

The Legislative Fiscal Division Presents an Agency Profile of:

The Department of Labor and Industry

Contact: Kris Wilkinson, Senior Fiscal Analyst
Rm. 131, State Capitol Building
Phone: (406) 444-2722

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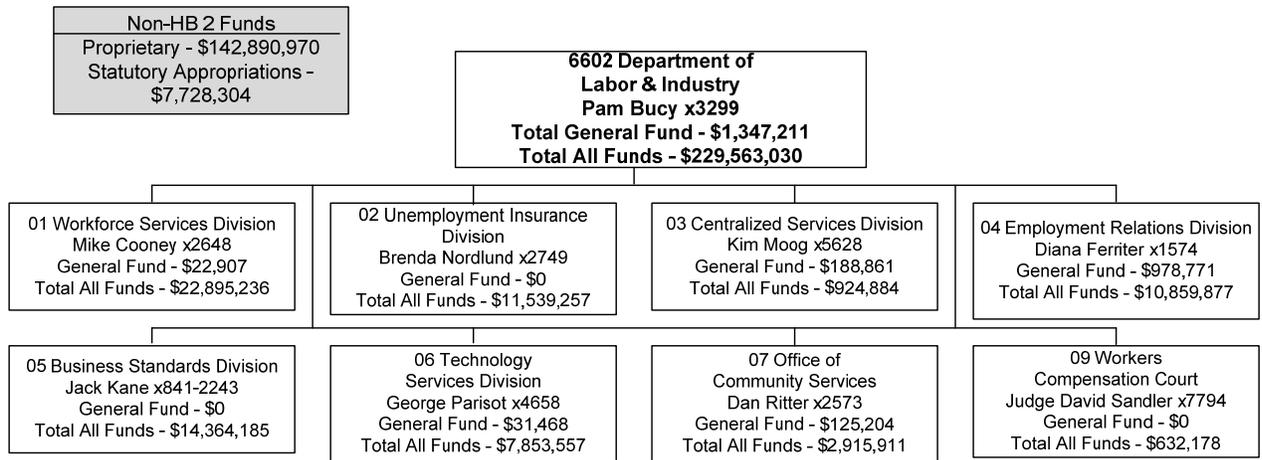
Agency Description

Definition of Terms

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

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

Organizationally, the department is divided into six divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations; and 5) Business Standards; 6) Technology Services Division. The Office of Community Services, Workers' Compensation Court, and three boards are administratively attached.

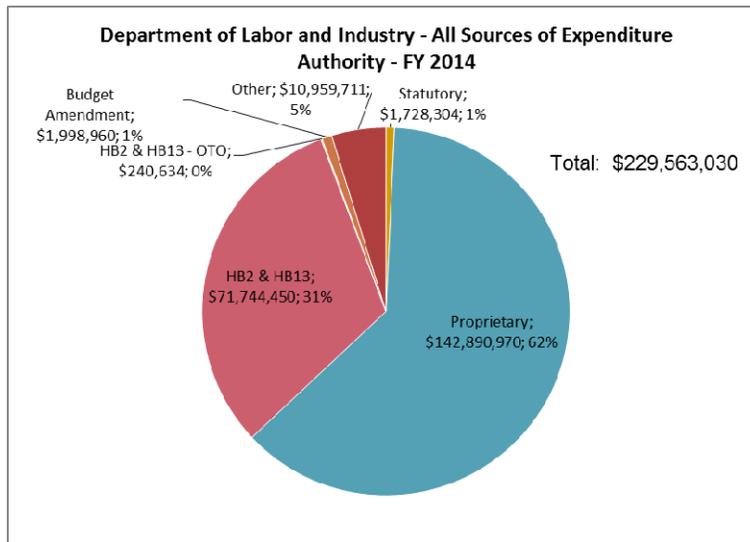


How Services are Provided

The Department of Labor and Industry consists of six divisions and two administratively attached entities with the following functions:

