

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	33.00	33.00	0.00	0.00	33.00	0.00	(33.00)	(100.00)%
Personal Services	2,032,307	2,530,255	0	0	4,562,562	0	(4,562,562)	(100.00)%
Operating Expenses	5,811,595	4,431,291	0	0	10,242,886	0	(10,242,886)	(100.00)%
Debt Service	1,011	870	0	0	1,881	0	(1,881)	(100.00)%
Total Costs	\$7,844,913	\$6,962,416	\$0	\$0	\$14,807,329	\$0	(\$14,807,329)	(100.00)%
General Fund	31,465	30,172	0	0	61,637	0	(61,637)	(100.00)%
State/Other Special Rev. Funds	4,412,484	4,411,031	0	0	8,823,515	0	(8,823,515)	(100.00)%
Federal Spec. Rev. Funds	3,400,964	2,521,213	0	0	5,922,177	0	(5,922,177)	(100.00)%
Proprietary Funds	0	0	0	0	0	0	0	0.00%
Total Funds	\$7,844,913	\$6,962,416	\$0	\$0	\$14,807,329	\$0	(\$14,807,329)	(100.00)%

Program Description

The Technology Services Division (TSD) provides information technology services and support for the department including IT project management, application development, and network services.

Program Highlights

Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> • DOLI created the Technology Services Division in FY 2014 transferring 33.00 FTE and \$6.9 million in appropriation authority from other divisions • Executive proposes to create a proprietary rate to support the IT services within DOLI and eliminate funding and FTE from HB 2

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

As discussed elsewhere and shown in the following table, as part of the executive's implementation of FY 2015 appropriations DOLI created the Technology Services Division. The reorganization in FY 2014 provided 33.00 FTE, \$2.5 million in personal services, and \$4.4 million in operating expenses to the newly created division.

Department of Labor & Industry - Technology Services Division							
FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	\$0	\$0	\$0	\$0	\$0	\$2,530,255	\$2,530,255
Operations	-	-	-	(870)	-	4,432,161	4,431,291
Debt Service	-	-	-	870	-	-	870
Program Total	\$0	\$0	\$0	\$0	\$0	\$6,962,416	\$6,962,416

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

Actual FY 2014 expenditures are \$7.8 million above the FY 2015 legislative appropriation as the legislature did not contemplate the creation of TSD.

Executive Request

The executive proposes to remove this function from HB 2 by establishing a proprietary rate for the services provided by TSD. This proposal is discussed further in the "Proprietary Rate" section of the narrative.

