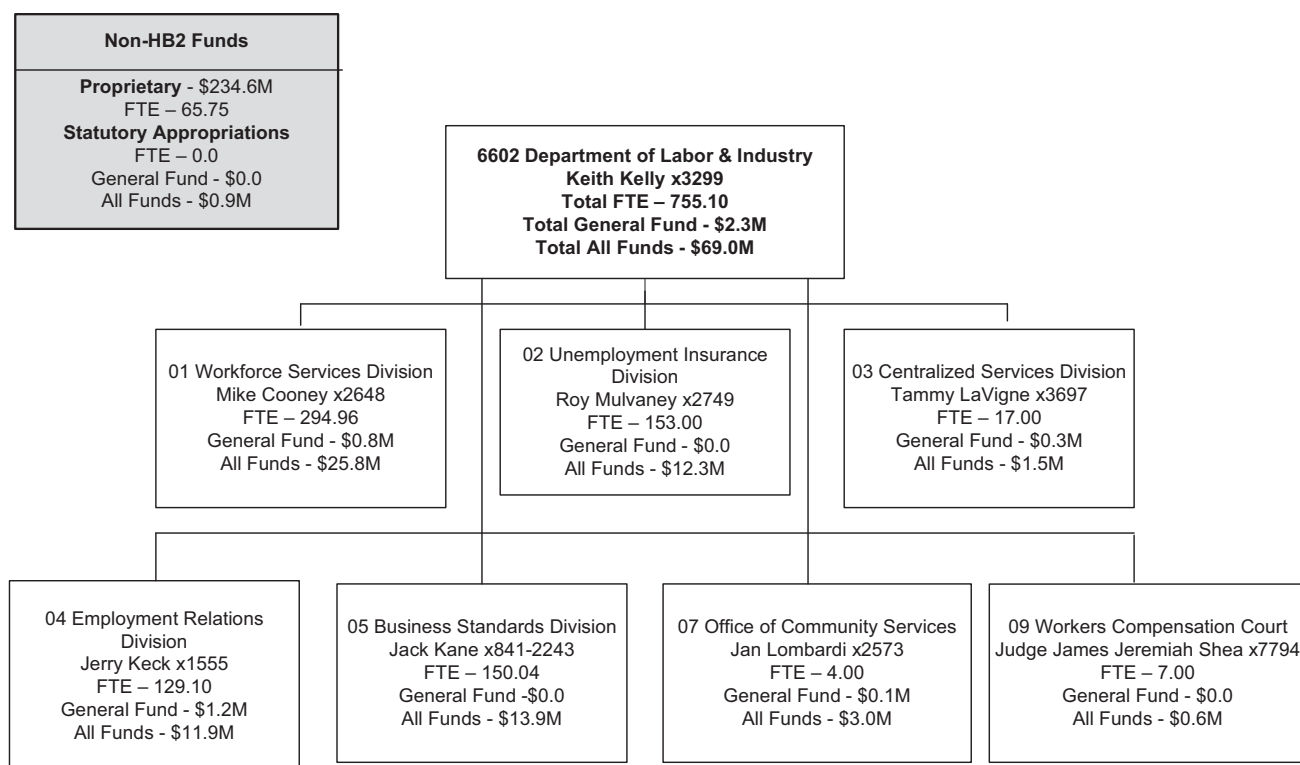


### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	755.10	755.10	757.22	757.22	755.10	757.22	2.12	0.28%
Personal Services	37,392,570	41,436,981	42,341,455	42,333,367	78,829,551	84,674,822	5,845,271	7.42%
Operating Expenses	20,324,240	21,629,850	23,118,609	23,210,975	41,954,090	46,329,584	4,375,494	10.43%
Equipment & Intangible Assets	274,234	437,032	274,234	274,234	711,266	548,468	(162,798)	(22.89%)
Grants	10,452,612	8,729,072	11,779,098	11,779,098	19,181,684	23,558,196	4,376,512	22.82%
Benefits & Claims	103,300	126,085	103,300	103,300	229,385	206,600	(22,785)	(9.93%)
Transfers	438,265	636,083	251,907	251,907	1,074,348	503,814	(570,534)	(53.11%)
Debt Service	3,775	3,775	3,775	3,775	7,550	7,550	0	0.00%
<b>Total Costs</b>	<b>\$68,988,996</b>	<b>\$72,998,878</b>	<b>\$77,872,378</b>	<b>\$77,956,656</b>	<b>\$141,987,874</b>	<b>\$155,829,034</b>	<b>\$13,841,160</b>	<b>9.75%</b>
General Fund	2,308,627	2,612,713	2,417,105	2,427,988	4,921,340	4,845,093	(76,247)	(1.55%)
State Special	35,856,229	38,237,903	40,334,522	40,459,781	74,094,132	80,794,303	6,700,171	9.04%
Federal Special	30,767,415	32,047,983	35,032,341	34,980,370	62,815,398	70,012,711	7,197,313	11.46%
Other	56,725	100,279	88,410	88,517	157,004	176,927	19,923	12.69%
<b>Total Funds</b>	<b>\$68,988,996</b>	<b>\$72,998,878</b>	<b>\$77,872,378</b>	<b>\$77,956,656</b>	<b>\$141,987,874</b>	<b>\$155,829,034</b>	<b>\$13,841,160</b>	<b>9.75%</b>

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



### Agency Description

Agency Mission: The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

The Department of Labor and Industry (DOLI) has a number of functions. In part, the department:

- o Serves as an employment agency, provides job training to assist individuals in preparing for and finding jobs, and assists employers in finding workers
- o Oversees federal and state training and apprenticeship programs
- o Conducts research and collects employment statistics
- o Administers the unemployment insurance program and disburses state unemployment benefits
- o Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- o Provides adjudicative services in labor-management disputes
- o Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- o Provides administrative and clerical services to the 40 professional boards and occupational licensing programs authorized by state statutes
- o Establishes and enforces minimum building codes
- o Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Services
- o Oversees and regulates the Montana Workers' Compensation system

Organizationally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations; and 5) Business Standards. The Office of Community Services, Workers' Compensation Court, and three boards are administratively attached.

### Agency Highlights

<b>Department of Labor and Industry</b> <b>Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The overall increase in the budget from the 2011 biennium level is due primarily to: <ul style="list-style-type: none"> <li>• Statewide present law adjustments</li> <li>• Significant increases in 5 of the 7 divisions for indirect assessments</li> <li>• Funding the incumbent worker program at the 2011 biennium appropriated level</li> <li>• Funding for utilization and treatment guidelines</li> </ul> </li> </ul>	
<b>Legislative Action Issues</b>	
<ul style="list-style-type: none"> <li>◆ The executive would fund the incumbent worker program from the employment security account</li> <li>◆ Indirect costs increase significantly over the FY 2010 level</li> <li>◆ Interim Committee Recommendations <ul style="list-style-type: none"> <li>• The Legislative Finance Committee recommends that the budget starting point be the adjusted base minus 5%</li> </ul> </li> </ul>	

## Agency Discussion

### *Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- o Goals, objectives and year-to-date outcomes from the 2011 biennium.
- o Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

### 2013 Biennium Goals

During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The committee did not recommend any goals for consideration by the 2011 Legislature.

### **Agency Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Labor Market Experience** – The size of applicant pools and number of minimally qualified applicants have both increased. There is a minimal number of openings that have required multiple postings, except when the position is highly specialized.
- o **Pay Philosophy** – The department plans to use the 2006 market rates unless a pay freeze is lifted. (The Governor has proposed a 1% and 3% pay increase for state employees.) The agency is in the early stages of developing a succession planning system tied to performance appraisal. This system can also aid in identifying career tracks for individuals. Promotion policies will dictate the pay adjustments associated with succession and career track placements.
- o **Obstacles** – There is an increasing level of discontent regarding pay freezes. The department anticipates this to continue to increase until the pay freeze is lifted. This may lead to overall low morale in the workplace, which could begin to affect productivity.

### **5% Reduction Plan**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

Total 5% Reduction Plan Identified by DOLI, By Division Included and Not Included in Executive Budget 2013 Biennium					
Program/DP Number/Description	FTE	General Fund	% Of Total	State Special Revenue	% Of Total
<u>Workforce Services Division</u>					
<i>Not Included in Executive Budget</i>					
95101 Unspecified Reduction		\$0	0.0%	\$2,189,936	100.0%
95102 Community College Student Growth Account		157,820	68.4%	0	0.0%
95103 Research & Analysis General Operating Reduction		<u>3,830</u>	1.7%	<u>0</u>	0.0%
Total Workforce Services Division		\$161,650	70.0%	\$2,189,936	100.0%
<u>Office of Community Services</u>					
<i>Not Included in Executive Budget</i>					
95104 General Operating Expense Reduction*		<u>\$12,292</u>	5.3%	<u>\$0</u>	0.0%
Total Office of Community Services		\$12,292	5.3%	\$0	0.0%
<u>Employment Relations Division</u>					
<i>Not Included in Executive Budget</i>					
95105 Silicosis Benefits Program		<u>\$56,920</u>	24.7%	<u>\$0</u>	0.0%
Total Employment Relations Division		\$56,920	24.7%	\$0	0.0%
<u>Total Reduction Plan</u>					
Included in Executive Budget		\$0	0.0%	\$0	0.0%
Not Included in Executive Budget		<u>230,862</u>	100.0%	<u>2,189,936</u>	100.0%
Total Agency Reduction Plan		<u>\$230,862</u>		<u>\$2,189,936</u>	
*Federal funds would also be impacted. See the decision package description for further information.					

None of the reductions listed on the agency's submitted 5% reduction plan were included in the executive budget. However, the executive included a 4% personal services reduction in the Workforce Services Division. This reduction has been part of the 5% reduction plan submissions of other agencies in the Executive Branch. For a further discussion of the individual reductions, please see the individual program narratives.

### Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2013 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Work Force Services Division	\$ 1,672,779	\$ 19,726,605	\$ 42,481,011	\$ -	\$ 63,880,395	40.99%
02 Unemployment Insurance Divisio	-	7,435,051	19,193,189	-	26,628,240	17.09%
03 Commissioner'S Office/Csd	557,480	1,368,934	1,160,686	176,927	3,264,027	2.09%
04 Employment Relations Division	2,367,249	20,981,576	1,430,315	-	24,779,140	15.90%
05 Business Standards Division	-	29,859,223	25,342	-	29,884,565	19.18%
07 Office Of Community Services	247,585	78,803	5,722,168	-	6,048,556	3.88%
09 Workers Compensation Court	-	1,344,111	-	-	1,344,111	0.86%
Grand Total	<u>\$ 4,845,093</u>	<u>\$ 80,794,303</u>	<u>\$ 70,012,711</u>	<u>\$ 176,927</u>	<u>\$ 155,829,034</u>	<u>100.00%</u>

### Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Statutory Appropriations Department of Labor and Industry					
Purpose	MCA #	Fund Source	Fiscal 2010	Fiscal 2012	Fiscal 2013
<u>No Direct Bearing on Agency Operations</u>					
Payment of real estate claims for unsatisfied judgments	37-50-501	SSR	\$4,770	\$4,770	\$4,770
<u>Direct Bearing on Agency Operations</u>					
Payment of uninsured benefits for workers compensation claims	39-71-503	SSR	883,970	883,970	883,970
Total Statutory Appropriations			\$888,740	\$888,740	\$888,740

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	2,308,627	2,308,627	4,617,254	95.30%	68,988,996	68,988,996	137,977,992	88.54%
Statewide PL Adjustments	150,200	161,420	311,620	6.43%	6,056,016	6,066,805	12,122,821	7.78%
Other PL Adjustments	36,836	36,299	73,135	1.51%	1,984,434	2,058,262	4,042,696	2.59%
New Proposals	(78,558)	(78,358)	(156,916)	(3.24%)	842,932	842,593	1,685,525	1.08%
<b>Total Budget</b>	<b>\$2,417,105</b>	<b>\$2,427,988</b>	<b>\$4,845,093</b>		<b>\$77,872,378</b>	<b>\$77,956,656</b>	<b>\$155,829,034</b>	

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	294.96	294.96	294.08	294.08	294.96	294.08	(0.88)	(0.30%)
Personal Services	12,208,560	15,746,286	15,829,958	15,822,126	27,954,846	31,652,084	3,697,238	13.23%
Operating Expenses	5,340,350	6,263,839	6,601,621	6,542,710	11,604,189	13,144,331	1,540,142	13.27%
Equipment & Intangible Assets	50,261	21,288	50,261	50,261	71,549	100,522	28,973	40.49%
Grants	7,993,376	6,561,404	9,319,862	9,319,862	14,554,780	18,639,724	4,084,944	28.07%
Transfers	171,867	171,924	171,867	171,867	343,791	343,734	(57)	(0.02%)
<b>Total Costs</b>	<b>\$25,764,414</b>	<b>\$28,764,741</b>	<b>\$31,973,569</b>	<b>\$31,906,826</b>	<b>\$54,529,155</b>	<b>\$63,880,395</b>	<b>\$9,351,240</b>	<b>17.15%</b>
General Fund	763,335	1,050,461	834,742	838,037	1,813,796	1,672,779	(141,017)	(7.77%)
State Special	7,203,658	8,355,751	9,848,119	9,878,486	15,559,409	19,726,605	4,167,196	26.78%
Federal Special	17,797,421	19,358,529	21,290,708	21,190,303	37,155,950	42,481,011	5,325,061	14.33%
<b>Total Funds</b>	<b>\$25,764,414</b>	<b>\$28,764,741</b>	<b>\$31,973,569</b>	<b>\$31,906,826</b>	<b>\$54,529,155</b>	<b>\$63,880,395</b>	<b>\$9,351,240</b>	<b>17.15%</b>

### Program Description

The Workforce Services Division (WSD) operates through four bureaus. The Job Service Operations Bureau (formally called the Field Operations Bureau) operates and manages services for a network of 25 Job Service Workforce Centers, the majority of which are part of the One-Stop workforce development and support system under the federal Workforce Investment Act (WIA). The Job Service Operations Bureau performs services that include retraining and reemployment services for laid-off workers and employment and training services for people transitioning from welfare to work, as well as for youth, veterans, seasonal and migrant farm workers, and general job seekers.

The newly created (2009) 21st Century Workforce Technology Apprenticeship and Training bureau includes the Apprenticeship and Training program, the Jobs for Montana Graduates (JMG), and the Incumbent Worker Training program. The bureau also houses the State Workforce Investment Board, which is a WIA mandated advisory council responsible for advising the administration regarding the creation and implementation of the statewide workforce development system.

The Statewide Workforce Programs and Oversight Bureau provides the administrative oversight, regulatory, and reporting functions for the division's state and federal programs, and in particular the statewide implementation of the Workforce Investment Act.

Working in conjunction with the U.S. Bureau of Labor Statistics, the Research and Analysis Bureau collects and produces labor market and additional economic statistical information. The bureau produces a number of publications providing economic and market analysis including monthly employment statistics. The bureau provides informational support to a number of state agencies and educational facilities.

### Program Highlights

Workforce Services Division Major Budget Highlights	
♦	The executive's proposed budget increases by 17.2% from the previous biennium due to statewide adjustments and additional funding for grant programs
♦	A proposed 4% personal services reduction eliminates an 0.88 FTE employment specialist position that is currently vacant

## Program Narrative

### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

None of the items contained in the agency's 5% reduction plan are included in the executive's proposed budget. The Workforce Services Division portion of the plan accounts for 70% of the agency's general fund reductions and all of the agency's state special revenue reductions.

The two items that make up the general fund reductions are for the Community College Student Growth (CCSG) program and for the travel and expenses in the Research and Analysis Bureau. Although there were no general fund expenditures made for the CCSG program in the base year and therefore no base budget for the program, the Governor is applying \$157,820 in general fund reductions to the program. The agency reports that the impact to the programs from these reductions would be unknown.

As required by law the agency is to propose reductions to the general fund and state special revenue accounts in the amount of 5% of its base budgets. One exception to this is that state special revenue accounts that retain their investment earnings are not subject to the calculation. In the 5% reduction plan that was submitted by the agency, the Employment Security Account (ESA), an account that retains its investment earnings and is therefore exempt from the 5% calculation, is being used to accommodate the agency's entire state special revenue reduction. This expenditure reduction from the ESA will have no impact on the general fund balance and since the revenue in to the account is from an administrative assessment against employer payroll, the rate of which is set in statute, the reduction will have no impact on the revenue collected and only serve to increase fund balance in the account.

The agency states that the impact of this reduction would be the elimination of up to 10.0 FTE. These positions would be predominately employment specialist positions. The program currently has 17 vacant employment specialist positions.

## Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table						
Work Force Services Division						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 763,335	3.0%	\$ 834,742	2.6%	\$ 838,037	2.6%
01100 General Fund	763,335	3.0%	834,742	2.6%	838,037	2.6%
02000 Total State Special Funds	7,203,658	28.0%	9,848,119	30.8%	9,878,486	31.0%
02258 Employment Security Account	7,124,182	27.7%	9,751,829	30.5%	9,782,852	30.7%
02455 Workers' Comp Regulation	79,476	0.3%	96,290	0.3%	95,634	0.3%
03000 Total Federal Special Funds	17,797,421	69.1%	21,290,708	66.6%	21,190,303	66.4%
03124 Employment Trng Grants	7,382,829	28.7%	8,750,782	27.4%	8,755,839	27.4%
03128 L & I Federal Funding	277,095	1.1%	334,397	1.0%	333,666	1.0%
03131 Osha Stat Prgm Fed.St Sdy	79,501	0.3%	95,818	0.3%	95,662	0.3%
03194 Research/Analysis Crn	759,239	2.9%	924,392	2.9%	922,653	2.9%
03297 Labor And Industry Veteran Gra	793,282	3.1%	879,558	2.8%	884,707	2.8%
03682 Wagner Peyser	4,849,949	18.8%	5,207,335	16.3%	5,236,911	16.4%
03692 Alien Labor Certification(Alc)	85,147	0.3%	95,708	0.3%	96,048	0.3%
03693 Wrk Opportunities Tx Crdt/Wotc	38,230	0.1%	63,919	0.2%	62,926	0.2%
03694 Trade Adjustment Assist/Nafta	3,525,059	13.7%	4,930,114	15.4%	4,793,222	15.0%
03954 Ui Administrative Grants	7,090	0.0%	8,685	0.0%	8,669	0.0%
Grand Total	<u>\$ 25,764,414</u>	<u>100.0%</u>	<u>\$ 31,973,569</u>	<u>100.0%</u>	<u>\$ 31,906,826</u>	<u>100.0%</u>



About 66.5% of the total funding for the Workforce Services Division is from federal special revenue. Nearly 90% of this funding is from three federal programs: the Wagner-Peyser Act, the Workforce Investment Act, and the Trade Adjustment Assistance program (Trade Act of 1974).

30% of the total funding and nearly all of the state special revenue funding is from the Employment Security Account. The revenue for this account is received from an administrative assessment against payroll amounts of Montana employers. Statute enumerates the uses of the fund, including the operating expenses of the Job Service offices which accounts for nearly all of the use of the funding in this division.

General fund supports a portion of the 21<sup>st</sup> Century Workforce and the Research and Analysis bureaus. General funded programs include the Jobs for Montana Graduates and the Community College Student Growth programs.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	763,335	763,335	1,526,670	91.27%	25,764,414	25,764,414	51,528,828	80.66%
Statewide PL Adjustments	129,005	132,396	261,401	15.63%	4,307,911	4,249,484	8,557,395	13.40%
Other PL Adjustments	20,960	20,664	41,624	2.49%	1,244,802	1,236,286	2,481,088	3.88%
New Proposals	(78,558)	(78,358)	(156,916)	(9.38%)	656,442	656,642	1,313,084	2.06%
<b>Total Budget</b>	<b>\$834,742</b>	<b>\$838,037</b>	<b>\$1,672,779</b>		<b>\$31,973,569</b>	<b>\$31,906,826</b>	<b>\$63,880,395</b>	

### 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 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					4,362,642					4,354,278
Vacancy Savings					(662,686)					(662,354)
Inflation/Deflation					(44,015)					(42,457)
Fixed Costs					651,970					600,017
Total Statewide Present Law Adjustments										
	\$129,005		\$1,839,396	\$2,339,510	\$4,307,911		\$132,396	\$1,872,648	\$2,244,440	\$4,249,484
DP 101 - WSD Indirect Rate Adjustment										
	0.00	20,960	209,313	423,978	654,251	0.00	20,664	206,428	418,643	645,735
DP 102 - Incumbent Worker Program										
	0.00	0	560,980	0	560,980	0.00	0	560,980	0	560,980
DP 105 - Displaced Homemaker Increase										
	0.00	0	37,000	0	37,000	0.00	0	37,000	0	37,000
DP 106 - Motor Pool Reduction										
	0.00	0	(2,228)	(5,201)	(7,429)	0.00	0	(2,228)	(5,201)	(7,429)
Total Other Present Law Adjustments										
	0.00	\$20,960	\$805,065	\$418,777	\$1,244,802	0.00	\$20,664	\$802,180	\$413,442	\$1,236,286
Grand Total All Present Law Adjustments										
	0.00	\$149,965	\$2,644,461	\$2,758,287	\$5,552,713	0.00	\$153,060	\$2,674,828	\$2,657,882	\$5,485,770



### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The Workforce Services Division follows the agency pay plan for all occupations without exceptions.
- o **Program Specific Obstacles** – The program reports that it is difficult to recruit for case manager positions as they require skills similar to those of a social worker. However, pay is not equitable to what is offered in the private sector process. Further, recruitment for positions can be a lengthy process and applicants may find other work before the process is complete. Other factors such as pay freeze, lack of position flexibility, and unknown future pay raise possibilities provide difficulties for the program in competing with the private sector and other state agencies.
- o **Vacancy** - The program has experienced turnover in entry level staff finding better paying jobs elsewhere. The program reports an increased demand to provide more services or fulfill grant, legislative, and contractual obligations that increase workload and reporting requirements. There is some concern that this will result in increased vacancies if staffing levels are not adequate for the workload. In the field of Information Technology, programming positions have extended vacancies. These positions are difficult to recruit due to the lack of qualified applicants and outside market competition factors. WSD also experiences difficulty recruiting programmers with application specific qualifications.

The job services offices have seen a large increase in the number of job seekers visiting the offices. Vacancies and high turnover cause an increase in workload to other employees, which results in overtime required to meet deadlines and contract deliverables. The division utilizes sharing resources through regionalization which allows them to minimize the impact of vacancies.

