

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	730.08	730.08	770.08	770.08	730.08	770.08	40.00	5.48%
Personal Services	37,295,537	43,870,969	42,709,959	42,847,561	81,166,506	85,557,520	4,391,014	5.41%
Operating Expenses	17,451,034	22,742,465	21,211,392	21,144,375	40,193,499	42,355,767	2,162,268	5.38%
Equipment & Intangible Assets	437,097	561,339	481,038	474,038	998,436	955,076	(43,360)	(4.34%)
Capital Outlay	0	0	163,700	0	0	163,700	163,700	n/a
Grants	8,087,502	11,392,270	8,087,502	8,087,502	19,479,772	16,175,004	(3,304,768)	(16.97%)
Benefits & Claims	126,085	156,586	126,085	126,085	282,671	252,170	(30,501)	(10.79%)
Transfers	1,011,753	618,381	633,556	636,083	1,630,134	1,269,639	(360,495)	(22.11%)
Debt Service	3,775	3,775	3,775	3,775	7,550	7,550	0	0.00%
Total Costs	\$64,412,783	\$79,345,785	\$73,417,007	\$73,319,419	\$143,758,568	\$146,736,426	\$2,977,858	2.07%
General Fund	2,235,593	2,134,687	2,961,558	2,963,670	4,370,280	5,925,228	1,554,948	35.58%
State Special	33,593,817	36,684,078	38,669,439	38,851,824	70,277,895	77,521,263	7,243,368	10.31%
Federal Special	28,535,931	34,251,539	31,695,836	31,413,701	62,787,470	63,109,537	322,067	0.51%
Other	47,442	6,275,481	90,174	90,224	6,322,923	180,398	(6,142,525)	(97.15%)
Total Funds	\$64,412,783	\$79,345,785	\$73,417,007	\$73,319,419	\$143,758,568	\$146,736,426	\$2,977,858	2.07%

Agency Description

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.

The Department of Labor and Industry (DOLI) has a number of functions. In part, the department:

- o Serves as an employment agency, provides job training to assist individuals in preparing for and finding jobs, and assists employers in finding workers
- o Oversees federal and state training and apprenticeship programs
- o Conducts research and collects employment statistics
- o Administers the unemployment insurance program and disburses state unemployment benefits
- o Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- o Provides adjudicative services in labor-management disputes
- o Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- o Provides administrative and clerical services to the 39 professional boards and occupational licensing programs authorized by state statutes
- o Establishes and enforces minimum building codes
- o Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Services
- o Oversees and regulates the Montana Workers' Compensation system

Organizationally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations; and 5) Business Standards. The Office of Community Services, Workers' Compensation Court, and three boards are administratively attached.

Agency Highlights

Department of Labor and Industry Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive requests a 35.6 percent (\$1.5 million) increase in funding from the general fund in the 2011 biennium from the 2009 biennium for statewide present law adjustments, general operating increases in several divisions, and work force training programs ◆ \$1.9 million in total funding is requested for a new bureau in the Workforce Services Division ◆ A \$20 million annual increase in proprietary fund spending authority is requested for increased unemployment benefit payments ◆ A funding switch moves 33 FTE and associated costs to HB 2 funded program from proprietary funded program ◆ Additional requests for 7 FTE and associated costs in various programs
Major LFD Issues
<ul style="list-style-type: none"> ◆ The legislature may wish to examine the use of additional Employment Security Account (ESA) funds produced by the tax rate increase

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

Employment Security Account

The 2007 Legislature passed HB 790, modifying the rate of unemployment insurance tax collected from Montana employers. HB 790 decreased the State Unemployment Tax Assessment (SUTA) rate schedules by 0.25 percent, lowering the average tax rate from 1.37 percent to 1.12 percent. It increased the Employment Security Account (ESA) rates depending on employer type and experience rating. The impact of the change was an average 30 percent increase in ESA tax revenues. The purpose of the change was to generate additional revenues to replace shrinking federal special revenues that support the administration of unemployment insurance programs. The additional revenue projected by the LFD is \$4.38 million and \$4.66 million in FY 2010 and FY 2011, respectively. The following table illustrates the total amount requested in funding from the ESA for the proposed decision packages for the agency, by division.

Employment Security Account Department of Labor and Industry		
	2,010 Decision Package Funding Request	2,011 Decision Package Funding Request
<i>HB 2 Disbursements by division</i>		
Work Force Services Division	\$615,096	\$611,122
Unemployment Insurance Division	1,591,220	1,754,856
Commissioner's Office/Centralized Services Division	5,992	5,871
Employment Relations Division	56,145	54,626
Business Standards Division	0	0
Office of Community Services	0	0
Worker's Compensation Court	0	0
<i>Subtotal</i>	<u>\$2,268,453</u>	<u>\$2,426,475</u>
<i>HB 10 Disbursements</i>		
HB10 Tax system modernization		<u>1,735,567</u>
Total Disbursements	<u>\$2,268,453</u>	<u>\$4,162,042</u>

The decision packages in HB 2 for each year request about 52 percent of the additional revenue generated by the HB 790 change. The agency has also requested funding in HB 10 for the modernization of its computerized tax system. The total cost of the modernization project is about \$19 million, with \$3 million from federal funds, and \$1.74 million from the ESA. The remaining funding would be from bond issuance, the debt service for which would be about \$2 million a year and funded by the ESA. .

The legislature may want to discuss with the agency the long-term plan for the use of the additional funds generated by the ESA tax increase with consideration

of the stated purpose of the tax increase, future technology or system upgrade needs, availability and amount of federal funds, and total funding available for program administration.

Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Agency Market** – In order to determine the percent of market of hire for entry into a position, the department has developed a 5-step individual band placement that moves an incumbent from entry to 95 percent of market (October 1, 2006) and 98.6 percent (October 1, 2007) of the 2006 market survey based on qualifications. At the beginning of FY 2006 the agency had an approximate market ratio relative to the 2006 market survey of 95 percent. By the end of FY 2008, the agency had an approximate market ratio of 98.6 percent of the 2006 market survey. After the implementation of the HB 13 pay adjustments, the agency expects the market ratio to be 92.88 percent of the 2008 survey. The agency’s target market ratio for the 2009 biennium under the 2006 market survey is 102.2 percent. In order to achieve the target market ratio for the 2011 biennium the agency will use the 0.6% discretionary pay adjustment, vacancy savings, and if available other unexpended funds. The agency has positions that are an exception or have an exemption to the agency overall target market percentage goal including, Occupational Health & Safety Specialist, Administrative Law Judge, and Building Code Inspector II positions.
- o **Obstacles** – The agency does not report any obstacles nor does it anticipate upcoming obstacles in implementing its plan to achieve target market ratios.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Work Force Services Division	\$ 2,700,010	\$ 16,910,615	\$ 37,443,256	\$ -	\$ 57,053,881	38.88%
02 Unemployment Insurance Divisio	-	7,238,312	17,666,160	-	24,904,472	16.97%
03 Commissioner'S Office/Csd	532,696	1,515,813	1,138,284	180,398	3,367,191	2.29%
04 Employment Relations Division	2,441,952	20,469,702	1,337,111	-	24,248,765	16.53%
05 Business Standards Division	-	29,971,737	-	-	29,971,737	20.43%
07 Office Of Community Services	250,570	78,054	5,524,726	-	5,853,350	3.99%
09 Workers Compensation Court	-	1,337,030	-	-	1,337,030	0.91%
Grand Total	<u>\$5,925,228</u>	<u>\$77,521,263</u>	<u>\$63,109,537</u>	<u>\$180,398</u>	<u>\$146,736,426</u>	100.00%

The Department of Labor and Industry is supported by general fund, state special revenue, federal special revenue and proprietary funds. General fund comprises approximately 4 percent of the total funding for the agency and supports Workforce Services Division oversight operations and research and analysis; Centralize Services Division legal and

hearing bureaus; the human rights board in its entirety; administrative functions within the Employment Relations Division for worker’s compensation regulation, management services, and occupational safety bureaus; and the administration of community service grants. A large percentage of the federal funding is in the form of grants for workforce training and unemployment insurance benefit administration. The largest state special revenue source is unemployment insurance tax revenues. Internal service proprietary funds have root sources of funding that may include general fund, state special revenue or federal special revenue, and those sources are estimated in the funding source table of the program proprietary fund section within the individual program sections.

Statutory Appropriation

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Statutory Appropriations Department of Labor and Industry					
Purpose	MCA #	Fund Source	Fiscal 2008	Fiscal 2010	Fiscal 2011
<i>No Direct Bearing on Agency Operations</i>					
Payment of real estate claims for unsatisfied judgments	37-50-501	SSR	\$758,310	\$758,310	\$758,310
<i>Direct Bearing on Agency Operations</i>					
Payment of uninsured benefits for workers compensation claims	39-71-503	SSR	<u>106</u>	<u>100,000</u>	<u>100,000</u>
Total Statutory Appropriations			<u>\$758,416</u>	<u>\$858,310</u>	<u>\$858,310</u>

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,235,593	2,235,593	4,471,186	75.46%	64,412,783	64,412,783	128,825,566	87.79%
Statewide PL Adjustments	111,240	116,162	227,402	3.84%	3,408,202	3,568,479	6,976,681	4.75%
Other PL Adjustments	64,725	61,915	126,640	2.14%	2,191,138	2,109,168	4,300,306	2.93%
New Proposals	550,000	550,000	1,100,000	18.56%	3,404,884	3,228,989	6,633,873	4.52%
Total Budget	\$2,961,558	\$2,963,670	\$5,925,228		\$73,417,007	\$73,319,419	\$146,736,426	

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	302.95	302.95	302.95	302.95	302.95	302.95	0.00	0.00%
Personal Services	13,310,138	16,234,237	16,364,569	16,426,976	29,544,375	32,791,545	3,247,170	10.99%
Operating Expenses	4,454,878	4,381,999	6,026,970	6,009,274	8,836,877	12,036,244	3,199,367	36.20%
Equipment & Intangible Assets	21,288	73,398	21,288	21,288	94,686	42,576	(52,110)	(55.03%)
Capital Outlay	0	0	0	0	0	0	0	n/a
Grants	5,919,834	9,011,239	5,919,834	5,919,834	14,931,073	11,839,668	(3,091,405)	(20.70%)
Transfers	171,924	170,036	171,924	171,924	341,960	343,848	1,888	0.55%
Total Costs	\$23,878,062	\$29,870,909	\$28,504,585	\$28,549,296	\$53,748,971	\$57,053,881	\$3,304,910	6.15%
General Fund	738,774	754,207	1,349,792	1,350,218	1,492,981	2,700,010	1,207,029	80.85%
State Special	8,251,698	8,547,512	8,446,183	8,464,432	16,799,210	16,910,615	111,405	0.66%
Federal Special	14,887,590	20,569,190	18,708,610	18,734,646	35,456,780	37,443,256	1,986,476	5.60%
Total Funds	\$23,878,062	\$29,870,909	\$28,504,585	\$28,549,296	\$53,748,971	\$57,053,881	\$3,304,910	6.15%

Program Description

The Workforce Services Division (WSD) operates through four bureaus. The Field Operations Bureau functions through a network of 25 Job Service Workforce Centers. The division is a gateway to government services in the area of employment and training services. The WSD performs services that include retraining and reemployment services for laid-off workers and employment and training services for people transitioning from welfare to work, as well as for youth, veterans, seasonal/migrant farm workers, and general job seekers. Other bureaus include Workforce Technology, Statewide Workforce Programs and Oversight Bureau, and Research and Analysis.

Program Highlights

Workforce Services Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive requests \$550,000 general fund and \$400,000 state special revenue annually to increase the Incumbent Worker Program, support administration of a worker development and training fund, and consolidate several existing programs into a single bureau ◆ The program funding request from general fund increases by 80.9 percent in the 2011 biennium from the 2009 biennium almost entirely from the requested funding for the workforce development project above
Major LFD Issues
<ul style="list-style-type: none"> ◆ The program goals were not submitted with measureable or time-bound objectives ◆ The program did not include separate goals and objectives for the reorganization that relates to the requested funding

Program Narrative

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals Monitored

Goal:

- o Develop and maintain a high quality workforce system for Montana that supports and enhances the economic health of the existing business community and provides a career enhancement to the existing workforce.

