

Unemployment Insurance Advisory Council Meeting



December 11, 2015

Opening Remarks

UI Trust Fund – Projected 2015 & 2016 as of December 7, 2015

Projected UI Financials - Quarterly Summary (in Millions)

2015	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Contributions/Interest In	\$5.5	\$15.4	\$10.9	\$6.7	\$38.5
Benefits Out	\$11.2	\$5.0	\$3.6	\$5.5	\$25.3
Trust Fund	\$78.9	\$89.5	\$96.7	\$97.2	\$97.2

2016	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Contributions/Interest In	\$4.5	\$14.7	\$10.0	\$6.3	\$35.5
Benefits Out	\$14.1	\$6.4	\$4.6	\$6.9	\$32.0
Trust Fund	\$87.6	\$95.9	\$101.3	\$100.7	\$100.7

* Actual data through October 2015.

Potential UI Legislation

- Employer Penalty Fee Increase
- Contribution Reduction/Administrative Fee

UI Administration Funding

	SFY2012	SFY2013	SFY2014	SFY2015	SFY2016
UI Grant	\$5,471,646	\$5,126,322	\$5,254,387	\$5,197,361	\$5,032,776
Penalties & Interest*	\$386,651	\$0	\$512,591	\$520,057	\$452,223
% Increase From Previous Year	-5.7%	-12.5%	12.5%	-0.9%	-4.1%

- The total change from FY11 to FY16 is -11.7%.
- Does not include supplemental budget request funds for programming projects.

* Does not include negative interest.

UI Administration Expenses

	FY2012	FY2013	FY2014	FY2015	FY11 to FY15 Change
Salaries & Benefits	\$4,202,560	\$4,160,453	\$4,098,220	\$4,082,609	1.5%
BIT Computer & Development	\$529,025	\$811,982	\$740,865	\$792,792	99.6%
Operating Expenses	\$528,486	\$604,501	\$531,647	\$556,591	-16.3%
Indirect Costs	\$849,918	\$1,082,554	\$933,656	\$793,429	-19.6%

- Employee salaries/wages, benefits and normal leave.
- BIT development services and BIT support for UI employee computers.
- Operating expenses includes travel, postage and contractual services.
- Indirect cost rate pays for Department Secretary, Deputy Secretary, most fiscal staff, office lease and utilities, telephones, advertising, capital assets (computers, furniture, etc.), office supplies, term leave , and longevity.

Cost Control Measures

- Reduced staff from 99.1 in FY11 to 78.2 in FY15 (20.9 FTE)
- Will be reducing staff by another 6 positions in FY16.
- Consolidated call centers and laid-off temp staff.
- Consolidated mailings to reduce postage costs.
- Utilized federal supplemental budget requests to shift BIT development costs.

Uncontrollable DLR Costs

- Salary increases - 3% plus movement-to-market value each year from FY13-FY15 and 2% in FY16
 - New pay scale resulted in most employees getting the full 4% in FY15
- Health insurance increases - \$6,135 in FY11 to \$8,622 in FY15, 41% increase.
- BIT rates - 13% for NT accounts, 48% for development, 22% for mainframe
- Lodging rates - \$46.50 year-round to \$55/\$70, 18%/50% increase.

