

Agency Budget Comparison

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

Agency 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	756.58	756.58	752.58	752.58	756.58	752.58	(4.00)	(0.53%)
Personal Services	40,122,529	42,222,224	43,265,007	43,309,143	82,344,753	86,574,150	4,229,397	5.14%
Operating Expenses	21,438,114	23,569,354	22,921,975	23,040,631	45,007,468	45,962,606	955,138	2.12%
Equipment & Intangible Assets	122,027	274,234	436,602	398,986	396,261	835,588	439,327	110.87%
Grants	11,535,458	11,779,098	12,228,606	12,228,678	23,314,556	24,457,284	1,142,728	4.90%
Benefits & Claims	91,464	74,840	91,464	91,464	166,304	182,928	16,624	10.00%
Transfers	484,630	357,757	454,199	454,199	842,387	908,398	66,011	7.84%
Debt Service	3,889	3,775	13,103	13,103	7,664	26,206	18,542	241.94%
Total Costs	\$73,798,111	\$78,281,282	\$79,410,956	\$79,536,204	\$152,079,393	\$158,947,160	\$6,867,767	4.52%
General Fund	1,474,826	1,483,665	2,646,492	2,647,416	2,958,491	5,293,908	2,335,417	78.94%
State Special	38,439,794	41,914,681	40,097,044	40,056,805	80,354,475	80,153,849	(200,626)	(0.25%)
Federal Special	33,823,455	34,794,419	36,667,420	36,831,983	68,617,874	73,499,403	4,881,529	7.11%
Other	60,036	88,517	0	0	148,553	0	(148,553)	(100.00%)
Total Funds	\$73,798,111	\$78,281,282	\$79,410,956	\$79,536,204	\$152,079,393	\$158,947,160	\$6,867,767	4.52%

Agency Mission: The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

For additional information please refer to the agency profile.

Agency Highlights

Department of Labor and Industry Major Budget Highlights
<ul style="list-style-type: none"> ◆ 2015 biennium budget increases mainly due to increased personal services costs for vacant positions and broadband pay increases ◆ The executive proposes to increase general fund by \$2.0 million to fund Research and Analysis Bureau and Jobs for Montana Graduates previously funded with state special revenue funds
Legislative Action Issues
<ul style="list-style-type: none"> ◆ Employer assessment used to fund the Employment Security Account could be reduced ◆ Legislature could use excess fund balance in Uninsured Employers' Fund for other uses ◆ Employment security account statute includes allowable expenditures for research and analysis functions

Agency Discussion

Agency Personal Services

The personal services budget for the 2015 biennium increases over the FY 2012 base due to:

- o An overall vacancy savings rate of 8.9% compared to a budgeted 4% rate.
- o Annualization of broadband pay increases that were granted at various times in FY 2012. The total annual cost from all funding sources, both HB 2 and non-budgeted proprietary funds is about \$1.6 million.
- o As of November 17, 2012, there were 16 positions that had been vacant for longer than six months, including 10 employment specialists in the Workforce Services Division.

LFD
ISSUE

Funding for Temporary Services Could Be Reduced

The agency spent \$376,000 on temporary services in FY 2012, which are carried forward in the base into the 2015 biennium. Because the statewide present law adjustments for personal services restore funding for those vacant positions that necessitated the temporary positions, the budget could be reduced by \$376,000. If temporary services are again needed due to vacancies, they can be funded with vacancy savings.

Legislative Option
Reduce appropriations for operating expenses by \$376,000 for temporary services that are provided through permanent staff funded through personal services.

DOLI indicates that about 10% of their employees are currently eligible for either early or full retirement. In FY 2012 the agency paid \$0.25 million in retirement and sick leave payouts that are not included as part of the 2015 biennium personal services funding.

The agency faces two primary challenges recruiting and retaining employees:

- o The unemployment call center, which the department states is due to stressful working conditions and low salaries
- o Energy development in the eastern part of the state is causing difficulty in filling positions within the current pay structure due to the increasing cost of living and housing shortages. The turnover rate for the eastern Montana offices is projected to be 42% in FY 2012. The regional director position was vacant for over seven months before it was filled.