In an effort to reduced unwanted vacancy, the program offers tele-work opportunities, flexible work schedules, and increased training on job duties as well as managing workloads and stress, better coordination, and flexibility implemented by regional directors to manage workload across regions and state.

- o **Legislatively Applied Vacancy Savings** - The division used budget amendment authority and contracts to keep positions filled.
- o **Pay/Position Changes** – During the base year the program provided pay changes outside of HB 13 that included market adjustments in 29 positions with an average increase of 2.9%. A single supervisory adjustment and a single training assignment progression were made as well. These adjustments were made by holding vacant positions open longer, holding a higher vacancy savings, and funding various base FTE using American Reinvestment and Recovery Act budget authority.
- o **Retirements** – The program is currently in the planning phase of succession planning. Several factors are being considered that include recruiting and reorganization options. 84 employees will be eligible for retirement in the coming biennium with a compensated absence liability of \$555,704.

DP 101 - WSD Indirect Rate Adjustment - The Workforce Services Division is requesting funds to meet anticipated adjusted costs for the negotiated CAP and the Office of Information Technology (OIT) network support indirect cost rates.

DP 102 - Incumbent Worker Program - The 21st Century Bureau, which administers this program, experienced a delay in implementing the program. The amount requested equals the estimated unspent appropriation authority. The total amount requested is \$560,980 state special revenue in each year of the biennium.

#### LFD COMMENT

For a discussion of the employment security account, please see the Agency Summary section of this narrative.

DP 105 - Displaced Homemaker Increase - Workforce Services Division is requesting \$37,000 state special revenue in each year of the 2013 biennium to expand the existing Displaced Homemaker Program.

DP 106 - Motor Pool Reduction - The Workforce Services Division is requesting a cost reduction of \$7,429 state special and federal revenue in each year of the biennium to offset costs for one leased vehicle returned to Motor Pool in FY 2010.

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2012				Fiscal 2013				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 107 - Increased Federal Grant TAA										
01	0.00	0	0	735,000	735,000	0.00	0	0	735,000	735,000
DP 55400 - 4% Personal Services Reduction										
01	(0.88)	(78,558)	0	0	(78,558)	(0.88)	(78,358)	0	0	(78,358)
<b>Total</b>	<b>(0.88)</b>	<b>(\$78,558)</b>	<b>\$0</b>	<b>\$735,000</b>	<b>\$656,442</b>	<b>(0.88)</b>	<b>(\$78,358)</b>	<b>\$0</b>	<b>\$735,000</b>	<b>\$656,642</b>

DP 107 - Increased Federal Grant TAA - The Workforce Services Division projects an increase to its initial federal award for Trade Adjustment Assistance (TAA) of \$735,000 over TAA base expenditures of \$3,512,367 in FY 2010. The initial TAA allocation has grown steadily over the last few biennia and most recently is estimated to show a 21% increase for the federal FY 2011 grant.

DP 55400 - 4% Personal Services Reduction - The Governor has included a 4% reduction in general fund personal services budgets as a part of his budget recommendations. This decision package reduces the Workforce Services Division by \$78,558 in FY 2012 and \$78,358 in FY 2013 to implement the budget reduction. The reduction includes the elimination of .88 FTE.

### Proprietary Rates

#### Proprietary Program Description

The 2013 Biennium Report on Internal Service and Enterprise Funds for fund 06051 shows the financial information for the fund from FY 2010 through FY 2013. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the table for clarity.

#### *Proprietary Program Description*

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of 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. This funding pays for the majority of the expenses of the system including personal services and operating expenses outside of the optional components. This funding and the associated expenses are not shown in the table above because they are recorded against the federal funds in a separate account; the budget authority being granted by the Governor through a budget amendment. These expenses are not recorded in the base budget for the program. The grant funding is for federal fiscal years 2011 and 2012. When the grant ends, MCIS will re-apply for the current grant funding, 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 optional component.

#### 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

Revenue is generated through fees for purchase of a one year optional component license.

#### *Proprietary Rates*

IDEAS Assessment: \$100 per site license per year.

Dependable Strengths: \$200 per site license per year.

Peterson's Academic Practice Tests: (per site, per practice test package)

Enrollment up to 200 - \$225

Enrollment 201-500 - \$275

Enrollment over 500 - \$325

Peterson's Civil Service Practice Test Package: (per site)

Schools - \$200

Agencies - \$225

2013 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency	Agency Name	Program Name
6051	MT Career Info System	66020	Dept. of Labor & Industry	Workforce Services Division

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	153.00	153.00	156.00	156.00	153.00	156.00	3.00	1.96%
Personal Services	7,734,008	7,877,361	8,168,234	8,172,129	15,611,369	16,340,363	728,994	4.67%
Operating Expenses	4,396,957	4,349,603	5,118,387	5,161,940	8,746,560	10,280,327	1,533,767	17.54%
Transfers	186,358	188,885	0	0	375,243	0	(375,243)	(100.00%)
Debt Service	3,775	3,775	3,775	3,775	7,550	7,550	0	0.00%
<b>Total Costs</b>	<b>\$12,321,098</b>	<b>\$12,419,624</b>	<b>\$13,290,396</b>	<b>\$13,337,844</b>	<b>\$24,740,722</b>	<b>\$26,628,240</b>	<b>\$1,887,518</b>	<b>7.63%</b>
State Special	3,444,602	3,736,669	3,716,424	3,718,627	7,181,271	7,435,051	253,780	3.53%
Federal Special	8,876,496	8,682,955	9,573,972	9,619,217	17,559,451	19,193,189	1,633,738	9.30%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$12,321,098</b>	<b>\$12,419,624</b>	<b>\$13,290,396</b>	<b>\$13,337,844</b>	<b>\$24,740,722</b>	<b>\$26,628,240</b>	<b>\$1,887,518</b>	<b>7.63%</b>

### 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 inquiries. 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	
<ul style="list-style-type: none"> <li>◆ The Governor's proposed budget increases by 7.63% from the previous biennium substantially due to statewide present law adjustments</li> <li>◆ The pay-off of a UI bond issue in FY 2011 reduces requested funding by \$372,716 over the biennium, but is partially offset by a requested increase in general operating expenses funded from state and federal sources</li> <li>◆ The executive has requested the addition of 3.0 FTE for UI modernization activities adopted in conjunction with the American Recovery and Reinvestment Act (ARRA)</li> <li>◆ Proprietary program funding for Unemployment Insurance benefits decreases by \$99 million over the biennium due to an anticipated stabilization of the economy</li> </ul>	
Major LFD Issues	
<ul style="list-style-type: none"> <li>◆ The proposed funding source for additional FTE is not on-going</li> </ul>	

## Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table						
Unemployment Insurance Divisio						
Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013
						% of Budget FY 2013
02000	Total State Special Funds	\$ 3,444,602	28.0%	\$ 3,716,424	28.0%	\$ 3,718,627
	02258 Employment Security Account	3,404,602	27.6%	3,665,424	27.6%	3,667,627
	02315 Dli Info Exchange/Rental	40,000	0.3%	51,000	0.4%	51,000
03000	Total Federal Special Funds	8,876,496	72.0%	9,573,972	72.0%	9,619,217
	03278 Ui Penalty & Interest	476,543	3.9%	525,000	4.0%	525,000
	03389 Arra Ui Modernization	-	-	186,490	1.4%	185,951
	03954 Ui Administrative Grants	8,213,596	66.7%	8,862,482	66.7%	8,908,266
	03967 Ui Reed Act	186,357	1.5%	-	-	-
Grand	Total	<u>\$ 12,321,098</u>	<u>100.0%</u>	<u>\$ 13,290,396</u>	<u>100.0%</u>	<u>\$ 13,337,844</u>

The HB 2 funded functions of the Unemployment Insurance Division are the administrative and operational portions of the program's budget. This accounts for just under 7% of the total funding for the program with the proprietary claims and benefit payment functions accounting for just over 93%. The administrative and operational functions in HB2 are funded through administrative grants of federal special revenue and state special revenue from the Employment Security Account, which is an assessment charged to employers as a percentage of their payroll. The proprietary program is discussed at the end of this section.

## Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	12,321,098	12,321,098	24,642,196	92.54%
Statewide PL Adjustments	0	0	0	0.00%	738,008	789,877	1,527,885	5.74%
Other PL Adjustments	0	0	0	0.00%	44,800	40,918	85,718	0.32%
New Proposals	0	0	0	0.00%	186,490	185,951	372,441	1.40%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$13,290,396</b>	<b>\$13,337,844</b>	<b>\$26,628,240</b>	

## 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 2012-----					-----Fiscal 2013-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				544,560					549,050
Vacancy Savings				(330,851)					(331,029)
Inflation/Deflation				29,681					29,927
Fixed Costs				494,618					541,929
<b>Total Statewide Present Law Adjustments</b>	<b>\$0</b>	<b>\$208,535</b>	<b>\$529,473</b>	<b>\$738,008</b>		<b>\$0</b>	<b>\$213,807</b>	<b>\$576,070</b>	<b>\$789,877</b>
DP 201 - UI Indirect Rate Adjustment									
0.00	0	20,677	85,481	106,158	0.00	0	19,037	83,239	102,276
DP 202 - UI Operating Increase									
0.00	0	42,610	(103,968)	(61,358)	0.00	0	41,181	(102,539)	(61,358)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$63,287</b>	<b>(\$18,487)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$60,218</b>	<b>(\$19,300)</b>	<b>\$40,918</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$271,822</b>	<b>\$510,986</b>	<b>0.00</b>	<b>\$0</b>	<b>\$274,025</b>	<b>\$556,770</b>	<b>\$830,795</b>

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - UI had one pay exception in September 2009. This position was for a computer systems analyst. This was a retention pay exception. The experience, skills, and abilities this employee possessed was needed to avoid extreme delays in implementing new federal and state programs to assist the unemployed in a timely manner.
- o **Program Specific Obstacles** – The agency reports that the increased workload from the economic downturn has created difficulties in attracting and retaining employees. The change from multiple narrow grades to larger pay bands has created management hurdles due to the lack of clear steps of pay progression coupled with a pay freeze that is manifesting itself as a perceived inability to differentiate pay and responsibilities based on common factors like longevity and competency.
- o **Vacancy** – Although the agency cites the stress and additional workload of the program as obstacles to recruitment and retention of employees, the economic downturn has also limited vacancies with the exception of temporary workers who leave the division when they find permanent work.
- o **Legislatively Applied Vacancy Savings** – The legislatively applied vacancy savings was achieved by the division holding open positions that were vacated due to retirements and employee turnover.
- o **Pay/Position Changes** - Pay increases were the result of market adjustments per the department's adopted pay plan, which included movement within a band, completion of training assignments, and employee advancement/promotions. There was one strategic pay adjustment to retain an employee with unique knowledge and skills critical to the work unit as noted in the pay plan exceptions section above.
- o **Retirements** – There will be 41 division employees eligible to retire in the upcoming biennium with a total compensated liability of \$425,223. The division is taking steps to cross train employees to mitigate the impacts of these potential retirements.

DP 201 - UI Indirect Rate Adjustment - The Unemployment Insurance Division (UID) is requesting \$106,158 for FY 2012 and \$102,276 for FY 2013 to meet anticipated adjusted costs for the negotiated CAP and the Office of Information Technology (OIT) network support indirect cost rates.