UI Administration - Projected SFY16 & 17 as of August 31, 2015

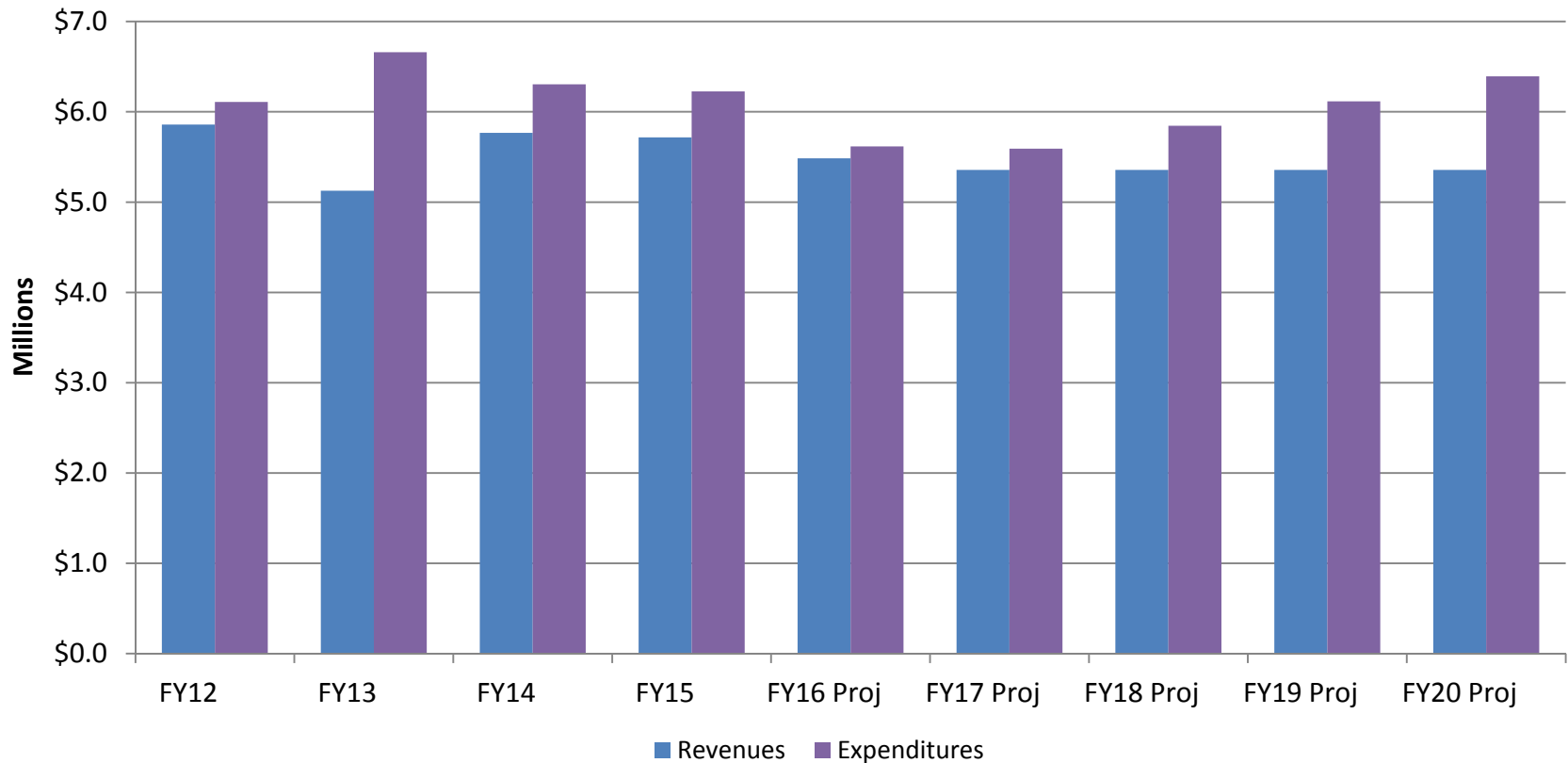
	FY2016	FY2017
Total Funding (UI grant, penalty & interest funds)	\$5,537,419	\$5,356,726*
Anticipated Expenditures	<u>\$6,294,198</u>	<u>\$6,541,155**</u>
Shortfall	-\$756,779	-\$1,184,429
Savings Identified***	<u>\$677,065</u>	<u>\$948,499</u>
UI Funding Balance	<u>-\$79,714</u>	<u>-\$235,930</u>

*Reflects grant paying shortfall in FY16.

**Growth from FY16 is for estimated salary increases.

***Identified savings include eliminating positions and finding efficiencies in the divisions.

UI Administration Funding – Current Law



*Previous shortfalls covered with one-time cash from previous years' grants or the built-up cash balance in the penalty and interest fund.

