

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 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	293.95	293.95	293.95	293.95	293.95	293.95	0.00	0.00%
Personal Services	14,375,781	15,812,593	15,890,688	15,911,111	30,188,374	31,801,799	1,613,425	5.34%
Operating Expenses	6,255,553	6,520,131	6,907,887	6,904,228	12,775,684	13,812,115	1,036,431	8.11%
Equipment & Intangible Assets	9,209	50,261	9,209	9,209	59,470	18,418	(41,052)	(69.03%)
Grants	9,031,994	9,319,862	9,031,994	9,031,994	18,351,856	18,063,988	(287,868)	(1.57%)
Transfers	333,399	171,867	333,399	333,399	505,266	666,798	161,532	31.97%
Debt Service	3,889	0	13,103	13,103	3,889	26,206	22,317	573.85%
Total Costs	\$30,009,825	\$31,874,714	\$32,186,280	\$32,203,044	\$61,884,539	\$64,389,324	\$2,504,785	4.05%
General Fund	0	0	844,823	844,994	0	1,689,817	1,689,817	n/a
State Special	9,558,551	10,684,411	8,934,390	8,934,889	20,242,962	17,869,279	(2,373,683)	(11.73%)
Federal Special	20,451,274	21,190,303	22,407,067	22,423,161	41,641,577	44,830,228	3,188,651	7.66%
Total Funds	\$30,009,825	\$31,874,714	\$32,186,280	\$32,203,044	\$61,884,539	\$64,389,324	\$2,504,785	4.05%

Program Description

The Workforce Services Division (WSD) operates as a gateway to government services including:

- o Retraining and reemployment services for laid-off workers
- o Employment and training services for people transitioning from welfare to work
- o Employment services for youth, veterans, seasonal/migrant farm workers, and general job seekers

WSD operates four bureaus. The Job Service Operations Bureau coordinates and guides the delivery of workforce development services to communities through a network of 25 Job Service Centers across the state. The 21st Century Workforce Technology, Apprenticeship & Training Bureau administers the Apprenticeship and Training Program, Jobs for Montana Graduates, Incumbent Worker Training Program, and the State Workforce Investment Board (SWIB). The Statewide Workforce Programs and Oversight Bureau performs oversight, regulatory, fiscal, tracking, registration, and support functions statewide for both state and federal programs such as the State Displaced Homemaker Program, Employee Protection Act, Workforce Investment Act (WIA), Trade Adjustment Assistance (TAA) and MontanaWorks. Finally, the Research and Analysis Bureau works in partnership with the US Department of Labor to provide labor market information that is used at the national and state level by businesses, policy makers, and educators. The bureau also provides career resources for use by educators, students, workforce development agencies, and job seekers.

Program Highlights

Workforce Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Costs increase in personal services due to: <ul style="list-style-type: none"> • Vacancy rates above the budgeted rate of 4% • Increases for broadband pay adjustments ◆ Operating expenses increases are for: <ul style="list-style-type: none"> • Reinstating building maintenance costs transferred to the Department of Administration • Increases in fixed costs including information technology and rent ◆ Executive proposes a funding shift, increasing general fund and decreasing state special revenues, for the Research and Analysis Bureau and training programs for the Jobs for Montana Graduates Program 	

Major LFD Issues
<ul style="list-style-type: none"> ◆ Employment security account statute includes allowable expenditures for research and analysis functions

Program Discussion

The Workforce Services Division personal services increase due to:

- Broadband pay increases granted throughout FY 2012 that are annualized for the 2015 biennium
- Vacancy savings that were 9.1% in FY 2012 compared to a budgeted rate of 4.0%
- Statutorily required longevity increases

Operating costs increase due to:

- State Information Technology Services Division fixed costs - \$0.7 million
- Proposal to increase costs for building maintenance by the amount transferred to the Architecture and Engineering Division for maintenance on the Helena Job Service Office - \$0.5 million

State special revenues decline due to a proposal by the executive to switch funding support from the Employment Security Account for the Research and Analysis Bureau and the Jobs for Montana Graduates to the general fund.

