

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	17.00	17.00	9.00	9.00	17.00	9.00	(8.00)	(47.06%)
Personal Services	1,138,658	1,227,796	613,997	613,775	2,366,454	1,227,772	(1,138,682)	(48.12%)
Operating Expenses	324,338	405,654	175,441	174,834	729,992	350,275	(379,717)	(52.02%)
<b>Total Costs</b>	<b>\$1,462,996</b>	<b>\$1,633,450</b>	<b>\$789,438</b>	<b>\$788,609</b>	<b>\$3,096,446</b>	<b>\$1,578,047</b>	<b>(\$1,518,399)</b>	<b>(49.04%)</b>
General Fund	277,929	279,307	183,517	183,242	557,236	366,759	(190,477)	(34.18%)
State Special	583,520	685,338	221,626	221,581	1,268,858	443,207	(825,651)	(65.07%)
Federal Special	541,511	580,288	384,295	383,786	1,121,799	768,081	(353,718)	(31.53%)
Other	60,036	88,517	0	0	148,553	0	(148,553)	(100.00%)
<b>Total Funds</b>	<b>\$1,462,996</b>	<b>\$1,633,450</b>	<b>\$789,438</b>	<b>\$788,609</b>	<b>\$3,096,446</b>	<b>\$1,578,047</b>	<b>(\$1,518,399)</b>	<b>(49.04%)</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.

### Program Highlights

<b>Commissioner's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget for the Commissioner's Office contained in HB 2 decreases due to a switch of the funding for the Office of Legal Services from support provided by revenues appropriated in HB 2 to proprietary funding</li> <li>◆ Proprietary funding supports the Office of Legal Services, Centralized Services Division, and the Office of Information Technology</li> </ul>

### Program Narrative

The budget for the Commissioner's Office decreases due to a switch in the funding for the Office of Legal Services from support provided by revenues appropriated in HB 2 to proprietary funding. The remaining services provided in HB 2 are mainly for the Hearings Unit function that holds impartial administrative hearings and provides dispute resolution services in unemployment insurance cases, wage and hour claims, public employee collective bargaining and unfair labor practices cases, state employee classification appeals and grievances, uninsured employer regulatory matters, professional and occupational licensing appeals, and human rights complaints. A small appropriation of state special revenues is also provided for operating costs of \$20,900 each year in the Commissioner's Office.

Figure 5 shows a comparison between the FY 2012 base costs and the changes for the 2015 biennium for the Hearings Unit, the majority of the remaining budget included in HB2.

Figure 5

Department of Labor and Industry Commissioner's Office/ Centralized Services Division Hearing Unit 2015 Biennium Budget					
	FY 2012	FY 2014	% Change	FY 2015	% Change
FTE	9.00	9.00	0.00%	9.00	0.00%
Costs					
Personal Services	593,999	613,997	3.37%	613,775	3.33%
Operating Costs	<u>164,036</u>	<u>154,563</u>	-5.77%	<u>153,956</u>	-6.14%
Total Costs	758,035	768,560	1.39%	767,731	1.28%
Funding					
General Fund	178,272	183,517	2.94%	183,242	2.79%
State Special Revenue	189,647	200,748	5.85%	200,703	5.83%
Federal Revenue	<u>390,116</u>	<u>384,295</u>	-1.49%	<u>383,786</u>	-1.62%
Total Funding	758,035	768,560	1.39%	767,731	1.28%

Changes within the budget include:

- Increases for the personal services are due to longevity and performance adjustments
- Decreases in operating costs that are the result of reductions for the costs of SITSD that are allocated to the hearing unit

