

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	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	175,216	174,609	729,992	349,825	(380,167)	(52.08%)
Total Costs	\$1,462,996	\$1,633,450	\$789,213	\$788,384	\$3,096,446	\$1,577,597	(\$1,518,849)	(49.05%)
General Fund	277,929	279,307	183,460	183,185	557,236	366,645	(190,591)	(34.20%)
State Special	583,520	685,338	221,572	221,527	1,268,858	443,099	(825,759)	(65.08%)
Federal Special	541,511	580,288	384,181	383,672	1,121,799	767,853	(353,946)	(31.55%)
Other	60,036	88,517	0	0	148,553	0	(148,553)	(100.00%)
Total Funds	\$1,462,996	\$1,633,450	\$789,213	\$788,384	\$3,096,446	\$1,577,597	(\$1,518,849)	(49.05%)

Program Description

The Commissioner's Office and the Centralized Services Division provide program direction and legal, administration, and support services to the department's five programs and two administratively attached entities.

Program Highlights

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

Program Discussion

The budget for the Commissioner's Office decreases due to a proposal to switch the funding for the Office of Legal Services from support provided by revenues appropriated in HB 2 to the proprietary fund. 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.

Figure 5 shows the FY 2012 base costs included in HB 2 and the changes for the 2015 biennium for the Hearing Unit, one of the functions within the commissioner's office.

Figure 5

Department of Labor and Industry Commissioner's Office 2015 Biennium Executive Request HB 2					
Hearings Unit - HB 2	FY 2012	FY 2014		FY 2015	
FTE	9.00	9.00		9.00	
Personal Services	\$593,999	\$613,997	3.37%	\$613,775	3.33%
Operating Costs	<u>164,036</u>	<u>154,338</u>	-5.91%	<u>153,731</u>	-6.28%
Total	\$758,035	\$768,335	1.36%	\$767,506	1.25%
General Fund	178,272	183,460	2.91%	183,185	2.76%
State Special	189,647	200,694	5.83%	200,649	5.80%
Federal	390,116	384,181	-1.52%	383,672	-1.65%
Proprietary	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>
	<u>\$758,035</u>	<u>\$768,335</u>	1.36%	<u>\$767,506</u>	1.25%

Increases for the personal services are related to longevity and performance adjustments. Decreases in operating costs 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 for the 2015 biennium as recommended by the Governor.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Commissioner'S Office/Csd							
Funds	HB 2	Non-		Total All Sources	% Total All Funds	MCA Reference	Statutory Category
		Budgeted Proprietary	Statutory appropriatio				
General Fund	\$366,645	\$0	\$0	\$366,645	2.2%		
State Special Total	\$443,099	\$0	\$0	\$443,099	2.7%		
02233 Bsd Hearings	\$70,533	\$0	\$0	\$70,533	0.4%		
02258 Employment Security Account	\$358,057	\$0	\$0	\$358,057	2.2%		
02315 Dli Info Exchange/rental	\$2,142	\$0	\$0	\$2,142	0.0%		
02455 Workers' Comp Regulation	\$12,367	\$0	\$0	\$12,367	0.1%		
Federal Special Total	\$767,853	\$0	\$0	\$767,853	4.6%		
03122 Eeoc	\$64,722	\$0	\$0	\$64,722	0.4%		
03954 Ui Administrative Grants	\$703,131	\$0	\$0	\$703,131	4.2%		
Proprietary Total	\$0	\$15,048,099	\$0	\$15,048,099	90.5%		
06546 Commissioner's Office/csd	\$0	\$7,023,385	\$0	\$7,023,385	42.2%		
06552 Admin Services	\$0	\$4,171,667	\$0	\$4,171,667	25.1%		
06568 Office Of Information Tech	\$0	\$3,853,047	\$0	\$3,853,047	23.2%		
Total All Funds	\$1,577,597	\$15,048,099	\$0	\$16,625,696	100.0%		
Percent - Total All Sources	9.5%	90.5%	0.0%				

HB 2 Funding

The majority of the funding for HB 2 supports the Hearings Unit. 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	151.61%	1,462,996	1,462,996	2,925,992	185.47%
Statewide PL Adjustments	8,731	8,609	17,340	4.73%	162,529	163,379	325,908	20.66%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(103,200)	(103,353)	(206,553)	(56.34%)	(836,312)	(837,991)	(1,674,303)	(106.13%)
Total Budget	\$183,460	\$183,185	\$366,645		\$789,213	\$788,384	\$1,577,597	

