

**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                            | 7.00             | 7.00                | 7.00                    | 7.00                    | 7.00                  | 7.00                  | 0.00             | 0.00 %            |
| Personal Services              | 494,589          | 535,263             | 559,976                 | 560,822                 | 1,029,852             | 1,120,798             | 90,946           | 8.83 %            |
| Operating Expenses             | 137,589          | 140,360             | 149,598                 | 149,571                 | 277,949               | 299,169               | 21,220           | 7.63 %            |
| Debt Service                   | 0                | 0                   | 2,315                   | 2,315                   | 0                     | 4,630                 | 4,630            | 0.00 %            |
| <b>Total Costs</b>             | <b>\$632,178</b> | <b>\$675,623</b>    | <b>\$711,889</b>        | <b>\$712,708</b>        | <b>\$1,307,801</b>    | <b>\$1,424,597</b>    | <b>\$116,796</b> | <b>8.93 %</b>     |
| State/Other Special Rev. Funds | 632,178          | 675,623             | 711,889                 | 712,708                 | 1,307,801             | 1,424,597             | 116,796          | 8.93 %            |
| <b>Total Funds</b>             | <b>\$632,178</b> | <b>\$675,623</b>    | <b>\$711,889</b>        | <b>\$712,708</b>        | <b>\$1,307,801</b>    | <b>\$1,424,597</b>    | <b>\$116,796</b> | <b>8.93 %</b>     |

**Program Description**

The Workers' Compensation Court, created on July 1, 1975, provides a forum 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**

| <b>Workers' Compensation Court<br/>Major Budget Highlights</b>  |
|---|
| <ul style="list-style-type: none"> <li>• The 2017 biennium legislative appropriation was increased by 5.5% when compared to the 2015 biennium appropriation</li> <li>• Personal services increases are due to annualized pay, health insurance, and employee attainment of longevity milestones in the 2017 biennium</li> </ul> |

**Program Narrative**

*Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base*

The only change made by the agency in relation to the FY 2015 legislative appropriation was to transfer \$5,625 to the newly created Technology Services Division.

*Legislative Budget*

The program budget comparison table shows the impacts of the budget after the transfers of appropriation authority are taken into account. Overall, the legislative budget includes an increase of 5.5% or \$74,000 from the 2015 legislative appropriations. Personal services increases are partially due to the implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature. Other changes include:

- Proficiency agreement progression and strategic pay increases granted throughout FY 2014 that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement contributions
- Additional funding for the agency implementation of the boilerplate language included in HB 2 as enacted by the 2013 Legislature. At the agency's request additional reductions in personal services were included in the Workforce Services Division budget and other division's budgets were increased

Operating expenses decrease when compared to the 2015 legislative base. Reductions include:

- Adjustments to operating costs for lower estimates related to consulting and professional services, minor equipment, and travel
- Additional reductions for the reorganization as discussed in the Workforce Services Division program narratives

**Funding**

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

| Department of Labor and Industry, 09-Workers Compensation Court<br>Funding by Source of Authority |                    |                             |                            |                      |                      |  |
|---|--------------------|-----------------------------|----------------------------|----------------------|----------------------|--|
| Funds   | HB2                | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds |  |
| General Fund  | 0                  | 0                           | 0                          | 0                    | 0.00 %               |  |
| 02455 Workers Comp Regulation   | 1,424,597          | 0                           | 0                          | 1,424,597            | 100.00 %             |  |
| <b>State Special Total</b>  | <b>\$1,424,597</b> | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$1,424,597</b>   | <b>100.00 %</b>      |  |
| <b>Federal Special Total</b>  | <b>\$0</b>         | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$0</b>           | <b>0.00 %</b>        |  |
| <b>Proprietary Total</b>  | <b>\$0</b>         | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$0</b>           | <b>0.00 %</b>        |  |
| <b>Total All Funds</b>  | <b>\$1,424,597</b> | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$1,424,597</b>   |                      |  |

The court is entirely funded with state special revenue derived from a fee charged to workers compensation carriers in Montana. The fee is passed on to Montana business when their workers' compensation premiums are determined by the carriers.

**Budget Summary by Category**

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

| Budget Summary by Category |                               |                               |                                  |                      |                               |                               |                                  |                      |  |
|----------------------------|-------------------------------|-------------------------------|----------------------------------|----------------------|-------------------------------|-------------------------------|----------------------------------|----------------------|--|
| Budget Item                | -----General Fund-----        |                               |                                  |                      | -----Total Funds-----         |                               |                                  |                      |  |
|                            | Leg.<br>Budget<br>Fiscal 2016 | Leg.<br>Budget<br>Fiscal 2017 | Leg.<br>Biennium<br>Fiscal 16-17 | Percent<br>of Budget | Leg.<br>Budget<br>Fiscal 2016 | Leg.<br>Budget<br>Fiscal 2017 | Leg.<br>Biennium<br>Fiscal 16-17 | Percent<br>of Budget |  |
| 2015 Budget                | 0                             | 0                             | 0                                | 0.00 %               | 681,248                       | 681,248                       | 1,362,496                        | 95.64 %              |  |
| PL Adjustments             | 0                             | 0                             | 0                                | 0.00 %               | 19,632                        | 20,451                        | 40,083                           | 2.81 %               |  |
| New Proposals              | 0                             | 0                             | 0                                | 0.00 %               | 11,009                        | 11,009                        | 22,018                           | 1.55 %               |  |
| <b>Total Budget</b>        | <b>\$0</b>                    | <b>\$0</b>                    | <b>\$0</b>                       |                      | <b>\$711,889</b>              | <b>\$712,708</b>              | <b>\$1,424,597</b>               |                      |  |

