

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	282.45	282.45	261.50	261.50	282.45	261.50	(20.95)	(7.42)%
Personal Services	13,597,271	16,471,900	16,545,330	16,553,405	30,069,171	33,098,735	3,029,564	10.08 %
Operating Expenses	4,031,881	5,734,973	6,224,085	6,232,313	9,766,854	12,456,398	2,689,544	27.54 %
Equipment & Intangible Assets	12,908	9,209	12,908	12,908	22,117	25,816	3,699	16.72 %
Grants	5,020,870	8,655,517	5,189,036	5,189,036	13,676,387	10,378,072	(3,298,315)	(24.12)%
Transfers	187,966	333,399	44,936	45,114	521,365	90,050	(431,315)	(82.73)%
Debt Service	43,593	40,593	132,381	155,587	84,186	287,968	203,782	242.06 %
Total Costs	\$22,894,489	\$31,245,591	\$28,148,676	\$28,188,363	\$54,140,080	\$56,337,039	\$2,196,959	4.06 %
General Fund	22,908	43,910	647,275	647,340	66,818	1,294,615	1,227,797	1,837.52 %
State/Other Special Rev. Funds	8,444,686	9,431,560	10,093,334	10,118,219	17,876,246	20,211,553	2,335,307	13.06 %
Federal Spec. Rev. Funds	14,426,895	21,770,121	17,408,067	17,422,804	36,197,016	34,830,871	(1,366,145)	(3.77)%
Total Funds	\$22,894,489	\$31,245,591	\$28,148,676	\$28,188,363	\$54,140,080	\$56,337,039	\$2,196,959	4.06 %

Program Description

The Workforce Services Division (WSD) is a gateway to government services including:

- Retraining and reemployment services for laid-off workers
- Employment and training services for people transitioning from welfare to work
- Employment services for youth, veterans, seasonal/migrant farm workers, and general job seekers.

WSD operates through three bureaus: 1) Job Service Operations Bureau coordinates and guides the delivery of workforce development services to communities through a network of 25 Job Service Centers across the state; 2) Statewide Workforce Programs and Oversight Bureau performs oversight, regulatory, fiscal, tracking, registration, and support functions statewide for both state and federal programs; 3) Research and Analysis Bureau works in partnership with the US Department of Labor to provide labor market information that is used at the national and state level by businesses, policy makers, and educators. The bureau also provides kindergarten-adult career resources for use by educators, students, workforce development agencies, and job seekers. Also housed within WSD are the Incumbent Worker Training Program and State Workforce Investment Board (SWIB).

Program Highlights

Workforce Services Division Major Budget Highlights
<ul style="list-style-type: none"> • Executive proposes 4.1% increase in the budget between biennia with general fund and state special revenues offsetting reductions in federal funding • Decreases in federal funding are due to: <ul style="list-style-type: none"> ◦ Few qualified participants for the Trade Adjustment Allowance Program ◦ Loss of Department of Education grant • \$0.7 million in general fund is requested to support Jobs for Montana Graduates Program • Workforce Services Division transferred 7.00 FTE and \$1.8 million in appropriation authority to the Technology Services Division as part of a reorganization
Major LFD Issues
<ul style="list-style-type: none"> • Ongoing vacancies indicate additional positions may be eliminated • Two new proposals miscategorized as present law

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The agency summary contains a table showing the differences between the FY 2015 appropriations implemented by the executive compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor & Industry - Workforce Services Division FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	\$16,817,391	\$0	\$0		\$0 (\$242,597)	(\$512,332)	\$16,062,462
Operations	6,883,406		(27,490)		(24,492)	(1,340,013)	5,491,411
Equipment	9,209						9,209
Grants	8,483,517						8,483,517
Tranfers	333,399						333,399
Debt Service	13,103		27,490				40,593
Program Total	\$32,540,025	\$0	\$0		\$0 (\$267,089)	(\$1,852,345)	\$30,420,591

The figure for FY 2015 appropriation implemented by the executive doesn't tie to the figure shown in the table above because the executive included \$825,000 of general fund from SB 410. Due to the reorganization of information technology services within DOLI, the division transferred 7.0 FTE, \$0.5 million in personal services and \$1.3 million in operating expenses to the new Technology Services Division (TSD). Other changes include transferring \$242,597 in personal services authority and \$24,492 in operating costs to other divisions within the agency. As outlined in the Agency Discussion, the division was able to transfer personal services authority due to a high number of vacant positions that were not required to operate the Workforce Services Division.