- Workforce Services Division provides a wide range of both federal- and state-funded employment and training programs to maintain a high quality workforce system that enhances the economic health of Montana.
- Unemployment Insurance Division administers the state unemployment insurance law and related federal programs through which benefits are paid, responds to inquiries concerning claims, collects employer contributions, and adjudicates disputed benefit claims.
- Centralized Services/Commissioner’s Division provides program direction and legal, administrative, and support services to the department. The Board of Labor Appeals is administratively attached and hears appeals concerning the administration of Montana unemployment insurance law and employer/employee relationships.
- Employment Relations Division regulates workers’ compensation insurance requirements, administers the contractor registration and independent contractor exemptions functions, assists with settlements of disputed workers’ compensation claims, enforces state and federal labor laws related to payment of wages, conducts mediation of collective bargaining contracts, hears disputes regarding both labor relations and wage and hour issues, enforces state and federal industrial safety laws, and investigates and resolves complaints of illegal discrimination. Unemployment Insurance Division administers the state unemployment insurance law and related federal programs through which benefits are paid, responds to inquiries concerning claims, collects employer contributions, and adjudicates disputed benefit claims.
- Business Standards Division establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes. The division also licenses and regulates persons and businesses engaged in specific professions and occupations. Finally, the division is responsible for licensing, inspecting, testing, and certifying all weighing and measuring devices used in commercial transactions. T
- Technology Services Division The Technology Services Division (TSD) provides information technology services and support for the department including IT project management, application development, and network services.

Sources of Spending Authority

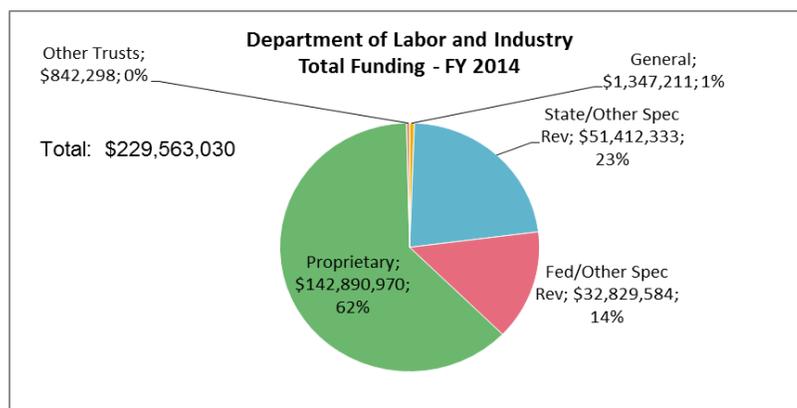


The above chart shows the sources of appropriation authority for the Department of Labor and Industry. For a more detailed description of accounting terminology, please refer to the definition of terms. The operations of the DOLI are primarily funded with proprietary funds. House Bill (HB) 2 funded about a third of the agency's functions in FY 2014. Included in the other category:

- \$6.4 million of employment security account funds approved in the long range building program and transferred from the Architecture and Engineering Division in the Department of Administration for the development of the STAARS system for unemployment insurance
- \$1.6 million in administrative appropriations from the Department of Public Health and Human Services (DPHHS). DPHHS transferred authority so that DOLI can provide various employment training and support using federal funds such as TANF
- \$0.8 million in carry forward authority used to purchase vehicles, provide for legal expenses and consulting and professional fees

The chart below shows the funding sources for the expenditures. The majority of the funding is from the unemployment insurance trust in the proprietary fund. Payments for unemployment insurance benefits are made from this account.

