

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	120.60	120.60	117.06	117.06	120.60	117.06	(3.54)	(2.94)%
Personal Services	7,331,777	8,660,951	8,879,276	8,897,268	15,992,728	17,776,544	1,783,816	11.15 %
Operating Expenses	3,176,136	2,887,381	4,722,066	4,900,342	6,063,517	9,622,408	3,558,891	58.69 %
Equipment & Intangible Assets	10,941	90,810	10,941	10,941	101,751	21,882	(79,869)	(78.49)%
Benefits & Claims	100,389	91,464	100,389	100,389	191,853	200,778	8,925	4.65 %
Total Costs	\$10,619,243	\$11,730,606	\$13,712,672	\$13,908,940	\$22,349,849	\$27,621,612	\$5,271,763	23.59 %
General Fund	978,772	1,047,414	1,425,963	1,426,267	2,026,186	2,852,230	826,044	40.77 %
State/Other Special Rev. Funds	8,894,116	9,648,864	11,562,322	11,749,976	18,542,980	23,312,298	4,769,318	25.72 %
Federal Spec. Rev. Funds	746,355	1,034,328	724,387	732,697	1,780,683	1,457,084	(323,599)	(18.17)%
Total Funds	\$10,619,243	\$11,730,606	\$13,712,672	\$13,908,940	\$22,349,849	\$27,621,612	\$5,271,763	23.59 %

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.

Program Highlights

Employment Relations Division Major Budget Highlights
<ul style="list-style-type: none"> • The legislature increased the 2017 biennium budget 8.8% compared to the 2015 legislative appropriations • General fund increased due to restoration of \$837,000 over the biennium in support for the Human Rights Bureau. The increase is partially offset by reductions in other areas • The legislature transferred 10.00 FTE and \$1.9 million each year of the biennium in authority to the newly formed Technology Services Division • The legislature eliminated 1.00 FTE and related personal services as the position was vacant all year

Program Narrative

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the executive's implementation of FY 2015 appropriations as shown in the budget comparison table compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Labor & Industry - Employment Relations Division							
FY 2015 Appropriation Transactions							
Program	Legislative Approps	Legislative App OTO	House Adjustment	Operating Plan	Program Transfers	Reorgs	Total Exec. Implement
Personal Services	8,876,654			200,000		(540,702)	8,535,952
Operations	4,219,799	225,000		(200,000)	(189)	(1,357,229)	2,887,381
Equipment	90,810						90,810
Benefits	91,464						91,464
Program Total	\$13,278,727	\$225,000	\$0	\$0	(\$189)	(\$1,897,931)	\$11,605,607

The total executive implementation in the figure above does not tie to the FY 2015 appropriation on the program budget comparison table because the executive included \$124,999 of general fund from SB 410 as enacted by the 2013 Legislature. As part of the reorganization to create TSD the legislature approved transfer of 10.00 FTE, \$0.5 million in personal services authority, and \$1.4 million in operating expenses to the new division. The legislature also approved ERD's transfer of \$200,000 out of operating expenses to personal services.

Legislative Budget

The program budget comparison table shows the impacts of the budget after the transfers of appropriation authority are taken into account. When compared to the 2015 legislative base budget, personal services increase \$23,236. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature, other changes include:

- Market, proficiency agreement progression, competency, and reclassification increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium
- Reclassification of 11 positions between biennia
- Changes in employer retirement contributions
- General fund support for personal services for the Human Rights Bureau funded as one-time-only in the previous biennium
- Elimination of 1.00 FTE and related personal services as the position was vacant all of FY 2014

The legislature also mitigated personal services reductions as part of the boilerplate implementation included in HB 2 as enacted by the 2013 Legislature. At the agency's request, personal services within the Workforce Services Division were further reduced while funding within the other divisions was increased. As a result, personal services for the Employment Relations Division were increased by \$160,000 each year of the biennium.