Agency Wide Decision Packages

The following proposals have common decision packages in several programs across the agency as shown in Figure 1.

- o DP 101 - Legal Funding Switch changes the funding for legal services as shown. The proposal is to switch the funding for the Office of Legal Services from support provided by revenues appropriated in HB 2 to the proprietary fund.

Figure 1

Department of Labor and Industry												
Legal Funding Switch												
Division	Operating Costs		General Fund		State Special		Federal		Proprietary		Total	
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015
Workforce Services Division	\$16,443	\$16,443	\$0	\$0	\$16,443	\$16,443	\$0	\$0	\$0	\$0	\$16,443	\$16,443
Unemployment Insurance Division	187,921	187,921	0	0	0	0	187,921	187,921	0	0	187,921	187,921
Commissioner's Office	74,845	74,845	(103,143)	(103,296)	(441,304)	(441,922)	(222,597)	(222,928)	841,889	842,991	74,845	74,845
Employment Relations Division	562,956	562,956	141,266	141,266	409,406	409,406	12,284	12,284	0	0	562,956	562,956
Business Standards Division	39,106	39,106	0	0	39,106	39,106	0	0	0	0	39,106	39,106
Agency Total	\$881,271	\$881,271	\$38,123	\$37,970	\$23,651	\$23,033	(\$22,392)	(\$22,723)	\$841,889	\$842,991	\$881,271	\$881,271

As shown above, the proposal increases general fund, state special, and proprietary funds and reduces support from federal revenues. The majority of the impact is to the Employment Relation Division which has increased costs of \$0.5 million each year of the biennium for the indirect charges for legal services. A portion of the increase in the general fund

for the Employment Relation Division can be offset by federal funds. Refer to the LFD Issue in the narrative for the division for further information.

5% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

For this agency the general fund impact of the 5% plan is \$73,741 and the state special revenue impact is \$1,101,519.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- o New
- o Emerging
- o Mature
- o Declining
- o Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- o Current plans to address obsolescence
- o Costs to replace the system
- o Costs of maintaining the current system
- o Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$5,293,908	\$0	\$0	\$5,293,908	1.1%
State Special Total	80,153,849	-	1,528,454	81,682,303	17.3%
Federal Special Total	73,499,403	-	-	73,499,403	15.5%
Proprietary Total	-	313,023,047	-	313,023,047	66.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$158,947,160	\$313,023,047	\$1,528,454	\$473,498,661	
Percent - Total All Sources	33.6%	66.1%	0.3%		

The majority of the funding for the division is non-budgeted proprietary funding for unemployment benefits. State special revenue funds include the employment security account, individual accounts for each professional licensing board or program, and the uninsured employers fund. General fund supports activities within the Workforce Services Division and the Employment Relations Division.

**LFD
ISSUE**Employment Security Account Fund Balance is Growing

State statute provides for a special administration assessment that is deposited into the Employment Security Account. The rate is assessed at varying rates, 0.08% to 0.18%, depending on the rate class and type of employer, with separate rates for nonprofits and government employers. Statute outlines the allowed uses of the fund as the following:

- Unemployment insurance benefits
- Administration of the unemployment insurance program
- Costs for collecting special administrative assessments
- Costs for employment offices including expenses for providing services to the business community
- Apprenticeship and training programs
- Displaced homemaker programs
- Department of Labor and Industry (DOLI) research and analysis programs
- Wage and hour laws, prevailing wages, and collective bargaining expenses of the DOLI
- Principal, interest, and redemption on employment security revenue bonds

Figure 2 shows the revenues, expenditure, and fund balance for the account for the 2013 and 2015 biennia.