Objectives:

- Implement a pilot program for incumbent worker training in the 2009 biennium to provide the training for skills necessary for specific economic opportunities and industrial expansion initiatives and provide training to upgrade the skills of currently employed workers at risk of being permanently laid off
- Establish an advisory committee

Achievements and obstacles:

The incumbent worker training pilot program was established and has provided training to 351 workers. Those workers are employed by 116 businesses. The total average program cost per worker trained is \$709, or a cost per business of \$2,146. Based on the data available, 258 of the 351 employees trained through the program have seen an average wage gain of \$232 through the initial six months of the program. The program has faced no major obstacles in achieving its objectives.

2011 Biennium Major Goals

Goal:

- o Continue the incumbent worker training pilot program

Objectives:

- Wage gain of employees
- Employment, retention, and advancement of employees
- Success of the business

Goal:

- o Maintain high quality labor market and career information

Objectives:

- Meet and exceed US Bureau of Labor Statistics deliverables 100 percent of the time
- Increase relevance of and access to labor market information for all customers
- Increase relevance of and access to career resources and information for all customers, including continued no-cost access to the Montana Career Information System

Goal:

- o Increase registration and usage of the Montana Apprenticeship and Training Program

Objectives:

- Provide recognized apprenticeship registration for Montana employers and apprentices in the skilled crafts and trades occupations on a statewide basis.
- Increase program apprentice completions
- Reduce program apprentice cancellations

- Increase new employer registrations
- Increase new occupational registrations
- Maintain high level of customer service
- Increase the promotion of the Montana Apprenticeship System

**LFD
ISSUE**

The objectives provided are neither measureable nor time-bound

Most of the objectives that have been submitted for the achievement of the program's goals do not provide a measureable component nor is the activity to be measured time bound. For example, to know how the objective is furthering the goal, the wage gain could be set at a minimum expected achievement of \$2 per hour worked. A deadline to reach that minimum expected achievement then provides a evaluative snapshot of the performance. The first objective of the first goal would be restated to read "achieve a \$2 per hour average wage gain for employees within six months of program completion". By phrasing the objectives this way, the attainment over the given time frame is easily measured. The measurement defines the achievement of the goal and the goal defines the desired function of the program. The legislature may wish to discuss how measurable and time-bound objectives would help the program achieve their goals and how they relate to the budget request.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 738,774	3.1%	\$ 1,349,792	4.7%	\$ 1,350,218	4.7%
01100 General Fund	738,774	3.1%	1,349,792	4.7%	1,350,218	4.7%
02000 Total State Special Funds	8,251,698	34.6%	8,446,183	29.6%	8,464,432	29.6%
02258 Employment Security Account	8,178,164	34.2%	8,360,308	29.3%	8,378,393	29.3%
02315 Dli Info Exchange/Rental	90	0.0%	-	-	-	-
02455 Workers' Comp Regulation	73,444	0.3%	85,875	0.3%	86,039	0.3%
03000 Total Federal Special Funds	14,887,590	62.3%	18,708,610	65.6%	18,734,646	65.6%
03124 Employment Trng Grants	6,985,503	29.3%	8,833,005	31.0%	8,870,391	31.1%
03128 L & I Federal Funding	290,785	1.2%	342,101	1.2%	342,799	1.2%
03131 Osha Stat Prgm Fed.St Sdy	70,823	0.3%	83,393	0.3%	83,566	0.3%
03194 Research/Analysis Cm	675,534	2.8%	795,143	2.8%	796,788	2.8%
03297 Labor And Industry Veteran Gra	537,850	2.3%	820,227	2.9%	821,342	2.9%
03682 Wagner Peyser	4,441,867	18.6%	6,051,171	21.2%	6,062,784	21.2%
03692 Alien Labor Certification (Alc)	17,211	0.1%	85,603	0.3%	85,789	0.3%
03693 Wrk Opportunities Tx Crdt/Wotc	85,924	0.4%	89,527	0.3%	89,541	0.3%
03694 Trade Adjustment Assist/Nafta	1,371,524	5.7%	1,602,162	5.6%	1,575,348	5.5%
03954 Ui Administrative Grants	5,018	0.0%	6,278	0.0%	6,298	0.0%
03967 Ui Reed Act	405,551	1.7%	-	-	-	-
Grand Total	\$ 23,878,062	100.0%	\$ 28,504,585	100.0%	\$ 28,549,296	100.0%

The Workforce Services Division is funded through the general fund, state special revenue, and federal special revenue. General fund increases by 80.9 percent due to the requested additional funds for the 21st century worker program, statewide present law adjustments and a requested a general operating increase. State special revenue is funded primarily from the administrative portion of the unemployment insurance tax (Employment Security Account). Federal special revenue are comprised mainly of workforce training grants.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	738,774	738,774	1,477,548	54.72%	23,878,062	23,878,062	47,756,124	83.70%
Statewide PL Adjustments	44,540	45,794	90,334	3.35%	2,991,093	3,057,777	6,048,870	10.60%
Other PL Adjustments	16,478	15,650	32,128	1.19%	685,430	663,457	1,348,887	2.36%
New Proposals	550,000	550,000	1,100,000	40.74%	950,000	950,000	1,900,000	3.33%
Total Budget	\$1,349,792	\$1,350,218	\$2,700,010		\$28,504,585	\$28,549,296	\$57,053,881	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					3,558,186					3,623,185
Vacancy Savings					(674,755)					(677,347)
Inflation/Deflation					42,927					47,159
Fixed Costs					64,735					64,780
Total Statewide Present Law Adjustments					\$2,991,093					\$3,057,777
DP 101 - WSD General Operating Increase	0.00	16,478	217,387	451,565	685,430	0.00	15,650	213,321	434,486	663,457
Total Other Present Law Adjustments	0.00	\$16,478	\$217,387	\$451,565	\$685,430	0.00	\$15,650	\$213,321	\$434,486	\$663,457
Grand Total All Present Law Adjustments					\$3,676,523					\$3,721,234

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** - The program reports that it has had no difficulty in following the agency policy with regard to the employee pay rate at entry and the progression to the market rate, but exceptions are made in order to reduce turnover and provide for performance based increases. At the beginning of FY 2006 the program had an estimated market ratio of 95 percent relative to the 2006 market survey. By the end of FY 2008 the program reported an approximate market ratio of 98.6 percent relative to the 2006 market survey. After implementation of the HB13 pay adjustments in FY 2008, the program estimates its market ratio to be 92.9 percent of the 2008 market survey.
- o **Vacancy** - The program has some occupations with high turnover rates or where vacancies typically occur. The program notes that employment specialists in larger communities have a higher turnover rate due to outside market competition factors. In the field of information technology, network administrators and programming positions have extended vacancies. These positions are difficult to recruit due to the lack of qualified applicants and outside market competition factors. The program also experiences difficulty recruiting programmers with application (software language) specific qualifications. In an effort to mitigate these issues, the division offers tele-work opportunities and flexible work schedules. It also advertises for the hard to fill positions on a national level. Vacancies and high turnover cause an increase in workload to other employees. As a result, overtime is

required to meet deadlines and contract deliverables. The division utilizes shared resources through regionalization which allows it to minimize the impact of vacancies.

- o **Legislatively applied vacancy savings** – The program was able to achieve and exceed the legislatively applied vacancy savings. Excess savings generated was used to fund overtime.
- o **Pay Changes** - In addition to the pay change authorized by HB13, pay changes were made for corrections, position competency, discretionary adjustments, and market rate adjustments. The increases were funded through vacancy savings.
- o **Retirements** – The program reports that eight employees retired in the 2009 biennium. In the 2011 biennium the program will have 140 employees eligible for full retirement with an estimated compensated absence liability of \$935,000.

DP 101 - WSD General Operating Increase - The budget includes base adjustments in overtime, per diem, and operating cost increases for the Workforce Services Division. This includes off-campus rent, leased vehicles, and indirect costs. This request is for \$685,430 in FY 2010 and \$663,457 in FY 2011 which is funded by general fund, federal, and state revenues.

New Proposals

New Proposals										
Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - 21st Century Workforce										
01	0.00	550,000	400,000	0	950,000	0.00	550,000	400,000	0	950,000
Total	0.00	\$550,000	\$400,000	\$0	\$950,000	0.00	\$550,000	\$400,000	\$0	\$950,000

DP 102 - 21st Century Workforce - This budget request is to integrate an in-process reorganization at the Department of Labor and Industry with the intent of helping workers receive necessary training in a variety of circumstances. The reorganization includes the consolidation of workforce technology infrastructure and moves the Jobs for Montana Graduates program, the Apprenticeship and Training program, the WIRED program and the Statewide Workforce Investment Board (SWIB) into the 21st Century Workforce Technology, Apprenticeship and Training Bureau. In addition, it increases the Incumbent Worker Training program by \$250,000 per year. The proposal adds \$550,000 general fund and \$400,000 state special revenue each year of the 2011 biennium for administration of a Worker Development and Training Fund, including a Community College Student Growth account.

LFD ISSUE	Reason for bureau consolidation and application of funding is unclear
	The division is requesting to lump together a number of sub programs and bureaus, add new programs and add new funding under an ambiguous title of “21 st Century Workforce”. There are a number of issues with this proposal. It is unclear how each of these bureaus relate to one another and how reorganizing them under a single title will help workers receive necessary training in a variety of circumstances as is the stated intent of the program. The division has not provided a detailed explanation of what they are trying to accomplish with this reorganization nor have they provided any goals for the program once the reorganization is completed. No specific budgetary or operational advantage has been put forward by the division to justify the reorganization and additional funding. The WIRED program and the Statewide Workforce Investment Board are administratively overseen by the commissioner’s office, but remain budgeted in the Workforce Services Division. The division has no plan to transfer this oversight to the WSD. The division is calling the move a reorganization, but funding and administration remains unchanged for the existing bureaus. The Division has not provided how the additional funding will be applied to the various bureaus or if it will be used exclusively for the new programs that are being added. The requested general fund amount of \$550,000 nearly doubles the existing general fund budget for the division.

**LFD
ISSUE (CONT.)**

State special revenue requested is from the increase in the administrative cost recovery component of the Unemployment Insurance tax that was passed in the last legislative session in order to offset decreasing availability of federal funding for UI program administration.

The legislature may wish to discuss with the agency precisely what the decision package is designed to do, its goals, how successes will be measured, and precisely why the amount of funding is needed.

Proprietary Proposed Budget

The following table summarizes the total executive budget proposal for this program by year.

Account Name	Actual Base	FY 2010		FY 2011	
		Adjustments	Total	Adjustments	Total
FTE	0.75	0.00	0.75	0.00	0.75
61000 Personal Services	\$0	\$43,171	\$43,171	\$43,269	\$43,269
62000 Operating Expenses	11,819	9,533	21,352	\$9,302	21,121
63000 Equipment & Intangible Assets	0	\$0	0	\$0	0
66000 Grants	0	\$0	0	\$0	0
67000 Benefits & Claims	0	\$0	0	\$0	0
69000 Debt Service	0	\$0	0	\$0	0
Total Costs	<u>\$11,819</u>	<u>\$52,704</u>	<u>\$64,523</u>	<u>\$52,571</u>	<u>\$64,390</u>

Proprietary Program Description

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being funded by the Student Assistance Foundation (through a grant) for a wide variety of users including job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. If the grant with the Student Assistance Foundation ends, MCIS will need to resort back to license fees for the basic system. There are currently optional components of MCIS not funded by the Student Assistance Foundation such as IDEAS (an interest inventory) that requires MCIS to collect associated fees.

Funding

The proprietary account used for this program is an enterprise services type account.

Proprietary Revenues and Expenses

Revenue comes to MCIS by billing users for optional components and services. Major classes of expenses for the MCIS program are personal services and computer programming charges.

The following table for fund 06051 shows the financial information for the fund from FY 2008 through FY 2011. The LFD edited and reconfigured the table for clarity.

2011 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06051	Montana Career Informaion System	6602	Labor and Industry	Workforce Services Division		
			Actual FY08	Budgeted FY09	Projected FY10	Projected FY11
Operating Expenses:						
Personal Services			\$0	\$42,019	\$43,171	\$43,269
Other Operating Expenses			11,819	5,812	21,352	21,121
Debt Service Expenses						
Total Operating Expenses			\$11,819	\$47,831	\$64,523	\$64,390
Operating Revenues:						
Revenue From Fees			2,413	2,000	2,000	2,000
Charge For Services			15,832	60,000	63,100	63,100
Investment Earnings						
Securities Lending Income						
Premiums						
Other Operating Revenues						
Total Operating Revenue			\$18,245	\$62,000	\$65,100	\$65,100
Operating Gain (Loss)			6,426	14,169	577	710
Nonoperating Sources (Uses)						
Gain (Loss) Sale of Fixed Assets			-	-	-	-
Federal Indirect Cost Recoveries						
Other Nonoperating Revenues (Expenses)						
Net Nonoperating Revenues (Expenses)			-	-	-	-
Net Assets as of July 1 (Beginning of Fiscal Year)			\$31,726	\$38,153	\$52,322	\$52,899
Net Increase (Decrease) of Net Assets			6,426	14,169	577	710
Prior Period Adjustments			1		0	0
Cumulative Effect of Account Change			0	0	0	0
Net Assets as of Jun 30 (End of Fiscal Year)			\$38,153	\$52,322	\$52,899	\$53,609

Present Law

The present law adjustments table shows the primary changes to the adjusted base budget proposed by the Governor. 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.

