

**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	151.03	151.03	154.03	154.03	151.03	154.03	3.00	1.99%
Personal Services	8,523,619	8,602,808	9,321,847	9,332,953	17,126,427	18,654,800	1,528,373	8.92%
Operating Expenses	5,803,038	6,276,039	5,873,404	5,845,149	12,079,077	11,718,553	(360,524)	(2.98%)
Equipment & Intangible Assets	22,008	223,973	336,583	298,967	245,981	635,550	389,569	158.37%
Grants	8,582	15,136	8,582	8,582	23,718	17,164	(6,554)	(27.63%)
Transfers	33,455	30,850	33,455	33,455	64,305	66,910	2,605	4.05%
<b>Total Costs</b>	<b>\$14,390,702</b>	<b>\$15,148,806</b>	<b>\$15,573,871</b>	<b>\$15,519,106</b>	<b>\$29,539,508</b>	<b>\$31,092,977</b>	<b>\$1,553,469</b>	<b>5.26%</b>
General Fund	0	0	100,000	100,000	0	200,000	200,000	n/a
State Special	14,388,649	15,136,137	15,473,871	15,419,106	29,524,786	30,892,977	1,368,191	4.63%
Federal Special	2,053	12,669	0	0	14,722	0	(14,722)	(100.00%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$14,390,702</b>	<b>\$15,148,806</b>	<b>\$15,573,871</b>	<b>\$15,519,106</b>	<b>\$29,539,508</b>	<b>\$31,092,977</b>	<b>\$1,553,469</b>	<b>5.26%</b>

**Program Description**

The Business Standards Division consists of five bureaus: Building Codes Bureau, Weights & Measures Bureau, Board Management Bureau, Licensing Bureau, and Operations Bureau. The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes. The bureau also provides support for five licensing programs. The Weights & Measures Bureau is responsible for licensing, inspecting, testing, and certifying all weighing and measuring devices used in making commercial transactions in Montana and enforces laws and regulations pertaining to the quantity control of prepackaged goods, petroleum products, and is responsible for operating the State Metrology Laboratory. The Licensing Bureau and Board Management Bureau provide support for 33 licensing boards, two programs, and the Prescription Drug Registry. The Licensing and Board Management Bureaus include 208 board members and eight advisory council members appointed by the Governor. The Operations Bureau has three units within the Business Standards Division that provide support to the other bureaus and the division.

**Program Highlights**

<b>Business Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The majority of the budget changes in the division are due to personal services increases including:                             <ul style="list-style-type: none"> <li>● Vacancy rates above the budgeted rate of 4%</li> <li>● Increases for broadband pay adjustments</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ Legislature may wish to consider reducing costs and related appropriations for accounts with negative fund balances</li> <li>◆ Excess fund balances indicate fees for some licenses are not commensurate with the costs of operating the programs</li> </ul>

**Program Discussion**

Personal services increases include adjustments for:

- Restoring vacancy savings which were 9.7% in FY 2012 compared to a budgeted rate of 4%
- Increases for longevity and broadband pay adjustments

Operating costs decrease mainly due to reductions in the costs of SITSD services for the division. Equipment increases due to:

- Reductions in spending in the FY 2012 base year
- Proposal to purchase new metrology laboratory equipment used to inspect and test all commercial devices statewide