When compared to the 2015 legislative base budget, operating costs increase by \$502,000 in FY 2016 and \$680,000 in FY 2017. As previously discussed, the legislature adopted the reorganization of the information technology services within the agency, reducing operating expenses by \$1.4 each year of the biennium and personal services by \$0.5 million for this division. Further reductions of \$0.2 million each year of the biennium were included for the Employment Relations Division. This was part of the legislature's approval of the agency proposal to ensure cost neutrality of the proposal agency-wide. To fund the new division the legislature approved proprietary rates and included \$1.5 million in operating expenses to fund the rates. In addition, the legislature provided \$280,000 each year of the biennium for increased operating expenses supported by state special revenues.

The legislature provided ongoing general fund support of \$222,000 each year of the biennium for the Human Rights Bureau. The previous legislature had reduced general fund support, one-time-only, to allow for increased federal funds available due to accumulated fund balance. As the funding was not ongoing, the legislature reinstated general fund support for the program.

Funding

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

Department of Labor and Industry, 04-Employment Relations Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,852,230	0	0	2,852,230	8.49 %	
02252 DoLI Operations Acct	0	0	0	0	0.00 %	
02258 Employment Security Account	3,608,991	0	0	3,608,991	12.98 %	
02263 Subsequent Injury Admin	102,370	0	0	102,370	0.37 %	
02315 DLI Info Exchange/Rental	12,064	0	0	12,064	0.04 %	
02346 Contractor Registration	3,164,946	0	0	3,164,946	11.38 %	
02455 Workers Comp Regulation	13,162,313	0	0	13,162,313	47.33 %	
02941 Uninsured Employer Fund	3,261,614	0	4,500,000	7,761,614	27.91 %	
State Special Total	\$23,312,298	\$0	\$4,500,000	\$27,812,298	82.83 %	
03122 EEOC	310,626	0	0	310,626	21.32 %	
03130 Coal Mine Safety	3,682	0	0	3,682	0.25 %	
03195 On-Site Consultation	1,142,776	0	0	1,142,776	78.43 %	
03682 Wagner Peyser	0	0	0	0	0.00 %	
03954 UI Administrative Grants	0	0	0	0	0.00 %	
Federal Special Total	\$1,457,084	\$0	\$0	\$1,457,084	4.34 %	
06040 Subsequent Injury-Trust Fund	0	1,456,752	0	1,456,752	100.00 %	
06096 Stay at work/return to work	0	0	0	0	0.00 %	
Proprietary Total	\$0	\$1,456,752	\$0	\$1,456,752	4.34 %	
Total All Funds	\$27,621,612	\$1,456,752	\$4,500,000	\$33,578,364		

HB 2 Funding

General fund supports the personal services and general operating costs of the Human Rights Bureau and a small percentage of the overall administration of the division.

State special revenue funds include:

- Employment security funds generated through an assessment charged to employers as a percentage of their payroll
- An annual administrative assessment of 3% of all compensation and medical benefits (excluding costs above \$200,000 per claim) paid during the previous calendar year that funds workers' compensation regulation.
- Contractor registration funding supporting the Workers' Compensation Regulation Bureau and a portion of administration. Registration fees for independent contractor exemptions and construction contractor application fees are deposited into the fund
- Uninsured employer fund assessments statutorily set at the premium uninsured employers would have paid had they been carrying workers' compensation insurance, with a minimum penalty of \$200. The funds are used to provide benefits to employees injured on the job while working for an employer that does not carry workers' compensation insurance as required by law

Proprietary Funds

The division oversees the subsequent injury fund, a proprietary account that assists injured workers in becoming employed by offering a financial incentive to the employers who hire them. The fund rate is based on the total amount of paid losses reimbursed by the fund in the preceding calendar year.