DP 202 - UI Operating Increase - The Unemployment Insurance Division is requesting base adjustments in overtime and an increase related to workload which includes legal fees, interpreter services, Secretary of State Web access charges and bank service charges. This request also eliminates the amount for the UI bond payment. Final payment was made in FY 2011. The total decision package is a reduction in funding of (\$61,358) in FY 2012 and (\$61,358) in FY 2013. The



increase in operating is funded by federal and state authority, and the elimination of the bond payment is a reduction in federal authority.

### New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2012				Fiscal 2013				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 203 - UI Modernization -3 FTE										
02	3.00	0	0	186,490	186,490	3.00	0	0	185,951	185,951
<b>Total</b>	<b>3.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$186,490</b>	<b>\$186,490</b>	<b>3.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$185,951</b>	<b>\$185,951</b>

DP 203 - UI Modernization -3 FTE - The 2009 Legislature implemented new Unemployment Insurance law for alternate base period, part time work, and 26 weeks of training. This decision package is requesting 3.00 permanent FTE and personal services funding of \$170,517 for FY 2012 and \$170,100 for FY 2013. The request includes operating and indirect costs totaling \$15,973 for FY 2012 and \$15,851 for FY 2013. The total request of the decision package for the biennium is \$372,441 of federal special funds. The FTE would be used for ongoing fact finding and adjudication as required by law.

### LFD ISSUE

#### Funding is Not Ongoing

This decision package seeks to fund 3.0 FTE from a \$500,000 special transfer of federal funds that was made under the American Recovery and Reinvestment Act. Because that was a one-time transfer, once this funding is expended, the program will need to fund the positions from other sources. The agency has stated that the ongoing source will likely be from federal UI administrative grants. The legislature may want to consider the option of providing the requested funding as a restricted, one-time-only amount that does not include the authorization of additional FTE. The agency could use modified positions because of the temporary nature of the funding and should ongoing activities be needed in the future the agency could request the FTE and funding from an on-going source.

### Proprietary Rates

#### *Proprietary Proposed Budget*

The 2013 Biennium Report on Internal Service and Enterprise Funds for fund 06069 shows the financial information for the fund from FY 2010 through FY 2013. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the table for clarity.



2013 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
6069	UI Tax Benefit Fund	66020	Dept. Of Labor	Unemployment Insurance Division			
				Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
Operating Revenues:							
Investment Earnings				\$ 6,873,513	\$ 4,400,000	\$ 1,400,000	\$ 1,400,000
Premiums				89,500,265	124,179,000	154,303,000	179,458,000
Other Operating Revenues				179,239,119	183,007,229	24,315,942	22,545,680
Total Operating Revenue				\$ 275,612,898	\$ 311,586,229	\$ 180,018,942	\$ 203,403,680
Operating Expenses:							
Personal Services							
Other Operating Expenses				\$ 356,175,293	\$ 375,117,007	\$ 185,864,600	\$ 170,864,600
Total Operating Expenses				\$ 356,175,293	\$ 375,117,007	\$ 185,864,600	\$ 170,864,600
Operating Income (Loss)				(80,562,395)	(63,530,778)	(5,845,658)	32,539,080
Contributed Capital					-	-	-
Operating Transfers In (Note 13)					-	-	-
Operating Transfers Out (Note 13)				(188,410)	-	-	-
Change in net assets				(188,410)	-	-	-
Total Net Assets- Beginning of Fiscal Year				\$ 197,280,890	\$ 116,530,085	\$ 52,999,307	\$ 47,153,649
Prior Period Adjustments				-	-	-	-
Cumulative effect of account change				-	-	-	-
Net Assets- June 30				\$ 116,530,085	\$ 52,999,307	\$ 47,153,649	\$ 79,692,729

### Proprietary 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.

### Expenses

The expenditures are 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.

### Proprietary Present Law Adjustments

The agency proposed a reduction of unemployment benefits for the biennium of \$99 million due to an anticipated stabilization of the economy causing a decrease in claims filed and benefits paid. The reduction includes \$42 million in FY 2012 and \$57 million in 2013. The table includes expenditures in FY 2010 that were from emergency or temporary extensions of unemployment benefits. The base expenditures in FY 2010 were \$227,864,600 bringing the projected expenditures down to \$186 million in FY 2012 once the reduction is applied.

### Proprietary Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. The proprietary rate is set in statute under 39-51-1217, MCA.

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	17.00	17.00	17.00	17.00	17.00	17.00	0.00	0.00%
Personal Services	1,113,947	1,251,731	1,225,076	1,227,796	2,365,678	2,452,872	87,194	3.69%
Operating Expenses	352,356	453,577	405,501	405,654	805,933	811,155	5,222	0.65%
<b>Total Costs</b>	<b>\$1,466,303</b>	<b>\$1,705,308</b>	<b>\$1,630,577</b>	<b>\$1,633,450</b>	<b>\$3,171,611</b>	<b>\$3,264,027</b>	<b>\$92,416</b>	<b>2.91%</b>
General Fund	259,598	262,284	278,173	279,307	521,882	557,480	35,598	6.82%
State Special	618,326	774,015	683,596	685,338	1,392,341	1,368,934	(23,407)	(1.68%)
Federal Special	531,654	577,895	580,398	580,288	1,109,549	1,160,686	51,137	4.61%
Other	56,725	91,114	88,410	88,517	147,839	176,927	29,088	19.68%
<b>Total Funds</b>	<b>\$1,466,303</b>	<b>\$1,705,308</b>	<b>\$1,630,577</b>	<b>\$1,633,450</b>	<b>\$3,171,611</b>	<b>\$3,264,027</b>	<b>\$92,416</b>	<b>2.91%</b>

### Program Description

The Commissioner's Office and the Centralized Services Division provide program direction, legal, administration, and support services to the department's five programs and two administratively attached entities.

The HB 2 Portion of the program provides general administration for the agency as well as administrative and support for the Legal and Hearings bureaus, which are also funded through proprietary programs.

### Program Highlights

Commissioners Office / Central Services Division	
Major Budget Highlights	
◆	The HB 2 portion of the budget increases by 2.9% due to statewide present law adjustments and increased indirect costs
◆	The centralized services portion is funded with non-budget proprietary funds

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Commissioner'S Office/Csd							
Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	\$ 259,598	17.7%	\$ 278,173	17.1%	\$ 279,307	17.1%
	01100 General Fund	259,598	17.7%	278,173	17.1%	279,307	17.1%
02000	Total State Special Funds	618,326	42.2%	683,596	41.9%	685,338	42.0%
	02258 Employment Security Account	318,022	21.7%	332,507	20.4%	333,484	20.4%
	02315 Dli Info Exchange/Rental	477	0.0%	24,724	1.5%	24,496	1.5%
	02455 Workers' Comp Regulation	227,690	15.5%	250,955	15.4%	251,910	15.4%
	02941 Uninsured Employer Fund	72,137	4.9%	75,410	4.6%	75,448	4.6%
03000	Total Federal Special Funds	531,654	36.3%	580,398	35.6%	580,288	35.5%
	03122 Eeoc	41,074	2.8%	69,781	4.3%	69,715	4.3%
	03954 Ui Administrative Grants	490,580	33.5%	510,617	31.3%	510,573	31.3%
06000	Total Proprietary Funds	56,725	3.9%	88,410	5.4%	88,517	5.4%
	06546 Commissioner'S Office/Csd	56,725	3.9%	88,410	5.4%	88,517	5.4%
Grand	Total	<u>\$ 1,466,303</u>	<u>100.0%</u>	<u>\$ 1,630,577</u>	<u>100.0%</u>	<u>\$ 1,633,450</u>	<u>100.0%</u>

State special revenue is the majority funding source and includes revenues derived from the administrative portion of the unemployment insurance tax deposited to the unemployment security account and the worker's compensation regulation fund. Federal special revenue is primarily from administrative grants for unemployment insurance.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	259,598	259,598	519,196	93.13%	1,466,303	1,466,303	2,932,606	89.85%
Statewide PL Adjustments	12,190	13,348	25,538	4.58%	120,451	123,481	243,932	7.47%
Other PL Adjustments	6,385	6,361	12,746	2.29%	43,823	43,666	87,489	2.68%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$278,173</b>	<b>\$279,307</b>	<b>\$557,480</b>		<b>\$1,630,577</b>	<b>\$1,633,450</b>	<b>\$3,264,027</b>	

### 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					162,171					165,008
Vacancy Savings					(51,042)					(51,159)
Inflation/Deflation					(256)					(242)
Fixed Costs					9,578					9,874
<b>Total Statewide Present Law Adjustments</b>		<b>\$12,190</b>	<b>\$41,097</b>	<b>\$35,732</b>	<b>\$120,451*</b>		<b>\$13,348</b>	<b>\$42,912</b>	<b>\$35,678</b>	<b>\$123,481*</b>
DP 301 - CSD Indirect Rate Adjustment	0.00	6,385	24,173	13,012	43,823*	0.00	6,361	24,100	12,956	43,666*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$6,385</b>	<b>\$24,173</b>	<b>\$13,012</b>	<b>\$43,823*</b>	<b>0.00</b>	<b>\$6,361</b>	<b>\$24,100</b>	<b>\$12,956</b>	<b>\$43,666*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$18,575</b>	<b>\$65,270</b>	<b>\$48,744</b>	<b>\$164,274*</b>	<b>0.00</b>	<b>\$19,709</b>	<b>\$67,012</b>	<b>\$48,634</b>	<b>\$167,147*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – In order to address internal equity issues and adequately compensate for required skill sets, two groups of employees are classified in higher grade positions. Administrative law judges are paid at attorney market rates and budget analysts and accountants are paid at the financial specialist market rate.
- o **Program Specific Obstacles** – The agency has frozen pay increases for current staff. To maintain equity with current employees, starting compensation rates for new hires have been reduced by two pay bands making it difficult for the program to recruit qualified staff.
- o **Vacancy** – The program has reported no detrimental issues related to vacancies.
- o **Legislatively Applied Vacancy Savings** – To generate sufficient vacancy savings, the program held vacant positions open longer.
- o **Pay/Position Changes** - Pay increases were the result of market adjustments per the department's adopted pay

plan, which included movement within a band, completion of training assignments, and employee advancement/promotions. The division did award one strategic pay adjustment to retain an employee with specialized knowledge and skills critical to the work unit and establish internal equity. The division funded pay changes by holding positions open for a period sufficient to cover the increase.

- o **Retirements** – The program anticipates that there will be two retirements in the 2013 biennium with a compensated absence liability of \$10,900. When possible, the division double fills positions to train and transfer knowledge.

DP 301 - CSD Indirect Rate Adjustment - The Centralized Services Division (CSD) is requesting \$43,823 for FY 2012 and \$43,666 for FY 2013 to meet anticipated adjusted costs for the negotiated CAP and the Office of Information Technology (OIT) network support indirect cost rates.

## **Proprietary Rates**

### **Proprietary Program Description**

The Commissioner's Office / Central Services Division operates the following four programs using proprietary funding. The Legal and Hearings programs are aggregated in the proposed budget tables.

- o Central Services Support Cost Allocation Plan (CAP)
- o Office of Information Technology
- o Legal
- o Hearings

Each of these programs are internal service funded activities whereby the all of the services are provided by the program to other divisions and programs within the agency from budgeted and non-budgeted sources.

