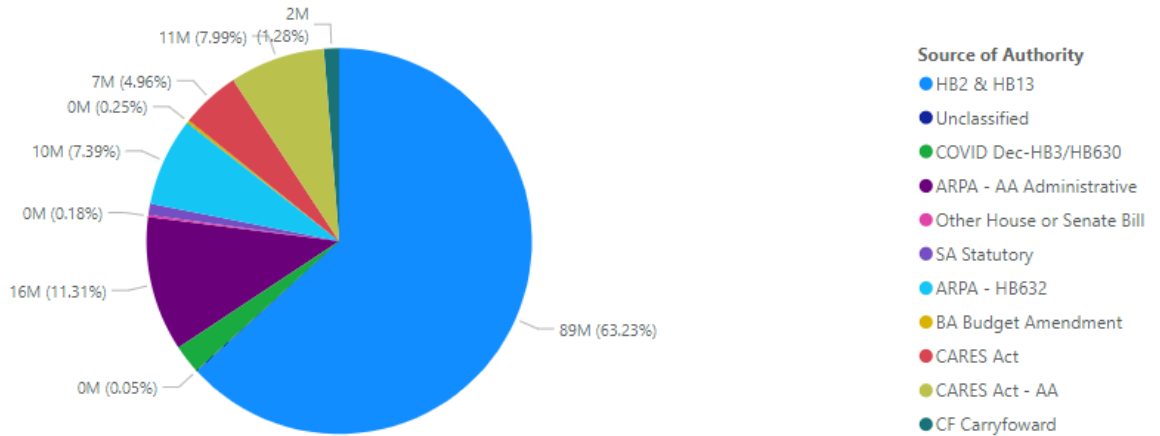


DEPARTMENT OF LABOR AND INDUSTRY

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 63.2% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	FYE22 Modified Budget	FYE22 Expended Budget	Percent Expended
HB2 & HB13	89,204,692	79,777,681	89.4%
BA Budget Amendment	358,865	231,570	64.5%
CF Carryforward	1,805,621	1,070,428	59.3%
Other House or Senate Bill	259,317	120,952	46.6%
SA Statutory	1,316,967	1,040,024	79.0%
Unclassified	71,680		
CARES	18,275,745	13,726,251	75.1%
CARES II	3,413,039	354,376	10.4%
ARPA	26,376,839	5,962,561	22.6%
Total	141,082,764	102,283,843	72.5%

Report Period ▼

- Jul
- Aug
- Sep
- Oct
- Nov
- Dec
- Jan
- Feb
- Mar
- Apr
- May
- Jun

Budget Amendments

For FY 2022, the Department of Labor and Industries (DOLI) budget included \$359,000 in budget amendment authority. This authority included four budget amendments from federal special revenue accounts. The largest is for the Work Opportunities Tax Credit Program (\$180,000), which gives employers a tax credit if they hire qualified individuals with substantial barriers to employment. A budget amendment was established for the State Appraiser Regulatory Agency Support Grant totaling \$78,400. A budget amendment was established for the Montana community service projects in the Office of Community Services (OCS; \$44,000). Lastly, a budget amendment was made in the Unemployment Insurance Division for the Disaster Unemployment Insurance administration. By the 2022 fiscal year end (FYE), the agency expended \$232,000 or 64.5% of these budget amendment appropriations. Remaining authority will continue to be available in FY 2023.

Carryforward

DOLI has carryforward authority totaling \$1.8 million in FY 2022 from FY 2020 (\$1.1 million) and FY 2021 (\$735,000). Carryforward authority from FY 2020 expired at the end of FY 2022 and authority from FY 2021 will be available through FY 2023. Almost all of the carryforward authority is from the employment security account, a state special revenue account that receives funds from an administrative assessment against the payroll of Montana employers. DOLI plans to use these funds in the Unemployment Insurance Division to help offset expenditures as federal funds for the pandemic begin to expire. By FYE, DOLI expended all FY 2020 appropriations totaling \$1.1 million or 59.3% of the total carryforward appropriation. The remaining carryforward authority will be available for expenditure through FY 2023.