06051 - Present Law Adjustments		
DP Name	FY 2010	FY 2011
PL 0000 Statewide Adjustments	\$43,171	\$43,269
PL 101 WSD General Operating Increase	4,797	4,723
Total Present Law Adjustments	<u>\$47,968</u>	<u>\$47,992</u>

DP 101 - WSD General Operating Increase - The budget includes base adjustments in overtime, per diem, and operating cost increases for the Workforce Services Division. This includes off-campus rent, leased vehicles, and indirect costs. This request is for \$43,171 in FY 2010 and \$43,269 in FY 2011, funded by proprietary funds.

Proprietary Rate Explanation

The fees charged by MCIS are not to exceed \$1,500 per site. Fees will be charged by optional component per site as follows:

- o IDEAS Assessment - \$100 per site
- o Civil Service Practice Tests - \$200 per site
- o Dependable Strengths - \$200 per site
- o Academic Practice Tests Package - \$225-450 depending on enrollment

Labor and Industry - Montana Career Information System Rates				
Fee Description		FY 2008	FY 2010	FY2011
Charges for Services		\$ 1,500	\$ 1,500	\$ 1,500
Group II	(High schools w/under 200 students)	725	725	725
Group II	(High schools w/over 200 students, agencies and business)	950	950	950

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	155.00	155.00	155.00	155.00	155.00	155.00	0.00	0.00%
Personal Services	7,444,367	8,058,328	8,091,808	8,115,185	15,502,695	16,206,993	704,298	4.54%
Operating Expenses	3,360,896	4,598,157	4,080,900	4,070,086	7,959,053	8,150,986	191,933	2.41%
Equipment & Intangible Assets	0	6,400	0	0	6,400	0	(6,400)	(100.00%)
Capital Outlay	0	0	163,700	0	0	163,700	163,700	n/a
Transfers	564,555	188,345	186,358	188,885	752,900	375,243	(377,657)	(50.16%)
Debt Service	3,775	3,775	3,775	3,775	7,550	7,550	0	0.00%
Total Costs	\$11,373,593	\$12,855,005	\$12,526,541	\$12,377,931	\$24,228,598	\$24,904,472	\$675,874	2.79%
State Special	1,623,269	3,041,210	3,537,338	3,700,974	4,664,479	7,238,312	2,573,833	55.18%
Federal Special	9,750,324	9,813,795	8,989,203	8,676,957	19,564,119	17,666,160	(1,897,959)	(9.70%)
Total Funds	\$11,373,593	\$12,855,005	\$12,526,541	\$12,377,931	\$24,228,598	\$24,904,472	\$675,874	2.79%

Program Description

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to unemployed workers. The bureaus are: Contributions, Claims Processing, and Program Support. The Contributions Bureau is responsible for UI employer registration, contribution rate assignments, tax and wage report collection, wage revisions, and employer audits. The Claims Processing Bureau has two claims processing centers (Billings and Helena) that file and process claims (monetary eligibility, issue investigation, adjudication, and employer charging) and respond to all UI claim related inquires. The Claims Processing Bureau is also responsible for Trade Readjustment Assistance, military, federal, and multi-state claims. The Program Support Bureau manages the information technology systems and infrastructure, the division budget and accounting, and the UI trust fund. They also provide management analysis and research for economic, program management, reporting, and legislative purposes in addition to operating tax and benefit quality control, benefit payment control, and integrity programs.

Program Highlights

Unemployment Insurance Division Major Budget Highlights	
◆	Requested state special revenue funding increases by 55.2 percent in the 2011 biennium from the 2009 biennium to account for shrinking federal special revenue funds for unemployment benefit administration.
◆	The executive requests an increase of \$20 million in proprietary fund revenue funding in the 2011 biennium from the 2009 biennium for unemployment insurance benefit payments

Program Narrative

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals Monitored:

This program had no goals that were monitored by the legislature during the 2009 biennium

2011 Biennium Major Goals

Goal:

- o Meet or exceed federal Government Performance Results Act (GPRA) performance standards

Objectives:

- 87 percent of first payments will be issued within 21 days after the compensable week begins
- 90.3 percent of all intrastate first payments for full weeks will be issued within 21 days
- 80 percent of separation and non-separation determinations will be issued within 21 days of the detection date
- 75 percent of separation and non-separation determinations must achieve a quality score of greater than 80 points
- No more than 3 tax functions may fail the Tax Performance Standards (TPS) review in a given year.
- No single tax function may fail the TPS review more than 3 consecutive years
- 85.1 percent of new employer status determinations must be made within 90 days of becoming subject
- 95 percent of employer reports must be secured within 90 days of the date due
- 95 percent of employer UI contributions must be deposited within three days of receipt
- 2 percent of contributory employers must be audited each year
- Accounts receivable, as a percent of total tax due, must be less than 2 percent on average
- All contribution rates must be assigned properly
- Identify employers who engage in SUTA dumping and bring them into compliance with the law

LFD COMMENT	The goal directly relates to the core mission of the division and the objectives are measurable and time bound, allowing the legislature to discuss with the division the link between funding and achievement of the goal.
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Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

		Program Funding Table					
		Unemployment Insurance Division					
Program Funding		Base	% of Base	Budget	% of Budget	Budget	% of Budget
		FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011
02000	Total State Special Funds	\$ 1,623,269	14.3%	\$ 3,537,338	28.2%	\$ 3,700,974	29.9%
	02258 Employment Security Account	1,603,271	14.1%	3,497,338	27.9%	3,660,974	29.6%
	02315 Dli Info Exchange/Rental	19,998	0.2%	40,000	0.3%	40,000	0.3%
03000	Total Federal Special Funds	9,750,324	85.7%	8,989,203	71.8%	8,676,957	70.1%
	03278 Ui Penalty & Interest	568,825	5.0%	540,000	4.3%	540,000	4.4%
	03954 Ui Administrative Grants	8,616,944	75.8%	8,262,845	66.0%	7,948,072	64.2%
	03967 Ui Reed Act	564,555	5.0%	186,358	1.5%	188,885	1.5%
Grand	Total	\$ 11,373,593	100.0%	\$ 12,526,541	100.0%	\$ 12,377,931	100.0%

The Unemployment Insurance Division is funded through state special revenue derived from employment taxes, Federal special revenue in the form of administrative grants and proprietary service funds. Because the proprietary funds do not require an appropriation, they are not typically included in HB 2 tables. The proprietary funded portion of the program is discussed below in the Proprietary Rates section

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	11,373,593	11,373,593	22,747,186	91.34%
Statewide PL Adjustments	0	0	0	0.00%	759,165	784,913	1,544,078	6.20%
Other PL Adjustments	0	0	0	0.00%	230,083	219,425	449,508	1.80%
New Proposals	0	0	0	0.00%	163,700	0	163,700	0.66%
Total Budget	\$0	\$0	\$0		\$12,526,541	\$12,377,931	\$24,904,472	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					946,575					970,918
Vacancy Savings					(335,634)					(336,600)
Inflation/Deflation					14,009					14,540
Fixed Costs					134,215					136,055
Total Statewide Present Law Adjustments					\$759,165					\$784,913
DP 201 - UI General Operating Increase	0.00	0	57,520	172,563	230,083	0.00	0	54,856	164,569	219,425
Total Other Present Law Adjustments	0.00	\$0	\$57,520	\$172,563	\$230,083	0.00	\$0	\$54,856	\$164,569	\$219,425
Grand Total All Present Law Adjustments					\$989,248					\$1,004,338

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** - The program reports that it has had no difficulty in following the agency policy with regard to the employee pay rate at entry and the progression to the market rate, but exceptions are made in order to reduce turnover and provide for performance based increases. At the beginning of FY 2006 the program had an estimated market ratio of 95 percent relative to the 2006 market survey. By the end of FY 2008 the program reported an approximate market ratio of 98.6 percent relative to the 2006 market survey. After implementation of the HB 13 pay adjustments in FY 2008, the program estimates its market ratio to be 92.9 percent of the 2008 market survey.
- o **Vacancy** - The program has experienced high turnover rates in entry level administrative support and data processing positions. The program experiences difficulty in recruiting call-center staff, those individuals who take unemployment claims over the telephone. The program has attempted to address high turnover issues by offering flexible work hours (such as for college students), occasional tele-commute to employees recovering from illness or injury or under special circumstances, and allowing staff overtime when necessary. Impacts to program operations result in tasks being delayed or shifted to other workers during periods of position vacancy or when training new employees, service delivery may decline or be delayed, and customer call wait times are increased when call center vacancies occur or new staff is being trained.

- o **Legislatively applied vacancy savings** – The legislatively applied vacancy savings was achieved through regular employee turnover. Some positions were held open in times of slower seasonal workload. The additional vacancy saving generated was used to fund pay increases outside of HB 13.
- o **Pay Changes** - In addition to the pay change authorized by HB 13, pay changes were made for corrections, position competency, discretionary adjustments, and market rate adjustments. The increases were funded through vacancy savings.
- o **Retirements** – Five employees retired in the 2009 biennium. The program reports that 66 employees are eligible for retirement in the 2011 biennium with a total estimated compensated absence liability of \$561,000. More than 60 percent of the program employees will be eligible to retire within the next five years. As part of its succession planning process, the program has identified key positions that are held by employees eligible to retire. The program is taking steps to cross train other employees in these positions in an effort to transfer knowledge.

DP 201 - UI General Operating Increase - The executive recommends \$230,083 in FY 2010 and \$219,425 in FY 2011 state and federal special revenue funding for base adjustments in overtime, per diem, and operating costs. This includes costs for additional off-campus rent, central imaging costs, interactive voice response phone system costs, postage, system maintenance contractor costs, and indirect costs.

LFD
ISSUE

Use of Additional Funding Unclear

The Unemployment Insurance Division operates a number of bureaus. The requested increase for general operating costs does not detail how those expenditures will be allocated to the various bureaus. In consideration of the amount requested, 1.8 percent of the \$24.9 million biennial budget, the legislature may wish to:

- o Ask the agency to provide a detailed accounting of how this increase will be applied and how the increased funding will have a positive impact on program operations.
- o Direct the agency to properly construct decision packages in future budget requests

New Proposals

Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
DP 203 - UI Funding Switch										
02	0.00	0	1,400,000	(1,400,000)	0	0.00	0	1,700,000	(1,700,000)	0
DP 204 - UI Parking & Building Repair Bien - OTO										
02	0.00	0	133,700	30,000	163,700	0.00	0	0	0	0
Total	0.00	\$0	\$1,533,700	(\$1,370,000)	\$163,700	0.00	\$0	\$1,700,000	(\$1,700,000)	\$0

DP 203 - UI Funding Switch - In the 2007 Legislature, HB 790 was passed to decrease employers' State Unemployment Insurance Contributions (SUTA) tax rate schedules and generate additional revenue for administration of the Unemployment Insurance Division. This new rate structure did not become effective until January 1, 2008; therefore, the revenue collected in the base year was for only one quarter. This request for \$1.4 million in FY 2010 and \$1.7 million in FY 2011 state special revenue funding in place of federal special revenue funding will complete the funding switch for an entire fiscal year.

LFD
COMMENT

Please see the comment regarding requested appropriations from the increased administrative portion of the unemployment insurance tax.

DP 204 - UI Parking & Building Repair Bien - OTO - The Unemployment Insurance Division Claims Processing Center in Billings is a state owned building. This request of \$163,700 FY 2010 state special and federal special revenue funding is to use funds from the sale of a parking lot a block away from the building and to request additional funds to develop an unpaved lot adjacent to the building and resurface the lot directly in front of the building. In addition, this request would allow the department to replace the carpet within the building.

Proprietary Proposed Budget

The following table summarizes the total executive budget proposal for this program by year.