**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 - Business Standards Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$200,000	\$0	\$0	\$200,000	0.6%		
State Special Total	\$30,892,977	\$0	\$448	\$30,893,425	99.4%		
02024 Blaster Licensing	\$22,185	\$0	\$0	\$22,185	0.1%		
02078 Occupational Therapists	\$93,416	\$0	\$0	\$93,416	0.3%		
02079 Fire Protection & Permitting	\$133,488	\$0	\$0	\$133,488	0.4%		
02080 Prescription Drug Registry	\$177,386	\$0	\$0	\$177,386	0.6%		
02082 Real Estate Recovery Account	\$0	\$0	\$448	\$448	0.0%		
02109 Board Of Outfitters	\$1,136,496	\$0	\$0	\$1,136,496	3.7%		
02155 Boiler,blaster,crane Licensing	\$820,216	\$0	\$0	\$820,216	2.6%		
02207 Crane Licensing	\$182,115	\$0	\$0	\$182,115	0.6%		
02359 Chemical Dependency Counselors	\$231,658	\$0	\$0	\$231,658	0.7%		
02446 Board Of Psychologist Exam	\$247,396	\$0	\$0	\$247,396	0.8%		
02448 Building Codes State Spec Rev	\$7,643,674	\$0	\$0	\$7,643,674	24.6%		
02580 Bd Of Athletic Trainers	\$48,401	\$0	\$0	\$48,401	0.2%		
02679 Massage Therapists	\$213,070	\$0	\$0	\$213,070	0.7%		
02764 Bd Of Adolescent Res. Or Outdr Pg	\$125,752	\$0	\$0	\$125,752	0.4%		
02818 Electrical Board	\$853,109	\$0	\$0	\$853,109	2.7%		
02805 Weights & Measures Bureau	\$2,047,160	\$0	\$0	\$2,047,160	6.6%		
02820 Board Of Architects	\$152,521	\$0	\$0	\$152,521	0.5%		
02809 Board Of Speech Pathologists	\$124,050	\$0	\$0	\$124,050	0.4%		
02810 Bd Of Radiologic Technologists	\$221,484	\$0	\$0	\$221,484	0.7%		
02811 Clinical Lab Science Pract.	\$142,914	\$0	\$0	\$142,914	0.5%		
02812 Physical Therapists	\$235,031	\$0	\$0	\$235,031	0.8%		
02813 Bd Of Nursing Home Admin	\$57,699	\$0	\$0	\$57,699	0.2%		
02814 Bd Of Hearing Aid Dispensers	\$170,604	\$0	\$0	\$170,604	0.5%		
02815 Board Of Public Accountants	\$932,628	\$0	\$0	\$932,628	3.0%		
02816 Board Of Sanitarians	\$63,886	\$0	\$0	\$63,886	0.2%		
02818 Electrical Board	\$853,109	\$0	\$0	\$853,109	2.7%		
02819 Board Of Realty Regulations	\$2,012,766	\$0	\$0	\$2,012,766	6.5%		
02820 Board Of Architects	\$152,521	\$0	\$0	\$152,521	0.5%		
02821 Board Of Funeral Service	\$315,382	\$0	\$0	\$315,382	1.0%		
02822 Board Of Chiropractors	\$255,303	\$0	\$0	\$255,303	0.8%		
02823 Professional Engineers	\$777,983	\$0	\$0	\$777,983	2.5%		
02824 Board Of Medical Examiners	\$2,592,440	\$0	\$0	\$2,592,440	8.3%		
02826 Cosmetology Board	\$1,115,379	\$0	\$0	\$1,115,379	3.6%		
02828 Board Of Plumbers	\$609,822	\$0	\$0	\$609,822	2.0%		
02829 Private Investigator	\$409,674	\$0	\$0	\$409,674	1.3%		
02830 Board Of Dentistry	\$547,722	\$0	\$0	\$547,722	1.8%		
02831 Board Of Optometrists	\$94,594	\$0	\$0	\$94,594	0.3%		
02832 Board Of Pharmacy	\$1,516,221	\$0	\$0	\$1,516,221	4.9%		
02833 Board Of Nursing	\$1,871,631	\$0	\$0	\$1,871,631	6.0%		
02834 Board Of Veterinarians	\$296,833	\$0	\$0	\$296,833	1.0%		
02840 Board Of Social Workers	\$532,111	\$0	\$0	\$532,111	1.7%		
02841 Board Of Athletics	\$13,646	\$0	\$0	\$13,646	0.0%		
02852 Bd. Of Alternative Health Care	\$142,023	\$0	\$0	\$142,023	0.5%		
02854 Bd. Of Real Estate Appraisers	\$803,799	\$0	\$0	\$803,799	2.6%		
02855 Bd Of Respiratory Care	\$94,762	\$0	\$0	\$94,762	0.3%		
Total All Funds	\$31,092,977	\$0	\$448	\$31,093,425	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

*HB 2 Funding*

General fund would support the one-time-only purchase of equipment in the Weights and Measures Bureau. State special revenue accounts are maintained for each type of licensee and professional board. Charges and fees paid by licensees are deposited to the accounts and administrative and operational expenses of the division are charged directly to the funds.