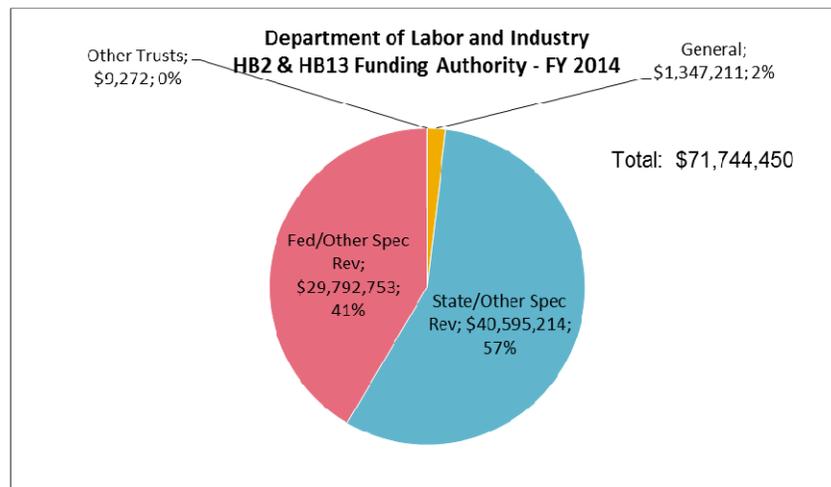
Funding



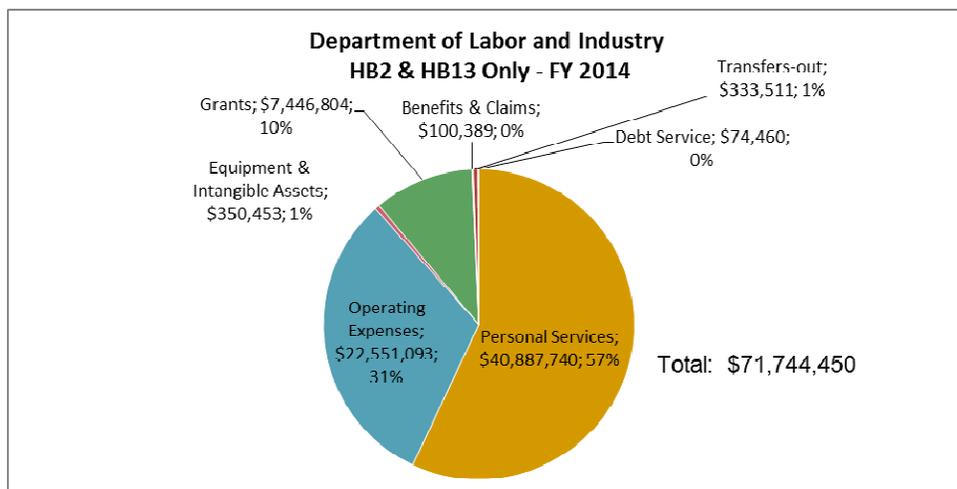
HB 2

The charts show the agency's HB 2 funding authority by fund. DOLI is mainly funded with state special revenue and federal special revenues. State special revenues include:

- Employment security account (ESA) which provided \$14.5 million of support in FY 2014. Statute provides for a special administration assessment that is deposited into the ESA within the state special revenue fund. The rate is assessed at varying rates, 0.08% to 0.18%, depending on the rate class and type of employer, with separate rates for nonprofits and government employers
- Licenses paid by various professionals and individuals working in the building trades provide for about \$16.6 million in state special revenue funds supporting the Business Standards Division
- \$7.3 million derived from workers compensation regulation funds. Workers compensation regulation and workplace safety activities are conducted by the Employment Relations Division



The next chart explains how the HB 2 authority is spent. Of the total authority, 54% was spent on personal services costs supporting 756.58 FTE and 29% on operating expenses. This chart matches the agency chart found in the 2015 Budget Analysis.



How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or Department of Labor and Industry (DOLI) activity, the legislature must address one or more of the following basic elements that drive costs.

- Workplace safety regulations – although there is a body of federal regulation that governs workplace safety (e.g., OSHA), state government also has the opportunity to regulate workplace conditions and determine how those regulations will be enforced. Addressing the definitions of workplace regulations as well as the frequency and manner that regulations are enforced and defining the remedies and sanctions related to violations may influence activity of the Department of Labor and Industry. All of these affect the DOLI's work in this area, including hearings activity.
- Human/civil rights protections – addressing the regulations, protections, and remedies or sanctions in this area may change DOLI activity. There are rights protections that are a matter of federal regulation, but state regulations may provide broader coverage than the federal regulations.
- Unemployment benefit eligibility and employer taxation – while much of the unemployment benefits system is driven by federal regulation (US Department of Labor), each state has the authority to define the eligibility criteria for benefits, the benefit levels for eligible recipients, and the tax schedule that employers use in contributing to the unemployment insurance trust fund. Therefore, addressing the definitions of eligibility, benefit levels and tax schedules can change DOLI activity.
- Building codes/weights and measures – the regulations that govern building codes as well as weights and measures include a body of state statute that defines both the standards as well as the frequency and content of inspections and enforcement. Each of these definitions can be addressed in order to change department activity in this area.
- Number of professional/occupational licensing boards – presently the DOLI provides administrative support for 32 licensing boards and 5 licensing programs. The regulations that govern these 37 areas, as well as the potential for additional areas to regulate, are a function of how the state defines its responsibilities in this area. DOLI activity in regulating may be addressed through these definitions and through decisions to add more professions/occupations to state regulation and oversight.
- Accessibility of job service programs – in order to deliver employment agency and job training programs to dislocated workers and employers, the DOLI operates 23 Job Service centers across Montana with 14 regional managers. Addressing either the number of centers in operation and/or the level of program delivery to be offered at each center may change DOLI activity in this area.