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Commissioner'S Office/Csd							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$366,759	\$0	\$0	\$366,759	2.2%		
State Special Total	\$443,207	\$0	\$0	\$443,207	2.7%		
02233 Bsd Hearings	\$70,555	\$0	\$0	\$70,555	0.4%		
02258 Employment Security Account	\$358,141	\$0	\$0	\$358,141	2.2%		
02315 Dli Info Exchange/rental	\$2,142	\$0	\$0	\$2,142	0.0%		
02455 Workers' Comp Regulation	\$12,369	\$0	\$0	\$12,369	0.1%		
Federal Special Total	\$768,081	\$0	\$0	\$768,081	4.6%		
03122 Eeoc	\$64,722	\$0	\$0	\$64,722	0.4%		
03954 Ui Administrative Grants	\$703,359	\$0	\$0	\$703,359	4.2%		
06546 Commissioner's Office/csd	\$0	\$6,973,341	\$0	\$6,973,341	42.1%		
06552 Admin Services	\$0	\$4,174,791	\$0	\$4,174,791	25.2%		
06568 Office Of Information Tech	\$0	\$3,853,047	\$0	\$3,853,047	23.2%		
Total All Funds	\$1,578,047	\$15,001,179	\$0	\$16,579,226	100.0%		
<b>Percent - Total All Sources</b>	<b>9.5%</b>	<b>90.5%</b>	<b>0.0%</b>				

### HB 2 Funding

HB 2 funding mainly supports the Hearings Unit within the Centralized Services Division. The state special revenue is mainly derived from the assessments on employers and deposited into the Employment Security Account. Unemployment insurance administrative grants make up the majority of the federal funding.

*Proprietary rates*

The Commissioner’s Office has three different proprietary funding sources for the operations of the various functions within the office. A discussion of the proposed uses and funding for each of the functions is included under the Proprietary Rates section of the narrative. These funds are considered and approved as rates charged to other divisions within the agency.

**Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	277,929	277,929	555,858	151.56%	1,462,996	1,462,996	2,925,992	185.42%
Statewide PL Adjustments	8,731	8,609	17,340	4.73%	162,529	163,379	325,908	20.65%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(103,143)	(103,296)	(206,439)	(56.29%)	(836,087)	(837,766)	(1,673,853)	(106.07%)
<b>Total Budget</b>	<b>\$183,517</b>	<b>\$183,242</b>	<b>\$366,759</b>		<b>\$789,438</b>	<b>\$788,609</b>	<b>\$1,578,047</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					223,858					226,197
Vacancy Savings					(54,501)					(54,594)
Inflation/Deflation					119					356
Fixed Costs					(6,947)					(8,580)
<b>Total Statewide Present Law Adjustments</b>		<b>\$8,731</b>	<b>\$79,410</b>	<b>\$65,381</b>	<b>\$162,529*</b>		<b>\$8,609</b>	<b>\$79,983</b>	<b>\$65,203</b>	<b>\$163,379*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(8,731)	(79,410)	(65,381)	(162,529)*	0.00	(8,609)	(79,983)	(65,203)	(163,379)*
DP 51 - Adjustment for Statewide Personal Services	0.00	26,462	86,440	43,347	169,357*	0.00	26,769	87,730	43,779	171,603*
DP 52 - Adjustment for Statewide Operations	0.00	(1,843)	(928)	(4,289)	(6,828)*	0.00	(2,100)	(1,510)	(4,777)	(8,224)*
DP 53 - Base Funding Switch	0.00	(15,888)	(6,102)	26,323	0*	0.00	(16,060)	(6,237)	26,201	0*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$8,731</b>	<b>\$79,410</b>	<b>\$65,381</b>	<b>\$162,529*</b>	<b>0.00</b>	<b>\$8,609</b>	<b>\$79,983</b>	<b>\$65,203</b>	<b>\$163,379*</b>

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

**New Proposals**

New Proposals										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 301 - Legal Funding Switch										
03	(8.00)	(103,143)	(441,304)	(222,597)	(836,087)*	(8.00)	(103,296)	(441,922)	(222,928)	(837,766)*
<b>Total</b>	<b>(8.00)</b>	<b>(\$103,143)</b>	<b>(\$441,304)</b>	<b>(\$222,597)</b>	<b>(\$836,087)*</b>	<b>(8.00)</b>	<b>(\$103,296)</b>	<b>(\$441,922)</b>	<b>(\$222,928)</b>	<b>(\$837,766)*</b>

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

DP 301 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the department's legal structure. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise to provide legal services to the department. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the other divisions in order to pay for estimated legal services.