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					223,858					226,197
Vacancy Savings					(54,501)					(54,594)
Inflation/Deflation					119					356
Fixed Costs					(6,947)					(8,580)
Total Statewide Present Law Adjustments		\$8,731	\$79,410	\$65,381	\$162,529*		\$8,609	\$79,983	\$65,203	\$163,379*
Grand Total All Present Law Adjustments	0.00	\$8,731	\$79,410	\$65,381	\$162,529*	0.00	\$8,609	\$79,983	\$65,203	\$163,379*

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

Statewide present law adjustments shown above include changes in personal services for the Legal Unit that are proposed to shift to a proprietary fund. Overall the division had a 10.3% vacancy rate compared to the budgeted rate of 4%.

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	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)*
DP 6101 - Professional Development Center Fee Allocation										
03	0.00	(57)	(54)	(114)	(225)	0.00	(57)	(54)	(114)	(225)
Total	(8.00)	(\$103,200)	(\$441,358)	(\$222,711)	(\$836,312)*	(8.00)	(\$103,353)	(\$441,976)	(\$223,042)	(\$837,991)*

* "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 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.

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 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 executive is proposing to move 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 FY 2012 base expenditures for each function and the proposed changes for the 2015 biennium by fiscal year for the proprietary fund. As shown, changes proposed by the executive increase FTE by 8.00 and shift program costs to proprietary funding that is then allocated to the various divisions based on use of services.

The costs for the Centralized Services Division increase significantly, both personal services and operating costs. A review of personal service costs shows increases for a vacant position and longevity and performance adjustments are the driving factors. Operating increases include costs for audit fees related to the biennial nature of the costs, rent, indirect costs, and SITSD costs.

Figure 6

Department of Labor and Industry Commissioner's Office 2015 Biennium Executive Request Proprietary					
	FY 2012	FY 2014	% Increase	FY 2015	% Increase
Legal Unit - Proprietary					
FTE	11.75	20.75		20.75	
Personal Services	\$1,021,830	\$1,725,569	68.87%	\$1,728,418	69.15%
Operating Costs	<u>213,862</u>	<u>360,700</u>	<u>68.66%</u>	<u>356,980</u>	<u>66.92%</u>
Total	\$1,235,692	\$2,086,269	68.83%	\$2,085,398	68.76%
Proprietary	<u>1,235,692</u>	<u>2,086,269</u>	<u>68.83%</u>	<u>2,085,398</u>	<u>68.76%</u>
	<u>\$1,235,692</u>	<u>\$2,086,269</u>		<u>\$2,085,398</u>	
Centralized Services Division - Proprietary					
FTE	33.50	33.50		33.50	
Personal Services	1,754,907	2,034,287	15.92%	2,037,667	16.11%
Operating Costs	<u>1,097,684</u>	<u>1,545,489</u>	<u>40.80%</u>	<u>1,405,942</u>	<u>28.08%</u>
Total	<u>\$2,852,591</u>	<u>\$3,579,776</u>	25.49%	<u>\$3,443,609</u>	20.72%
Proprietary	<u>2,852,591</u>	<u>3,579,776</u>	<u>25.49%</u>	<u>3,443,609</u>	<u>20.72%</u>
Total	<u>\$2,852,591</u>	<u>\$3,579,776</u>	25.49%	<u>\$3,443,609</u>	20.72%
Office of Information Technology - Proprietary					
FTE	21.50	21.50		21.50	
Personal Services	1,509,695	1,526,638	1.12%	1,527,659	1.19%
Operating Costs	<u>448,525</u>	<u>399,579</u>	<u>-10.91%</u>	<u>399,171</u>	<u>-11.00%</u>
Total	<u>\$1,958,220</u>	<u>\$1,926,217</u>	-1.63%	<u>\$1,926,830</u>	-1.60%
Proprietary	<u>1,958,220</u>	<u>1,926,217</u>	<u>-1.63%</u>	<u>1,926,830</u>	<u>-1.60%</u>
Total	<u>\$1,958,220</u>	<u>\$1,926,217</u>	-1.63%	<u>\$1,926,830</u>	-1.60%

Expenses

Significant costs for the programs are:

- Personal services of \$10.58 million over the biennium for 75.75 FTE
- Operating costs of \$4.48 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 requested 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 request 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.