Funding

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

Department of Labor & Industry, 06-Technology Services Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0.00 %	
02024 Blaster Licensing	0	0	0	0	0.00 %	
02078 Occupational Therapists	0	0	0	0	0.00 %	
02079 Fire Protection & Permitting	0	0	0	0	0.00 %	
02080 Prescription Drug Registry	0	0	0	0	0.00 %	
02109 Board Of Outfitters	0	0	0	0	0.00 %	
02155 BoilerBlasterCrane Licensing	0	0	0	0	0.00 %	
02207 Crane Licensing	0	0	0	0	0.00 %	
02233 BSD Hearings	0	0	0	0	0.00 %	
02258 Employment Security Account	0	0	0	0	0.00 %	
02263 Subsequent Injury Admin	0	0	0	0	0.00 %	
02315 DLI Info Exchange/Rental	0	0	0	0	0.00 %	
02346 Contractor Registration	0	0	0	0	0.00 %	
02359 Chemical Dependency Counselors	0	0	0	0	0.00 %	
02446 Board Of Psychologist Exam	0	0	0	0	0.00 %	
02448 Building Codes State Spec Rev	0	0	0	0	0.00 %	
02455 Workers Comp Regulation	0	0	0	0	0.00 %	
02580 Bd of Athletice Trainers	0	0	0	0	0.00 %	
02679 Massage Therapists	0	0	0	0	0.00 %	
02764 Bd of Adolescent Res. Or Outdr Pgms	0	0	0	0	0.00 %	
02767 Elevators	0	0	0	0	0.00 %	
02805 Weights & Measures Bureau	0	0	0	0	0.00 %	
02808 Board Of Landscape Architects	0	0	0	0	0.00 %	
02809 Board Of Speech Pathologists	0	0	0	0	0.00 %	
02810 Bd Of Radiologic Technologists	0	0	0	0	0.00 %	
02811 Clinical Lab Science Pract.	0	0	0	0	0.00 %	
02812 Physical Therapists	0	0	0	0	0.00 %	
02813 Bd Of Nursing Home Admin	0	0	0	0	0.00 %	
02814 Bd Of Hearing Aid Dispensers	0	0	0	0	0.00 %	
02815 Board Of Public Accountants	0	0	0	0	0.00 %	
02816 Board Of Sanitarians	0	0	0	0	0.00 %	
02818 Electrical Board	0	0	0	0	0.00 %	
02819 Board of Realty Regulations	0	0	0	0	0.00 %	
02820 Board Of Architects	0	0	0	0	0.00 %	
02821 Board Of Funeral Service	0	0	0	0	0.00 %	
02822 Board Of Chiropractors	0	0	0	0	0.00 %	
02823 Professional Engineers	0	0	0	0	0.00 %	
02824 Board Of Medical Examiners	0	0	0	0	0.00 %	
02826 Cosmetology Board	0	0	0	0	0.00 %	
02828 Board Of Plumbers	0	0	0	0	0.00 %	
02829 Private Investigator	0	0	0	0	0.00 %	
02830 Board Of Dentistry	0	0	0	0	0.00 %	
02831 Board Of Optometrists	0	0	0	0	0.00 %	
02832 Board Of Pharmacy	0	0	0	0	0.00 %	
02833 Board Of Nursing	0	0	0	0	0.00 %	
02834 Board Of Veterinarians	0	0	0	0	0.00 %	
02840 Board Of Social Workers	0	0	0	0	0.00 %	
02841 Board Of Athletics	0	0	0	0	0.00 %	
02852 Bd. Of Alternative Health Care	0	0	0	0	0.00 %	
02854 Bd. Of Real Estate Appraisers	0	0	0	0	0.00 %	
02855 Bd Of Respiratory Care	0	0	0	0	0.00 %	
02941 Uninsured Employer Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03122 EEOC	0	0	0	0	0.00 %	
03124 Employment Trng Grants	0	0	0	0	0.00 %	
03128 L & I Federal Funding	0	0	0	0	0.00 %	
03130 Coal Mine Safety	0	0	0	0	0.00 %	
03131 OSHA Stat Prgm Fed.St Sdy	0	0	0	0	0.00 %	
03194 Research/Analysis CRN	0	0	0	0	0.00 %	
03195 On-Site Consultation	0	0	0	0	0.00 %	
03278 UI PENALTY & INTEREST	0	0	0	0	0.00 %	
03297 Labor And Industry Veteran Gra	0	0	0	0	0.00 %	
03322 MT Community Service FSR	0	0	0	0	0.00 %	
03682 Wagner Peyser	0	0	0	0	0.00 %	
03692 Alien Labor Certification(ALC)	0	0	0	0	0.00 %	
03693 Wrk Opportunities Tx Crdt/WOTC	0	0	0	0	0.00 %	
03694 Trade Adjustment Assist/NAFTA	0	0	0	0	0.00 %	
03954 UI Administrative Grants	0	0	0	0	0.00 %	

Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
06546 Commissioners Office/CSD	0	0	0	0	0.00 %
06552 Admin Services	0	0	0	0	0.00 %
06568 Technical Services	0	21,343,141	0	21,343,141	100.00 %
Proprietary Total	\$0	\$21,343,141	\$0	\$21,343,141	100.00 %
Total All Funds	\$0	\$21,343,141	\$0	\$21,343,141	

HB 2

The executive proposes to eliminate over \$8.0 million in HB 2 funding annually for this program and shift the funding to a proprietary rate.