Comparison of the FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures are \$9.6 million below the FY 2015 legislative appropriation. Primary reasons for the difference are:

- Reorganization that occurred in FY 2014 that transferred \$1.8 million in authority to the new division
- High number of vacancies especially in employment specialists in FY 2014, which impacts personal services, which was \$3.2 million less in FY 2014 actuals than anticipated in the FY 2015 legislative appropriation
- Grants were \$3.4 million less in FY 2014 due to not receiving federal funds for a Department of Education grant and having few qualified participants for the Trade Adjustment Allowance Program

Executive Request

The program budget comparison table shows the impacts of the budget after the transfers of appropriation authority are taken into account. As shown the Workforce Services Division personal services increase \$2.9 million each year of the biennium when compared to FY 2014 actual spending. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13 other changes include:

- Market, proficiency agreement progression, (proficiency agreement progression refers to agreements with employees as part of negotiated settlement, career ladders, or training assignments whereby pay increases can be made if the employee attains specific agreed upon proficiencies) and reclassification increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Vacancy savings that were 8.7% in FY 2014 compared to a budgeted rate of 4.0%; the budget proposes full funding of positions that were unfilled during all or a portion of FY 2014
- Employee attainment of longevity milestones in FY 2015
- Reclassification of 18 positions between biennia
- Changes in employer retirement contributions enacted by the 2013 Legislature

LFD COMMENT DOLI proposes to increase operating expenses by \$2.2 million each year of the biennium in the category of unallocated operating expenses. The majority of the operating expense increase is due to a proposal to charge proprietary rates for indirect costs associated with information technology services. The budgeting system has the functional capability to allow agencies to propose spending by expenditure category. For example, proposed increases of \$1.9 million for TSD proprietary rate charges can be categorized as indirect costs. Categorizing projected costs into expenditure categories allows for in-depth comparisons as to where costs were higher or lower than projected in the budget year. The legislature may wish to discuss with the division what specific operating costs the division is anticipating they will incur and to have those specifics included in the legislative budget.

The figure on the following page shows the FY 2014 actual expenditures, the proposed costs for each year of the biennium, and the increase when compared to the FY 2014 actual spending for the programs within the division:

- Job Service Operations Bureau
- Statewide Workforce Programs and Oversight Bureau
- Research and Analysis Bureau

Department of Labor and Industry Workforce Services Division					
Bureau	Actual FY 2014	Proposed FY 2016	% Change	Proposed FY 2017	% Change
Job Services Operations					
Personal Services	\$11,357,397	\$13,547,666	19.28%	\$13,553,983	19.34%
Operating Expenses	3,335,626	5,092,799	52.68%	5,100,885	52.92%
Equipment & Intangible Assets	12,908	12,908	0.00%	12,908	0.00%
Grants	2,098,734	2,098,734	0.00%	2,098,734	0.00%
Transfers	187,966	444,936	136.71%	45,114	-76.00%
Debt Service	<u>42,237</u>	<u>131,025</u>	<u>210.21%</u>	<u>154,231</u>	<u>265.16%</u>
Total Job Service Operations Bureau	<u>\$17,034,868</u>	<u>\$21,328,068</u>	<u>25.20%</u>	<u>\$20,965,855</u>	<u>23.08%</u>
Statewide Workforce Programs and Oversight					
Personal Services	\$1,150,529	\$1,526,793	32.70%	\$1,526,859	32.71%
Operating Expenses	319,146	601,726	88.54%	601,852	88.58%
Grants	2,922,136	3,090,302	5.75%	3,090,302	5.75%
Debt Service	<u>1,356</u>	<u>1,356</u>	<u>0.00%</u>	<u>1,356</u>	<u>0.00%</u>
Total Statewide Workforce Program and Oversight	<u>\$4,393,167</u>	<u>\$5,220,177</u>	<u>18.82%</u>	<u>\$5,220,369</u>	<u>18.83%</u>
Research and Analysis					
Personal Services	\$1,089,345	\$1,470,871	35.02%	\$1,472,563	35.18%
Operating Expenses	<u>377,109</u>	<u>529,560</u>	<u>40.43%</u>	<u>529,576</u>	<u>40.43%</u>
Total Research and Analysis	<u>\$1,466,454</u>	<u>\$2,000,431</u>	<u>36.41%</u>	<u>\$2,002,139</u>	<u>36.53%</u>