**LFD  
ISSUE**Legislature May Wish to Consider Reducing Appropriation Authority for Accounts with Negative Fund Balances

A review of the fund balances of the licensing boards shows that a number of the accounts had a negative fund balance as measured on June 30, 2012. Figure 9 shows the accounts that had a negative fund balance as of June 30, 2012 and the current status of the fund balance.

**Figure 9**

Department of Labor & Industry Business Standards Division Negative Fund Balances as of June 30, 2012							
Fund Number	Description	Budgeted FY 2013	Beginning Fund Balance	FY 2013 Expenditures As of November	FY 2013 Revenues As of November	% of Revenues Collected as of November (42%)	November Fund Balance
2767	Elevator Licensing Program	\$204,754	(\$312,819)	\$109,827	\$58,204	28.43%	(\$364,442)
2814	Bd Of Hearing Aid Dispensers	44,884	(17,161)	12,977	6,040	13.46%	(\$24,098)
2818	Electrical Board	351,969	(70,061)	119,387	472,768	134.32%	\$283,319
2840	Board Of Social Workers	191,733	(24,473)	60,626	6,850	3.57%	(\$78,249)

As shown, the Electrical Board has collected revenues that are 134% of its annual costs since July 1. This will cover both the negative fund balance and costs of operations through the end of FY 2013. The other three board's financial situations have worsened since July. The situations that lead to the current state of the fund balances vary by board. For example, the Board of Hearing Aid Dispensers lost revenues when a number of audiologists that were licensees were no longer required to obtain a license. This came about after passage of SB 132. SB 132 allowed audiologists to sell hearing aids without a separate hearing aid dispenser license. This leaves the Board of Hearing Aid Dispensers with less income but the same level of costs. To address this the board implemented a \$1,000 licensing fee for the remaining licensees. The increased fee did not provide sufficient revenues in FY 2012 to address the deficit.

Timing of the revenue collections varies depending on the period of the license renewal. For the two boards and one program with negative fund balances the renewal periods are:

- Elevator Licensing – Throughout the Year
- Hearing Aid Dispensers – May 1 – June 30
- Board of Social Workers – November 1 – December 31

In FY 2012 the revenues collected and costs of operations for each board or program were:

- Elevator Licensing Program -\$206,471 in revenues with \$329,589 in operating costs
- Hearing Aid Dispensers - \$54,033 in revenues and \$83,879 in operating costs
- Board of Social Workers - \$210,111 in revenues and \$268,963 in operating costs

The anticipated costs for each board or program in the 2015 biennium are shown in the funding table on the previous page. In each case the budgeted program costs have increased significantly. For example, the Elevator Licensing Program costs increase 267% between FY 2013 and FY 2014. For information on the number of licensees and the costs of the licenses for each board or program see the Appendix for the Department of Labor and Industry.

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ISSUE CONT.**

Statute requires the division to:

- Provide notice to the board and to the appropriate legislative interim committee when a board cannot operate in a cost-effective manner
- Suspend all duties under this title related to the board except for services related to renewal of licenses
- Review the need for a board and make recommendations to the legislative interim committee with monitoring responsibility for the boards for legislation revising the board's operations to achieve fiscal solvency
- Recover the costs by one-time charges against all licensees of the board after providing notice and meeting the requirements under the Montana Administrative Procedure Act

While the Economic Affairs Interim Committee (EAIC) did discuss fiscal solvency concerns with the Board of Hearing Aid Dispensers, the fee increase did not address the funding deficiency. The division did not notify EAIC of issues with the Board of Social Workers.

The legislature may wish to discuss the impacts of the increased costs with each of the boards in terms of their anticipated revenues. To ensure the boards will be able to operate within the license fee revenues over the next biennium and address the negative fund balances in the accounts the legislature may wish to discuss with the boards the cost cutting measures and revenue enhancements that will be implemented.