Other Bills

SB 191 – Revise State Finance Laws

The 2021 Legislature appropriated \$1.5 million in general fund and \$1.0 million in state special revenue to the Office of Budget and Program Planning in the Governor's Office for allocations to state agencies, mainly for costs associated with enacted legislation that did not provide appropriations. The Department of Labor and Industry received a total of \$258,000 of these funds in FY 2022 to carry out the following bills:

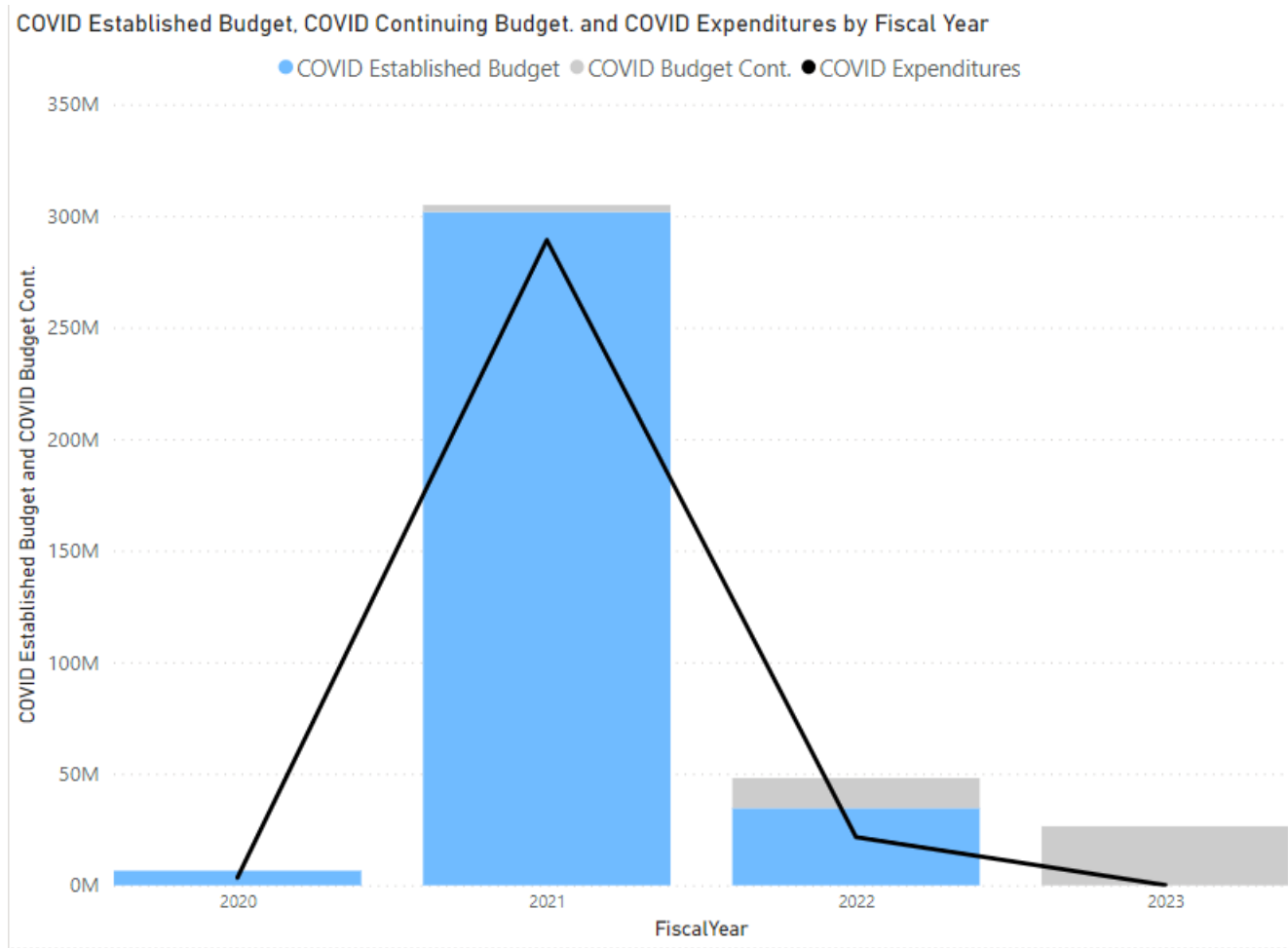
- HB 198 – If an employee dies as a result of an accident from employment and during employment, the Department of Labor and Industry will provide compensation for burial expenses. This bill increased the maximum amount workers' compensation benefits will pay for these burial expenses. Appropriations totaled \$2,692 and no expenditures were made in FY 2022
- HB 210 – Eliminated the speech/audiology aide position. DOLI is responsible for implementing these changes as they are in charge of the administration and rulemaking for the Speech-Language Pathology Program. Appropriations for this bill totaled \$24,971 in FY 2022, and \$18,528 was expended
- HB 217 – Established licensure for genetic counselors. Appropriations totaled \$51,762, and \$24,834 was expended in FY 2022. This program took longer than anticipated to get up and running, leading to lower expenditures
- HB 276 – Added a behavioral health peer support specialist to the Board of Behavioral Health. An appropriation of \$4,158 was given to implement this bill. By FYE, this entire appropriation was expended
- HB 495 – Created a health care provider task force, for which DOLI will provide clerical and administrative services. This appropriation is one-time-only (OTO) and totaled \$2,480 in FY 2022. At FYE, the entire appropriation was expended
- HB 593 – This bill revised barber and cosmetology laws, including membership, rulemaking, and licensure requirements. Appropriations totaled \$10,119 and were entirely expended
- HB 702 – This bill prohibits discrimination based on a person's vaccination status. DOLI anticipated that there would be an increase in complaints submitted to the Human Rights Bureau due to this bill. To fund these additional legal costs, \$98,694 in general fund was appropriated. At FYE, \$7,705 was expended as the agency did not see the increase in complaints they anticipated
- SB 39 – Requires the boards of Behavioral Health, Medical Examiners, Nursing, and Psychologists to establish standards and guidelines for the evaluation, treatment, and monitoring of sexual offenders. To implement this bill, an appropriation totaling \$27,912 was given and entirely expended by FYE