Account Name	Actual Base	FY 2010 Adjustments	FY 2010 Total	FY 2011 Adjustments	FY 2011 Total
FTE	0.75	0.00	0.75	0.00	0.75
61000 Personal Services	\$0	\$0	\$0	\$0	\$0
62000 Operating Expenses	90,268,937	20,114,306	110,383,243	\$20,114,306	110,383,243
63000 Equipment & Intangible Assets	0	\$0	0	\$0	0
66000 Grants	0	\$0	0	\$0	0
67000 Benefits & Claims	0	\$0	0	\$0	0
69000 Debt Service	0	\$0	0	\$0	0
Total Costs	<u>\$90,268,937</u>	<u>\$20,114,306</u>	<u>\$110,383,243</u>	<u>\$20,114,306</u>	<u>\$110,383,243</u>

Proprietary Program Description

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for unemployment insurance. DLI expends the funds by paying unemployment insurance benefit claims.

Funding

This portion of the program is funded entirely with a single enterprise type proprietary fund.

Proprietary Revenues and Expenses

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, and claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund. The expenditures are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

2011 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency #	Agency Name	Program Name
6069	UI Tax Benefit Fund	6602	Labor and Industry	Unemployment Insurance Division
			Actual FY08	Budgeted FY09
			Projected FY10	Projected FY11
Operating Expenses:				
Personal Services				
Other Operating Expenses				
Debt Service Expenses				
Total Operating Expenses				
Operating Revenues:				
Revenue From Fees				
Charge For Services				
Investment Earnings				
Securities Lending Income				
Premiums				
Other Operating Revenues				
Total Operating Revenue				
Operating Gain (Loss)				
Operating Transfers				
Nonoperating Sources (Uses)				
Gain (Loss) Sale of Fixed Assets				
Federal Indirect Cost Recoveries				
Other Nonoperating Revenues (Expenses)				
Net Nonoperating Revenues (Expenses)				
Net Assets as of July 1 (Beginning of Fiscal Year)				
Net Increase (Decrease) of Net Assets				
Prior Period Adjustments				
Cumulative Effect of Account Change				
Net Assets as of Jun 30 (End of Fiscal Year)				

Present Law

The present law adjustments table shows the primary changes to the adjusted base budget proposed by the Governor. 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.

06069 - Present Law Adjustments		
DP Name	FY 2010	FY 2011
PL 0000 Statewide Adjustments	\$0	\$0
PL 202 Unemployment Increased Benefits	20,000,000	20,000,000
Total Present Law Adjustments	<u>\$20,000,000</u>	<u>\$20,000,000</u>

DP 202 – Unemployment Increased Benefits Funding of \$20 million each year of the biennium is requested for increased Unemployment Insurance benefits.

Proprietary Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed.

Labor and Industry - UI Tax Benefit Fund Rates			
Fee Description	FY 2008	FY 2010	FY2011
Unemployment Insurance Contributions	\$ 90,333,065	\$ 108,800,000	\$ 107,100,000
MCA 39-51-1217 Sets the rate wich employers are charged contributions for the prupose of paying Unemployment Insurance benefits			

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	17.00	17.00	17.00	17.00	17.00	17.00	0.00	0.00%
Personal Services	1,044,380	3,075,221	1,270,905	1,274,965	4,119,601	2,545,870	(1,573,731)	(38.20%)
Operating Expenses	336,425	1,425,611	410,886	410,435	1,762,036	821,321	(940,715)	(53.39%)
Equipment & Intangible Assets	0	7,205	0	0	7,205	0	(7,205)	(100.00%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Total Costs	\$1,380,805	\$4,508,037	\$1,681,791	\$1,685,400	\$5,888,842	\$3,367,191	(\$2,521,651)	(42.82%)
General Fund	259,167	102,488	266,096	266,600	361,655	532,696	171,041	47.29%
State Special	595,756	502,431	757,115	758,698	1,098,187	1,515,813	417,626	38.03%
Federal Special	478,440	145,395	568,406	569,878	623,835	1,138,284	514,449	82.47%
Other	47,442	3,757,723	90,174	90,224	3,805,165	180,398	(3,624,767)	(95.26%)
Total Funds	\$1,380,805	\$4,508,037	\$1,681,791	\$1,685,400	\$5,888,842	\$3,367,191	(\$2,521,651)	(42.82%)

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

Commissioner's Office – Central Services Division	
Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Requested funding from the general fund increases 47.3 percent in the 2011 biennium from the 2009 biennium due to a requested general operating expense increase. ◆ A funding switch results in a reduced proprietary funds request of \$3.6 million as the funding is now requested directly from state special revenue funds 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Some objectives presented by program are without clear meaning or do not relate to achievement of program goals 	

Program Discussion

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals Monitored

This program had no goals that were monitored by the legislature during the 2009 biennium

2011 Biennium Major Goals

Goal:

- o Engage the workforce system by anticipating and responding to business's current and emerging need for skilled workers

Objectives:

- Exercise capacity building for workforce investment board members and the workforce system
- Create an inclusive system that represents all faces of Montana, including Montana's Tribal Nations and the last and the least
- Compose a 2007 snapshot document outlining the state of Montana workforce system
- Track legislative issues related to Workforce Development
- Increase communication vehicles

**LFD
ISSUE**

Objectives are Without Clear Meaning and Do Not Relate to Goal

The objectives presented by the program to achieve their stated goal have no clear meaning, and require further inquiry and clarification simply to be understood. For example, the statements of "exercise capacity building" or "increase communication vehicles" require the reader to infer or guess at a meaning that may be quite different than the creator of the objective intended. Even then, there is no apparent correlation between the performance of the objective and the completion of the goal. The legislature may want to discuss with the agency how the goal it has provided for this program contributes to the overall outcomes desired. The legislature may also wish to discuss what measurable objectives would help the program achieve those goals and how they relate to the budget request.

Goal:

- o Provide timely and reliable financial information to department personnel to facilitate the best use of financial resources in achieving department goals

Objectives:

- Handle financial transaction processing and prepare regular periodic financial reports
- Compile budgets and related information to meet the Office of Budget and Program Planning and Legislative Fiscal Division requirements and to assist the Department of Labor and Industry divisions in financial and operational planning

**LFD
ISSUE**

Objectives are Not Time-Bound

The objectives that are given for this goal do not provide the mechanisms by which one is able to determine that they have been achieved. Possible alternatives to the presented objectives are:

- o Complete all financial transaction processing when due and prepare regular periodic financial reports on a monthly, quarterly and annual basis
- o Compile budgets and related information to meet the Office of Budget and Program Planning and Legislative Fiscal Division requirements at least 24 hours before due and create consolidated financial reports on a monthly basis to assist the Department of Labor and Industry divisions in financial and operational planning

By phrasing the objectives this way, the attainment over the given time frame is easily measured. The measurement defines the achievement of the goal and the goal defines the desired function of the program. The legislature may wish to discuss how measurable and time-bound objectives would help the program achieve their goals and how they relate to the budget request.

Goal:

- o Create and implement a workforce planning and development program throughout the department that will aid in sustaining and improving the performance within the agency

Objectives:

- Create a plan that will tie workforce planning and development to performance by June 30, 2009
- Implement the plan that will tie workforce planning and development to performance by June 30, 2010

Goal:

- o Provide timely, impartial administrative hearings for Montana's citizens

Objectives:

- Maintain a current hearing docket for all cases appealed to the Hearings Bureau
- Complete 80 percent of UI hearings and decisions within 30 days of appeal and 90 percent within 45 days
- Complete non-UI hearings and decisions within six months of receipt of the file
- Complete 75 percent of non-UI decisions within 45 days of submission and 100 percent within 75 days of submission
- Maintain high quality hearing processes and well written, legally correct decisions

**LFD
COMMENT**

The two goals above are excellent examples of correct goal setting. The goals give an over-arching ideal to be achieved and then provide specific, measureable, attainable, relevant, and time-bound objectives that provide a clear path to the attainment of the goal.

**LFD
COMMENT**

The agency has requested a funding switch to simplify accounting operations. The basic mechanism that is in use currently is that revenues for services are deposited into a number of state special revenue funds. The funds are then charged by the proprietary account and the budgeted items (primarily personal services) are paid from that account. With the funding change, the agency seeks to charge the state special revenue accounts directly for the associated expenses, therefore skipping the proprietary fund step. This switch also brings the 33 FTE and related costs to the HB 2 budget process. In the budget approved by the prior legislature, the proprietary fund that funded 33 FTE and their associated costs still has a residual budgeted amount for these FTE in FY 2009. The FY2008 budget has already been adjusted through a budget change decision, and the same mechanism will be used for FY 2009. The permanent change is requested as a decision package (DP501) in the Business Standards Division section. The proprietary fund is now associated with the Commissioner's Office/CSD because it is used for legal and hearing fees overseen by the division. For further information please see the funding switch comment in the agency discussion section of the Business Standards Division

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 259,167	18.8%	\$ 266,096	15.8%	\$ 266,600	15.8%
01100 General Fund	259,167	18.8%	266,096	15.8%	266,600	15.8%
02000 Total State Special Funds	595,756	43.1%	757,115	45.0%	758,698	45.0%
02258 Employment Security Account	276,682	20.0%	316,342	18.8%	316,911	18.8%
02315 Dli Info Exchange/Rental	643	0.0%	476	0.0%	458	0.0%
02448 Building Codes State Spec Rev	29,739	2.2%	-	-	-	-
02455 Workers' Comp Regulation	194,700	14.1%	298,315	17.7%	298,873	17.7%
02941 Uninsured Employer Fund	93,992	6.8%	141,982	8.4%	142,456	8.5%
03000 Total Federal Special Funds	478,440	34.6%	568,406	33.8%	569,878	33.8%
03122 Eeoc	40,786	3.0%	43,132	2.6%	43,205	2.6%
03954 Ui Administrative Grants	437,654	31.7%	525,274	31.2%	526,673	31.2%
06000 Total Proprietary Funds	47,442	3.4%	90,174	5.4%	90,224	5.4%
06546 Commissioner'S Office/Csd	47,442	3.4%	90,174	5.4%	90,224	5.4%
Grand Total	\$ 1,380,805	100.0%	\$ 1,681,791	100.0%	\$ 1,685,400	100.0%

The division is funded through the general fund, state special revenue, and federal special revenue. General fund is the smallest component at about 15.8 percent of total funding. State special revenue is the majority funding source and includes revenues derived from the administrative portion of the unemployment insurance tax deposited to the unemployment security account and the worker's compensation regulation fund. Federal special revenue is primarily from administrative grants for unemployment insurance.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	259,167	259,167	518,334	97.30%	1,380,805	1,380,805	2,761,610	82.02%
Statewide PL Adjustments	(2,970)	(1,998)	(4,968)	(0.93%)	251,440	257,083	508,523	15.10%
Other PL Adjustments	9,899	9,431	19,330	3.63%	49,546	47,512	97,058	2.88%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$266,096	\$266,600	\$532,696		\$1,681,791	\$1,685,400	\$3,367,191	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					279,481					283,708
Vacancy Savings					(52,956)					(53,123)
Inflation/Deflation					1,527					2,152
Fixed Costs					23,388					24,346
Total Statewide Present Law Adjustments					\$251,440 *					\$257,083 *
DP 301 - CSD General Operating Increase	0.00	9,899	22,560	13,709	49,546 *	0.00	9,431	21,772	13,051	47,512 *
Total Other Present Law Adjustments	0.00	\$9,899	\$22,560	\$13,709	\$49,546 *	0.00	\$9,431	\$21,772	\$13,051	\$47,512 *
Grand Total All Present Law Adjustments					\$300,986 *					\$304,595 *

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** - The program reports that it has had no difficulty in following the agency policy with regard to the employee pay rate at entry and the progression to the market rate, but exceptions are made in order to reduce turnover and provide for performance based increases. At the beginning of FY 2006 the program had an estimated market ratio of 95 percent relative to the 2006 market survey. By the end of FY 2008 the program reported an approximate market ratio of 98.6 percent relative to the 2006 market survey. After implementation of the HB 13 pay adjustments in FY 2008, the program estimates its market ratio to be 92.9 percent of the 2008 market survey. The agency has realigned some occupations with title and pay more reflective of their qualifications. For this program, administrative law judges are paid at attorney market title and pay sets.

- o **Vacancy** – The program does not have any occupations with high turnover rates or where there typically are vacancies. The program has developed a pay plan that it has determined to be competitive to the open employment market in order to reduce long-term or frequent vacancies. The performance based pay component portion of that pay plan allows for the payment of employees up to 100 percent of the market range.
- o **Legislatively applied vacancy savings** – The program was able to achieve the legislatively applied vacancy savings through normal position turnover.
- o **Pay Changes** - The major pay changes for the program involved reclassifying two administrative law judges to the attorney market title, competency pay increases, and market adjustments. These changes were funded by holding vacant positions open.
- o **Retirements** – One employee has retired in the 2009 biennium. 23 employees are eligible for retirement in the 2011 biennium at a total estimated compensated absence liability of \$188,700. In order to prepare for the expected retirements, the program has double filled some positions in order to train replacement staff.