Proprietary Rates

The executive proposes to establish a proprietary rate for this function. This proposal is discussed further in the "Proprietary Rate" 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 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	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	42,941	43,653	86,594	0.00 %	8,186,735	8,226,177	16,412,912	0.00 %
New Proposals	(42,941)	(43,653)	(86,594)	0.00 %	(8,186,735)	(8,226,177)	(16,412,912)	0.00 %
Total Budget	\$0	\$0	\$0		\$0	\$0	\$0	

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	14,357	1,618,104	1,170,336	2,802,797	0.00	14,533	1,620,789	1,167,945	2,803,267
DP 99 - LEG. Present Law	0.00	28,584	3,107,658	2,247,696	5,383,938	0.00	29,120	3,134,836	2,258,954	5,422,910
Grand Total All Present Law Adjustments	0.00	\$42,941	\$4,725,762	\$3,418,032	\$8,186,735	0.00	\$43,653	\$4,755,625	\$3,426,899	\$8,226,177

DP 98 - LEG. Personal Services Present Law -

Present law adjustments for personal services are related to the transfer of 33.00 FTE and related personal services appropriation authority. This was done in order to create the Technology Services Division.

DP 99 - LEG. Present Law -

Present law adjustments for operating costs are for the transfer of appropriation authority from other divisions to the Technology Services Division.

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 606001 - TSD Funding Switch	(33.00)	(42,941)	(4,725,762)	(3,418,032)	(8,186,735)	(33.00)	(43,653)	(4,755,625)	(3,426,899)	(8,226,177)
Total	(33.00)	(\$42,941)	(\$4,725,762)	(\$3,418,032)	(\$8,186,735)	(33.00)	(\$43,653)	(\$4,755,625)	(\$3,426,899)	(\$8,226,177)

DP 606001 - TSD Funding Switch -

This decision package is related to the department TSD funding switch. The executive proposes to utilize proprietary funding for this function within the agency.

Other Issues -

Technical Services - 06568

Program Description

The division provides technical services, network services, help desk, project management, and application services including computer programming and database management.

Expenses

The costs of the program were included in HB 2. The figure below shows the actual costs for FY 2014 and proposed costs for FY 2016 and FY 2017.

Department of Labor and Industry Information Services Division							
Fund Sources	Actual FY 2014	Present Law Adjustments	Proposed FY 2016	% Change	Present Law Adjustments	Proposed FY 2017	% Change
HB 2							
Personal Services	\$2,032,037	\$770,490	\$0	100.00%	\$770,960	0	100.00%
Operating Expenses	5,811,595	(428,668)	0	100.00%	(389,696)	0	100.00%
Debt Service	<u>1,011</u>	<u>0</u>	<u>0</u>	<u>100.00%</u>	<u>0</u>	<u>0</u>	<u>100.00%</u>
Total HB 2	7,844,643	341,822	0	100.00%	381,264	0	100.00%
Proprietary Funds							
Technology Services							
Personal Services	1,566,437	255,443	1,821,880	16.31%	258,151	1,824,588	16.48%
Operating Expenses	585,829	49,212	635,041	8.40%	51,817	637,646	8.85%
Debt Service	<u>5,537</u>	<u>0</u>	<u>5,537</u>	<u>0.00%</u>	<u>0</u>	<u>5,537</u>	<u>0.00%</u>
Total Technology Services	2,157,803	304,655	2,462,458	14.12%	309,968	2,467,771	14.36%
Application Services*							
Personal Services	0	2,802,797	2,802,797	37.93%	2,803,267	2,803,267	37.95%
Operating Expenses	0	5,382,927	5,382,927	-7.38%	5,421,899	5,421,899	-6.71%
Debt Service	<u>0</u>	<u>1,011</u>	<u>1,011</u>	<u>0.00%</u>	<u>1,011</u>	<u>1,011</u>	<u>0.00%</u>
Total Application Services	0	8,186,735	8,186,735	4.36%	8,226,177	8,226,177	4.86%
Total Proprietary Funds**							
Personal Services	1,566,437	3,058,240	4,624,677	28.52%	3,061,418	4,627,855	28.61%
Operating Expenses	585,829	5,432,139	6,017,968	-5.93%	5,473,716	6,059,545	-5.28%
Debt Service	<u>5,537</u>	<u>1,011</u>	<u>6,548</u>	<u>0.00%</u>	<u>1,011</u>	<u>6,548</u>	<u>0.00%</u>
Total Application Services	<u>\$2,157,803</u>	<u>\$8,491,390</u>	<u>\$10,649,193</u>	<u>6.47%</u>	<u>\$8,536,145</u>	<u>\$10,693,948</u>	<u>6.91%</u>
* % Change measured from FY 2014 actuals in HB 2							
** % Change includes FY 2014 actuals in HB 2							