- SB 106 – Created licensure and establishment of qualifications for veterinary technicians. To implement this bill, \$27,415 was appropriated and entirely expended
- SB 374 – Revised laws relating to dispensing of drugs by medical practitioners. DOLI is responsible for the rulemaking associated with this bill. An appropriation totaling \$6,150 was given and entirely expended in FY 2022
- SB 396 – Revised laws applying to boilers. This bill creates a limited low-pressure engineer license and allows DOLI to assess fees for licensing. The appropriation is OTO and totals \$1,176. This appropriation was entirely expended in FY 2022

All of these appropriations are state special revenue except for HB 702, which is general fund. At the 2022 FYE, the agency had expended \$121,000 or 46.6% of these appropriations. As previously stated, lower expenditures are driven by lower expenditures for HB 702 and HB 217. Remaining authority will not carryforward to FY 2023.

COVID-19 Authority

The following chart is provided to allow the legislature to examine the funding that is available to the agency for COVID-19 impacts.



The agency received approximately \$311.0 million and expended \$305.7 million or 98.3% from the Coronavirus Aid, Relief, and Economic Security (CARES) Act I. The majority of this funding (\$212.5 million) was used for the

unemployment insurance trust to offset the higher costs of the state unemployment insurance program due to the high number of unemployment insurance claimants during the pandemic. Approximately, \$98.1 million was budgeted for the administration and payment of federal unemployment insurance benefit programs in the Unemployment Insurance Division (UID).

The remaining funds were allocated, as follows:

- Workforce Services Division (WSD; \$803,000) – \$220,000 from the Governor’s emergency education relief grant (GEER) to help schools with COVID-related needs and \$582,750 from the United States Department of Labor for the national dislocated worker grant to provide training and supportive services for individuals affected by the pandemic
- Commissioner’s Office and Centralized Services Division (CSD; \$281,000) – funds to purchase cleaning and safety supplies for COVID, as well as to pay for employee overtime related to the pandemic across the department

In the CARES Act II, implemented through HB 630, the agency received approximately \$5.3 million and expended \$2.1 million or 40.8%. These funds were for the administration of the UID and the federal unemployment insurance benefit programs. These funds will be available until June 30, 2023.