DP 301 - CSD General Operating Increase - This request of \$49,546 in FY 2010 and \$47,512 in FY 2011 is for indirect costs to support the Centralized Services Division. The funding sources for this request include general fund, state special revenue, and federal special revenue.

Proprietary Program Budget

The following table summarizes that total executive budget proposal for this program by year

06546, 06547, 06552, 06574 - Proposed Budget Table					
Account Name	Actual Base	FY 2010 Adjustments	FY 2010 Total	FY 2011 Adjustments	FY 2011 Total
FTE	0.75	0.00	0.75	0.00	0.75
61000 Personal Services	\$2,939,598	\$452,746	\$3,392,344	\$463,012	\$3,402,610
62000 Operating Expenses	1,681,032	271,484	1,952,516	\$100,178	1,781,210
63000 Equipment & Intangible Assets	0	\$0	0	\$0	0
66000 Grants	0	\$0	0	\$0	0
67000 Benefits & Claims	0	\$0	0	\$0	0
69000 Debt Service	0	\$0	0	\$0	0
Total Costs	<u>\$4,620,630</u>	<u>\$724,230</u>	<u>\$5,344,860</u>	<u>\$563,190</u>	<u>\$5,183,820</u>

Proprietary Program Description

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 services costs. 41.50 FTE are funded by the revenues generated.

The Hearings Bureau holds administrative hearings on behalf of the Business Standards Licensing and Building Code bureaus. An hourly rate is assessed for Administrative Law Judge and paralegal time associated with the hearings. 0.50 FTE are funded by the revenue generated.

The Office of Legal Services provides legal services to the Business Standards Division whereby an hourly rate for attorney fees is established. The revenues generated fund 10.00 FTE.

Funding

The Commissioner's Office and Central Services Division are funded by HB 2 and internal service type proprietary funds. Because the proprietary funds do not require an appropriation, they are not typically included in HB 2 tables. Instead, the legislature approves the fees and charges that support the revenues for the program. The fees and charges approved in the general appropriations act are the maximum fees and charges that may be charged in the biennium. The following table shows estimated funding sources for payments made by users of the Commissioner's Office and Central Services Division for the base year and the 2011 biennium.

Estimated Funding for Payments to the 06546,06547, 06552, 06574 Funds			
(\$ Millions)			
Item	Base	FY 2010	FY 2011
		est.	est.
General Fund	\$136,834	\$152,578	\$152,603
State Special Revenue	3,287,686	3,665,956	3,666,558
Federal Special Revenue	1,394,904	1,555,397	1,555,653
Proprietary	91,339	101,848	101,864
Expendable Trust	9,150	10,202	10,204
Total Payments	\$4,919,913	\$5,485,982	\$5,486,882

Proprietary Revenues and Expenses

Revenues for these funds are divided by three types of cost allocation. They are derived from the administrative support functions provided by the Commissioner's Office and the Centralized Services Division for global type activities common to all of the programs within the agency. Specialized support functions generate revenues in the form of direct charges to the programs that use the services. Per hour rates produce revenue on a project by project basis.

Personal services expenditures are the primary cost class for the program. Proprietary funds support 52 FTE for the program. The figure for the proprietary funds below shows the financial information for the fund from FY 2008 through FY 2011.

2011 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency #	Agency Name	Program Name
6546	Commissioner's Office - CSD	6602	Labor and Industry	Commissioner's Office - CSD
6547	CSD Direct Charge	6602		
6552	Legal	6602		
6574	Hearings	6602		

	Actual FY08	Budgeted FY09	Projected FY10	Projected FY11
Operating Expenses:				
Personal Services	\$2,939,598	\$3,129,712	\$3,392,344	\$3,402,610
Other Operating Expenses	1,681,032	1,394,915	1,952,516	1,781,210
Debt Service Expenses				
Total Operating Expenses	\$4,620,630	\$4,524,627	\$5,344,860	\$5,183,820
Operating Revenues:				
Revenue From Fees	2,189,148	2,193,300	2,825,382	2,825,382
Charge For Services	1,071,733	986,000	990,600	991,500
Investment Earnings				
Securities Lending Income				
Premiums				
Other Operating Revenues	236			
Total Operating Revenue	\$3,261,117	\$3,179,300	\$3,815,982	\$3,816,882
Operating Gain (Loss)	(1,359,513)	(1,345,327)	(1,528,878)	(1,366,938)
Operating Transfers				
Nonoperating Sources (Uses)				
Gain (Loss) Sale of Fixed Assets	(5,009)	-	-	-
Federal Indirect Cost Recoveries	1,658,796	1,670,000	1,670,000	1,670,000
Other Nonoperating Revenues (Expenses)				
Net Nonoperating Revenues (Expenses)	1,653,787	1,670,000	1,670,000	1,670,000
Net Assets as of July 1 (Beginning of Fiscal Year)	\$188,912	\$510,441	\$835,114	\$976,236
Net Increase (Decrease) of Net Assets	294,274	324,673	141,122	303,062
Prior Period Adjustments	27,255	0	0	0
Cumulative Effect of Account Change	0	0	0	0
Net Assets as of Jun 30 (End of Fiscal Year)	\$510,441	\$835,114	\$976,236	\$1,279,298

Present Law

The Present Law Adjustments table shows the primary changes to the adjusted base budget proposed by the Governor. 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.

06546, 06547, 06552, 06574 - Present Law Adjustments		
DP Name	FY 2010	FY 2011
PL 0000 Statewide Adjustments	\$2,514,549	\$2,361,537
PL 301 CSD General operating increase	12,145	10,657
Additional expenditures associated with this decision package are funded through HB2		
Total Present Law Adjustments	<u>\$2,526,694</u>	<u>\$2,372,194</u>

New Proposals

06546, 06547, 06552, 06574 - New Proposals		
DP Name	FY 2010	FY 2011
6106 Workers compensation management program	\$27,029	\$23,591
501 BSD Funding Switch	(1,831,310)	(1,835,900)
Total New Proposals	<u>(\$1,804,281)</u>	<u>(\$1,812,309)</u>

DP 6101 - Fixed Cost Workers Comp Management Program Allocation - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the executive proposes the program be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

DP 501 - BSD - Funding Switch - This is presented in the Commissioner's Office and Central Services Division for informational purposes only. The decision package is contained in the Business Standards Division.

Proprietary Rate Explanation

There are no significant changes to the methodology for calculating the rate for Centralized Services or the Hearings Bureau. However legal services rate was included in the Business Standards Division rate calculation in past biennia. It now is included on the Commissioners Office rate calculation and rate table.

The cost allocation rate must be approved by the U.S. Department of Labor which requirements include a working capitol of no more than 60 days. The rate is determined by calculating the total costs of providing the services divided by the projected agency personal services expenditures.

The Hearings Bureau rate per hour is calculated based in the projected cost of services for the 2011 biennium divided by the direct hours of service provided in the 2009 biennium. Rates are established for both Administrative Law judges and paralegal services are \$90 and \$50 respectively.

The office of Legal Services rate per hour is calculated on projected costs of services for the 2011 biennium divided by the direct hours of service provided in the 2009 biennium. The rate for the 2011 biennium is \$95 per hour.

Labor and Industry - Commissioner's Office CSD Rates			
Fee Description	FY 2008	FY 2010	FY2011
Cost Allocation Plan	9.13%	11.00%	10.60%
Recharge	54.00%		
Attorney rate per hour		\$95	\$95
Administrative Law Judge rate per hour		90	90
Administrative Services rate per hour		50	50

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	128.10	128.10	131.10	131.10	128.10	131.10	3.00	2.34%
Personal Services	6,836,094	7,383,753	7,787,468	7,810,355	14,219,847	15,597,823	1,377,976	9.69%
Operating Expenses	3,717,829	3,630,805	4,141,243	4,127,773	7,348,634	8,269,016	920,382	12.52%
Equipment & Intangible Assets	64,878	79,590	64,878	64,878	144,468	129,756	(14,712)	(10.18%)
Benefits & Claims	126,085	156,586	126,085	126,085	282,671	252,170	(30,501)	(10.79%)
Total Costs	\$10,744,886	\$11,250,734	\$12,119,674	\$12,129,091	\$21,995,620	\$24,248,765	\$2,253,145	10.24%
General Fund	1,112,653	1,152,992	1,220,414	1,221,538	2,265,645	2,441,952	176,307	7.78%
State Special	8,970,029	9,307,453	10,231,518	10,238,184	18,277,482	20,469,702	2,192,220	11.99%
Federal Special	662,204	790,289	667,742	669,369	1,452,493	1,337,111	(115,382)	(7.94%)
Total Funds	\$10,744,886	\$11,250,734	\$12,119,674	\$12,129,091	\$21,995,620	\$24,248,765	\$2,253,145	10.24%

Program Description

The Employment Relations Division (ERD) provides five service areas to the public: 1) Workers' Compensation (WC) Regulation Bureau, which regulates WC insurance coverage requirements, policy compliance, medical regulations, contractor registration, and independent contractor exemptions; 2) WC Claims Assistance Bureau, which assists organizations and individuals to arrive at early, less expensive settlements of their disputes, and provides management information on the workers' compensation system; 3) Labor Standards Bureau (and administratively attached Board of Personnel Appeals), which enforces state and federal labor laws related to the payment of wages, and provides collective bargaining mediation; 4) Workplace Safety and Health Bureau, which administers federal and state industrial safety laws; and 5) Human Rights Bureau (and administratively attached Human Rights Commission), which enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education. ERD also has one bureau, Management Services Bureau, which provides administrative and IT support to the other five bureaus.

Program Highlights

Employment Relations Division Major Budget Highlights
◆ Requested funding increases 10.2 percent in the 2011 biennium from the 2009 biennium due primarily to a requested general operating expense increase.

Program Narrative

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals Monitored

This program had no goals that were monitored by the legislature during the 2009 biennium

2011 Biennium Major Goals

Goal:

- o Conduct timely impartial investigations of charges of illegal discrimination under state and federal law

Objective:

- Complete case investigations within 120 days for housing charges and 180 days for all other charges in accordance with state statutory time lines.

Goal:

- o Issue initial determinations on wage and hour complaints in a timely and efficient manner

Objective:

- Maintain at least a 75 percent completion and strive for a 76 percent completion within 55 days of receipt

Goal:

- o Assist employers in complying with workplace safety and health standards

Objectives:

- Conduct compliance inspections of 300 public employers
- Conduct quarterly inspections on Montana's six coal mines
- Provide technical assistance to private employers on workplace safety and health through the Occupational Safety and health Administration grant

Goal:

- o Provide timely monitoring and regulatory services for the workers' compensation industry and claimants

Objective:

- Process 100 percent of claims orders within 14 days of receipt

Goal:

- o Workers' Compensation Regulation Bureau will respond to applications and renewal requests in a timely manner

Objective:

- Provide new independent contractor certificates within two days of receipt of complete applications
- Conduct timely compliance investigations of renewing applicants

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

		Employment Relations Division					
		Base	% of Base	Budget	% of Budget	Budget	% of Budget
Program Funding		FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011
01000	Total General Fund	\$ 1,112,653	10.4%	\$ 1,220,414	10.1%	\$ 1,221,538	10.1%
	01100 General Fund	1,112,653	10.4%	1,220,414	10.1%	1,221,538	10.1%
02000	Total State Special Funds	8,970,029	83.5%	10,231,518	84.4%	10,238,184	84.4%
	02258 Employment Security Account	1,316,619	12.3%	1,518,644	12.5%	1,519,875	12.5%
	02263 Subsequent Injury Admin	105,995	1.0%	111,289	0.9%	111,406	0.9%
	02346 Contractor Registration	1,445,124	13.4%	1,496,925	12.4%	1,500,509	12.4%
	02455 Workers' Comp Regulation	5,547,040	51.6%	6,506,567	53.7%	6,506,832	53.6%
	02941 Uninsured Employer Fund	555,251	5.2%	598,093	4.9%	599,562	4.9%
03000	Total Federal Special Funds	662,204	6.2%	667,742	5.5%	669,369	5.5%
	03122 Eeoc	101,359	0.9%	106,706	0.9%	106,923	0.9%
	03130 Coal Mine Safety	129,211	1.2%	137,465	1.1%	137,835	1.1%
	03195 On-Site Consultation	431,634	4.0%	423,571	3.5%	424,611	3.5%
Grand	Total	\$ 10,744,886	100.0%	\$ 12,119,674	100.0%	\$ 12,129,091	100.0%