Statutory Appropriations

Payments for indemnity and medical benefits for workers injured while working for a business that does not carry workers' compensation insurance are statutorily appropriated to the division. The costs of administering the program are included as part of HB 2 appropriations.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,070,848	1,070,848	2,141,696	75.09 %	13,278,727	13,278,727	26,557,454	96.15 %
PL Adjustments	332,463	332,767	665,230	23.32 %	(1,110,222)	(915,069)	(2,025,291)	(7.33)%
New Proposals	22,652	22,652	45,304	1.59 %	1,544,167	1,545,282	3,089,449	11.18 %
Total Budget	\$1,425,963	\$1,426,267	\$2,852,230		\$13,712,672	\$13,908,940	\$27,621,612	

As shown in the table, general fund support increases while overall total funds decrease significantly. This is a combination of restoring general fund support for the human rights bureau and changes included in the reorganization of information technology services. About half of the general fund increase is included in personal services and the remainder is provided to support operating expenses. Total fund reductions included in present law relate to transferring \$1.9 million in state special revenues to the Technology Services Division as part of the reorganization. New proposals include establishing proprietary rates for information technology services which results in a reduction in information technology costs to this division of about \$0.6 million a year.

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 515 - State Share Health Insurance	0.00	6,499	47,589	3,289	57,377	0.00	6,499	47,589	3,289	57,377
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	137,149	0	137,149	0.00	0	137,149	0	137,149
DP 525 - Fixed Cost Adjustment	0.00	5,417	17,397	2,114	24,928	0.00	13,287	42,668	5,184	61,139
DP 527 - Inflation/Deflation Adjustment	0.00	(579)	(38,305)	(610)	(39,494)	0.00	(542)	(35,863)	(571)	(36,976)
DP 530 - Reorganization	0.00	(23,433)	(1,866,620)	(7,878)	(1,897,931)	0.00	(23,433)	(1,866,620)	(7,878)	(1,897,931)
DP 550 - Motor Pool Adjustment	0.00	(176)	(10,207)	0	(10,383)	0.00	(178)	(10,348)	0	(10,526)
DP 560 - Adjustments to operating costs	0.00	(13,057)	(41,931)	(5,095)	(60,083)	0.00	(11,376)	(46,089)	(2,620)	(60,085)
DP 600 - Additional reduction for reorg	0.00	0	(189,566)	0	(189,566)	0.00	0	(189,476)	0	(189,476)
DP 610 - Boilerplate allocation of 4% Reduction	0.00	(12,531)	179,937	(7,688)	159,718	0.00	(12,426)	180,177	(7,629)	160,122
DP 650 - Reduction in 2.00 FTE	(1.00)	0	(45,310)	0	(45,310)	(1.00)	0	(35,222)	0	(35,222)
DP 660 - Additional Funding for Human Rights	0.00	145,323	0	51,399	196,722	0.00	135,936	0	54,066	190,002
DP 680 - Additional Operating Expenses	0.00	0	280,451	0	280,451	0.00	0	279,558	0	279,558
DP 400444 - Statewide 4% FTE Reduction - Program 04	(2.54)	0	0	0	0	(2.54)	0	0	0	0
DP 404001 - HB 334 Generally revise WC	0.00	0	51,200	0	51,200	0.00	0	204,800	0	204,800
DP 404003 - Restore general fund for Human Rights	0.00	225,000	0	0	225,000	0.00	225,000	0	0	225,000
Grand Total All Present Law Adjustments	(3.54)	\$332,463	(\$1,478,216)	\$35,531	(\$1,110,222)	(3.54)	\$332,767	(\$1,291,677)	\$43,841	(\$915,069)

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For

these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology services from the Employment Relations Division to the Technology Services Division within the department. This included transfers of \$23,433 in general fund, \$1,866,620 in state special revenue, \$7,878 in federal funds, and 10.00 FTE in each year of the biennium.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 560 - Adjustments to operating costs -

The legislature adjusted funding for operating expenses to mitigate the impact of the reorganization as it related to fixed costs.