Personal services increase about 28.5% each year between FY 2014 actual spending and the 2017 biennium. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13, other changes include:

- Proficiency agreement progression and negotiated pay schedule increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Vacancy savings that were 21.2% in FY 2014 compared to a budgeted rate of 4.0%; the executive proposes full funding of positions that were unfilled during all or a portion of FY 2014
- Reclassification of 30 positions or 54.5% of the total FTE for the program between biennia
- Employee attainment of longevity milestones in FY 2015
- Changes in employer retirement passed by the 2013 Legislature

Operating expenses decrease when compared to FY 2014 actual spending mainly due to reductions for SITSD services.

Revenues

The 2017 Biennium Report on Internal Services and Enterprise Funds is shown in the figure on the following page.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 66020	Agency Name: Department of Labor & Industry		Program Name: Technology Services Division				
	Fund	Fund Name					
	06568	Technical Services					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A		2,120,247	1,743,663	2,070,990	2,070,990	11,251,813	11,293,960
Total Operating Revenues		2,120,247	1,743,663	2,070,990	2,070,990	11,251,813	11,293,960
Expenses:							
Personal Services		1,506,989	1,460,046	1,560,023	1,467,599	4,624,549	4,627,866
Other Operating Expenses		380,594	456,980	586,140	579,604	6,429,264	6,468,094
Total Operating Expenses		1,887,583	1,917,026	2,146,163	2,047,203	11,053,813	11,095,960
Operating Income (Loss)		232,664	(173,363)	(75,173)	23,787	198,000	198,000
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A		(58,560)	(66,298)	(71,067)	(77,815)	(84,069)	(90,322)
Total Nonoperating Revenues (Expenses)		(58,560)	(66,298)	(71,067)	(77,815)	(84,069)	(90,322)
Income (Loss) Before Contributions and Transfers		174,104	(239,661)	(146,240)	(54,028)	113,931	107,678
Change in Net Position		174,104	(239,661)	(146,240)	(54,028)	113,931	107,678
Beginning Net Position - July 1		8,748	182,852	(56,809)	(203,049)	(257,077)	(143,146)
Change in Net Position		174,104	(239,661)	(146,240)	(54,028)	113,931	107,678
Ending Net Position - June 30		182,852	(56,809)	(203,049)	(257,077)	(143,146)	(35,468)
Net Position (Fund Balance) Analysis							

Revenue for this fund is collected via four separate indirect cost rates. The rates include the following:

- The Technical Services Rate is an indirect cost rate, assessed monthly on department FTE. It is calculated by dividing the total anticipated expenses of the program by the total FTE per month, resulting in a per FTE cost. When calculating the rate, the numerator (total anticipated expenses of the program) can be increased or decreased to account for over or under collections in previous years.
- The Application Services Rate is an indirect cost rate, assessed monthly on direct regular hours charged by application services staff. It is calculated by dividing the total anticipated expenses of the program by the total anticipated annual hours resulting in a per hour cost.
- The Enterprise Services Rate is calculated on specific SITSD services that benefit the department as a whole. The total budgeted SITSD rate for a portion of Asset Broker, Enterprise Services, Equipment hosting, Operational Support, Server, and Storage hosting services are allocated back to divisions based on FTE percentages.
- The Direct Services Rate is calculated on all other SITSD services and department contracted services and allocated back to the benefiting division based on actual expenditures. This is the only rate not federally negotiated as it is a pass through of actual expenses. The rates charged must be approved each fiscal year by the USDOL Federal Cost Negotiator. The actual rate charged can differ from the requested rate due to the fact that estimates can be more accurate the closer we get to the year in question. Historically, the rate actually charged has been less than the legislatively approved rate.

Proprietary Rates

TSD proposes to assess the following charges to the divisions within DOLI.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
Requested Direct Rate			84	84
Requested Indirect Rate	192	192	256	256
Requested Enterprise Rate			964,715	968,791
Requested Direct Actuals			\$ 4,102,160	\$ 4,107,207

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

LFD COMMENT	The proposed rate above does not include funding for proposed work included in the Business Services Division budget for enhancements to the database. The legislature may wish to discuss the impacts on the requested direct actuals rate if it approves the proposals included in the Business Services Division budget.
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