Major Cost Drivers

Activity for this agency varies depending upon:

- Level of employment within Montana
- Number of Montanans seeking employment
- Number of licensed businesses and professions
- Number of injured workers in Montana
- Number of worker's compensation court trials

Major Cost Drivers - Continued

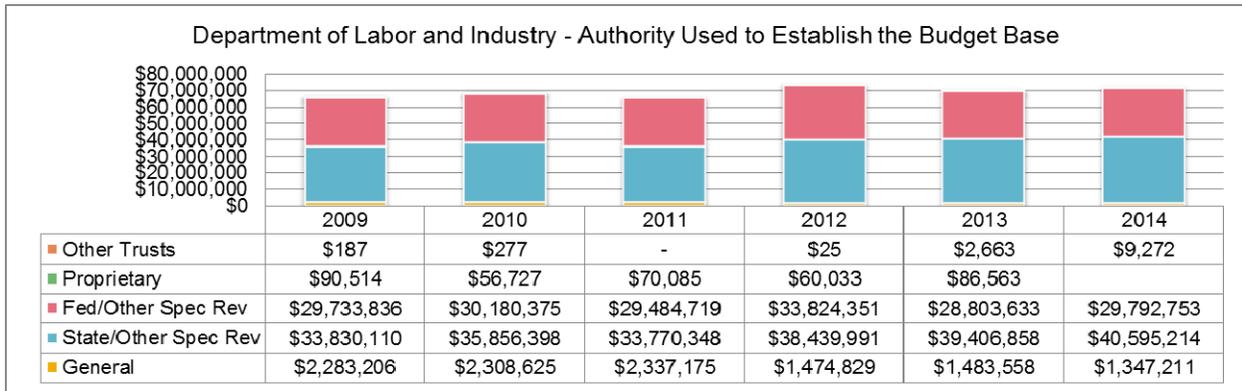
Element	FY 2008	FY 2014	Significance of Data
Montana unemployment rate	4.20%	5.20%	Influences job service programs and unemployment benefits administration
Unemployment benefits paid	\$93.5 million	\$135.0 million	Indicates demand for benefits administration
Workers receiving training	5,267	3,782	Indicates demand for job service programs
Total number of jobseekers	103,994	120,222	Indicates demand for job service programs
Average # of services per jobseeker	16	28.37	Indicates level of service needed
Workers' compensation claims filed	32,414	25,448	Indicates demand for services
Weights and measures inspections	19,530	18,500	Indicates demand for services
Licensed devices	23,329	23,888	Indicates demand for services
Building inspections	62,962	51,810	Indicates demand for services and workload over period
Number of professional and occupations licensing boards	32	40	Indicates demand for services over time
Number of AmeriCorp members	661	315	Indicates demand for program and changes to workload
Workers' Compensation Court trails, hearings, and reported conferences	47	76	Indicates demand for services and insight into changes to workers' compensation claims and regulations

Funding/Expenditure History, Authority Used to Establish Budget Base

General fund was reduced in FY 2012 is due to elimination of general fund supporting the Research and Analysis Bureau (R & A) and Jobs for Montana Graduates Program (JMG) included in HB 2 by the 2011 Legislature. The 2013 Legislature provided state special revenues funds for these functions but did not pass the companion bill that established the revenue source. State special revenue funds change over the period due to the fluctuation and expiration of funding made available through HB 645 (Implementation of the American Recovery and Reinvestment Act) and the increased use of state special revenues to support R & A and JMG. Federal special revenues increased between FY 2009 and FY 2012 due to additional federal grants for:

- Workforce Investment Act
- College Access
- Trade Adjustment Allowance

In FY 2014 the Trade Adjustment Allowance requirements for participation were changed which reduced the number of qualified participants and the federal funding supporting the program.