The American Rescue Plan Act (ARPA) provided \$5.5 million for the OCS and \$5.2 million for unemployment insurance administration, which was appropriated through HB 632. These funds are available until December 31, 2024. From the coronavirus state and local fiscal recovery funds, the WSD received \$15.0 million for return-to-work bonuses, \$10.0 million for the Rapid Retraining Program, and \$2.0 million for the Individuals with Disabilities Employment Engagement Program. It was proposed and approved by the ARPA advisory commission that, of the remaining return-to-work bonus funds, approximately \$4.4 million (\$4.0 million to DOLI for implementation and administration and \$350,000 to the Department of Commerce for marketing) will be used for recruitment and employment of out-of-state health care workers. Additionally, at the end of the return-to-work program, DOLI returned \$6,985,200 of unspent authority to the Office of Budget and Program Planning (OBPP). As of August 29th, \$393,000 has been expended for the recruitment and employment of out-of-state health care workers. Reimbursements for 54 out-of-state healthcare workers had been made with 77 healthcare businesses applying and 288 healthcare positions approved. In total, DOLI received \$26.6 million in ARPA appropriations and has expended \$5.8 million to date.

Unspent authority that will be continued into FY 2023 includes \$3.1 million from CARES I, \$3.1 million from CARES II, and \$20.3 million from ARPA. Continuing authority is primarily for fraud investigation into pandemic-related unemployment insurance claims and accelerated workforce training programs.

Statutory Appropriations

Statutory appropriations account for less than 1.0% of the Department of Labor and Industry’s total FY 2022 budget. Of the approximately \$1.3 million budgeted in FY 2022, \$1.0 million or 79.0% was expended in FY 2022. Further discussion of statutory appropriations is below.

Uninsured employer fund (UEF; 39-71-503, MCA)

The UEF is a state special revenue fund that ensures employees who are injured on the job while working for an uninsured employer receive the full benefits. This fund receives revenues from the department’s collection of penalties from uninsured employers. The majority of the agency’s statutory appropriations are for the UEF (58.9%). For FY 2022, \$775,000 was appropriated for the UEF, of which \$723,000 or 93.3% was expended. Throughout FY 2022, this appropriation increased due to increased claims.

Board of Public Accountants (2-15-1756, MCA)

The Board of Public Accountants is responsible for regulating certified public accountants and their firms to ensure they are compliant with the professional standards and the laws set by the State of Montana. Approximately \$369,000 was appropriated in FY 2022, and \$166,000 or 45.0% was expended. Lower expenditures are due to staffing changes as well as application review process efficiencies. The current Montana Code Annotated (MCA) for the Board of Public Accountants will be sunset on September 30, 2023, at which time this fund will revert to a state special revenue fund under HB 2.

Underground Facility Protection Program (69-4-520, MCA)

The Underground Facility Protection Program was created in 2017 when HB 365 became law. The statute requires the Department of Labor and Industry to have a program that monitors, maintains records, and issues civil penalties for incidents where underground facilities are damaged during excavations. In FY 2022, \$96,000 was appropriated, and \$80,000 or 83.9% was expended.