### **Central Services - CAP**

#### *Proprietary Proposed Budget*

The 2013 Biennium Report on Internal Service and Enterprise Funds for fund 06568 shows the financial information for the fund from FY 2010 through FY 2013. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

2013 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
6546	Commissioner's Office/CSD	66020	Department of Labor & Industry	Commissioner's Office			
6547	L/CSD-Direct Charge						
				Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>							
Fee revenue							
Cost Allocation Plan (CAP)-Nonfederal				\$ 1,991,651	\$ 2,033,998	\$ 2,124,607	\$ 2,117,182
Other Operating Revenues				182	-	-	-
Total Operating Revenue				1,991,833	2,033,998	2,124,607	2,117,182
<b>Nonoperating Revenues (Expenses):</b>							
Federal Indirect Cost Recoveries				1,431,528	1,445,142	1,516,785	1,511,407
Net Nonoperating Revenues (Expenses)				1,431,528	1,445,142	1,516,785	1,511,407
<b>Total Revenues</b>				<b>\$ 3,423,362</b>	<b>\$ 3,479,140</b>	<b>\$ 3,641,392</b>	<b>\$ 3,628,589</b>
<b>Operating Expenses:</b>							
Personal Services				\$ 1,784,355	\$ 2,110,374	\$ 1,995,398	\$ 1,995,787
Other Operating Expenses				1,820,603	1,634,691	1,369,889	1,229,359
Total Operating Expenses				\$ 3,604,958	\$ 3,745,065	\$ 3,365,287	\$ 3,225,146
Income (Loss) Before Operating Transfers				<u>\$ (181,597)</u>	<u>\$ (265,925)</u>	<u>\$ 276,105</u>	<u>\$ 403,443</u>
Change in net assets				(181,597)	(265,925)	276,105	403,443
Total Net Assets- July 1 - As Restated				327,145	150,954	(114,971)	161,134
Prior Period Adjustments				5,406	-		
Cumulative effect of account change				-	-		
Total Net Assets - July 1 - As Restated				332,551	150,954	(114,971)	161,134
Net Assets- June 30				<b>150,954</b>	<b>(114,971)</b>	<b>161,134</b>	<b>564,577</b>

### *Proprietary Program Description*

Supportive services provided by the Commissioner's Office and Centralized Services Division include: budgeting, accounting and fiscal management, internal controls, contracting, purchasing, asset management, human resources, payroll, and benefits. The program is funded through a cost allocation plan whereby the Central Services Program determines their projected expenditures and then divides that amount by the personal services budget of the agency's divisions to arrive at a percentage that is the rate the department programs are assessed.

### Expenses

The programs expenses include personal services and associated operating expenses for 33.5 FTE.

### Revenues

The Commissioner's Office/Centralized Services Division is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based on federally calculated rates applied to actual personal service expenditures as well as rates charged based on time distribution and active directory counts.

### Funding Sources

The following sources of funding were used to pay for services provided under the CAP program in the base year.

- o General Fund 3.5%
- o State Special Revenue 49.3%
- o Federal Special Revenue 42.2%
- o Proprietary/Other 5.0%

The primary state special revenue funds that support the program are the Employment Security Account and the Workers' Compensation Regulation Account.

*Proprietary Present Law Adjustments*

Present law adjustments for the Central Services CAP are limited to statewide adjustments that primarily reduce base year operating expenses for the program. A small adjustment is made to align the personal services budget with the actual FTE positions in the program.

*Proprietary Rates*

The cost allocation rate (CAP) must be approved by the U.S. Department of Labor, which has requirements that include a working capital of no more than 60 days. The rate, which is assessed to personal service expenditures, is determined by calculating the total costs of providing the services divided by the projected department personal services expenditures. The rate requested for the 2013 biennium is 8.24% for FY 2012 and 8.26% for FY 2013.

**Office of Information Technology (OIT)***Proprietary Proposed Budget*

The 2013 Biennium Report on Internal Service and Enterprise Funds for fund 06568 shows the financial information for the fund from FY 2010 through FY 2013. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

2013 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
06568	Commissioner's Office/OIT	66020	Department of Labor & Industry	Commissioner's Office			
				Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>							
Cost Allocation Plan (CAP)-Nonfederal				\$1,851,150	\$ 1,851,150	\$ 1,926,194	\$ 1,918,170
Other Operating Revenues				155	-	-	-
Total Operating Revenue				\$1,851,305	\$ 1,851,150	\$ 1,926,194	\$ 1,918,170
<b>Operating Expenses:</b>							
Personal Services				\$1,475,741	\$ 1,300,133	\$ 1,468,946	\$ 1,468,473
Other Operating Expenses				432,420	410,935	391,533	391,773
Total Operating Expenses				\$1,908,161	\$ 1,711,068	\$ 1,860,479	\$ 1,860,246
Operating Income (Loss)				\$ (56,856)	\$ 140,082	\$ 65,715	\$ 57,924
Change in net assets				(56,856)	140,082	65,715	57,924
Total Net Assets- July 1 - As Restated				-	(56,856)	83,226	148,941
Prior Period Adjustments				-	-	-	-
Cumulative effect of account change				-	-	-	-
Total Net Assets - July 1 - As Restated				-	(56,856)	83,226	148,941
Net Assets- June 30				\$ (56,856)	\$ 83,226	\$ 148,941	\$ 206,865

*Proprietary Program Description*

The Office of Information Technology (OIT) provides network support to the department's five programs and two administratively attached entities.

Expenses

Expenses for the OIT are dominated by personal services as the program provides technology support and installation services for the agency. 21.0 FTE are funded by the program.

Revenues

Revenue is generated for the program through two rates. One rate is for direct services billed to the department's bureaus and the other is a monthly indirect rate based on division active directory count.

### Funding Sources

The following sources of funding were used to pay for the services during FY 2010:

- o General Fund 3.5%
- o State Special Revenue 55.8%
- o Federal Special Revenue 34.0%
- o Proprietary/Other funds 6.8%

### *Proprietary Present Law Adjustments*

The present law adjustments for the Office of Information Technology program are limited to statewide adjustments primarily related to aligning budgeted personal services to actual position information.

### *Proprietary Rates*

The Office of Information Technology rates (OIT) must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The direct rate is calculated based on the projected direct cost of services for the 2013 biennium divided by the direct hours of service provided in the 2011 biennium. The monthly indirect rate is calculated based on the projected indirect cost of services for the 2013 biennium divided by the active directory counts for the Department divided by 12 months. The direct rate request is \$42 per direct hour of service and the indirect rate request is \$161 a month per active directory for the 2013 biennium.

### **Legal and Hearings**

### *Proprietary Proposed Budget*

The 2013 Biennium Report on Internal Service and Enterprise Funds for funds 06552 and 06574 shows the financial information for the funds from FY 2010 through FY 2013. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

2013 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency #	Agency Name	Program Name
6552	BSD/Legal	66020	Department of Labor & Industr	Commissioner's Office
6574	BSD/Hearings			

	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13
<b>Operating Revenues:</b>				
Charges for services	1,293,655	1,021,000	1,111,000	1,111,000
Total Operating Revenue	\$ 1,293,655	\$ 1,021,000	\$ 1,111,000	\$ 1,111,000
<b>Operating Expenses:</b>				
Personal Services	\$ 901,260	\$ 977,872	\$ 929,311	\$ 929,517
Other Operating Expenses	206,233	157,661	174,320	174,218
Total Operating Expenses	\$ 1,107,493	\$ 1,135,533	\$ 1,103,631	\$ 1,103,735
Operating Income (Loss)	\$ 186,162	\$ (114,533)	\$ 7,369	\$ 7,265
Total Net Assets- Beginning of Fiscal Year	\$ 86,094	\$ 272,199	\$ 157,666	\$ 165,035
Prior Period Adjustments	(56)	-	-	-
Cumulative effect of account change	-	-	-	-
Total Net Assets - Beginning of Fiscal Year - As Restated	86,038	272,199	157,666	165,035
Net Assets- End of Fiscal Year	\$ 272,199	\$ 157,666	\$ 165,035	\$ 172,300

### *Proprietary Program Description*

The Hearings Bureau holds administrative hearings on behalf of the Business Standards Licensing Bureaus and Building Codes Bureau.



The Office of Legal Services provides legal services to the Business Standards Division. The revenues generated fund 11.75 FTE.

#### Expenses

Expenses for both functions are primarily personal services and ancillary operating expenses.

#### Revenues

For the Hearings Bureau, an hourly rate is assessed for administrative law judge and paralegal time associated with the hearings. 0.50 FTE are funded by the revenue generated. For the Office of Legal Services, an hourly rate for attorney fees is established.

#### *Proprietary Rates*

For the 2013 Biennium the following rates are proposed by the executive.

#### **Proprietary Revenues and Expenses**

Revenue Description: The Commissioner's Office/Centralized Services Division is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the divisions indirect cost plan. Indirect costs are allocated to supported programs based on federally calculated, and legislatively approved indirect cost rates applied to actual personal service expenditures as well as rates charged based on time distribution and active directory counts.

Services and Fees: There are no significant changes to the methodology for calculating the rate for Centralized Services, Hearings Bureau or the Office of Legal Services. The Office of Information Technology has moved from one rate to two rates.

Working Capital: All rates consider a 60-day or less working capital to meet ongoing operational costs.

Fund Equity and Reserved Fund Balance: At the proposed rates, the Centralized Services Division projects a fiscal year end 2013 ending working capital reserve of approximately 60 days for all proposed rates.

Expenses: Expenses recovered in the rates are for personal services of the 66.75 FTE covered under these rates, operating expenditures to support those FTE, and some department wide fixed costs.

#### **Proprietary Rate Explanation**

The cost allocation rate (CAP) must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The rate, which is assessed to personal service expenditures, is determined by calculating the total costs of providing the services divided by the projected department personal services expenditures. The rate requested for the 2013 biennium is 8.24% for FY 2012 and 8.26% for FY 2013.

The Office of Information Technology rates (OIT) must be approved by the U.S. Department of Labor which has requirements including a working capital of no more than 60 days. The direct rate is calculated based on the projected direct cost of services for the 2013 biennium divided by the direct hours of service provided in the 2011 biennium. The monthly indirect rate is calculated based on the projected indirect cost of services for the 2013 biennium divided by the active directory counts for the Department divided by 12 months. The direct rate request is \$42 per direct hour of service and the indirect rate request is \$161 a month per active directory for the 2013 biennium.

The Hearings Bureau rate per hour is calculated based on the projected cost of services for the 2013 biennium divided by the direct hours of service provided in the 2011 biennium. Rates are established for both administrative law judges and paralegal services are \$90 and \$50 respectively.

The Office of Legal Services rate per hour is calculated on projected costs of services for the 2013 biennium divided by the direct hours of service provided in the 2011 biennium. The rate for the 2013 biennium is \$95 per hour.