DP 600 - Additional reduction for reorg -

The legislature aligned reductions for the reorganization of the Technology Services Division to the amounts projected by DOLI staff based on actual changes that occurred in FY 2014.

DP 610 - Boilerplate allocation of 4% Reduction -

As part of its compliance with the boilerplate language included in HB 2 enacted by the 2013 Legislature, DOLI eliminated a total of 30.02 FTE. While the 2013 Legislature adopted a 4% vacancy savings rate against all positions within the agency equally, the department eliminated FTE at a higher level within the Workforce Services Division as allowed through the boilerplate language. The legislature allocated the 2017 biennial changes in personal services funding based on the DOLI allocation of the reductions of FTE.

DP 650 - Reduction in 2.00 FTE -

The legislature reduced personal services supporting FTE within the Department of Labor and Industry that were vacant all of FY 2014.

DP 660 - Additional Funding for Human Rights -

The legislature provided \$145,323 in general fund and \$51,399 in federal revenues in FY 2016 and \$135,936 and \$54,066 respectively in FY 2017 for the Human Rights Bureau.

DP 680 - Additional Operating Expenses -

The legislature provided additional state special revenue for operating expenses.

DP 400444 - Statewide 4% FTE Reduction - Program 04 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. This change package includes a reduction of 2.54 FTE each year.

DP 404001 - HB 334 Generally revise WC -

HB 334, passed by 2011 Legislature, generally revised workers' compensation laws within Montana. Sections 39-71-717 (1-4), MCA, requires the department to provide a medical review panel composed of the department's medical director and two additional physicians to review petitions to reopen medical benefits that terminate. The two additional physicians on the medical panel are reimbursed for travel as provided in statute, if it is required for a review, and a reasonable fee for services. By law, the first time a review of medical benefits could occur is April 1, 2016.

DP 404003 - Restore general fund for Human Rights -

The legislature restored \$225,000 general fund to support the Human Rights Bureau. In the 2015 biennium, general fund was offset by available fund balance in federal funds that could support the program.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 404005 - TSD Funding Switch	0.00	22,652	1,497,673	23,842	1,544,167	0.00	22,652	1,498,788	23,842	1,545,282
DP 404006 - Coal Mine Safety Funding Switch	0.00	0	152,192	(152,192)	0	0.00	0	152,192	(152,192)	0
Total	0.00	\$22,652	\$1,649,865	(\$128,350)	\$1,544,167	0.00	\$22,652	\$1,650,980	(\$128,350)	\$1,545,282

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

DP 404005 - TSD Funding Switch -

The legislature provided for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount the Employment Relations Division will be assessed through Technology Services Division rates.

DP 404006 - Coal Mine Safety Funding Switch -

The legislature provided for a federal fund switch of \$152,192 in both years of the biennium. The Mine Safety and Health Administration (MSHA) has notified the division that Montana will not be receiving any additional federal mining funds. Due to the lack of federal funding, the Workers' Compensation Fund will support mine consultation services provided by the Safety Bureau previously paid for using federal MSHA funds.

Other Issues

Proprietary Rates

Subsequent Injury Trust Fund - 06040

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 (39-71-901-920, MCA).

Proprietary Rates

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. The estimate rates for the program are shown in the following figure.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Admin Assessment and Surcharge				
Plan I - Insureds (Admin cots & benefits paid to certified claimants)	127,827	216,815	216,815	216,815
Plan II - Insureds (Admin cots & benefits paid to certified claimants)	365,563	574,592	574,592	574,592
Plan III - Old Insureds (Admin cots & benefits paid to certified claimants)	17,557	25,595	25,595	25,595
Plan III - New Insureds (Admin cots & benefits paid to certified claimants)	430,675	682,998	682,998	682,998
The rates are based on the four Workers' Compensation (WC) insurance plans' share of the WC market as compared to the net outlay of the Subsequent Injury Fund (SIF) in a calendar year. Please see 39-71-915, MCA, for particular details.				