To address their financial situations the boards can:

- Reduce operational costs for the boards to ensure the board's costs are within revenues collected
- Increase revenues by increasing the costs of licenses
- Develop a plan that incorporates both components above to address their financial situations

The division can suspend all duties for the affected boards except for license renewals and assess a one-time charge against all licensees of the board to recover the costs.

The Elevator Licensing Program does not have an associated board and thus is not included as an entity under the statute that outlines how to address financial solvency issues. The legislature may wish to consider revising statute to include programs without boards in the notification and monitoring of fiscal solvency issues.

#### Legislative Option

The legislature may wish to:

- Discuss with the affected boards a plan to reduce costs and related appropriation authority and/or increase revenues for those accounts that have a negative fund balance to ensure the programs operate within their program revenues
- Request a bill draft to include licensing programs without boards under the statute addressing fiscal solvency of licensing boards

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ISSUE**

License Fees Not Commensurate with Costs of Operating the Program

Statute requires that each board set the fees to be commensurate with the costs of operating the licensing program. Statute further requires that the division ensure that fund balances not exceed twice the annual appropriations of the licensing program. A review of the FY 2012 ending fund balance as of June 30, 2102 shows that a number of boards had fund balances that exceeded two times their FY 2013 appropriation. Figure 10 shows the budgeted appropriations for FY 2013, the beginning fund balance of the account, and the amount the fund balance exceeded the statutory limit.

**Figure 10**

Department of Labor & Industry Business Standards Division Fund Balance Above Statutory Limit					
Fund Number	Description	Budgeted FY 2013	Statutory Limit on Approp	Beginning Fund Balance	Fund Balance Above Statutory
2024	Blasters Program	\$3,085	\$6,170	\$23,641	\$17,471
2079	Fire Protection & Permitting	61,480	122,960	144,442	21,482
2831	Board Of Optometrists	26,524	53,048	54,578	1,530
2833	Board Of Nursing	986,840	1,973,680	2,186,513	212,833
2855	Bd Of Respiratory Care	<u>33,205</u>	66,410	70,215	<u>3,805</u>
Total		<u>\$1,111,134</u>			<u>\$257,122</u>

Further, the Office of Budget and Program Planning is required to report to the Legislative Finance Committee those funds that exceed this requirement and the need behind the level of funding in the accounts. In the September 2012 report provided to the LFC, Fire Protection and Permitting and the Board of Optometrists were presented. The following was outlined as the explanation behind the excess cash balance:

- o Fire Protection and Permitting – purchase of a new vehicle and additional licensing training in FY 2013 will bring balance to appropriate level
- o Board of Optometrists – Software upgrade completed, thereby drawing down the cash balance. The board will abate fees if balance continues to increase

The report did not include the Blasters Program, the Board of Nursing, or the Board of Respiratory Care.

**Legislative Option**

The legislature may wish to discuss the planned uses of the excess cash balances with the boards and/or possible adjustments to license fees that may be needed to ensure fees are commensurate with costs of operating the programs.

**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%	14,390,702	14,390,702	28,781,404	92.57%
Statewide PL Adjustments	0	0	0	0.00%	481,063	498,168	979,231	3.15%
Other PL Adjustments	0	0	0	0.00%	575,724	620,520	1,196,244	3.85%
New Proposals	100,000	100,000	200,000	100.00%	126,382	9,716	136,098	0.44%
<b>Total Budget</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$200,000</b>		<b>\$15,573,871</b>	<b>\$15,519,106</b>	<b>\$31,092,977</b>	