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	129.10	129.10	129.10	129.10	129.10	129.10	0.00	0.00%
Personal Services	7,594,217	7,567,066	7,796,158	7,794,664	15,161,283	15,590,822	429,539	2.83%
Operating Expenses	4,226,224	4,188,926	4,480,426	4,501,292	8,415,150	8,981,718	566,568	6.73%
Equipment & Intangible Assets	0	64,878	0	0	64,878	0	(64,878)	(100.00%)
Benefits & Claims	103,300	126,085	103,300	103,300	229,385	206,600	(22,785)	(9.93%)
<b>Total Costs</b>	<b>\$11,923,741</b>	<b>\$11,946,955</b>	<b>\$12,379,884</b>	<b>\$12,399,256</b>	<b>\$23,870,696</b>	<b>\$24,779,140</b>	<b>\$908,444</b>	<b>3.81%</b>
General Fund	1,162,774	1,176,035	1,180,527	1,186,722	2,338,809	2,367,249	28,440	1.22%
State Special	10,049,157	10,099,448	10,486,223	10,495,353	20,148,605	20,981,576	832,971	4.13%
Federal Special	711,810	662,307	713,134	717,181	1,374,117	1,430,315	56,198	4.09%
Other	0	9,165	0	0	9,165	0	(9,165)	(100.00%)
<b>Total Funds</b>	<b>\$11,923,741</b>	<b>\$11,946,955</b>	<b>\$12,379,884</b>	<b>\$12,399,256</b>	<b>\$23,870,696</b>	<b>\$24,779,140</b>	<b>\$908,444</b>	<b>3.81%</b>

### Program Description

The Employment Relations Division (ERD) provides five service areas to the public: 1) Workers' Compensation (WC) Regulation Bureau, which regulates WC insurance coverage requirements, policy compliance, medical regulations, contractor registration, and independent contractor exemptions; 2) WC Claims Assistance Bureau, which assists organizations and individuals to arrive at early, less expensive settlements of their disputes, and provides management information on the workers' compensation system; 3) Labor Standards Bureau (and administratively attached Board of Personnel Appeals), which enforces state and federal labor laws related to the payment of wages and provides collective bargaining mediation; 4) Safety and Health Bureau, which administers federal and state industrial safety laws; and 5) Human Rights Bureau (and administratively attached Human Rights Commission), which enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education. ERD also has one bureau, Management Services Bureau, which provides administrative and IT support to the other five bureaus.

### Program Highlights

Employment Relations Division Major Budget Highlights	
◆	Funding for the division increases 3.8% or \$900,000 between the two biennia primarily due to statewide present law adjustments and funding for a web based tool for use by providers and insurers in accessing treatment guidelines

### Program Narrative

#### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The agency 5% plan reduces general fund support for the Silicosis Benefit Program by \$56,920. Through this program payments are made to those with silicosis (a fibrotic condition of the lungs due to the inhalation of silica dust), which results in total disability, rendering it impossible for the person to be gainfully employed. Claimants or their surviving spouses (as long as they do not remarry) are paid \$300 per month for life. This reduction is not in the executive budget.

Because this program is established in statute, legislation would be needed in order to reduce the level of expenditures for this program.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table						
Employment Relations Division						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 1,162,774	9.8%	\$ 1,180,527	9.5%	\$ 1,186,722	9.6%
01100 General Fund	1,162,774	9.8%	1,180,527	9.5%	1,186,722	9.6%
02000 Total State Special Funds	10,049,157	84.3%	10,486,223	84.7%	10,495,353	84.6%
02258 Employment Security Account	1,464,855	12.3%	1,474,982	11.9%	1,482,034	12.0%
02263 Subsequent Injury Admin	57,889	0.5%	58,299	0.5%	58,359	0.5%
02346 Contractor Registration	1,311,201	11.0%	1,317,053	10.6%	1,324,653	10.7%
02455 Workers' Comp Regulation	6,273,637	52.6%	6,652,179	53.7%	6,665,453	53.8%
02941 Uninsured Employer Fund	941,575	7.9%	983,710	7.9%	964,854	7.8%
03000 Total Federal Special Funds	711,810	6.0%	713,134	5.8%	717,181	5.8%
03122 Eeoc	100,071	0.8%	99,512	0.8%	99,375	0.8%
03130 Coal Mine Safety	150,234	1.3%	149,777	1.2%	151,783	1.2%
03195 On-Site Consultation	461,505	3.9%	463,845	3.7%	466,023	3.8%
Grand Total	<u>\$ 11,923,741</u>	<u>100.0%</u>	<u>\$ 12,379,884</u>	<u>100.0%</u>	<u>\$ 12,399,256</u>	<u>100.0%</u>

The division is primarily funded with state special revenue funds, which account for 84.6% of the total funding, and are derived mainly from workers compensation regulation funds. Workers compensation regulation and workplace safety issues represent the largest share of the division's activities. General fund comprises 9.6% percent of total funding and supports personal services and general operating expenses. Federal special revenue provides 5.8% of the division's funding and is derived from grants related to equal employment opportunity programs and workplace safety.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,162,774	1,162,774	2,325,548	98.24%	11,923,741	11,923,741	23,847,482	96.24%
Statewide PL Adjustments	8,262	14,674	22,936	0.97%	249,276	256,037	505,313	2.04%
Other PL Adjustments	9,491	9,274	18,765	0.79%	206,867	219,478	426,345	1.72%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,180,527</b>	<b>\$1,186,722</b>	<b>\$2,367,249</b>		<b>\$12,379,884</b>	<b>\$12,399,256</b>	<b>\$24,779,140</b>	

### 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 2012-----						-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					526,481					524,929
Vacancy Savings					(324,540)					(324,482)
Inflation/Deflation					(40,909)					(40,096)
Fixed Costs					88,244					95,686
Total Statewide Present Law Adjustments		\$8,262	\$243,210	(\$2,196)	\$249,276		\$14,674	\$240,705	\$658	\$256,037
DP 401 - ERD indirect rate adjustment	0.00	9,491	65,928	3,235	78,654	0.00	9,274	63,102	2,920	75,296
DP 402 - Utilization and Treatment Gudelines	0.00	0	131,000	0	131,000	0.00	0	131,000	0	131,000
DP 404 - ERD General Operating Increase	0.00	0	2,731	285	3,016	0.00	0	17,192	1,793	18,985
DP 405 - Motor Pool Reduction	0.00	0	(5,803)	0	(5,803)	0.00	0	(5,803)	0	(5,803)
Total Other Present Law Adjustments		0.00	\$9,491	\$193,856	\$3,520	\$206,867	0.00	\$9,274	\$205,491	\$4,713
Grand Total All Present Law Adjustments		0.00	\$17,753	\$437,066	\$1,324	\$456,143	0.00	\$23,948	\$446,196	\$475,515

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - None
- o **Program Specific Obstacles** - The department is continuing to feel the effect of a frozen pay environment and dated market rates. In addition they are continuing to implement a “two-step back” band placement for new hires. This strategy is a deterrent for the department to attract a qualified labor pool (from the private sector) and is detrimental as agencies end up competing for staff. Pay plan rules, including classification of staff while developed in the interest of equity, may be at times too rigid to successfully meet business objectives.
- o **Vacancy** - There continues to be a recruitment and retention issue with jobs that require specialized and/or technical skill sets including occupational safety and health specialists and computer programmers. This is primarily driven by inequitable compensation rates at the federal level, at Montana State Fund, and in the private sector. Also, the Individual Band Placement (IBP) precludes the flexibility necessary to compete for the technical skills that the job profiles require. Because experience is weighted heavily to place employees in the IBP strata, technically sound employees (e.g. recent graduates) are being “priced” out of the agency’s range. The program uses flexible work schedule and tele-work to assist in recruitment. On rare occasions the division has used pay exceptions to retain workers who were being actively recruited. Utilization of interns to familiarize upcoming graduates with the work of the division and targeting them for employment upon graduation has also been utilized as a recruitment strategy. Vacancies impact the program by increasing workload within program staff and extended cost and time to deliver services (e.g. backlog) and result in service level compromises.
- o **Legislatively Applied Vacancy Savings** - The division’s inability to compete within certain labor pools had a natural consequence of meeting the 7% vacancy rate. In other areas positions were left open where possible.
- o **Pay/Position Changes** - Pay increases were the result of market adjustments per the department’s adopted pay plan, which included movement within a band, completion of training assignments, and employee advancement/promotions. The division did award one strategic pay adjustment to retain an employee with

specialized knowledge and skills critical to the work unit. The funding for the increased compensation liability came by managing the HB 2 and HB 13 approved appropriation with vacancies and following 17-7-138, MCA.

- o **Retirements** - 31 employees are eligible for retirement with a compensated absence liability of \$218,188. The program anticipates the retirement of two management positions and two safety and health specialists in the next biennium. Planning is in process to minimize the impact but it is too early to detail the strategy.

DP 401 - ERD indirect rate adjustment - This decision package requests funding for costs adjustments due to the negotiated cost allocation plan (CAP) and the Office of Information Technology (OIT) network support indirect cost rates. The CAP adjustment is \$176,402 for the biennium and the OIT adjustment is \$22,452 for the biennium.

DP 402 - Utilization and Treatment Guidelines - This decision package requests funding for a contract to maintain a web-based tool for accessing utilization and treatment, which would allow medical providers and payers to easily identify which treatments are supported by evidence and paid for within the system. These guidelines would be used by medical providers and workers' compensation insurers to determine best evidence based treatments for injured workers.

*The following information is provided so that the legislature can consider various performance management principals when examining this proposal. The following information is as provided by the agency and edited by LFD staff for clarity and brevity.*

**Justification:** Medical costs account for 70% of every benefit dollar. The 2007 Legislature gave the department authority to adopt evidence-based utilization and treatment guidelines that are projected to provide significant reductions in unnecessary medical treatments and costs.

**Goals:** The implementation of the new utilization and treatment guidelines will provide substantial reductions in the costs of medical care for injured workers while insuring that the most appropriate care is delivered in a timely manner.

**Performance Criteria:** The adaptation of the proposed utilization and treatment guidelines could reduce overall workers compensation rates by 20.8% and subsequently reduce Montana's consistent and unfavorable cost ranking relative to its peers (measured and recorded by National Council on Compensation Insurance).

**Milestones:** The utilization and treatment guidelines tool proposed for Jan 1, 2011.

**FTE:** The work would be contracted work through the Dept. of Administration procurement services division and request for proposal process.

**Funding Source:** General fund for a 0.50 FTE position currently in the Employment Relations Division and the current Workers Compensation Act (MCA 39-71-201)

**Future Funding:** \$199,000 FY 2014 and FY 2015, recurring maintenance for web based service.

**Obstacles:** Potential resistance includes stakeholder reluctance to participate in potentially lower revenue/margin marketplace (e.g. attorney representation, medical provider participation).

**Risks:** Currently the State of Montana is considered one of the most dangerous places to work. Reform, adaption, and/or structural changes are imperative to provide a safer place for Montanans to call work and home. This tool will play a part in how the workplace leaders, insurers, attorneys, and medical providers define for the future.

DP 404 - ERD General Operating Increase - This decision package requests funding for a rent increase.

DP 405 - Motor Pool Reduction - This decision package requests a reduction of \$5,803 in motor pool costs for one vehicle that was returned in FY 2010.

## Proprietary Rates

### Proprietary Program Description

The Employment Relations Division provides for the Subsequent Injury Fund with proprietary funds. The program is described below.

#### *Proprietary Proposed Budget*

The 2013 biennium report on internal service and enterprise funds for fund 06040 Subsequent Injury Trust shows the financial information for the fund from FY 2010 through FY 2013. The report is provided as submitted by the executive but the LFD has edited and reconfigured the figure for clarity.

#### *Proprietary Program Description*

The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self insured employers, private insurers, and the State Fund. The asset balance is maintained at approximately \$700,000 to provide an operating balance for payment of benefits and administrative costs (39-71-901 through 920, MCA).