Figure 2

Department of Labor and Industry Economic Security Account				
Revenues, Expenditures, Fund Balance	Actual FY 2012	Budgeted FY 2013	Budgeted FY 2014	Budgeted FY 2015
Beginning Fund Balance	\$9,428,160	\$9,508,079	\$7,857,017	\$9,489,113
Revenues				
Contributions/Premiums	14,994,621	15,427,000	15,942,000	16,475,000
BOI Investment Earnings	<u>34,701</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total Revenues	15,029,323	15,432,000	15,947,000	16,480,000
Expenditures				
Workforce Services Division	9,886,884	10,619,281	8,850,817	8,851,167
Unemployment Insurance Division	3,389,198	3,667,627	3,777,656	3,777,656
Commissioner's Office	247,219	1,314,120	179,030	179,027
Employment Relations Division	<u>1,435,729</u>	<u>1,482,034</u>	<u>1,507,401</u>	<u>1,507,433</u>
Total Expenditures	14,959,031	17,083,062	14,314,904	14,315,283
Adjustments	9,628			
Ending Fund Balance	<u>\$9,508,079</u>	<u>\$7,857,017</u>	<u>\$9,489,113</u>	<u>\$11,653,830</u>
Unemployment Insurance Tax Modernization	16,735,567			
Ending Fund Balance with IT project	(\$7,227,488)	(\$8,878,550)	(\$7,246,454)	(\$5,081,737)

The 2009 Legislature approved the unemployment tax modernization information technology project in HB 10 using \$16.7 million in employment security revenue bonding authority and \$3.0 million in federal revenues. The funding was approved as a long range IT project. As a long range IT project, the appropriation authority for the employment security revenue bonds does not revert at the end of the biennium but is continued until the bonds are issued and the project is completed or the legislature removes the authority through legislation.

LFD
ISSUE CONT.

The Governor canceled the unemployment tax modernization prior to the issuance of the revenue bonds. However, the authority for the bonds remains and can be utilized at any time. The source of payment for the revenue bonds is the employment security account. The amount does not include interest or administrative costs of issuing the bonds. The figure above shows the impact on the fund balance if the entire amount was removed at one time. It should be noted however, the revenue bonds for information technology projects are repaid over a ten year period so the impacts on the fund balance would be spread out over a longer period but would be higher due to interest and bond issuance costs. The agency has indicated it has recently issued a request for proposed for the unemployment for modernization project in spite of Governor Schweitzer’s cancelation of the project.

In addition, the executive proposes to switch funding for the Research and Analysis Bureau and the Jobs for Montana Graduates Program from the ESA to the general fund (see the Workforce Services Division for a further discussion). Without the appropriation authority for the revenue bonds and assuming the proposed funding switch, the fund balance for the employment security fund is growing. The legislature has two general options:

- Expand the allowable uses of the fund, including maintaining all previous uses of ESA funding for the Research and Analysis Bureau and Jobs for Montana Graduates Program
- Reduce the assessments on Montana businesses to a level in line with on-going costs

Legislative Options

- Eliminate the funding authority for the employment security revenue bonds
- Continue to fund Research and Analysis Bureau and Jobs for Montana Graduates and/or adjust statute to expand the potential uses of the fund
- Reduce the assessment rates for special administrative funds as outlined in 39-51-404, MCA

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	1,474,826	1,474,826	2,949,652	55.72%	73,798,111	73,798,111	147,596,222	92.86%
Statewide PL Adjustments	54,997	55,880	110,877	2.09%	3,953,858	4,150,267	8,104,125	5.10%
Other PL Adjustments	4,057	4,079	8,136	0.15%	1,440,753	1,487,936	2,928,689	1.84%
New Proposals	1,112,612	1,112,631	2,225,243	42.03%	218,234	99,890	318,124	0.20%
Total Budget	\$2,646,492	\$2,647,416	\$5,293,908		\$79,410,956	\$79,536,204	\$158,947,160	

The statewide present law adjustments provide for personal service adjustments including:

- Refunding vacancy savings, minus 4%
- Annualization of broadband pay plan increases
- Funding statutorily required increases for longevity

The adjustments also include increases for both fixed costs such as State Information Technology Services Division (SITSD) and rent adjustments, and decreases for gasoline.

The executive proposes shifting costs for the Research and Analysis Bureau and the Jobs for Montana Graduates Program from state special revenue funds to the general fund. This is discussed in the narrative for the Workforce Services Division.