Figure 3 shows the FY 2012 base expenditures, the proposed costs for each year of the biennium, and the increase when compared to the FY 2012 base for two of the programs within the division:

- Job Service Operations
- Statewide Workforce Programs and Oversight Bureau

Figure 3

Department of Labor and Industry Workforce Services Division 2015 Biennium Executive Request					
	FY 2012	FY 2014	% Increase	FY 2015	% Increase
Job Service Operations					
FTE	246.35	246.35	0.00%	246.35	
Personal Services	\$11,475,163	\$12,865,761	12.12%	\$12,883,346	12.27%
Operating Costs	4,857,228	5,438,061	11.96%	5,435,772	11.91%
Equipment & Intangibles	9,209	9,209	0.00%	9,209	0.00%
Grants	4,600,062	4,600,062	0.00%	4,600,062	0.00%
Transfers	175,021	175,021	0.00%	175,021	0.00%
Debt Service	<u>3,889</u>	<u>13,103</u>	<u>236.92%</u>	<u>13,103</u>	<u>236.92%</u>
Total	<u>\$21,120,572</u>	<u>\$23,101,217</u>	9.38%	<u>\$23,116,513</u>	9.45%
Statewide Workforce Programs and Oversight					
FTE	10.62	10.62	0.00%	10.62	0.00%
Personal Services	\$629,167	\$722,046	14.76%	\$721,663	14.70%
Operating Costs	272,575	308,952	13.35%	307,894	12.96%
Equipment & Intangibles	0	0	0.00%	0	0.00%
Grants	4,289,932	4,289,932	0.00%	4,289,932	0.00%
Transfers	158,378	158,378	0.00%	158,378	0.00%
Debt Service	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>
Total	<u>\$5,350,052</u>	<u>\$5,479,308</u>	2.42%	<u>\$5,477,867</u>	2.39%

As shown, the cost of personal services for the Job Service Operations and the Statewide Workforce Programs and Oversight Bureau increase about 12.2% and 14.7% each year of the biennium when compared to the FY 2012 base costs. The majority of the increase for the Job Service Operations Bureau is related to vacant positions.

- In FY 2012 the effective vacancy savings rate was 9.0% compared to the budgeted 4%
- As of early July the division had 26.1 vacant FTE or over 10.5%
- Employees in this division received general raises averaging 4.2% in keeping with other department staff. The total cost in the 2015 biennium is about \$1.0 million

Further review of the vacancies shows that:

- 14.6 FTE or 56% of the vacant positions have been filled or hired as of November 17, 2012
- 5.0 FTE new FTE were vacant as of November 17, 2012
- 1.5 FTE of the vacant FTE have been vacant for almost two years

Changes in the operating costs include:

- Funding for building maintenance at Helena Job Service office that was transferred to the Architecture and Engineering Division in the Department of Administration - 42% of the increase
- State Information Technology and Services Division fixed costs increases – 55% of the increase
- Reductions in utilities, rent, and other costs

A review of the Statewide Workforce Programs and Oversight Bureau shows that none of the FTE were vacant when personal services were captured for budgeting purposes (the “snapshot”). In addition, as of November 17, 2012 the bureau was fully staffed. Examination of the pay history for the FTE shows that the following increases were granted in FY 2012:

- Longevity - \$9,283 annual salary cost
- Performance adjustment - \$54,058 annual salary cost
- Situation pay - \$4,354 annual salary cost
- Strategic pay - \$10,372 annual salary cost

Operating cost changes for the Statewide Workforce Programs and Oversight Bureau are included in the Statewide Present Law Adjustment for the division. Changes include:

- SITSD fixed costs increases – about 52% of the increase
- Building rent – about 40% of the increase