#### *Proprietary Program Narrative*

#### Expenses

The expenses of the program consist of the administration costs and benefits for qualified workers.

#### Revenues

The program is funded through an annual assessment on Plan 1 (Self Funded) workers compensation employers and a surcharge on premium for Plan 2 (Private sector), and Plan 3 (State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer the preceding calendar year (39-71-905, MCA).

#### Funding

The program is funded by an annual assessment and surcharge paid by employers.

#### *Proprietary Rate*

The Subsequent Injury fund rate is set by the Employment Relations Division based on the total amount of paid losses reimbursed by the fund in the preceding calendar year. A schedule for this rate of assessment is contained in the Employment Relations Division annual report. (<http://erd.dli.mt.gov/annualrpt/ar2010/AnnualReport09.pdf>) Because the rate is based upon the previous calendar year's experience, future rates beyond one year are unknown.

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.



### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	150.04	150.04	150.04	150.04	150.04	150.04	0.00	0.00%
Personal Services	8,009,302	8,281,605	8,552,592	8,548,936	16,290,907	17,101,528	810,621	4.98%
Operating Expenses	5,625,658	5,922,870	6,109,896	6,194,923	11,548,528	12,304,819	756,291	6.55%
Equipment & Intangible Assets	223,973	350,866	223,973	223,973	574,839	447,946	(126,893)	(22.07%)
Grants	15,136	11,881	15,136	15,136	27,017	30,272	3,255	12.05%
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$13,874,069</b>	<b>\$14,567,222</b>	<b>\$14,901,597</b>	<b>\$14,982,968</b>	<b>\$28,441,291</b>	<b>\$29,884,565</b>	<b>\$1,443,274</b>	<b>5.07%</b>
State Special	13,861,604	14,567,222	14,888,924	14,970,299	28,428,826	29,859,223	1,430,397	5.03%
Federal Special	12,465	0	12,673	12,669	12,465	25,342	12,877	103.31%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$13,874,069</b>	<b>\$14,567,222</b>	<b>\$14,901,597</b>	<b>\$14,982,968</b>	<b>\$28,441,291</b>	<b>\$29,884,565</b>	<b>\$1,443,274</b>	<b>5.07%</b>

### Program Description

The Business Standards Division consists of four bureaus:

- o Building Codes which establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes throughout Montana. The bureau approves and certifies local government code enforcement programs adopted by the bureau and assists the Board of Plumbers and State Electrical Board with license enforcement by checking for proper licensing when inspecting projects for code compliance. The bureau also provides administrative, clerical, and compliance support for five licensing programs.
- o Weights & Measures which is responsible for licensing, inspecting, testing, and certifying all weighing and measuring devices used in making commercial transactions in Montana and enforces laws and regulations pertaining to the quantity control of prepackaged goods, the quality control of petroleum products, and is responsible for maintaining the state standards of mass and volume applied when calibrating other mass and volume standards used in testing commercial devices.
- o Health Care Licensing (HCLB) which provides administrative, clerical, and compliance support for 22 licensing boards and a program that license professionals and individuals working in the health care field. The licensing boards and program in this bureau include 130 board members and 8 advisory council members appointed by the Governor.
- o Business & Occupational Licensing (BOLB) which provides administrative, clerical, and compliance support for 11 licensing boards and a licensing program that license professionals and individuals working in non-health-care-related professions and occupations. The licensing boards in this bureau include 78 board members appointed by the Governor.



**Program Highlights**

<b>Business Standards Division Major Budget Highlights</b>	
♦	Funding for the division increases 5.1% (\$1.4 million) between the two biennia, primarily due to increases in state special revenue for statewide present law adjustments and the agency's indirect cost rate
<b>Major LFD Issues</b>	
♦	The executive budget does not include information regarding the potential impact of cost increases on the various licensing boards or fees

**Program Narrative***5% Reduction Plan*

The 5% reduction plan requirement is not applicable to the state special revenue funds supporting this program.

**Funding**

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table							
Business Standards Division							
Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
02000	Total State Special Funds	\$ 13,861,604	99.9%	\$ 14,888,924	99.9%	\$ 14,970,299	99.9%
	02024 Blaster Licensing	3,078	0.0%	2,980	0.0%	3,085	0.0%
	02078 Occupational Therapists	33,014	0.2%	33,725	0.2%	33,749	0.2%
	02079 Fire Protection & Permitting	26,759	0.2%	61,324	0.4%	61,480	0.4%
	02109 Board Of Outfitters	646,967	4.7%	643,473	4.3%	643,785	4.3%
	02155 Boiler,Blaster,Crane Licensing	417,201	3.0%	574,163	3.9%	576,276	3.8%
	02207 Crane Licensing	68,330	0.5%	99,563	0.7%	99,843	0.7%
	02359 Chemical Dependency Counselors	70,382	0.5%	72,168	0.5%	72,221	0.5%
	02446 Board Of Psychologist Exam	78,158	0.6%	79,498	0.5%	79,544	0.5%
	02448 Building Codes State Spec Rev	4,065,267	29.3%	4,314,927	29.0%	4,309,667	28.8%
	02580 Bd Of Athletic Trainers	10,917	0.1%	15,127	0.1%	18,583	0.1%
	02679 Massage Therapists	62,042	0.4%	74,973	0.5%	75,024	0.5%
	02764 Bd Of Adolescent Res. Or Outdr Pgr	85,125	0.6%	88,381	0.6%	88,443	0.6%
	02767 Elevators	187,295	1.3%	202,057	1.4%	204,754	1.4%
	02805 Weights & Measures Bureau	999,936	7.2%	1,036,080	7.0%	1,038,249	6.9%
	02808 Board Of Landscape Architects	30,976	0.2%	31,493	0.2%	31,509	0.2%
	02809 Board Of Speech Pathologists	45,945	0.3%	47,416	0.3%	47,449	0.3%
	02810 Bd Of Radiologic Technologists	89,504	0.6%	92,526	0.6%	92,583	0.6%
	02811 Clinical Lab Science Pract.	57,169	0.4%	59,869	0.4%	59,905	0.4%
	02812 Physical Therapists	91,137	0.7%	94,203	0.6%	94,260	0.6%
	02813 Bd Of Nursing Home Admin	46,423	0.3%	47,741	0.3%	47,776	0.3%
	02814 Bd Of Hearing Aid Dispensers	43,880	0.3%	44,855	0.3%	44,884	0.3%
	02815 Board Of Public Accountants	358,923	2.6%	370,984	2.5%	371,278	2.5%
	02816 Board Of Sanitarians	24,423	0.2%	24,631	0.2%	24,642	0.2%
	02818 Electrical Board	348,623	2.5%	354,819	2.4%	351,969	2.3%
	02819 Board Of Realty Regulations	785,752	5.7%	801,717	5.4%	802,054	5.4%
	02820 Board Of Architects	92,757	0.7%	95,389	0.6%	95,427	0.6%
	02821 Board Of Funeral Service	92,692	0.7%	93,423	0.6%	93,470	0.6%
	02822 Board Of Chiropractors	95,925	0.7%	98,547	0.7%	98,614	0.7%
	02823 Professional Engineers	360,884	2.6%	378,239	2.5%	378,402	2.5%
	02824 Board Of Medical Examiners	1,071,086	7.7%	1,305,149	8.8%	1,303,248	8.7%
	02826 Cosmetology Board	599,282	4.3%	613,421	4.1%	613,689	4.1%
	02828 Board Of Plumbers	281,080	2.0%	281,505	1.9%	281,628	1.9%
	02829 Private Investigator	238,425	1.7%	243,806	1.6%	242,425	1.6%
	02830 Board Of Dentistry	230,319	1.7%	236,391	1.6%	236,533	1.6%
	02831 Board Of Optometrists	27,117	0.2%	26,507	0.2%	26,524	0.2%
	02832 Board Of Pharmacy	640,089	4.6%	722,614	4.8%	722,622	4.8%
	02833 Board Of Nursing	853,414	6.2%	907,804	6.1%	986,840	6.6%
	02834 Board Of Veterinarians	96,751	0.7%	103,971	0.7%	104,133	0.7%
	02840 Board Of Social Workers	187,689	1.4%	191,630	1.3%	191,733	1.3%
	02852 Bd. Of Alternative Health Care	63,050	0.5%	63,244	0.4%	63,277	0.4%
	02854 Bd. Of Real Estate Appraisers	222,339	1.6%	225,409	1.5%	225,517	1.5%
	02855 Bd Of Respiratory Care	31,479	0.2%	33,182	0.2%	33,205	0.2%
03000	Total Federal Special Funds	12,465	0.1%	12,673	0.1%	12,669	0.1%
	03293 Country Of Origin Labeling	12,465	0.1%	12,673	0.1%	12,669	0.1%
Grand	Total	<u>\$ 13,874,069</u>	<u>100.0%</u>	<u>\$ 14,901,597</u>	<u>100.0%</u>	<u>\$ 14,982,968</u>	<u>100.0%</u>

The Business Standards Division is funded almost entirely through state special revenue. State special revenue accounts are maintained for each type of licensee and professional board. Charges and fees paid by licensees are deposited to the accounts and administrative and operational expenses of the division are charged directly to the funds. A small amount of federal funds from a Country of Origin Labeling grant also support the program.

**LFD  
ISSUE**Impact on Licensing Boards

The executive budget for this program includes a number of cost increases in cost allocation and indirect cost rates, and for various operating costs. The budget as presented does not include any information about how the requested increases impact the various licensing boards or fee charged.

The legislature may wish to:

- o Request a summary table that illustrates FY 2010 base expenditures and the FY 2013 biennium proposed budget for each of the licensing boards
- o Discuss with the department which if any licensing fees may be impacted and increased as a result of funding increases requested in the executive budget

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	13,874,069	13,874,069	27,748,138	92.85%
Statewide PL Adjustments	0	0	0	0.00%	586,794	595,785	1,182,579	3.96%
Other PL Adjustments	0	0	0	0.00%	440,734	513,114	953,848	3.19%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$14,901,597</b>	<b>\$14,982,968</b>	<b>\$29,884,565</b>	

**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 2012-----					-----Fiscal 2013-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				893,046					889,250
Vacancy Savings				(351,856)					(351,716)
Inflation/Deflation				17,974					26,042
Fixed Costs				27,630					32,209
Total Statewide Present Law Adjustments									
	\$0	\$586,746	\$48	\$586,794		\$0	\$595,737	\$48	\$595,785
DP 501 - BSD Indirect Rate Adjustment									
0.00	0	204,997	160	205,157	0.00	0	201,203	156	201,359
DP 503 - BSD General Operating Increase									
0.00	0	48,192	0	48,192	0.00	0	120,147	0	120,147
DP 504 - BSD Consulting Increase									
0.00	0	97,824	0	97,824	0.00	0	102,047	0	102,047
DP 505 - BSD Data Base Maintenance									
0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 506 - BSD Motorpool Reduction									
0.00	0	(10,439)	0	(10,439)	0.00	0	(10,439)	0	(10,439)
Total Other Present Law Adjustments									
0.00	\$0	\$440,574	\$160	\$440,734	0.00	\$0	\$512,958	\$156	\$513,114
Grand Total All Present Law Adjustments									
0.00	\$0	\$1,027,320	\$208	\$1,027,528	0.00	\$0	\$1,108,695	\$204	\$1,108,899