**LFD
ISSUE**

Ongoing Vacancies in Job Services Operations Indicate Additional Positions May Be Eliminated

As discussed in the LFD Issue on vacancies in the Agency Discussion, the Job Service Operations Bureau has experienced a high number of vacancies within its employment specialists and program managers, and is part of the reason for the increase of \$2.2 million in personal services each year of the 2017 biennium shown in the chart above. As part of its compliance with the boilerplate language the bureau has already reduced 20.00 FTE. Of the 9.00 FTE identified as vacant for all of FY 2014, 2.00 FTE are within the Job Service Operations Bureau, one employment specialist and a program manager with a biennial funding level of \$298,311. In addition, 23.50 FTE at a biennial cost of about \$2.7 million were filled less than 50% of FY 2014 including:

- 17.00 FTE employment specialists
- 3.00 FTE human resource assistants
- 1.00 FTE statistician
- 1.00 FTE training development specialist
- .50 FTE administrative specialist

While the division identified filling positions in eastern Montana as a challenge, examination of the counties where the positions had usage below 50% shows they were spread throughout Montana. The figure below shows the counties where the positions are located, the total number of positions in that county, the number of positions that were filled less than 50% of the time, and the actual percentage of time they were filled in FY 2014.

Department of Labor and Industry Workforce Services Division Location of Positions Below 50% Useage				
County	Total FTE	FTE Low Useage	% of Total FTE	Useage
Broadwater	0.50	0.50	100.00%	8.56%
Cascade	17.00	1.00	5.88%	33.53%
Flathead	28.00	2.00	7.14%	46.18%
Gallatin	14.00	2.00	14.29%	29.86%
Lake	10.00	2.00	20.00%	18.27%
Lewis and Clark	70.01	6.50	9.28%	21.13%
Missoula	29.50	3.00	10.17%	30.89%
Ravalli	8.00	3.00	37.50%	30.41%
Stillwater	3.00	1.00	33.33%	24.75%
Yellowstone	25.50	2.50	9.80%	32.00%
Total	205.51	23.50	11.43%	28.09%

As shown in the above figure, the majority of the positions that were vacant more than 50% of FY 2014 were located in Lewis and Clark County and the counties in western Montana. This would indicate that competition for employees in eastern Montana is not a factor in the majority of the positions with low usage rates.

Legislative Option

If the legislature wishes to reduce personal services for the 2017 biennium it can reduce funding for personal services supporting the 2.0 FTE that were vacant all of FY 2014 and discuss with the division the need for the 23.50 FTE that were filled less than 50% of the during FY 2014.

Statewide Workforce Programs and Oversight Bureau includes the Jobs for Montana Graduates Program. This program was funded through one-time-only appropriations in FY 2014. Annual increases of \$162,510 in operating expenses and \$168,166 in grants are due to the executive’s proposal to fund this program with ongoing general fund in the 2017 biennium.

The executive proposes to increase the budget for the Research and Analysis Bureau by \$62,467 in operating expenses each year of the biennium to support the career resource network, previously funded with one-time-only funds in the 2015 biennium.

LFD ISSUE	<p><u>Two Present Law Adjustments Should Be Categorized As New Proposals</u></p> <ul style="list-style-type: none"> • WSD restore GF to Jobs for Montana Graduates • WSD Restore ESA to Research Analysis CRN <p>Both functions were funded with state special revenue funds by the 2013 Legislature. The funding sources were dependent on a companion bill to HB 2 which failed to pass the legislature. As a result the agency utilized one-time-only funds from SB 410 as a funding source for the functions. Based on statutory requirements, items that are one-time-only are considered new proposals in the following budget.</p> <p>Legislative Option</p>
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If the legislature decides to adopt the executive's proposal for Jobs for Montana Graduates and the career resource network it may wish to direct staff to re-categorize the proposals as new proposals.