The division is primarily funded with state special revenue funds, which account for 84.4 percent of the total funding, derived mainly from workers compensation regulation funds. Workers compensation regulation and workplace safety issues represent the largest share of the division's activities. General fund comprising about 10 percent of total funding supports personal services and general operating expenses. Federal special revenue is derived from grants related to equal employment opportunity programs and workplace safety.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	1,112,653	1,112,653	2,225,306	91.13%	10,744,886	10,744,886	21,489,772	88.62%
Statewide PL Adjustments	69,413	72,051	141,464	5.79%	842,274	872,104	1,714,378	7.07%
Other PL Adjustments	38,348	36,834	75,182	3.08%	296,266	284,726	580,992	2.40%
New Proposals	0	0	0	0.00%	236,248	227,375	463,623	1.91%
Total Budget	\$1,220,414	\$1,221,538	\$2,441,952		\$12,119,674	\$12,129,091	\$24,248,765	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,095,748					1,119,467
Vacancy Savings					(317,273)					(318,216)
Inflation/Deflation					42,708					48,848
Fixed Costs					21,091					22,005
Total Statewide Present Law Adjustments					\$842,274					\$872,104
DP 401 - ERD General Operating Increase	0.00	38,348	243,315	14,603	296,266	0.00	36,834	233,930	13,962	284,726
Total Other Present Law Adjustments	0.00	\$38,348	\$243,315	\$14,603	\$296,266	0.00	\$36,834	\$233,930	\$13,962	\$284,726
Grand Total All Present Law Adjustments					\$1,138,540					\$1,156,830

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** - The program reports it has had no difficulty in following the agency policy with regard to the employee pay rate at entry and the progression to the market rate. At the beginning of FY 2006 the program had an estimated market ratio of 95 percent relative to the 2006 market survey. By the end of FY 2008 the program reported an approximate market ratio of 98.6 percent relative to the 2006 market survey. After implementation of the HB 13 pay adjustments in FY 2008, the program estimates its market ratio to be 92.9 percent of the 2008 market survey. For this program, there was a recruitment and retention issue with Occupational Health and Safety Specialists. To adjust for this difficulty the pay sets were moved to 100 percent relative to the 2008 market survey. Currently, they are paid at 103.6 percent after the HB 13 adjustment
- o **Vacancy** - The program has had difficulty recruiting and retaining workers with specialized skills. These skills include mediators, workers compensation claims examiners, OHSA/safety compliance officers, and computer programmers. Employment Relations Division has used multiple part-time workers to fill full-time positions, invested considerable resources in training, accommodated telecommuting where practicable, and encouraged the use of flex-time in order to overcome the difficulties in filling these positions. Additional authority generated from vacant positions was used to fund pay changes outside of HB 13.

- o **Legislatively applied vacancy savings** – The program achieved far more than the legislatively applied vacancy savings rate through unfilled positions and employee turnover.
- o **Pay Changes** - Pay changes for the 2009 biennium primarily consisted of market adjustments, but also included reclassifications, performance merit, competency, and prior year corrections. All of these adjustments were funded through vacancy savings.
- o **Retirements** - To this point, the program has had three employees retire in the 2009 biennium. The program anticipates six retirements in the 2011 biennium, but did not provide information detailing the total compensated absence liability. Employment Relations Division utilizes a program of cross training to prepare for anticipated retirements.

DP 401 - ERD General Operating Increase - This request of \$296,266 in FY 2010 and \$284,726 in FY 2011 is funded by general fund, federal, and state special revenue to support board per diem, indirect costs, leased vehicles, server hosting, and off-campus rent.

LFD
ISSUE

Use of Additional Funding Unclear

The Employment Relations Division operates a number of bureaus. The requested increase for general operating costs does not detail how those expenditures will be allocated to the various bureaus, nor does it detail the reasoning behind the requested increase. In consideration of the amount requested, 2.4 percent of the \$24.2 million biennial budget, the legislature may consider:

- o Directing the agency to provide a detailed accounting of how this increase will be applied and how the increased funding will have a positive impact on program operations
- o Direct the agency to use properly constructed decision packages in future budget submissions

New Proposals

New Proposals	-----Fiscal 2010-----					-----Fiscal 2011-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - WorkSafeMT - Safety Initiative											
04	3.00	0	236,248	0	236,248	3.00	0	227,375	0	227,375	
Total	3.00	\$0	\$236,248	\$0	\$236,248	3.00	\$0	\$227,375	\$0	\$227,375	

DP 402 - WorkSafeMT - Safety Initiative - The executive recommends \$236,248 in FY 2010 and \$227,375 in FY 2011 state special revenue funding for an additional 3.00 FTE to fulfill the vision of a safer workplace in Montana. WorkSafeMT is a statewide safety initiative, its mission is to reduce the incidence of workplace injury, illness, and disease.

Proprietary Proposed Budget

The following table summarizes the total executive budget proposal for this program by year.

Account Name	Actual Base	FY 2010		FY 2011	
		Adjustments	Total	Adjustments	Total
FTE	0.00	0.00	0.00	0.00	0.00
61000 Personal Services	\$0	\$0	\$0	\$0	\$0
62000 Operating Expenses	963,726	(230,049)	733,677	(230,049)	733,677
63000 Equipment & Intangible Assets	0	\$0	0	\$0	0
66000 Grants	0	\$0	0	\$0	0
67000 Benefits & Claims	0	\$0	0	\$0	0
69000 Debt Service	0	\$0	0	\$0	0
Total Costs	<u>\$963,726</u>	<u>(\$230,049)</u>	<u>\$733,677</u>	<u>(\$230,049)</u>	<u>\$733,677</u>

Proprietary Program Description

The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. The fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self insured employers, private insurers, and the State Fund. The asset balance is maintained at approximately \$700,000 to provide an operating balance for payment of benefits and administrative costs.

Proprietary Program Funding

The Subsequent Injury Fund is funded entirely with an enterprise type proprietary fund. Because the proprietary funds do not require an appropriation, they are not typically included in HB 2 tables. In the case of an enterprise type proprietary fund, there are no state moneys being used and therefore the inclusion of this information is presented solely to provide a more complete representation of the program's total operation.

Proprietary Program Revenues and Expenses

The fund receives revenue through an annual assessment on all workers' compensation policyholders, which is collected by all Montana workers' compensation insurers. The assessment is statutorily set (Title 39-71-915 MCA) at the amount equal to what was expended by the fund for the benefit payments plus the cost of administration in the previous calendar year, less other income. Thus, any rate beyond one year into the future is an unknown, and based solely on the insured's current year's use.

The figure for fund 06040 shows the financial information for the fund from FY 2008 through FY 2011. The LFD edited and reconfigured the table for clarity.

Fund	Fund Name	Agency #	Agency Name	Program Name		
6040	Subsequent Injury Trust Fund	6602	Labor and Industry	Employment Relations Division		
			Actual FY08	Budgeted FY09	Projected FY10	Projected FY11
Operating Expenses:						
Personal Services						
Other Operating Expenses						
Debt Service Expenses						
Total Operating Expenses						
Operating Revenues:						
Revenue From Fees						
Charge For Services						
Investment Earnings						
Securities Lending Income						
Premiums						
Other Operating Revenues						
Total Operating Revenue						
Operating Gain (Loss)						
Operating Transfers						
Nonoperating Sources (Uses)						
Gain (Loss) Sale of Fixed Assets						
Federal Indirect Cost Recoveries						
Other Nonoperating Revenues (Expenses)						
Net Nonoperating Revenues (Expenses)						
Net Assets as of July 1 (Beginning of Fiscal Year)						
Net Increase (Decrease) of Net Assets						
Prior Period Adjustments						
Cumulative Effect of Account Change						
Net Assets as of Jun 30 (End of Fiscal Year)						

Proprietary Rate Explanation

The assessment for the Subsequent Injury Fund is allocated among insurers based on their compensation and medical payments for the previous calendar year per 39-71-915, MCA.

Labor and Industry - Subsequent Injury Trust Fund Rates			
Fee Description	FY 2008	FY 2010	FY2011
Plan I Insureds	\$12,000	\$142,000	\$142,000
Plan II Insureds	77,000	229,000	229,000
Plan III New Insureds	100,000	358,000	358,000
Plan III Old Insureds	11,000	21,000	21,000

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	117.03	117.03	153.03	153.03	117.03	153.03	36.00	30.76%
Personal Services	7,970,150	8,458,155	8,472,871	8,496,784	16,428,305	16,969,655	541,350	3.30%
Operating Expenses	5,194,309	8,157,003	6,110,951	6,084,625	13,351,312	12,195,576	(1,155,736)	(8.66%)
Equipment & Intangible Assets	350,931	394,746	394,872	387,872	745,677	782,744	37,067	4.97%
Grants	11,881	21,001	11,881	11,881	32,882	23,762	(9,120)	(27.74%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$13,527,271	\$17,030,905	\$14,990,575	\$14,981,162	\$30,558,176	\$29,971,737	(\$586,439)	(1.92%)
State Special	13,527,271	14,513,147	14,990,575	14,981,162	28,040,418	29,971,737	1,931,319	6.89%
Other	0	2,517,758	0	0	2,517,758	0	(2,517,758)	(100.00%)
Total Funds	\$13,527,271	\$17,030,905	\$14,990,575	\$14,981,162	\$30,558,176	\$29,971,737	(\$586,439)	(1.92%)

Program Description

The Business Standards Division consists of four bureaus: the Building Codes Bureau, Weights and Measures Bureau, Health Care Licensing Bureau (HCLB), and Business and Occupational Licensing Bureau (BOLB). The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes throughout Montana. The bureau approves and certifies local government code enforcement programs adopted by the bureau and also assists the Board of Plumbers and State Electrical Board with license law enforcement by checking for proper licensing when inspecting projects for code compliance. The bureau also provides administrative, clerical, and compliance support for five licensing programs. The Weights and 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 and petroleum products, and is responsible for maintaining the state standards of mass and volume applied when calibrating other mass and volume standards used in testing commercial devices. The HCLB provides administrative, clerical, and compliance support for 21 licensing boards and 1 program that license professionals and individuals working in the health care field. The licensing boards and program in HCLB include 130 board members and 8 advisory counsel members appointed by the Governor. The BOLB provides administrative, clerical, and compliance support for 11 licensing boards and 1 licensing program that license professionals and individuals working in non-health-care-related professions and occupations. The licensing boards in BOLB include 78 board members appointed by the Governor.

Program Highlights

Business Standards Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ A proprietary fund is moved to the Commissioner's Office / CSD ◆ A funding switch results in: <ul style="list-style-type: none"> • A requested increase in funding from the state special revenue of \$2.5 million • 33 FTE moved from the proprietary fund to state special revenue

Program Narrative

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to

establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals Monitored

This program had no goals that were monitored by the legislature during the 2009 biennium

2011 Biennium Major Goals

Goal:

- o Provide prompt, courteous, and efficient service to building owners, design professionals, contractors, and trade persons.

