.48 %	
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$15,332,181</b>	<b>\$15,350,841</b>	<b>\$30,683,022</b>		

Reductions in budget authority included in present law are mainly due to the reorganization of information technology services into the Technology Services Division. This reduced the present law budget by \$4.5 million over the 2017 biennium. Other increases included in present law partially offset this reduction. New proposals to establish proprietary rates for technology services the offset the overall reduction in present law.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

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 515 - State Share Health Insurance	0.00	0	15,711	56,275	71,986	0.00	0	15,711	56,275	71,986
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	35,907	0	35,907	0.00	0	35,907	0	35,907
DP 525 - Fixed Cost Adjustment	0.00	0	(94,660)	(144,019)	(238,679)	0.00	0	(94,580)	(143,897)	(238,477)
DP 529 - Longevity and Other adjustments	0.00	0	(9,358)	(33,520)	(42,878)	0.00	0	(3,165)	(11,335)	(14,500)
DP 530 - Reorganization	0.00	0	(281,876)	(1,470,813)	(1,752,689)	0.00	0	(281,876)	(1,470,813)	(1,752,689)
DP 535 - Program transfers	0.00	0	169,371	0	169,371	0.00	0	169,371	0	169,371
DP 550 - Motor Pool Adjustment	0.00	0	(200)	(431)	(631)	0.00	0	(200)	(439)	(639)
DP 570 - Debt Service Funding	0.00	0	0	20,350	20,350	0.00	0	0	29,905	29,905
DP 600 - Additional reduction for reorg	0.00	0	(105,720)	(367,120)	(472,840)	0.00	0	(105,720)	(367,120)	(472,840)
DP 610 - Boilerplate allocation of 4% Reduction	0.00	0	47,915	195,017	242,932	0.00	0	47,891	194,940	242,831
DP 670 - Additional employment security account funding	0.00	0	161,797	0	161,797	0.00	0	151,917	0	151,917
DP 200444 - Statewide 4% FTE Reduction - Program 02	(0.38)	0	0	0	0	(1.38)	0	0	0	0
DP 202001 - Overtime (OTO/Restricted)	0.00	0	13,098	46,902	60,000	0.00	0	13,098	46,902	60,000
<b>Grand Total All Present Law Adjustments</b>	<b>(0.38)</b>	<b>\$0</b>	<b>(\$48,015)</b>	<b>(\$1,697,359)</b>	<b>(\$1,745,374)</b>	<b>(1.38)</b>	<b>\$0</b>	<b>(\$51,646)</b>	<b>(\$1,665,582)</b>	<b>(\$1,717,228)</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology services from Unemployment Insurance Division to the Technology Services Division within the department. This included transfers of \$281,876 in state special revenue, \$1,470,813 in federal funds, and 8.00 FTE in each year of the biennium.

DP 535 - Program transfers -

The legislature adopted program transfers made by the department in the interim.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 570 - Debt Service Funding -

The legislature provided funding for debt service above that established in the 2015 legislative base.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 670 - Additional employment security account funding -

The legislature provided additional employment security account funding as requested by the executive.

DP 200444 - Statewide 4% FTE Reduction - Program 02 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 0.38 FTE in FY 2016 and 1.38 FTE in FY 2017.

DP 202001 - Overtime (OTO/Restricted) -

The legislature provided for overtime in the Unemployment Insurance Division (UI). UI has a higher workload in winter months, and overtime is used instead of hiring additional staff for the peak workload times. UI anticipates incurring less overtime than in the past due to Emergency Unemployment Compensation ending.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

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 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	2,989,280
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,068,549</b>	<b>\$1,918,862</b>	<b>\$2,987,411</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,068,679</b>	<b>\$1,920,601</b>	<b>\$2,989,280</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 202005 - TSD Funding Switch -

The legislature provided funding 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.

*Rates and Rate Explanation*

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.					

The Unemployment Insurance Division administers the state unemployment insurance law. The rate calculation is set in statute under 39-51-1217, MCA.