

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	153.00	153.00	153.00	153.00	153.00	153.00	0.00	0.00%
Personal Services	7,971,387	7,927,029	8,286,216	8,287,792	15,898,416	16,574,008	675,592	4.25%
Operating Expenses	4,790,355	5,146,089	5,163,252	5,309,934	9,936,444	10,473,186	536,742	5.40%
Transfers	87,345	75,000	87,345	87,345	162,345	174,690	12,345	7.60%
Debt Service	0	3,775	0	0	3,775	0	(3,775)	(100.00%)
Total Costs	\$12,849,087	\$13,151,893	\$13,536,813	\$13,685,071	\$26,000,980	\$27,221,884	\$1,220,904	4.70%
State Special	3,502,688	3,718,627	3,847,656	3,847,656	7,221,315	7,695,312	473,997	6.56%
Federal Special	9,346,399	9,433,266	9,689,157	9,837,415	18,779,665	19,526,572	746,907	3.98%
Total Funds	\$12,849,087	\$13,151,893	\$13,536,813	\$13,685,071	\$26,000,980	\$27,221,884	\$1,220,904	4.70%

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 bureaus are: Contributions, Claims Processing, and 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

Unemployment Insurance Division	
Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Personal services costs increase due to: <ul style="list-style-type: none"> ● Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4% ● Increases for broadband pay adjustments ◆ Operating costs increases include: <ul style="list-style-type: none"> ● Fixed costs, including rent and information technology services ● Postage and mailing associated with unemployment insurance benefits 	

Program Narrative

Personal services increases contained in the statewide present law adjustments for the division include:

- Fully funding positions that had experienced an actual vacancy rate in the base year of about 6%, compared to the 2015 biennium budgeted rate of 4%
- Annualization of broadband pay increases granted to most employees within the division
- Longevity and performance adjustments

Operating expenses increase due to:

- Rent increase
- SITSD fixed cost increase for the unemployment insurance information technology system
- Postage and mailing increases mainly related to unemployment insurance benefits to unemployed workers

State special revenues increase due to a funding shift from federal funds to state special revenue that is included in the statewide present law adjustments. The shift increased state special revenue support for the division by \$0.21 million in FY 2014 and \$0.17 million in FY 2015.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Unemployment Insurance Divisio							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$7,695,312	\$0	\$0	\$7,695,312	2.4%		
02258 Employment Security Account	\$7,555,312	\$0	\$0	\$7,555,312	2.3%		
02315 Dli Info Exchange/rental	\$140,000	\$0	\$0	\$140,000	0.0%		
Federal Special Total	\$19,526,572	\$0	\$0	\$19,526,572	6.0%		
03278 Ui Penalty & Interest	\$1,140,000	\$0	\$0	\$1,140,000	0.4%		
03954 Ui Administrative Grants	\$18,386,572	\$0	\$0	\$18,386,572	5.7%		
Proprietary Total	\$0	\$296,472,656	\$0	\$296,472,656	91.6%		
06069 Ui Tax Benefit Fund	\$0	\$296,472,656	\$0	\$296,472,656	91.6%		
Total All Funds	\$27,221,884	\$296,472,656	\$0	\$323,694,540	100.0%		
Percent - Total All Sources	8.4%	91.6%	0.0%				

HB 2 Funding

The HB 2 funded functions of the division support the administrative and operational portions of unemployment insurance. 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. 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 2012 Montana used schedule VII, while in calendar year 2013 the rate is calculated using schedule VI, a reduction in costs to Montana employers.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	12,849,087	12,849,087	25,698,174	94.40%
Statewide PL Adjustments	0	0	0	0.00%	499,805	648,063	1,147,868	4.22%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	187,921	187,921	375,842	1.38%
Total Budget	\$0	\$0	\$0		\$13,536,813	\$13,685,071	\$27,221,884	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					659,650					661,304
Vacancy Savings					(344,821)					(344,899)
Inflation/Deflation					16,840					32,654
Fixed Costs					168,136					299,004
Total Statewide Present Law Adjustments		\$0	\$344,968	\$154,837	\$499,805		\$0	\$344,968	\$303,095	\$648,063
DP 50 - Initial Motion to FY 2012 Base	0.00		(344,968)	(154,837)	(499,805)	0.00	0	(344,968)	(303,095)	(648,063)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	85,823	229,006	314,829	0.00	0	86,253	230,152	316,405
DP 52 - Adjustment for Statewide Operations	0.00	0	50,425	134,551	184,976	0.00	0	90,411	241,247	331,658
DP 53 - Base Funding Switch	0.00	0	208,720	(208,720)	0	0.00	0	168,304	(168,304)	0
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments	0.00	\$0	\$344,968	\$154,837	\$499,805	0.00	\$0	\$344,968	\$303,095	\$648,063

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Legal Funding Switch											
02	0.00	0	0	187,921	187,921	0.00	0	0	187,921	187,921	
Total	0.00	\$0	\$0	\$187,921	\$187,921	0.00	\$0	\$0	\$187,921	\$187,921	

DP 201 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

Proprietary Rates

UI Tax Benefit Fund - 06069

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 for unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

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.

Significant Present Law Adjustments

The division reduced the FY 2012 base for unemployment benefits and claims by \$70 million each year of the 2015 biennium. The reduction reflects the anticipated elimination of federal support for emergency unemployment insurance benefits that provided extended benefits for unemployed workers during the Great Recession.

Figure 3 shows the unemployment insurance benefits made during the last four fiscal years, as well as the percentage increase or decrease from the preceding period.

Figure 3

Department of Labor and Industry Unemployment Insurance Division Unemployment Insurance Benefits						
Fiscal Year	Regular Unemployment Insurance	Trade Adjustment Readjustment	Emergency Unemployment Compensation	UI Benefits Modernization	Total	% Change
2009	180,456,413	177,273	41,373,353	5,848	222,012,887	
2010	197,098,174	352,955	121,921,938	3,715,952	323,089,019	45.53%
2011	157,091,080	2,023,599	103,806,117	6,433,280	269,354,076	-16.63%
2012	134,200,858	2,065,957	73,217,900	7,425,196	216,909,911	-19.47%

As shown, the continuing benefits peaked in FY 2010 and have declined more than 16% in FY 2011 and FY 2012. Changes to the length of time Emergency Unemployment Compensation Benefits (EUC) are provided through federal funding have changed as a result of sequestration and changes to the number of weeks benefits will be paid enacted by Congress. Emergency Unemployment extended benefits are based on a number of tiers. Figure 4 shows the tiers and the various federal requirements included in the program as included in the Middle Class Tax Relief and Job Creation Act of 2012.

Figure 4

Department of Labor and Industry Unemployment Insurance Division Emergency Unemployment Compensation		
Benefit Tier	Weeks of Extended Benefits	Criteria*
Tier 1	14	No state unemployment rate requirements
Tier 2	14	3-month seasonally adjusted total unemployment year of at least 6.0%
Tier 3	9	3-month seasonally adjusted total unemployment year of at least 7.0%
Tier 4	10	3-month seasonally adjusted total unemployment year of at least 9.0%

* Montana's unemployment rate was 6.3% in FY 2012

Beginning May 5, 2013 new EUC claims are reduced almost 20% for the weekly benefit payment, the maximum benefit amount is also reduced by about 20%.

Proprietary Rates

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