Objectives:

- Review and approve building plans, including factory built buildings within two weeks
- Issue plumbing, mechanical and electrical permits within one day of application
- Issue passenger elevator and boiler permits within three weeks

Goal:

- o Assure equity in all commercial transactions

Objectives:

- On an annual basis test, inspect and certify 90 percent of all scales, retail and wholesale meters, and liquid propane gas dispensers used commercially in Montana, and test for net-content compliance by inspecting 2,000 pre-packed packages on an annual basis
- Investigate all complaints concerning fuel quality
- Test for octane rating compliance with at least 100 fuel samples from across the state

Goal:

- o License and renew licenses to qualified individuals in a timely and cost effective manner

Objectives:

- Process 80 percent of all new license applications within 14 days of receipt of a completed application
- Support and improve online licensing functions for all licensing boards and programs
- Process all license renewal applications within 14 days of receipt of the completed renewal

LFD COMMENT	<p>In addition to the HB2 funded portion of the budget, the program also operates a proprietary funded program that included 33 FTE and related costs in the prior biennium. The proprietary program charges individual state special revenue accounts for the trades and boards that require licensure and/or administrative support from the Business Standards Division for those administrative services provided to the trade or board. The charge in the current year would reflect the expenditures incurred in the previous year. This system proved cumbersome and confusing for both the boards and the program. In an effort to simplify the system and associate the charges with the services provided within the same fiscal year, the program transferred the proprietary program FTE to the HB2 portion of the program and directly apportioned the costs to the appropriate state special revenue funds. Because these positions are classified as proprietary program positions, the expenditure must be removed from the HB2 base year budget for the purpose of building the upcoming biennium budget. Rather than removing the personal services expenditures as an adjustment in the base year, the adjustment was made within the statewide present law for both FY 2008 and FY 2009. This is why the table shows a negative adjustment for personal services under the statewide present law. In order to make this change for the upcoming biennium, the program has added the 33 FTE and associated costs to the HB2 portion of the program in a new proposal decision package. The remaining functions still funded with proprietary funds have been moved to the Centralized Services Division of the agency.</p>
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Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table							
Business Standards Division							
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget	
	FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011	
02000 Total State Special Funds	\$ 13,527,271	100.0%	\$ 14,990,575	100.0%	\$ 14,981,162	100.0%	
02024 Blaster Licensing	6,477	0.0%	6,556	0.0%	6,624	0.0%	
02078 Occupational Therapists	36,372	0.3%	33,627	0.2%	33,069	0.2%	
02079 Fire Protection & Permitting	14,781	0.1%	15,696	0.1%	16,154	0.1%	
02109 Board Of Outfitters	586,271	4.3%	522,861	3.5%	522,874	3.5%	
02155 Boiler,Blaster,Crane Licensing	67,112	0.5%	67,616	0.5%	66,392	0.4%	
02160 Legal Contingency Fund	-	-	70,000	0.5%	70,000	0.5%	
02207 Crane Licensing	82,409	0.6%	82,363	0.5%	80,695	0.5%	
02359 Chemical Dependency Counselors	57,185	0.4%	57,637	0.4%	56,914	0.4%	
02446 Board Of Psychologist Exam	88,936	0.7%	85,816	0.6%	84,693	0.6%	
02448 Building Codes State Spec Rev	4,968,912	36.7%	6,917,426	46.1%	6,930,225	46.3%	
02580 Bd Of Athletic Trainers	5,407	0.0%	17,354	0.1%	16,666	0.1%	
02764 Bd Of Adolescent Res. Or Outdr Pgm	47,247	0.3%	47,738	0.3%	47,435	0.3%	
02767 Elevators	9,033	0.1%	10,070	0.1%	10,813	0.1%	
02805 Weights & Measures Bureau	938,890	6.9%	981,105	6.5%	984,662	6.6%	
02808 Board Of Landscape Architects	12,593	0.1%	13,669	0.1%	13,239	0.1%	
02809 Board Of Speech Pathologists	47,779	0.4%	47,386	0.3%	46,657	0.3%	
02810 Bd Of Radiologic Technologists	83,860	0.6%	77,032	0.5%	76,423	0.5%	
02811 Clinical Lab Science Pract.	59,637	0.4%	55,715	0.4%	55,096	0.4%	
02812 Physical Therapists	59,806	0.4%	60,126	0.4%	59,401	0.4%	
02813 Bd Of Nursing Home Admin	45,596	0.3%	46,100	0.3%	45,416	0.3%	
02814 Bd Of Hearing Aid Dispensers	56,260	0.4%	69,297	0.5%	67,476	0.5%	
02815 Board Of Public Accountants	324,793	2.4%	323,869	2.2%	323,665	2.2%	
02816 Board Of Sanitarians	22,254	0.2%	21,000	0.1%	21,083	0.1%	
02818 Electrical Board	328,361	2.4%	318,562	2.1%	316,857	2.1%	
02819 Board Of Realty Regulations	716,104	5.3%	646,574	4.3%	647,096	4.3%	
02820 Board Of Architects	100,178	0.7%	101,322	0.7%	100,753	0.7%	
02821 Board Of Funeral Service	88,191	0.7%	81,574	0.5%	80,991	0.5%	
02822 Board Of Chiropractors	78,061	0.6%	73,566	0.5%	72,110	0.5%	
02823 Professional Engineers	268,883	2.0%	254,235	1.7%	253,291	1.7%	
02824 Board Of Medical Examiners	947,768	7.0%	855,740	5.7%	856,582	5.7%	
02826 Cosmetology Board	505,418	3.7%	462,836	3.1%	462,991	3.1%	
02828 Board Of Plumbers	266,612	2.0%	274,996	1.8%	267,500	1.8%	
02829 Private Investigator	184,795	1.4%	168,130	1.1%	168,266	1.1%	
02830 Board Of Dentistry	205,780	1.5%	188,832	1.3%	187,617	1.3%	
02831 Board Of Optometrists	40,407	0.3%	43,030	0.3%	41,429	0.3%	
02832 Board Of Pharmacy	589,654	4.4%	529,023	3.5%	526,889	3.5%	
02833 Board Of Nursing	910,511	6.7%	815,662	5.4%	818,315	5.5%	
02834 Board Of Veterinarians	88,258	0.7%	85,373	0.6%	84,510	0.6%	
02840 Board Of Social Workers	190,203	1.4%	177,072	1.2%	176,632	1.2%	
02841 Board Of Athletics	41,085	0.3%	(41,081)	-0.3%	(41,081)	-0.3%	
02852 Bd. Of Alternative Health Care	59,136	0.4%	55,856	0.4%	55,844	0.4%	
02854 Bd. Of Real Estate Appraisers	265,481	2.0%	240,169	1.6%	240,467	1.6%	
02855 Bd Of Respiratory Care	30,775	0.2%	29,045	0.2%	28,431	0.2%	
Grand Total	\$ 13,527,271	100.0%	\$ 14,990,575	100.0%	\$ 14,981,162	100.0%	

The Business Standards Division is funded entirely through state special revenue. State special revenue accounts are maintained for each type of licensee and professional board. Charges and fees paid by licensees are deposited in to the accounts and administrative and operational expenses of the division are charged directly to the funds.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	13,527,271	13,527,271	27,054,542	90.27%
Statewide PL Adjustments	0	0	0	0.00%	(1,428,788)	(1,397,912)	(2,826,700)	(9.43%)
Other PL Adjustments	0	0	0	0.00%	891,124	854,492	1,745,616	5.82%
New Proposals	0	0	0	0.00%	2,000,968	1,997,311	3,998,279	13.34%
Total Budget	\$0	\$0	\$0		\$14,990,575	\$14,981,162	\$29,971,737	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(1,322,853)					(1,297,272)
Vacancy Savings					(265,893)					(266,911)
Inflation/Deflation					65,762					76,651
Fixed Costs					94,196					89,620
Total Statewide Present Law Adjustments					(\$1,428,788)					(\$1,397,912)
DP 503 - Administration General Operating Increase	0.00	0	71,483	0	71,483	0.00	0	63,468	0	63,468
DP 504 - Health Care Licensing Bureau Operating Increases	0.00	0	388,126	0	388,126	0.00	0	372,696	0	372,696
DP 505 - BOLB General Operating Increase	0.00	0	267,173	0	267,173	0.00	0	257,552	0	257,552
DP 506 - Weights and Measures Bureau Operating Increase	0.00	0	22,670	0	22,670	0.00	0	22,452	0	22,452
DP 507 - Building Codes General Operating Increase	0.00	0	141,672	0	141,672	0.00	0	138,324	0	138,324
Total Other Present Law Adjustments	0.00	\$0	\$891,124	\$0	\$891,124	0.00	\$0	\$854,492	\$0	\$854,492
Grand Total All Present Law Adjustments					(\$537,664)					(\$543,420)

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** - The program reports that it has had no difficulty in following the agency policy with regard to the employee pay rate at entry and the progression to the market rate. At the beginning of FY 2006 the program had an estimated market ratio of 95 percent relative to the 2006 market survey. By the end of FY 2008 the program reported an approximate market ratio of 98.6 percent relative to the 2006 market survey. After implementation of the HB 13 pay adjustments in FY 2008, the program estimates its market ratio to be 92.9 percent of the 2008 market survey. To improve public service, the program is requiring Building Code Inspector II positions to be qualified to perform all inspection types. To compensate for the expanded duties and qualifications of this requirement, the program has created two more steps beyond the 5 step Individual Band Placement (IBP), whereby step 6 is 104 percent of market and step 7 is 108 percent of market

- o **Vacancy** - This program does not have specific positions with high turnover rates, however there are several long term un-filled vacancies. These are typically positions which require specific training or education for which they compete with the private sector. Building inspectors are such positions where the program competes with the construction industry. In order to address the factors that are driving long-term or frequent vacancies, the program attempts to recruit through professional and trade associations to target specific, desired applicants. Program vacancies resulted in delayed or reduced services to customers
- o **Legislatively applied vacancy savings** – In order to achieve the legislatively applied vacancy savings rate the program held positions open
- o **Pay Changes** - Pay changes outside of HB 13 included adjustments for changes in job responsibilities, competency, and market rate adjustments. These pay changes were funded through vacancy savings
- o **Retirements** – The program reports that 8 employees retired in the 2008 biennium. The program has 58 employees that are eligible for retirement in the 2011 biennium with an estimated compensated absence liability of \$430,000. These retirements are not expected to impact the program's operations

DP 503 - Administration General Operating Increase - This request is for \$71,483 in FY 2010 and \$63,468 in FY 2011, general operating increases including off-campus rent, indirect costs to support the Centralized Services Division, annual software purchase with ITSD, and \$7,000 to replace a server in FY 2010. This request is funded by state special revenue.

DP 504 - Health Care Licensing Bureau Operating Increases - This request of \$388,126 in FY 2010 and \$372,696 in FY 2011 state special revenue funding is for board per diem, contracted services, supplies and materials, travel, off-campus rent increase, indirect costs, legal costs, and other miscellaneous administrative operating expenses.

DP 505 - BOLB General Operating Increase - The budget includes \$267,173 in FY 2010 and \$257,552 in FY 2011 for board member per diem, contracted services, supplies and materials, travel, rent, indirect costs, recharges, and other miscellaneous administrative operating expenses. This request is funded by state special revenue funds within the Business and Occupational Licensing Boards.

DP 506 - Weights and Measures Bureau Operating Increase - This request within the Weights and Measures Bureau is to restore FY 2008 base level funding to cover supplies and materials, travel expenses, increases in rent, and indirect costs. The request is for \$22,670 in FY 2010 and \$22,452 in FY 2011 and is funded by state special revenue.

DP 507 - Building Codes General Operating Increase - This request within the Building Codes Bureau is to restore FY 2008 base level funding to cover various operating expenses that will be associated with a fully staffed inspection team. In addition, it will cover increases in rent, legal costs, and indirect costs. The request is for \$141,672 in FY 2010 and \$138,324 in FY 2011 and is funded by state special revenue.

LFD ISSUE	<p>No Specific Reason for Requested General Operating Increases</p> <p>The division is requesting a general operating increase in a number of bureaus. It has not provided a substantial explanation of why the increase is required. The legislature may wish to discuss what changes that the division has experienced that require the additional funding and how the additional funding will make a positive impact on the function of the division.</p>
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New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 501 - BSD - Funding Switch										
05	33.00	0	1,831,310	0	1,831,310	33.00	0	1,835,900	0	1,835,900
DP 502 - Sunset the Athletics Licensing Program (Requires Legislation)										
05	0.00	0	(41,081)	0	(41,081)	0.00	0	(41,081)	0	(41,081)
DP 509 - BSD IT Support Specialist FTE										
05	1.00	0	66,286	0	66,286	1.00	0	63,336	0	63,336
DP 510 - BSD Central Cashier FTE										
05	2.00	0	74,453	0	74,453	2.00	0	69,156	0	69,156
DP 511 - BSD Restore Legal Contingency Fund - OTO										
05	0.00	0	70,000	0	70,000	0.00	0	70,000	0	70,000
Total	36.00	\$0	\$2,000,968	\$0	\$2,000,968	36.00	\$0	\$1,997,311	\$0	\$1,997,311

DP 501 - BSD - Funding Switch - This request is to move 33.00 proprietary FTE to HB 2. The FTE are currently accounted for in an internal service fund whereby a "recharge" is assessed to the boards and programs who use their services. The operating costs related to the FTE are in HB 2 base authority. Moving the FTE to HB 2 would more properly account for the cost of services provided through cost allocation rather than a "recharge". There is no net increase in costs for this proposal.

LFD COMMENT	Please see the Program Discussion section for a further explanation
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DP 502 - Sunset the Athletics Licensing Program (Requires Legislation) - The number of events covered by this statute has declined to a point that the Athletics Licensing Program cannot generate the revenue to support the cost of doing business. This request removes funding for the program and results in a decrease in state special revenue of \$41,081 in FY 2010 and \$41,081 in FY 2011. It is contingent on passage and approval of LC 519 which eliminates the program.