The majority of the increases appropriated for the Workers' Compensation Court are provided in personal services. These are discussed further in the narrative for present law adjustments. The legislature adopted a new proposal to implement proprietary rates for information technology services provided by the Technology Services Division.

**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.

| Present Law Adjustments                               |              |               |                 |             |                       |              |               |                 |             |                 |
|---|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|-----------------|
| -----Fiscal 2016-----                                 |              |               |                 |             | -----Fiscal 2017----- |              |               |                 |             |                 |
| FTE   | General Fund | State Special | Federal Special | Total Funds | FTE                   | General Fund | State Special | Federal Special | Total Funds |                 |
| DP 515 - State Share Health Insurance                 | 0.00         | 0             | 3,402           | 0           | 3,402                 | 0.00         | 0             | 3,402           | 0           | 3,402           |
| DP 520 - Fully Fund 2015 Legislatively Authorized FTE | 0.00         | 0             | 10,067          | 0           | 10,067                | 0.00         | 0             | 10,067          | 0           | 10,067          |
| DP 525 - Fixed Cost Adjustment                        | 0.00         | 0             | 5,306           | 0           | 5,306                 | 0.00         | 0             | 5,287           | 0           | 5,287           |
| DP 527 - Inflation/Deflation Adjustment               | 0.00         | 0             | (971)           | 0           | (971)                 | 0.00         | 0             | (907)           | 0           | (907)           |
| DP 529 - Longevity and Other adjustments              | 0.00         | 0             | (4,158)         | 0           | (4,158)               | 0.00         | 0             | (3,312)         | 0           | (3,312)         |
| DP 530 - Reorganization                               | 0.00         | 0             | (5,625)         | 0           | (5,625)               | 0.00         | 0             | (5,625)         | 0           | (5,625)         |
| DP 550 - Motor Pool Adjustment                        | 0.00         | 0             | (102)           | 0           | (102)                 | 0.00         | 0             | (104)           | 0           | (104)           |
| DP 560 - Adjustments to operating costs               | 0.00         | 0             | (5,373)         | 0           | (5,373)               | 0.00         | 0             | (5,373)         | 0           | (5,373)         |
| DP 570 - Debt Service Funding                         | 0.00         | 0             | 2,315           | 0           | 2,315                 | 0.00         | 0             | 2,315           | 0           | 2,315           |
| DP 600 - Additional reduction for reorg               | 0.00         | 0             | (4,240)         | 0           | (4,240)               | 0.00         | 0             | (4,240)         | 0           | (4,240)         |
| DP 610 - Boilerplate allocation of 4% Reduction       | 0.00         | 0             | 21,027          | 0           | 21,027                | 0.00         | 0             | 21,027          | 0           | 21,027          |
| DP 620 - Operating Cost Adjustments                   | 0.00         | 0             | (2,016)         | 0           | (2,016)               | 0.00         | 0             | (2,086)         | 0           | (2,086)         |
| <b>Grand Total All Present Law Adjustments</b>        | <b>0.00</b>  | <b>\$0</b>    | <b>\$19,632</b> | <b>\$0</b>  | <b>\$19,632</b>       | <b>0.00</b>  | <b>\$0</b>    | <b>\$20,451</b> | <b>\$0</b>  | <b>\$20,451</b> |

\*\*\*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 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the information technology service from the Workers' Compensation Court to the Technology Services Division within the department. This included transfers of \$5,625 in state special revenue 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 570 - Debt Service Funding -

The legislature provided funding for debt service above that established in the 2015 legislative base.

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 620 - Operating Cost Adjustments -

The legislature adopted operating cost adjustments for the division.

**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 909003 - TSD Funding Switch | 0.00                  | 0            | 11,009          | 0               | 11,009          | 0.00                  | 0            | 11,009          | 0               | 11,009          |
| <b>Total</b>                   | <b>0.00</b>           | <b>\$0</b>   | <b>\$11,009</b> | <b>\$0</b>      | <b>\$11,009</b> | <b>0.00</b>           | <b>\$0</b>   | <b>\$11,009</b> | <b>\$0</b>      | <b>\$11,009</b> |

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

DP 909003 - TSD Funding Switch -

The legislature provided for operating expenses related the reorganization of the Technology Services Division. These costs are the estimated amount the Worker's Compensation Court will be assessed through Technology Services Division rates.