



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: August 6, 2013
TO: Economic Affairs Interim Committee Members
FROM: Kris Wilkinson, Senior Fiscal Analyst
RE: Cost Allocations for Business Standards Division

The Department of Labor and Industry (DOLI) provides administrative, clerical, legal, investigative, and fiscal services for administratively attached boards and a number of programs within the Business Standards Division. The following methodology is used to allocate the costs to each of the boards and programs.

On a daily basis the various staff within the division record the time they spend providing direct services to the various boards and programs. Time that cannot be directly allocated to a specific board such as vacation or training is recorded as indirect hours. The direct hours for each employee are summarized by board each quarter and used to determine the direct costs incurred by each board or program.

In addition, the indirect hours are summarized and allocated based on the percentage of direct hours charged to each board. Indirect hours includes both the unallocated costs of staff working for the boards and programs and the salary costs for administrative personnel such as the division administrator or the bureau chiefs. Indirect charges for such items as phone lines or general supplies are also allocated based on the direct hours allocation percentage.

For the 2015 biennium, budgeted costs for the Business Standards Division were based on the last quarter of FY 2012. The direct hours of employees during that quarter established the amount of state special revenue appropriated for each bureau. Both direct costs and indirect costs for the year were determined using the allocation amounts for the last quarter. The budget units for the division included:

- o Building Codes Bureau
- o Licensing Bureaus
- o Weights and Measures Bureau

Figure 1 shows the legislative budget for personal services distributed between direct and indirect costs for FY 2014 and FY 2015. The percentage of indirect costs to total costs is also shown. It should be noted that the indirect costs for the Licensing Bureau are significantly higher at 51.9% than those of either the Building Codes Bureau or the Weights and Measures

Bureau. Under this methodology, the Licensing Bureau would also incur indirect charges for division-wide administration and general costs. These indirect charges are allocated based on the percentage of direct hours of personal services for the Licensing Bureau compared to the total direct hours of personal services for the division. In addition, bureau-wide indirect costs are allocated to each board or program based on the percentage of each board's direct hours of personal services compared to the total direct hours of the bureau.

Figure 1

Department of Labor and Industry												
Business Standards Division												
Cost Allocation for Personal Services												
Legislative Budget												
	FTE			Personal Services FY 2014			% of	Personal Services FY 2015			% of	
Bureau	Direct	Indirect	Total	Direct	Indirect	Total	Indirects	Direct	Indirect	Total	Indirects	
Building Codes Bureau	54.67	4.41	59.08	\$3,103,260	\$211,204	\$3,314,464	6.37%	\$3,105,563	\$212,259	\$3,317,822	6.40%	
Licensing Bureau	44.00	39.88	83.88	2,507,531	2,710,498	5,218,029	51.94%	2,512,286	2,712,273	5,224,559	51.91%	
Weights and Measures Bureau	8.61	2.97	11.58	511,745	168,270	680,015	24.75%	512,631	168,602	681,233	24.75%	
Total Legislative Budget	107.28	47.26	154.54	\$6,122,536	\$3,089,972	\$9,212,508	33.54%	\$6,130,480	\$3,093,134	\$9,223,614	33.53%	
Further Breakdown Using New Accounting Structure												
	FTE			FY 2014			% of	FY 2015			% of	
Bureau	Direct	Indirect	Total	Direct	Indirect	Total	Indirects	Direct	Indirect	Total	Indirects	
Administration	0.00	7.00	7.00	0	443,303	443,303	100.00%	0	445,359	445,359	100.00%	
Board Management Bureau	19.44	9.56	29.00	1,251,932	867,127	2,119,059	40.92%	1,252,678	866,336	2,119,014	40.88%	
Building Codes Bureau	51.09	3.41	54.50	2,839,654	160,643	3,000,297	5.35%	2,841,644	161,046	3,002,690	5.36%	
Compliance Unit	14.60	4.40	19.00	826,194	253,371	1,079,565	23.47%	829,039	254,202	1,083,241	23.47%	
IT Unit	3.46	6.55	10.01	253,077	476,942	730,019	65.33%	253,627	477,124	730,751	65.29%	
Licensing Bureau	17.44	6.59	24.03	818,885	378,159	1,197,044	31.59%	820,266	378,025	1,198,291	31.55%	
Weights and Measures Bureau	9.61	1.39	11.00	566,648	76,573	643,221	11.90%	567,456	76,812	644,268	11.92%	
Total	115.64	38.90	154.54	6,556,390	2,656,118	9,212,508	28.83%	6,564,710	2,658,904	9,223,614	28.83%	

Since the budget was approved by the legislature, the division has changed its internal accounting structure to more efficiently allocate staff resources to the various boards and programs by including the compliance unit as a separate reporting entity rather than combining it as part of the licensing bureau costs. The revised accounting structure for the division includes:

- o Administration
- o Board Management Bureau
- o Building Codes Bureau
- o Compliance Unit
- o Information Technology Unit (IT)
- o Licensing Bureau
- o Weights and Measures Bureau

Figure 1 also shows the direct and indirect hours for personal services that would be used for FY 2014 and FY 2015 under the new methodology. The figure further breaks down the legislative budget into the new accounting structure units. It should be noted that the Compliance Unit, the Board Management Bureau and the Licensing Bureau are all included in the legislative budget for the Licensing Bureaus. As shown, the overall percentage for indirect costs is reduced, from 33.5% to 28.8%. Indirect costs directly attributed to the Licensing Bureau are also reduced, from 51.9% to 31.5%. However, the board and programs under the Licensing Bureau will also incur

direct and indirect costs for the Compliance Unit, Administration, Board Management Bureau, and the IT Unit.

It should be noted that this is based on what occurred in the last quarter of FY 2012. Actual costs will be based on the ongoing quarterly time spent by employees assisting each board or program. Variations from the budget should be anticipated.