Funding

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

Department of Labor & Industry, 01-Workforce Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,294,615	0	0	1,294,615	2.30 %	
02242 Contracts From PHHS	0	0	0	0	0.00 %	
02245 Jobs For MT's Graduates (JMG)	0	0	0	0	0.00 %	
02252 DoLI Operations Acct	0	0	0	0	0.00 %	
02256 Electrical Apprenticeship	0	0	0	0	0.00 %	
02258 Employment Security Account	19,984,182	0	0	19,984,182	98.88 %	
02455 Workers Comp Regulation	227,371	0	0	227,371	1.12 %	
State Special Total	\$20,211,553	\$0	\$0	\$20,211,553	35.87 %	
03124 Employment Trng Grants	17,613,553	0	0	17,613,553	50.57 %	
03128 L & I Federal Funding	903,217	0	0	903,217	2.59 %	
03131 OSHA Stat Prgm Fed.St Sdy	227,307	0	0	227,307	0.65 %	
03194 Research/Analysis CRN	1,495,886	0	0	1,495,886	4.29 %	
03197 WSD-Dept of Education Grant	0	0	0	0	0.00 %	
03297 Labor And Industry Veteran Gra	1,308,220	0	0	1,308,220	3.76 %	
03338 Contracts From PHHS	0	0	0	0	0.00 %	
03682 Wagner Peyser	11,687,318	0	0	11,687,318	33.55 %	
03692 Alien Labor Certification(ALC)	101,038	0	0	101,038	0.29 %	
03693 Wrk Opportunities Tx Crdt/WOTC	108,711	0	0	108,711	0.31 %	
03694 Trade Adjustment Assist/NAFTA	1,367,025	0	0	1,367,025	3.92 %	
03954 UI Administrative Grants	18,596	0	0	18,596	0.05 %	
03972 WSD-Dept of Justice Grant	0	0	0	0	0.00 %	
Federal Special Total	\$34,830,871	\$0	\$0	\$34,830,871	61.81 %	
06051 Montana Career Info System	0	16,322	0	16,322	100.00 %	
Proprietary Total	\$0	\$16,322	\$0	\$16,322	0.03 %	
Total All Funds	\$56,337,039	\$16,322	\$0	\$56,353,361		

HB 2 Funding

State special revenue

The majority of the state special revenue funding is from the employment security account. The revenue for this account is generated from an administrative assessment against the payrolls of Montana employers. Statute enumerates the uses of the fund, including the operating expenses of the Job Service offices.

Federal revenues

Approximately 62% of the total funding for the Workforce Services Division is from federal special revenue. Nearly 85% of this funding is from two federal programs: Wagner-Peyser Act and Workforce Investment Act. The uses and requirements for these funds are determined by the federal agencies granting the funding.

Proprietary Funds

The proprietary funding is considered and approved as rates charged to entities participating in the Montana Career Information System and are discussed in the "Proprietary Rates" section of the narrative.

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	43,910	43,910	87,820	6.78 %	32,540,025	32,540,025	65,080,050	115.52 %
PL Adjustments	603,365	603,430	1,206,795	93.22 %	(6,266,591)	(6,227,894)	(12,494,485)	(22.18)%
New Proposals	0	0	0	0.00 %	1,875,242	1,876,232	3,751,474	6.66 %
Total Budget	\$647,275	\$647,340	\$1,294,615		\$28,148,676	\$28,188,363	\$56,337,039	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

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 98 - LEG. Personal Services Present Law	0.00	(69,483)	(52,081)	(153,505)	(275,069)	0.00	(69,443)	(49,316)	(148,235)	(266,994)
DP 99 - LEG. Present Law	0.00	672,848	(70,662)	(6,593,708)	(5,991,522)	0.00	672,873	(48,896)	(6,584,877)	(5,960,900)
Grand Total All Present Law Adjustments	0.00	\$603,365	(\$122,743)	(\$6,747,213)	(\$6,266,591)	0.00	\$603,430	(\$98,212)	(\$6,733,112)	(\$6,227,894)

DP 98 - LEG. Personal Services Present Law -

The following table outlines various components of the changes included in the PSPL adjustment.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	261.50	7,960	43,293	75,836	\$127,089
Executive Implementation of 2015 Pay Increase		20,549	92,163	162,207	274,919
Fully Fund 2015 Legislatively Authorized FTE		-	120,778	416,258	537,036
Other					
Reorganization		-	(273,565)	(238,767)	(512,332)
Remainder of Other	0.00	(97,992)	(34,749)	(569,040)	(701,781)
Total Other	0.00	(97,992)	(308,314)	(807,807)	(1,214,113)
Personal Services Present Law Adjustments	261.50	(\$69,483)	(\$52,081)	(\$153,505)	(\$275,069)
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	261.50	\$7,960	\$43,293	\$75,836	\$127,089
Executive Implementation of 2015 Pay Increase		20,549	91,808	162,562	274,919
Fully Fund 2015 Legislatively Authorized FTE		-	120,778	416,258	537,036
Other					
Reorganization	0.00	-	(273,565)	(238,767)	(512,332)
Remainder of Other		(97,952)	(31,630)	(564,125)	(693,706)
Total Other	0.00	(97,952)	(305,195)	(802,892)	(1,206,038)
Personal Services Present Law Adjustments	261.50	(\$69,443)	(\$49,316)	(\$148,235)	(\$266,994)