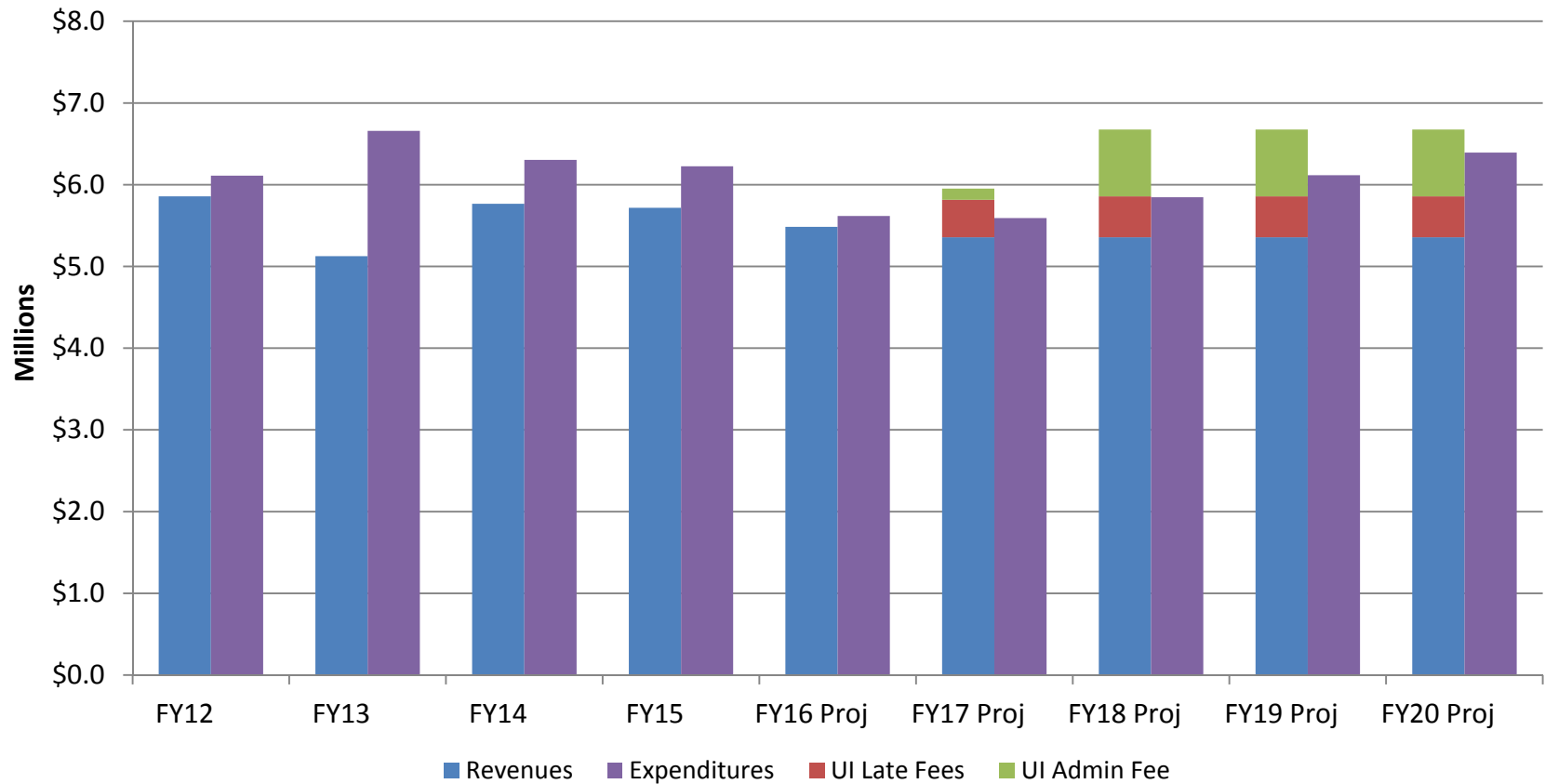
UI Delinquency Fee

- Each quarter employers are required to pay any UI contributions due and file a report listing all of their employees and wages paid to them.
- Current law requires a \$5 a month penalty for a late report and/or late payment. The maximum total penalty for any quarter is \$60. This penalty amount has not changed since enacted in 1953.
- Proposed legislation would increase the fee for late payments and reports from \$5 to \$25.
- Currently assess about \$135,000 in penalties.
- Anticipated additional revenue \$500,000.

UI Administrative Fee

- Proposed legislation would reduce experience-rated employer contributions by 0.02% beginning January 2017.
- The amount of reduction would still be required and go to pay for UI administration.
- Anticipated revenue \$818,000.

UI Administration Funding – Proposed Legislation



*Surplus would cover any one-time costs, potential loss of funding, or set aside for increasing future costs.