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Work Force Services Division							
Funds	HB 2	Non-		Total All Sources	% Total All Funds	MCA Reference	Statutory Category
		Budgeted Proprietary	Statutory Appropriation				
General Fund	\$1,689,817	\$0	\$0	\$1,689,817	2.6%		
State Special Total	\$17,869,279	\$0	\$0	\$17,869,279	27.7%		
02258 Employment Security Account	\$17,701,984	\$0	\$0	\$17,701,984	27.5%		
02455 Workers' Comp Regulation	\$167,295	\$0	\$0	\$167,295	0.3%		
Federal Special Total	\$44,830,228	\$0	\$0	\$44,830,228	69.6%		
03124 Employment Trng Grants	\$17,397,232	\$0	\$0	\$17,397,232	27.0%		
03128 L & I Federal Funding	\$522,344	\$0	\$0	\$522,344	0.8%		
03131 Osha Stat Prgm Fed.st Sdy	\$171,283	\$0	\$0	\$171,283	0.3%		
03194 Research/analysis Crn	\$1,505,833	\$0	\$0	\$1,505,833	2.3%		
03197 Wsd-dept Of Education Grant	\$2,395,230	\$0	\$0	\$2,395,230	3.7%		
03297 Labor And Industry Veteran Gra	\$1,100,000	\$0	\$0	\$1,100,000	1.7%		
03682 Wagner Peyser	\$10,374,508	\$0	\$0	\$10,374,508	16.1%		
03692 Alien Labor Certification(alc)	\$173,644	\$0	\$0	\$173,644	0.3%		
03693 Wrk Opportunities Tx Crdt/wotc	\$201,102	\$0	\$0	\$201,102	0.3%		
03694 Trade Adjustment Assist/nafta	\$10,972,600	\$0	\$0	\$10,972,600	17.0%		
Proprietary Total	\$0	\$31,600	\$0	\$31,600	0.0%		
06051 Montana Career Info System	\$0	\$31,600	\$0	\$31,600	0.0%		
Total All Funds	\$64,389,324	\$31,600	\$0	\$64,420,924	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

HB 2 Funding

State special revenue

The majority of the state special revenue funding is from the employment security account. The revenue for this account is generated from an administrative assessment against the payrolls of Montana employers. Stature enumerates the uses of the fund, including the operating expenses of the Job Service offices.

Federal revenues

Approximately 70% of the total funding for the Workforce Services Division is from federal special revenue. Nearly 90% of this funding is from three federal programs: Wagner-Peyser Act, Workforce Investment Act, and Trade Adjustment Assistance Program (Trade Act of 1974). The uses and requirements for these funds are determined by the federal agencies granting the funding.

LFD COMMENT	<p>Under current law, the Budget Control Act (BCA) sequester is scheduled to occur on January 2, 2013. When Congress enacted the BCA, it included automatic spending reductions, known as sequester, to ensure deficit reduction of the federal budget occurred. The current estimate of the reduction for non-defense federal funds is 8.2%. Included in the federal funds subject to sequestration are funds from the federal Department of Labor. The funds that are covered include:</p> <ul style="list-style-type: none"> ○ Workforce Investment Act – Adult Training, Dislocated Workers, Youth Activities ○ Employment Service State grants
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Proprietary Funds

The proprietary funding is considered and approved as rates charged to entities participating in the Montana Career Information System and are discussed in the “Proprietary Rates” section of the narrative.

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	0	0	0	0.00%	30,009,825	30,009,825	60,019,650	93.21%
Statewide PL Adjustments	0	0	0	0.00%	1,891,414	1,908,178	3,799,592	5.90%
Other PL Adjustments	3,246	3,246	6,492	0.38%	273,356	273,356	546,712	0.85%
New Proposals	841,577	841,748	1,683,325	99.62%	11,685	11,685	23,370	0.04%
Total Budget	\$844,823	\$844,994	\$1,689,817		\$32,186,280	\$32,203,044	\$64,389,324	