**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					999,911					1,011,744
Vacancy Savings					(376,567)					(377,037)
Inflation/Deflation					(15,937)					(5,746)
Fixed Costs					(126,344)					(130,793)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$483,116</b>	<b>(\$2,053)</b>	<b>\$481,063</b>		<b>\$0</b>	<b>\$500,221</b>	<b>(\$2,053)</b>	<b>\$498,168</b>
DP 502 - BSD General Operating Adjustment	0.00	0	382,957	0	382,957	0.00	0	372,113	0	372,113
DP 503 - BSD - Other General	0.00	0	65,850	0	65,850	0.00	0	65,850	0	65,850
DP 504 - BSD - Online Processing	0.00	0	126,917	0	126,917	0.00	0	182,557	0	182,557
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$575,724</b>	<b>\$0</b>	<b>\$575,724</b>	<b>0.00</b>	<b>\$0</b>	<b>\$620,520</b>	<b>\$0</b>	<b>\$620,520</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,058,840</b>	<b>(\$2,053)</b>	<b>\$1,056,787</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,120,741</b>	<b>(\$2,053)</b>	<b>\$1,118,688</b>

DP 502 - BSD General Operating Adjustment - The executive requests increased support for off campus rent, and in state travel, repair and maintenance, and other operational costs in the FY 2015 biennium.

DP 503 - BSD - Other General - The executive requests additional state special revenue funding for the Board of Real Estate Appraisers to provide for the anticipated costs of certified appraiser reviews, the Board of Veterinarians to cover consultant's exam costs, and the Board of Realty Regulations to support education programs.

DP 504 - BSD - Online Processing - The executive requests increased support for the Montana Interactive e-check and credit card processing fees to accept and process online applications for license and permit applicants.

**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 501 - Legal Funding Switch											
05	0.00	0	39,106	0	39,106	0.00	0	39,106	0	39,106	
DP 505 - BSD Weights & Measures OTO Biennial/ Restricted											
05	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000	
DP 506 - POL Motor Pool Lease											
05	0.00	0	6,331	0	6,331	0.00	0	6,634	0	6,634	
DP 508 - BSD Medical Impairment Program											
05	3.00	0	(17,737)	0	(17,737)	3.00	0	(134,706)	0	(134,706)	
DP 6101 - Professional Development Center Fee Allocation											
05	0.00	0	(1,318)	0	(1,318)	0.00	0	(1,318)	0	(1,318)	
<b>Total</b>	<b>3.00</b>	<b>\$100,000</b>	<b>\$26,382</b>	<b>\$0</b>	<b>\$126,382</b>	<b>3.00</b>	<b>\$100,000</b>	<b>(\$90,284)</b>	<b>\$0</b>	<b>\$9,716</b>	

DP 501 - 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.

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COMMENT**

For a further discussion, see the Centralized Services Division.

DP 505 - BSD Weights & Measures OTO Biennial/ Restricted - The executive requests \$100,000 in one-time-only general fund for FY 2014 and FY 2015. The Weights and Measures Bureau would replace outdated equipment and update the metrology laboratory in order to fulfill its statutory requirement to inspect and test all commercial devices statewide. Current equipment is in excess of 15 years old and can no longer be maintained with routine repair.

**LFD  
ISSUE**
Licensing Fees Could Be Increased Over the Biennium to Fund Equipment Replacement

According to Montana statutes all individuals weighing or measuring devices used commercially in the State of Montana must purchase an annual license from the Building Codes Bureau. License fees are commensurate with the costs associated to test the device. The executive is requesting to substitute state general fund for increased license fees associated with weighing or measuring devices.

**Legislative Option**

Fund the costs of replacing the equipment with state special revenue funds from the weight and measures account. The impact of this option would be that license fees for weighing or measuring devices would need to be increased to ensure the fees were commensurate with the cost of operating the program, including purchasing new testing equipment.

DP 506 - POL Motor Pool Lease - The Business Standards Division is requesting \$6,331 in FY 2014 and \$6,634 in FY 2015 for one motor pool leased vehicle. This request is funded by state special revenue.

DP 508 - BSD Medical Impairment Program – The executive requests a decrease in appropriation authority for the Business Standards Division Medical Impairment Program authorized in 7-3-203, MCA. This comes as a result of eliminating contracts for the medical impairment program and providing the service in house. Currently the Business Standards Division spends \$401,318 annually on this service with an expected increase of \$70,000 in each year of the 2015 biennium.

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.