

Program Budget Comparison

The following table summarizes the total executive 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	5,160,463	5,307,145	9,936,444	10,467,608	531,164	5.35%
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	\$13,534,024	\$13,682,282	\$26,000,980	\$27,216,306	\$1,215,326	4.67%
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	9,686,368	9,834,626	18,779,665	19,520,994	741,329	3.95%
Total Funds	\$12,849,087	\$13,151,893	\$13,534,024	\$13,682,282	\$26,000,980	\$27,216,306	\$1,215,326	4.67%

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	
◆	Personal services costs increase due to: <ul style="list-style-type: none"> ● Vacancy rates above the budgeted rate of 4% ● Increases for broadband pay adjustments
◆	Operating costs increase include: <ul style="list-style-type: none"> ● Increases for fixed costs including rent and information technology services ● Postage and mailing cost increases associated with unemployment insurance benefits

Program Discussion

Personal services for the division increase due to:

- The division experienced a vacancy savings rate of about 6.0%
- The majority of employees received a broadband pay increase
- Increases granted for longevity and performance adjustments - \$0.6 million over the biennium

Operating expenses increase due to:

- o Rent increase
- o SITSD fixed cost increase
- o Postage and mailing

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

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	\$19,520,994	\$0	\$0	\$19,520,994	6.0%		
03278 Ui Penalty & Interest	\$1,140,000	\$0	\$0	\$1,140,000	0.4%		
03954 Ui Administrative Grants	\$18,380,994	\$0	\$0	\$18,380,994	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	\$27,216,306	\$296,472,656	\$0	\$323,688,962	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.

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 2012 Montana used schedule VII, in calendar year 2013 the rate will be 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	94.42%
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%	185,132	185,132	370,264	1.36%
Total Budget	\$0	\$0	\$0		\$13,534,024	\$13,682,282	\$27,216,306	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----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
Grand Total All Present Law Adjustments	0.00	\$0	\$344,968	\$154,837	\$499,805	0.00	\$0	\$344,968	\$303,095	\$648,063

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
			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
DP 6101 - Professional Development Center Fee Allocation	02	0.00	0	0	(2,789)	(2,789)	0.00	0	0	(2,789)	(2,789)
Total		0.00	\$0	\$0	\$185,132	\$185,132	0.00	\$0	\$0	\$185,132	\$185,132

DP 201 - Legal Funding Switch - The executive requests 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 request 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.

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE

counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Rates

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 has reduced the FY 2012 base for unemployment benefits and claims by \$70 million each year of the 2015 biennium.

Figure 4 shows that unemployment insurance benefits made during the last four fiscal years, during the recession and recovery period since, as well as the percentage increase or decrease from the preceding period.

Figure 4

Department of Labor and Industry Unemployment Insurance Division Unemployment Insurance Benefits						
Fiscal Year	Regular Unemployment Insurance	Trade Adjustment Readjustment	Emergency Unemployment Compensation	UI Benefit 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 15% in FY 2011 and FY 2012. Currently emergency unemployment compensation will be terminated as of December 29, 2012. The impact of this change is a reduction in the overall unemployment insurance benefits of about \$73 million when compared to the FY 2012 base benefit payments.

Proprietary Rates

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