Major Legislative Changes in the Last Ten Years

Employment and Job Training

The 2003 Legislature established the Primary Sector Business Workforce Training Act. HB 564 provided for a seven-member loan review committee to make grants to qualifying primary sector businesses to pay for employee education and training by eligible service providers, and provided temporary funding for workforce training grants through Board of Investment loans. Among other requirements, HB 564 required the Department of Labor and Industry to analyze data and report on the available labor supply in Montana's rural, reservation, and urban labor markets. The legislature added 0.35 FTE and \$250,000 in state special revenue authority to allow the department to accomplish this study.

The 2003 Legislature provided for the creation of "empowerment zones" and provides tax credits to employers hiring new employees within these zones.

The 2005 Legislature revised the requirements for certification of independent contractors. The legislature appropriated \$1.6 million and added 6.0 FTE in HB 2 in the Employment Relations Division over the biennium to implement SB 108. The 2007 Legislature reduced the state unemployment tax and increases the employer security account tax. The state unemployment tax rate schedules are reduced by .25 percent, lowering the average tax rate from 1.37 percent to 1.12 percent. The bill increased the employer security account tax rates by 0.05 percent for experience rated private employers, 0.04 percent for governmental experience rated employers, and 0.03 percent for reimbursable employers to generate additional revenues to be used for administration of the unemployment insurance program.

The 2007 Legislature required at least one representative of military veterans in the membership of the State Workforce Investment Board.

The 2009 Legislature appropriated funds received by the state from the federal government under the American Recovery and Reinvestment Act (ARRA) of 2009. The Department of Labor and Industry was provided \$15.3 million in federal fund spending authority for worker and community benefit programs including worker training programs, special assistance to workers displaced by trade activities, re-employment services, job search assistance, funding for community service programs, and funding for the modernization and administration of the Unemployment Insurance Program. The 2009 Legislature codified the Incumbent Worker Training Program at the Department of Labor. The funding for the program was included in HB 2, including a portion of the \$400,000 additional annual funding contained in the appropriation for the 21st Century Workforce to the Workforce Services Division.

Major Legislative Changes in the Last Ten Years, cont.

Unemployment Insurance

The 2003 Legislature transferred responsibility for the collection and reporting of unemployment insurance taxes from the Department of Revenue to the Department of Labor and Industry. The Department of Revenue continued to administer the program until the function was transferred during the 2005 biennium. The legislature added 43.00 FTE and \$2.5 million in federal special revenue authority to the Unemployment Insurance Division to effect this transfer.

Workers' Compensation

The 2003 Legislature revised workers' compensation laws. Impacts to the Department of Labor and Industry included an increase in benefits paid from the uninsured employer fund.

The 2009 Legislature revised the Workers' Compensation Act regarding independent contractor laws that include the ongoing process of scanning and indexing all documents which requires additional expenditures.

The 2009 Legislature revised the Workers' Compensation Act on exemptions, claims examiners, and safety funding and required the establishment of a program to certify, maintain documentation, and approve training for claims examiners.

The 2009 Legislature provided for substitution of the Workers' Compensation Court judge in the event of a recusal by the Workers' Compensation judge.

The 2011 Legislature enacted numerous revisions to the workers' compensation laws of Montana. An appropriation of \$851,000 state special revenue for the costs associated with implementing these changes was been made in HB 2, including the addition of 1.50 FTE.

Silicosis

The 2005 Legislature appropriated \$26,400 each year of general fund to increase silicosis benefits by \$50 each month for any individual receiving benefits.

The 2007 Legislature increased the monthly benefit for individuals receiving silicosis grant-in-aid payments from \$300 to \$350.

For further information, you may wish to contact the agency at:

Department of Labor and Industry
P.O. Box 1728
Helena, MT 59624-1728
Phone: (406) 444-2840
Webpage: <http://dli.mt.gov>