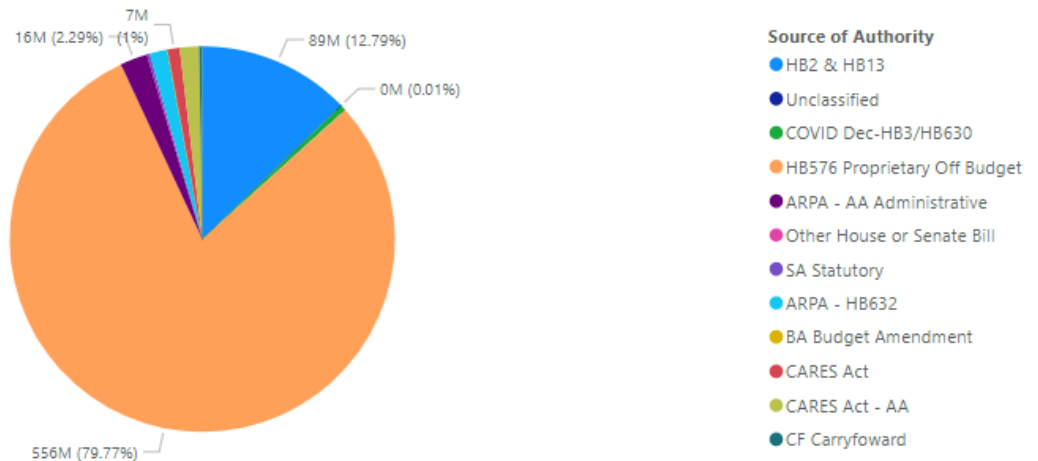
Board of Real Estate Appraisers (2-15-1758, MCA)

Due to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, every state was required to establish an agency for the licensure, certification, and regulation of real estate appraisers. Of the \$77,500 that was appropriated in FY 2022, \$70,000 or 90.4% was expended. The MCA for the Board of Real Estate Appraisers will sunset on June 30, 2023. The agency is proposing legislation to re-establish this statutory appropriation moving forward.

TOTAL EXPENDITURE AUTHORITY

The total expenditure authority for the agency is shown in the following pie chart. Total expenditure authority includes non-budgeted proprietary funding and non-budgeted expenditures such as transfers or indirect costs which are not included in the previous pie chart, as the expenditures are not appropriated.

Modified Budget and Expended Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	Percent Expended	Report Period
HB2 & HB13	89,204,692	79,777,376	89.4%	<input type="checkbox"/> Jul
BA Budget Amendment	358,865	231,570	64.5%	<input type="checkbox"/> Aug
CF Carryforward	1,805,621	1,070,428	59.3%	<input type="checkbox"/> Sep
HB576 Proprietary Off Budget	556,143,509	106,948,986	19.2%	<input type="checkbox"/> Oct
NB Non-Budgeted		264,526	Infinity	<input type="checkbox"/> Nov
Other House or Senate Bill	259,317	120,952	46.6%	<input type="checkbox"/> Dec
SA Statutory	1,316,967	1,040,024	79.0%	<input type="checkbox"/> Jan
Unclassified	71,680			<input type="checkbox"/> Feb
CARES	18,275,745	13,726,251	75.1%	<input type="checkbox"/> Mar
CARES II	3,413,039	354,376	10.4%	<input type="checkbox"/> Apr
ARPA	26,376,839	5,962,561	22.6%	<input type="checkbox"/> May
Total	697,226,273	209,497,050	30.0%	<input checked="" type="checkbox"/> Jun

The Department of Labor and Industry had approximately \$556.1 million in non-budgeted proprietary funding for FY 2022, of which \$106.9 million or 19.2% was expended. Approximately \$534.2 million was for the unemployment insurance (UI) tax benefit fund which distributes UI benefits to claimants. Federal funds were used in the UI tax benefit fund for FY 2020 and FY 2021. Starting in FY 2022, these benefits began to expire, and the agency began expending from the UI tax benefit fund similar to pre-pandemic times. In FY 2022, unemployment levels were extremely low leading to the total amount of benefits expended also to be low. The remaining funding is for the Technology Services Division, Commissioner’s Office and Centralized Services Division, subsequent injury trust fund in the Employment Standards Division, and the Montana Career Information System in the Workforce Services Division.