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - None
- o **Program Specific Obstacles** - With the current economic situation the division is not having any difficulty in filling vacant positions. However, when the economy does turn around recruitment and retention for certain positions, such as building codes inspectors and plan reviewers, will be difficult with the limited pay we are able to offer. Additionally, statutory requirements, such as the requirement that a registered pharmacist be executive director of the Board of Pharmacy and a masters level nurse with multiple years of education experience be the education director for the Board of Nursing, raise additional challenges for recruitment.
- o **Vacancy** - Due to the economic conditions the division has not experienced a high degree of turnover the last two years with one exception, crane inspectors. Due to the limited number of individuals with active license and high demand for their services, retaining a licensed inspector is difficult during the construction period. Other than incentives already in place such as four ten hour days, no new incentives have been adopted. Pay is the driving force behind the turnover and until the division can offer several times the amount now offered for this position the situation will continue. The workload of vacant positions has been shifted to other employees which given the slowdown has had no detrimental effect on overall inspection numbers. If the construction industry rebounds, then we expect the workload issue to become a greater concern.
- o **Legislatively Applied Vacancy Savings** – The program held some positions, such as building codes inspectors, a weights and measures inspector, and a program manager, open longer than normal and was able to achieve an 8.9% vacancy savings rate.
- o **Pay/Position Changes** - None this biennium. In the past, the division had established a higher rate of pay for building inspectors who were willing to add additional credentials such as plumbing to an existing electrical credential. This has saved the state money as it allows one building inspector to make one trip to a location to do multiple inspections (plumbing, electrical, etc.) instead of sending multiple inspectors to the same site.
- o **Retirements** - The division has 44 individuals eligible for retirement with a total liability of \$335,390. Currently the division anticipates the retirement of three individuals with a corresponding liability of \$59,982.

DP 501 - BSD Indirect Rate Adjustment - This decision package requests funding to support an anticipated increase due to the negotiated cost allocation plan (CAP) and the Office of Information Technology (OIT) network support indirect cost rates. This increase is allocated among the state special revenue funds supporting the various licensing boards.

DP 503 - BSD General Operating Increase - This decision package requests state special revenue funding for operating increases including:

- o Per diem and travel for the for Board of Athletic Trainers and the Board of Respiratory Therapists - neither board met in FY 2010
- o Postage for those boards that did not renew in FY 2010
- o Printing, mailing of renewal notices, and fee collection expenses (Montana Interactive)
- o Contracted services for anticipated examinations for the Board of Alternative Health Care - there were no examinations administered in FY 2010
- o Other costs associated with expansion of the Emergency Medical Technician course framework, embryo transfer examinations for the Board of Veterinarians, increases in dues to national federations, increased rent, purchase of a new card printer for license identification, and out-of state travel for two new licensing boards to attend national meetings

DP 504 - BSD Consulting Increase - This decision package request state special revenue for increases in consultant and professional services for the licensing boards.

DP 505 - BSD Data Base Maintenance - This decision package requests funding for the maintenance contract for the new Accela database system purchased in FY 2010. Total obligation for this contract is \$500,000 of which \$400,000 is included in the FY 2010 base budget.

DP 506 - BSD Motorpool Reduction - This decision package includes a reduction in motor pool costs to reflect the return of one vehicle in FY 2011.

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	257,803	239,645	267,217	266,554	497,448	533,771	36,323	7.30%
Operating Expenses	217,616	258,894	233,176	233,329	476,510	466,505	(10,005)	(2.10%)
Grants	2,444,100	2,155,787	2,444,100	2,444,100	4,599,887	4,888,200	288,313	6.27%
Transfers	80,040	275,274	80,040	80,040	355,314	160,080	(195,234)	(54.95%)
<b>Total Costs</b>	<b>\$2,999,559</b>	<b>\$2,929,600</b>	<b>\$3,024,533</b>	<b>\$3,024,023</b>	<b>\$5,929,159</b>	<b>\$6,048,556</b>	<b>\$119,397</b>	<b>2.01%</b>
General Fund	122,920	123,933	123,663	123,922	246,853	247,585	732	0.30%
State Special	39,070	39,370	39,414	39,389	78,440	78,803	363	0.46%
Federal Special	2,837,569	2,766,297	2,861,456	2,860,712	5,603,866	5,722,168	118,302	2.11%
<b>Total Funds</b>	<b>\$2,999,559</b>	<b>\$2,929,600</b>	<b>\$3,024,533</b>	<b>\$3,024,023</b>	<b>\$5,929,159</b>	<b>\$6,048,556</b>	<b>\$119,397</b>	<b>2.01%</b>

### Program Description

The Office of Community Services provides administration for the Corporation for National and Community Service AmeriCorps State programs, community service, and volunteer efforts statewide. The office was created by the 1993 Legislature, at the request of the Governor, to engage citizens in service and support volunteer opportunities focused on critical community needs. The office works with the Montana Commission on Community Service to promote civic engagement, particularly among youth and older Montanans.

### Program Highlights

Office of Community Service Major Budget Highlights	
◆	The increase of just over 2% is due entirely to statewide present law adjustments

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Office Of Community Services						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 122,920	4.1%	\$ 123,663	4.1%	\$ 123,922	4.1%
01100 General Fund	122,920	4.1%	123,663	4.1%	123,922	4.1%
02000 Total State Special Funds	39,070	1.3%	39,414	1.3%	39,389	1.3%
02190 Ocs Cbi Training	39,070	1.3%	39,414	1.3%	39,389	1.3%
03000 Total Federal Special Funds	2,837,569	94.6%	2,861,456	94.6%	2,860,712	94.6%
03322 Mt Community Service Fsr	2,837,569	94.6%	2,861,456	94.6%	2,860,712	94.6%
Grand Total	<u>\$ 2,999,559</u>	<u>100.0%</u>	<u>\$ 3,024,533</u>	<u>100.0%</u>	<u>\$ 3,024,023</u>	<u>100.0%</u>

The major funding source for this program is federal revenue. General fund and state special revenue fund most of the administrative expenses for the program, with federal revenue providing the remainder and providing the funding for the grants and special projects administered by the program.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	122,920	122,920	245,840	99.30%	2,999,559	2,999,559	5,999,118	99.18%
Statewide PL Adjustments	743	1,002	1,745	0.70%	24,974	24,464	49,438	0.82%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$123,663</b>	<b>\$123,922</b>	<b>\$247,585</b>		<b>\$3,024,533</b>	<b>\$3,024,023</b>	<b>\$6,048,556</b>	

### 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					20,514					19,823
Vacancy Savings					(11,100)					(11,072)
Inflation/Deflation					(406)					(397)
Fixed Costs					15,966					16,110
<b>Total Statewide Present Law Adjustments</b>		<b>\$743</b>	<b>\$344</b>	<b>\$23,887</b>	<b>\$24,974</b>		<b>\$1,002</b>	<b>\$319</b>	<b>\$23,143</b>	<b>\$24,464</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$743</b>	<b>\$344</b>	<b>\$23,887</b>	<b>\$24,974</b>	<b>0.00</b>	<b>\$1,002</b>	<b>\$319</b>	<b>\$23,143</b>	<b>\$24,464</b>

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - None
- o **Program Specific Obstacles** - None
- o **Vacancy** –
- o **Legislatively Applied Vacancy Savings** - The agency must immediately fill positions when vacancies occur to avoid overtime. Other program authority was used to fund personal services.
- o **Pay/Position Changes** – One reclassification and one increase due to successful completion by a new hire of a probationary period were made.
- o **Retirements** - None



### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0.00%
Personal Services	474,733	473,287	502,220	501,162	948,020	1,003,382	55,362	5.84%
Operating Expenses	165,079	192,141	169,602	171,127	357,220	340,729	(16,491)	(4.62%)
<b>Total Costs</b>	<b>\$639,812</b>	<b>\$665,428</b>	<b>\$671,822</b>	<b>\$672,289</b>	<b>\$1,305,240</b>	<b>\$1,344,111</b>	<b>\$38,871</b>	<b>2.98%</b>
State Special	639,812	665,428	671,822	672,289	1,305,240	1,344,111	38,871	2.98%
<b>Total Funds</b>	<b>\$639,812</b>	<b>\$665,428</b>	<b>\$671,822</b>	<b>\$672,289</b>	<b>\$1,305,240</b>	<b>\$1,344,111</b>	<b>\$38,871</b>	<b>2.98%</b>

### Program Description

The Workers' Compensation Court provides a venue for Montana employees, employers, and the insurance industry to resolve disputes arising from work-related injuries and occupational diseases. The court is attached to the department for administrative purposes only.

### Program Highlights

Workers Compensation Court Major Budget Highlights	
◆	The increase of almost 3% is due to statewide present law adjustments and a small operating increase

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Workers Compensation Court						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
02000 Total State Special Funds	\$ 639,812	100.0%	\$ 671,822	100.0%	\$ 672,289	100.0%
02455 Workers' Comp Regulation	<u>639,812</u>	<u>100.0%</u>	<u>671,822</u>	<u>100.0%</u>	<u>672,289</u>	<u>100.0%</u>
Grand Total	<u>\$ 639,812</u>	<u>100.0%</u>	<u>\$ 671,822</u>	<u>100.0%</u>	<u>\$ 672,289</u>	<u>100.0%</u>

The court is entirely funded with state special revenue derived from a fee charged to workers compensation carriers in Montana.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	639,812	639,812	1,279,624	95.20%
Statewide PL Adjustments	0	0	0	0.00%	28,602	27,677	56,279	4.19%
Other PL Adjustments	0	0	0	0.00%	3,408	4,800	8,208	0.61%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$671,822</b>	<b>\$672,289</b>	<b>\$1,344,111</b>	

### 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 2012-----						-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services					48,413					47,311	
Vacancy Savings					(20,926)					(20,882)	
Inflation/Deflation					(175)					(100)	
Fixed Costs					1,290					1,348	
Total Statewide Present Law Adjustments		\$0	\$28,602	\$0	\$28,602		\$0	\$27,677	\$0	\$27,677	
DP 902 - WCC General Operating Increase											
	0.00	0	3,408	0	3,408	0.00	0	4,800	0	4,800	
Total Other Present Law Adjustments		0.00	\$0	\$3,408	\$0	\$3,408	0.00	\$0	\$4,800	\$0	\$4,800
Grand Total All Present Law Adjustments											
	0.00	\$0	\$32,010	\$0	\$32,010	0.00	\$0	\$32,477	\$0	\$32,477	

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - None
- o **Program Specific Obstacles** - None
- o **Vacancy** – No frequent vacancies were reported.
- o **Legislatively Applied Vacancy Savings** – One position was left vacant for a period of time. The judge declined his salary increase.
- o **Pay/Position Changes** – One position was provided an increase due to successful completion of a new hire probationary period.
- o **Retirements** - By the end of the 2013 biennium, two employees are eligible for retirement with a compensation absence liability of \$7,049.

DP 902 - WCC General Operating Increase - The Workers' Compensation Court is requesting \$3,408 in FY 2012 and \$4,800 in FY 2013 in state special revenue for off campus rent increase.

**Language and Statutory Authority**

The executive recommends that the following language be included in HB 2:

“The workers’ compensation court is appropriated up to \$20,000 in state special revenue for the 2011 biennium to contract for replacement judges when the workers’ compensation judge must recuse himself from a case. The appropriation is contingent upon passage and approval of legislation providing a process for such a substitution to occur.”