**Proprietary Rates**

*Program Description*

The proprietary programs included in the Commissioner's Office include:

- o Centralized Services Division
- o Legal Unit
- o Office of Information Technology

Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through a cost allocation plan whereby the department programs are assessed a percentage of their personal service costs. Services provided by the cost allocation plan include: budgeting, accounting and fiscal management, internal controls, contracting, purchasing, asset management, human resources, payroll, and benefits.

The Office of Information Technology provides network support to the department's five programs and two administratively attached entities. The office is funded by revenues generated through the collection of a cost recovery rate, based on full time equivalent positions in each division.

The Office of Legal Services provides legal assistance to the department's five programs and two administratively attached entities. Previously, support for 8.00 FTE and related operating costs were budgeted and funded within HB 2. These staff provided legal services to the programs within DOLI with the exception of the Business Standards Division. Services of the remaining 11.75 FTE within the office were charged to the Business Standards Division at an hourly rate. The legislature approved moving the 8.00 FTE from HB 2 into the proprietary fund. The legal services provided to the divisions other than Business Services will be charged on an hourly rate in the 2015 biennium.

Figure 6 shows the 2015 biennium budget for the various proprietary programs approved through the rates by the legislature.

Figure 6

Department of Labor and Industry Commissioner's Office/Centralized Services Division 2015 Biennium Budgets for Proprietary Funds				
	Centralized Services Division	Office of Information Technology	Legal Unit	Total Proprietary Budget
FTE	33.50	21.50	20.75	75.75
Costs				
Personal Services	\$4,071,954	\$3,054,297	\$3,453,987	\$10,580,238
Operating Expenses	<u>2,901,387</u>	<u>798,750</u>	<u>720,804</u>	<u>4,420,941</u>
Total Costs	6,973,341	3,853,047	4,174,791	15,001,179
Funding				
Proprietary	<u>6,973,341</u>	<u>3,853,047</u>	<u>4,174,791</u>	<u>15,001,179</u>
Total Funding	6,973,341	3,853,047	4,174,791	15,001,179

As shown, the budgeted amount of funding to be charged to the various divisions for the functions in the Commissioner's Office is estimated to be \$15.0 million over the 2015 biennium. The costs for the various programs increased when compared to the 2012 base as follows:

- Centralized Services Division – 22.2%
- Office of Information Technology – (1.6%)
- Legal Unit – 8.7%

### Expenses

Significant costs for the programs are:

- Personal services of \$10.58 million over the biennium for 75.75 FTE
- Operating costs of \$4.42 million over the biennium including:
  - \$0.8 million in statewide indirect costs
  - \$0.3 million in rent
  - \$0.2 million in SITSD costs

### 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 and legislatively approved indirect cost rates applied to actual personal service expenditures as well as rates charged based on time distribution and full time equivalent positions.

The funds used to pay for the services are comprised of approximately 2% general fund, 64% state special revenue funds, 29% federal special revenue funds, and 5% proprietary funds.

### *Proprietary Rates*

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 for the 2015 biennium is 8.00%, compared to a FY 2012 rate of 8.24%.

The Office of Information Technology rate (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 monthly rate is calculated based on the projected cost of services for the 2015 biennium divided by the total number of active directory accounts in the department divided by 12 months. The rate is \$192 per month per full time equivalent position for the 2015 biennium.

The Office of Legal Services rate 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 per hour is calculated on projected costs of services for the 2015 biennium divided by the projected direct hours of service to be provided in the 2015 biennium. The rate for the 2015 biennium is \$95 per hour.

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