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget from June 1, 2021, through July 1, 2022. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

Legislative Budget Compared to Modified Budget - HB 2 Only

Agency Name	June Modified Budget	FYE22 Modified Budget	Net Modifications
Labor & Industry	89,204,692	89,204,692	0
COMMISSIONERS OFFICE & CSD	1,621,088	1,554,688	-66,400
EMPLOYMENT STANDARDS DIVISION	34,624,100	33,865,500	-758,600
OFFICE OF COMMUNITY SERVICES	4,118,704	4,118,704	0
TBD - EMPLOYMENT RELATIONS DIVISION	0	0	0
UNEMPLOYMENT INSURANCE DIV	17,423,049	19,518,049	2,095,000
WORKERS COMPENSATION COURT	788,602	788,602	0
WORKFORCE SERVICES DIVISION	30,629,149	29,359,149	-1,270,000
Total	89,204,692	89,204,692	0

Acct & Lvl 1 DESC	June Modified Budget	FYE22 Modified Budget	Net Modifications
61000 Personal Services	49,759,799	49,464,099	-295,700
62000 Operating Expenses	28,656,356	28,100,371	-555,985
63000 Equipment & Intangible Assets	505,849	778,119	272,270
66000 Grants	9,402,761	9,242,861	-159,900
67000 Benefits & Claims	100,389	30,389	-70,000
68000 Transfers-out	538,364	391,729	-146,635
69000 Debt Service	241,174	1,197,124	955,950

Fund Type	June Modified Budget	FYE22 Modified Budget	Net Modifications