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 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,176,931					2,198,181
Vacancy Savings					(662,024)					(662,851)
Inflation/Deflation					(11,269)					(5,172)
Fixed Costs					387,776					378,020
Total Statewide Present Law Adjustments		\$0	(\$51,282)	\$1,942,696	\$1,891,414		\$0	(\$50,612)	\$1,958,790	\$1,908,178
DP 104 - WSD Rent Adjustment	0.00	3,246	11,633	13,863	28,742	0.00	3,246	11,633	13,863	28,742
DP 105 - Reinstatement for Appropriation Transfer	0.00	0	244,614	0	244,614	0.00	0	244,614	0	244,614
Total Other Present Law Adjustments	0.00	\$3,246	\$256,247	\$13,863	\$273,356	0.00	\$3,246	\$256,247	\$13,863	\$273,356
Grand Total All Present Law Adjustments	0.00	\$3,246	\$204,965	\$1,956,559	\$2,164,770	0.00	\$3,246	\$205,635	\$1,972,653	\$2,181,534

DP 104 - WSD Rent Adjustment - The executive is requesting \$28,742 in each year of the biennium for an increase in off campus rent related to Job Service Offices around the state.

DP 105 - Reinstatement for Appropriation Transfer - This request is to restore the appropriation transferred to the Architecture & Engineering Division in the Department of Administration for building maintenance.

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----			-----Fiscal 2015-----					
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Legal Funding Switch	01	0.00	0	16,443	0	16,443	0.00	0	16,443	0	16,443
DP 103 - WSD Funding Correction	01	0.00	841,577	(841,577)	0	0	0.00	841,748	(841,748)	0	0
DP 6101 - Professional Development Center Fee Allocation	01	0.00	0	(3,992)	(766)	(4,758)	0.00	0	(3,992)	(766)	(4,758)
Total		0.00	\$841,577	(\$829,126)	(\$766)	\$11,685	0.00	\$841,748	(\$829,297)	(\$766)	\$11,685

DP 101 - Legal Funding Switch - The executive requests 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 request 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.

**LFD
COMMENT**

For a further discussion, see the Centralized Services Division.

DP 103 - WSD Funding Correction - The executive requests funds to reinstate general fund in place of state special revenue for the 21st Century Workforce Bureau Jobs for Montana Graduates Program and the Research and Analysis Bureau. The 2011 Legislature switched funding from general fund to employment security account funds authorized by 39-51-409, MCA. The executive contends the use of the account for these purposes is neither appropriate nor sustainable.

**LFD
ISSUE**
Statute Includes Allowable Expenditures for Research and Analysis Functions

According to statute, the Employment Security Account may be used for:

- Unemployment insurance benefits
- Expenses incurred in the administration of the unemployment insurance program
- Expenses incurred for the employment offices, including expenses for providing services to the business community
- Expenses incurred for the Apprenticeship and Training Program
- Expenses incurred for the Displaced Homemaker Program
- Expenses for research and analysis functions that provide employment, wage, and economic data
- Expenses for department functions pertaining to wage and hour laws, prevailing wages, and collective bargaining
- Principal, interest, and redemption premium on employment security revenue bonds

It should be noted that statute specifically includes expenditures for research and analysis functions that provide employment, wage, and economic data.

Statute does not define the Apprenticeship and Training Programs. However, it does state that one of the responsibilities of the department is to provide assistance for the development of on-the-job training programs in occupations that cannot be apprenticed. The goal of the Jobs for Montana Graduates Program is to assist students to stay in school, graduate, and successfully transition from school into employment. One of the performance measurements of the program is the employment rate of the students in the program as the program works to provide classroom instruction and work-based learning opportunities concurrently. This means that students are trained in such things as interviewing skills, resume preparation, and, in some cases, employment after school.

A discussion of the sustainability of the fund can be found in the Agency Discussion section of the narrative.

Legislative Options:

- Given that the Research and Analysis Bureau is provided for in the statute outlining uses of the Employment Security Account and the continued increase in the fund balance, the legislature may wish to consider the need for general fund in relation to the programs.
- The legislature may also wish to consider if the Employment Security Account should continue to support the Jobs for Montana Graduates.

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Rates

Program Description

The purpose of Montana Career Information System (MCIS) is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. 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. When the grant ends, MCIS will need to 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 that requires the program to collect fees associated with each optional component.

Program Narrative

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

For the 2015 biennium the following rates are proposed by the executive. The rates have not changed from those charged in the base year 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

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.