DP 509 - BSD IT Support Specialist FTE - This request is for \$66,286 in FY 2010 and \$63,336 in FY 2011 including 1.00 FTE information support specialist and related operating costs.

DP 510 - BSD Central Cashier FTE - This request is for 2.00 FTE and \$74,453 in FY 2010 and \$69,156 in FY 2011 and associated costs of hiring two full time central cashiers for the Central Cashier Unit to address a legislative audit recommendation. The audit recommended that the division implement adequate controls for its deposit and reconciliation processes. To comply with this recommendation, the division has created a Central Cashier Unit.

DP 511 - BSD Restore Legal Contingency Fund - OTO - This proposal for \$70,000 state special revenue funding each year of the biennium is to restore the legal contingency fund for the Business and Occupational and the Health Care Licensing Bureaus. This contingency fund has been included in the budget since the 1993 biennium and isn't used if it isn't needed.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	242,130	217,164	242,633	243,337	459,294	485,970	26,676	5.81%
Operating Expenses	248,208	345,676	252,464	252,794	593,884	505,258	(88,626)	(14.92%)
Grants	2,155,787	2,360,030	2,155,787	2,155,787	4,515,817	4,311,574	(204,243)	(4.52%)
Transfers	275,274	260,000	275,274	275,274	535,274	550,548	15,274	2.85%
Total Costs	\$2,921,399	\$3,182,870	\$2,926,158	\$2,927,192	\$6,104,269	\$5,853,350	(\$250,919)	(4.11%)
General Fund	124,999	125,000	125,256	125,314	249,999	250,570	571	0.23%
State Special	39,027	125,000	39,027	39,027	164,027	78,054	(85,973)	(52.41%)
Federal Special	2,757,373	2,932,870	2,761,875	2,762,851	5,690,243	5,524,726	(165,517)	(2.91%)
Total Funds	\$2,921,399	\$3,182,870	\$2,926,158	\$2,927,192	\$6,104,269	\$5,853,350	(\$250,919)	(4.11%)

Program Description

The Office of Community Services provides administration for the Corporation for National and Community Service programs (AmeriCorps), community service, and volunteer efforts statewide. The office was created by the 1993 Legislature at the request of the Governor in order to support community-based volunteer programs focused on addressing critical community needs. The vision of the office and its Commission on Community Service is to cultivate service as a lifelong "habit of the heart" for all citizens, and in particular, instill an ethic of community service in young Montanans.

Program Highlights

Office of Community Service Major Budget Highlights
◆ No significant changes are requested in 2011 biennium from 2009 biennium

Program Narrative

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals Monitored

This program had no goals that were monitored by the legislature during the 2009 biennium

2011 Biennium Major Goals

Goal:

- o Expand service opportunities for all Montanans

Objectives:

- o Enroll 1,000 National Service Members who will serve Montana communities annually
- o Engage 10,000 community volunteers who will serve over 100,000 hours over the course of the biennium
- o Engage more Montanans to become tissue and organ donors in order to save lives and improve the quality of life for others
- o Demonstrate over 200 partnerships with community, faith-based, disability advocacy, disaster and emergency service, and tribal organizations.
- o Increase the number of service members who have disclosed a disability by 20 percent

Goal:

- o Provide training and technical assistance for community and national service programs in Montana to ensure they have the capacity to support volunteers.

Objectives:

- o Assist over 40 community agencies and more than 500 individuals in achieving skills to be proficient in sustaining a viable organization annually

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table Office Of Community Services							
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget	
	FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011	
01000 Total General Fund	\$ 124,999	4.3%	\$ 125,256	4.3%	\$ 125,314	4.3%	
01100 General Fund	124,999	4.3%	125,256	4.3%	125,314	4.3%	
02000 Total State Special Funds	39,027	1.3%	39,027	1.3%	39,027	1.3%	
02296 Mt Community Service Ssr	39,027	1.3%	39,027	1.3%	39,027	1.3%	
03000 Total Federal Special Funds	2,757,373	94.4%	2,761,875	94.4%	2,762,851	94.4%	
03322 Mt Community Service Fsr	2,757,373	94.4%	2,761,875	94.4%	2,762,851	94.4%	
Grand Total	\$ 2,921,399	100.0%	\$ 2,926,158	100.0%	\$ 2,927,192	100.0%	

The major fund source for the program is federal special revenue. General fund and state special revenue funds most of the administrative expenses for the program, with federal special revenue filling the remainder and providing the funding for the grants and special projects administered by the program.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	124,999	124,999	249,998	99.77%	2,921,399	2,921,399	5,842,798	99.82%
Statewide PL Adjustments	257	315	572	0.23%	4,759	5,793	10,552	0.18%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$125,256	\$125,314	\$250,570		\$2,926,158	\$2,927,192	\$5,853,350	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					10,612					11,346
Vacancy Savings					(10,109)					(10,139)
Inflation/Deflation					300					337
Fixed Costs					3,956					4,249
Total Statewide Present Law Adjustments					\$4,759					\$5,793
Grand Total All Present Law Adjustments					\$4,759					\$5,793

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** - The program reports that they have had no difficulty in following the agency policy with regard to the employee pay rate at entry and the progression to the market rate. At the beginning of FY 2006 the program had an estimated market ratio of 95 percent relative to the 2006 market survey. By the end of FY 2008 the program reported an approximate market ratio of 98.6 percent relative to the 2006 market survey. After implementation of the HB 13 pay adjustments in FY 2008, the program estimates its market ratio to be 92.9 percent of the 2008 market survey.
- o **Vacancy** – The Office of Community Service has not experienced a high amount of turnover or frequent vacancies. There were not sufficient functional vacancies to produce vacancy savings and the program resorted to shifting funding from other operational areas to pay for the personal services expenditures that were in excess of the program budget.
- o **Legislatively applied vacancy savings** – The program was not able to achieve the legislatively applied vacancy savings rate.
- o **Pay Changes** - The program made pay changes during the 2009 biennium that included adjustments for employee reclassification, market adjustments, and internal pay equity. The funding of these increases was paid through federal operating grants.
- o **Retirements** - The Office of Community Service does not anticipate any retirements in the 2009 biennium. There are no employees that are currently eligible for full retirement in the 2011 biennium

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	6.00	6.00	7.00	7.00	6.00	7.00	1.00	16.67%
Personal Services	448,278	444,111	479,705	479,959	892,389	959,664	67,275	7.54%
Operating Expenses	138,489	203,214	187,978	189,388	341,703	377,366	35,663	10.44%
Total Costs	\$586,767	\$647,325	\$667,683	\$669,347	\$1,234,092	\$1,337,030	\$102,938	8.34%
State Special	586,767	647,325	667,683	669,347	1,234,092	1,337,030	102,938	8.34%
Total Funds	\$586,767	\$647,325	\$667,683	\$669,347	\$1,234,092	\$1,337,030	\$102,938	8.34%

Program Description

The Workers' Compensation Court provides a venue for Montana employees, employers, and the insurance industry to resolve disputes arising from work-related injuries and occupational diseases. The court is attached to the department for administrative purposes only.

Program Highlights

Workers Compensation Court Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive requests the addition of 1.0 FTE and related costs for a Judicial Clerical Clerk position
Major LFD Issues
<ul style="list-style-type: none"> ◆ Program goals are presented without objectives

Program Narrative

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals Monitored:

This program had no goals that were monitored by the legislature during the 2009 biennium

2011 Biennium Major Goals:

Goal:

- o Continue to maintain the average time between trial and decision to within 90 days of trial or submission

Goal:

- o Continue to support easy accessibility by pro se (unrepresented) parties

LFD ISSUE Goals are presented without objectives

The identified goals were submitted by the program without objectives. Objectives are the specific steps that are used to achieve the over arching outcome stated by the goal. Without these objectives the program is without direction in its every day functions with relation to achieving the goal. This means that the program potentially risks expending resources in activities that do nothing to further the attainment of the goals.

As an example, properly stated objectives to the first goal might be:

- o Organize and prioritize cases based on time between trial and decision on a weekly basis
- o Estimate completion time for oldest 25 percent of cases on a monthly basis

These objectives provide specific and measurable activities that staff can use to attain the goal and in this way help to make the best use of the resources provided.

The legislature may want to discuss with the agency how the goals it has provided for this program contribute to overall outcomes desired. The legislature may also wish to discuss what measurable objectives would help the program achieve those goals and how they relate to the budget request.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011
02000 Total State Special Funds	\$ 586,767	100.0%	\$ 667,683	100.0%	\$ 669,347	100.0%
02455 Workers' Comp Regulation	<u>586,767</u>	<u>100.0%</u>	<u>667,683</u>	<u>100.0%</u>	<u>669,347</u>	<u>100.0%</u>
Grand Total	<u>\$ 586,767</u>	<u>100.0%</u>	<u>\$ 667,683</u>	<u>100.0%</u>	<u>\$ 669,347</u>	<u>100.0%</u>

The workers compensation court is funded entirely from state special revenue derived from a fee charged to workers compensation carriers in Montana.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	586,767	586,767	1,173,534	87.77%
Statewide PL Adjustments	0	0	0	0.00%	(11,741)	(11,279)	(23,020)	(1.72%)
Other PL Adjustments	0	0	0	0.00%	38,689	39,556	78,245	5.85%
New Proposals	0	0	0	0.00%	53,968	54,303	108,271	8.10%
Total Budget	\$0	\$0	\$0		\$667,683	\$669,347	\$1,337,030	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “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.

	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					929					1,167
Vacancy Savings					(17,969)					(17,977)
Inflation/Deflation					840					1,081
Fixed Costs					4,459					4,450
Total Statewide Present Law Adjustments					(\$11,741)					(\$11,279)
DP 901 - Workers Comp Court Operating Increase										
	0.00	0	38,689	0	38,689	0.00	0	39,556	0	39,556
Total Other Present Law Adjustments	0.00	\$0	\$38,689	\$0	\$38,689	0.00	\$0	\$39,556	\$0	\$39,556
Grand Total All Present Law Adjustments					\$26,948					\$28,277

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – The program reports that it has had no difficulty in following the agency policy with regard to the employee pay rate at entry and the progression to the market rate. At the beginning of FY 2006 the program had an estimated market ratio of 95 percent relative to the 2006 market survey. By the end of FY 2008 the program reported an approximate market ratio of 98.6 percent relative to the 2006 market survey. After implementation of the HB 13 pay adjustments in FY 2008, the program estimates its market ratio to be 92.9 percent of the 2008 market survey
- o **Vacancy** – The workers compensation court has not had any significant vacancies
- o **Legislatively applied vacancy savings** – Because of low turnover, the program has faced difficulties in achieving the legislatively applied vacancy savings. The program double-filled one position to deal with workload issues. The authority for the additional expenditure was achieved by transferring authority from the operating expense account, contracted services
- o **Pay Changes** – Other than the pay adjustments authorized by HB 13, the program provided increases for specific positions for market corrections, promotions, and increased job responsibilities. Employees that were not on the program's pay plan effected by HB 13 were given equivalent increases. These increases were funded by transferring authority from the operating budget of the program
- o **Retirements** – For the 2011 biennium, one employee is eligible for full retirement at a total anticipated compensated absence liability of \$6,910. There were no employees that retired in the 2009 biennium. The program is cross-training its employees in order to prepare for any upcoming retirements

DP 901 - Workers Comp Court Operating Increase - This request of \$38,689 in FY 2010 and \$39,556 in FY 2011 is for indirect costs to support the Centralized Services Division, off-campus rent increase, and contracted services. The funding source is state special revenue.

New Proposals

New Proposals										
Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 902 - Judicial Clerical Clerk FTE										
09	1.00	0	53,968	0	53,968	1.00	0	54,303	0	54,303
Total	1.00	\$0	\$53,968	\$0	\$53,968	1.00	\$0	\$54,303	\$0	\$54,303

DP 902 - Judicial Clerical Clerk FTE - This proposal includes \$53,968 in FY 2010 and \$54,303 in FY 2011 state special revenue funding for 1.00 FTE to perform clerical duties within the court and indirect costs. Duties this position would perform include writing and formatting the court's administrative rules, docking court files, updating and maintaining the court's website, and keeping the court's statistical information current.

Language and Statutory Authority

"The workers' compensation court is appropriated up to \$20,000 state special revenue for the 2011 biennium to contract for replacement judges when the workers' compensation judge must recuse himself from a case. The appropriation is contingent on passage and approval of legislation providing a process for such a substitution to occur."