Increases for the implementation of HB 2 and HB 13 are offset by reductions due to the reorganization that created the Technology Services Division. The majority of the remaining reductions occurred due to implementation of the boilerplate language included in HB 2 enacted by the 2013 Legislature.

DP 99 - LEG. Present Law -

The table on the next page shows the executive’s proposal for changes to other costs such as operating expenses and grants.

Legislative Present Law Adjustments				
	FY 2016			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Jobs for Montana Graduates	\$330,676		\$0	\$330,676
Research Analysis CRN	-	62,467	-	62,467
General Operating Adjustments	(3,246)	60,732	(81,888)	(24,402)
CAP Rate Adjustment	2,106	50,097	80,276	132,479
Bond Reduction	-	(143,030)	-	(143,030)
Other	343,312	(100,928)	(6,592,096)	(6,349,712)
Legislative Present Law Adjustments	\$672,848	(\$70,662)	(\$6,593,708)	(\$5,991,522)
	FY 2017			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Jobs for Montana Graduates	\$330,676	\$0	\$0	\$330,676
Research Analysis CRN	-	62,467	-	62,467
General Operating Adjustments	(3,246)	88,021	(76,899)	7,876
CAP Rate Adjustment	2,113	50,256	80,531	132,900
Bond Reduction	-	(142,852)	-	(142,852)
Other	343,330	(106,788)	(6,588,509)	(6,351,967)
Legislative Present Law Adjustments	\$672,873	(\$48,896)	(\$6,584,877)	(\$5,960,900)

Federal revenues are reduced due to:

- \$4.5 million reduction each year of the biennium in support for Trade Adjustment Allowance Program that includes a number of expense categories including \$3.3 million in grants
- \$0.8 million each year related to the reorganization

As shown in the figure, the division has offset a portion of the remaining reductions in federal revenues with an increase in general fund support of \$0.3 million each year of the biennium.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

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 101005 - TSD Funding Switch	0.00	0	692,812	1,182,430	1,875,242	0.00	0	693,166	1,183,066	1,876,232
Total	0.00	\$0	\$692,812	\$1,182,430	\$1,875,242	0.00	\$0	\$693,166	\$1,183,066	\$1,876,232

DP 101005 - TSD Funding Switch -

The Workforce Services Division requests \$1,875,242 in FY 2016 and \$1,876,232 in FY 2017 for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount Workforce Services Division will be assessed through Technology Services Division rates. This decision package is related to DP6001 of Technology Services Division.

Other Issues -

Proprietary Rates

Montana Career Info System - 06051

Proprietary Program Description

The purpose of Montana Career Information System (MCIS) is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being funded by a College Access Challenge Grant for a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. When the grant ends, MCIS will need to seek other funding or resort back to license fees for the basic system. There are currently optional components of MCIS not funded by the grant such as IDEAS (an interest inventory), Peterson Practice Tests, and Dependable Strengths that requires the program to collect fees associated with each component.

Program Narrative

Expenses

The expenses of the proprietary program are limited to the operational expenses of the optional features. These are typically site specific licensing fees.

Revenues

Revenues are generated through fees for purchase of a one year optional component license. The department collects the fees from the sites purchasing the license/assessment, and then pays those fees to the service provider on a 1:1 ratio.

Proprietary Rates

For the 2017 biennium the following rates are proposed by the executive.

Requested Rates for Internal Service Funds					
Fee/Rate Information					
	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:					
(fees are collected from schools and transferred to MCIS contractor on a 1:1 ratio)					
IDEAS Assessment: \$100 per site license, per year	100	100	100	100	100
Dependable Strengths: \$200 per site license, per year	200	200	200	200	200
Peterson's Academic Practice Tests: \$225 per site, per practice test package	225	225	225	225	225
Peterson's Civil Service Practice Test Package \$175 per site	175	175	175	175	175

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.