01 General	2,030,332	2,030,332	0
02 State/Other Spec Rev	53,052,336	53,052,336	0
03 Fed/Other Spec Rev	34,122,024	34,122,024	0

The Department of Labor and Industry had several budget modifications by the 2022 FYE. One of the largest was a program transfer of excess state special revenue authority from the Workforce Services Division (\$1.3 million), Centralized Services Division (\$87,000), and Employment Standards Division (\$833,000) to the Unemployment Insurance Division to support a one-time-only unemployment insurance information technology system build. In total, this budget change transferred \$2.19 million to the Unemployment Insurance Division.

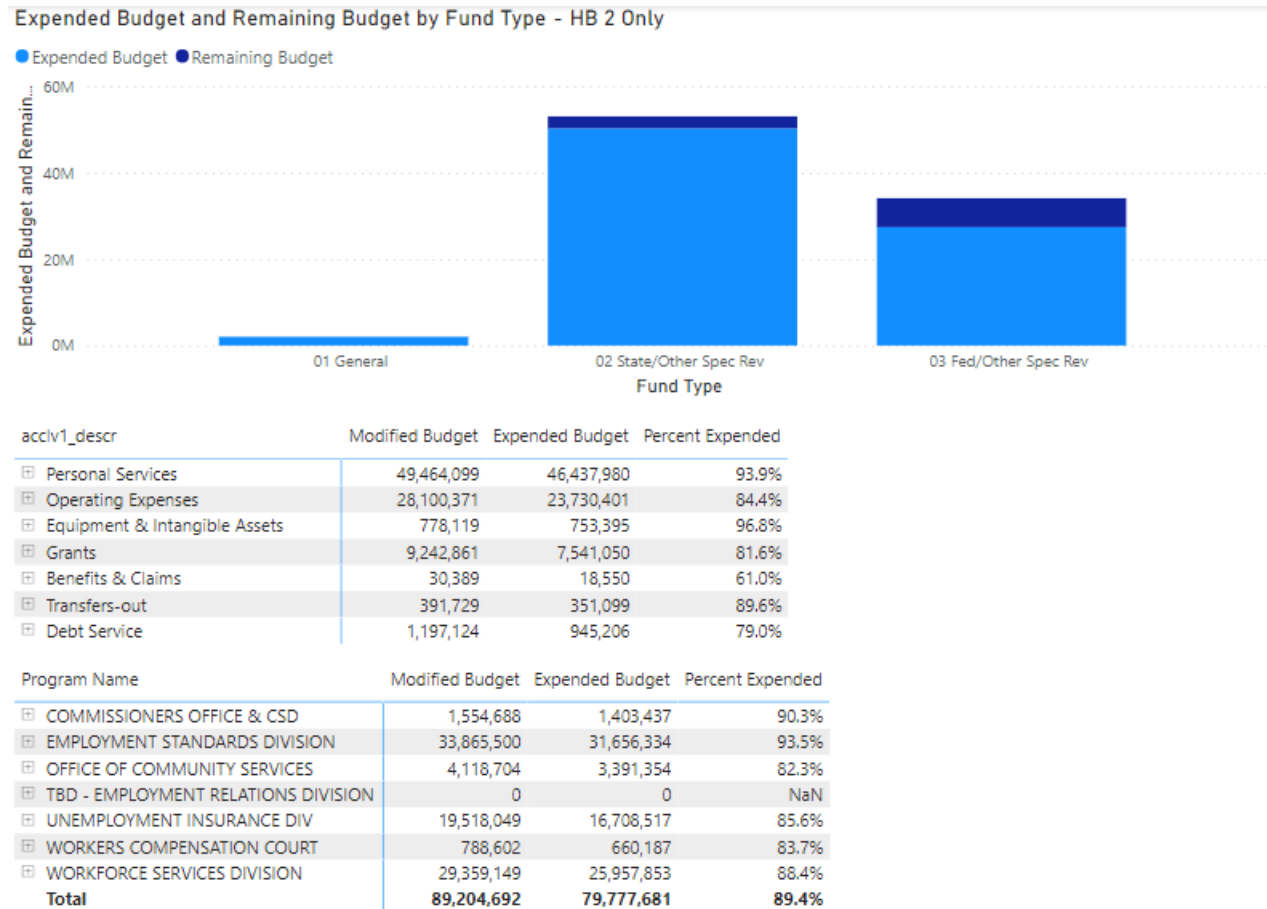
In FY 2022, there was an influx of hearings in the Office of Administrative Hearings (OAH) due to COVID-related unemployment insurance claims. There were two budget modifications related to this increase in hearings. The first transferred \$95,000 federal special revenue to the Centralized Services Division/OAH from the Unemployment Insurance Division to record expenditures in the correct program and fund. Due to the OAH receiving federal funds to cover COVID-related hearings, the Office had excess general fund authority totaling

\$74,400 that was transferred to the Human Rights Bureau in the Employment Standards Division to assist with increased caseloads.

Additionally, the agency made FYE adjustments to cover expenses and appropriately record expenditures in the correct funds and programs. This included transferring authority to debt services to appropriately account for building rents.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through July 1, 2022.

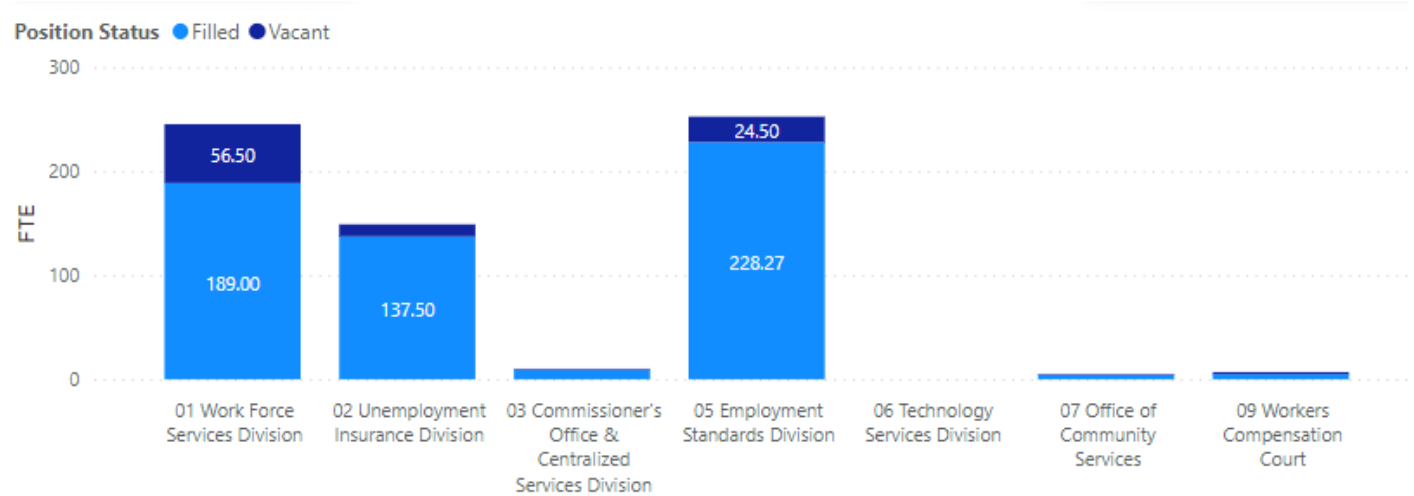


The Department of Labor and Industry’s HB 2 modified budget totaled \$89.2 million for FY 2022. The majority of the funding is from state special revenue funds for personal service expenditures. At the 2022 FYE, DOLI expended \$79.8 million or 89.4%. Lower expenditures are driven by the agency receiving fewer federal grants compared to years past, as well as a higher number of vacancies that led to decreased personal service expenditures. However, this total expenditure is still within the normal expenditure range.

Personal Services

Personal services make up 55.5% of the total HB 2 budget for FY 2022, with \$46.4 million or 93.9% expended at FYE.

The following chart shows the filled and vacant FTE within the agency as of August 1, 2022.



DOLI had 14.4% or 96.61 FTE out of 670.48 HB 2 FTE vacant as of August 1, 2022. This is a slight increase from the last quarterly IBC which showed a vacancy rate of 13.6%. Vacancies include:

- 23.0% or 56.50 FTE in the Workforce Services Division mostly for employment specialists (39.00 FTE) across the state of Montana. Other vacant positions include employment specialist supervisors, administrator specialists, accounting technicians, administrator supervisors, budget analyst supervisors, a financial manager, a program manager, and a program specialist
- 7.8% or 11.61 FTE in the Unemployment Insurance Division for claims examiners (8.11 FTE), a budget analyst, tax examiner, trainer, and compliance technician
- 10.0% or 1.00 FTE in the Commissioner's Office and Centralized Services Division for a public relations specialist
- 9.7% or 24.50 FTE in the Employment Standards Division for safety officers, license permit technicians, building code inspectors, compliance specialists, program managers, program specialists, administrative assistants, administrative specialists, analysts, a safety supervisor, and a human rights investigator
- 20.0% or 1.00 FTE in the Office of Community Services for a trainer
- 28.6% or 2.00 FTE in the Workers Compensation Court for a court reporter and a law clerk

In FY 2022, the Department of Labor and Industry had 95 employees leave state employment, 34 retire, and 27 transfer to a different agency. Similar to other state agencies, DOLI has experienced difficulty in the last year recruiting and retaining employees, especially jobs located in more rural areas. Retention pay adjustments have been issued in an attempt to combat this problem.

Operating Expenses

Operating expenses make up 31.5% of the HB 2 modified budget. Of the \$28.1 million that was appropriated, \$23.7 million or 84.4% was expended. The majority of the expenditures are for technology services costs.

OTHER ISSUES

Information Technology Project Expenditures

Large Information Technology Projects Original and Revised Budgets				
Project	Original Budget	Revised Budget		Change from Original Budget
ERD Integrated Case Management (ICM) System - Phase 2	885,000	919,669	34,669	

Large Information Technology Projects Original and Revised Delivery Date				
Project	Start Date	Original Delivery Date	Revised Delivery Date	Change from Original Delivery Date
ERD Integrated Case Management (ICM) System - Phase 2	1/4/2021	11/30/2021	3/31/2022	36.7%

Integrated Case Management System Phase 2

The purpose of this project is to implement the case management solution, as identified in phase 1 of this project, to meet the needs of the Compliance and Investigation Bureau in the Employment Standards Division. This project was completed on March 31, 2022. This project had to revise its delivery date from November 30, 2021 to March 31, 2022 and its budget from \$885,000 to \$919,669. These revisions were made after completing phase 1, which provided more detailed insight into the total project costs and time needed to implement phase 2. The agency has not released a closing report yet.

Unemployment Insurance Replacement Project

The Department of Labor and Industry has selected the vendor FAST to create a replacement for the current unemployment insurance technology. Work has begun on this project and the new name for the UI system will be the Montana Unemployment System Environment (MUSE).