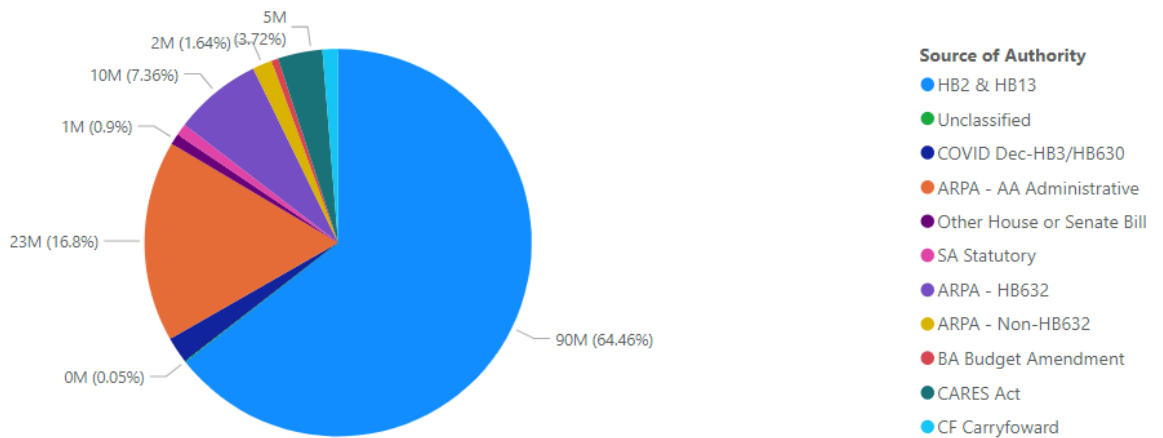


DEPARTMENT OF LABOR AND INDUSTRY

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the Department of Labor and Industry is shown in the pie chart below. HB 2 and HB 13 consists of 64.5% of the total authority, but this agency has other types of authority which are described below. Following the pie chart is a graphic that shows the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	FYE23 Modified Budget	FYE23 Expended Budget	Percent Expended	Report Period
HB2 & HB13	89,916,225	81,831,932	91.0%	<input checked="" type="checkbox"/> Jul
BA Budget Amendment	798,425	594,835	74.5%	<input checked="" type="checkbox"/> Aug
CF Carryforward	1,808,562	768,481	42.5%	<input checked="" type="checkbox"/> Sep
Other House or Senate Bill	1,259,401	933,491	74.1%	<input checked="" type="checkbox"/> Oct
SA Statutory	1,374,052	1,089,916	79.3%	<input checked="" type="checkbox"/> Nov
Unclassified	70,358			<input checked="" type="checkbox"/> Dec
CARES	5,190,194	534,178	10.3%	<input checked="" type="checkbox"/> Jan
CARES II	3,090,448	159,431	5.2%	<input checked="" type="checkbox"/> Feb
ARPA	35,973,873	10,071,029	28.0%	<input checked="" type="checkbox"/> Mar
Total	139,481,539	95,983,293	68.8%	<input checked="" type="checkbox"/> Apr
				<input checked="" type="checkbox"/> May
				<input checked="" type="checkbox"/> Jun

Budget Amendments

For FY 2023, the Department of Labor and Industries (DOLI) budget included \$798,000 in budget amendment authority. This authority included four budget amendments from federal special revenue accounts. The largest is for Disaster Unemployment Assistance (DUA), which was triggered during the floods of 2022. DUA funds total \$285,000 in FY 2023 and benefit payments will be available until July 2025. A budget amendment was established for the State Appraiser Regulatory Agency Support Grant of approximately \$95,000. A budget amendment was established for the Occupational Safety and Health Administration grant of approximately \$206,000. Lastly, a budget amendment was made for the Supplemental Nutrition Assistance Employment and Training Program (SNAP) in Missoula County for \$212,000. By the 2023 fiscal year end (FYE), the agency

expended \$595,000 or 74.5% of these budget amendment appropriations. Remaining authority will continue to be available in FY 2024.

Carryforward Authority

DOLI has carryforward authority totaling \$1.8 million in FY 2023 from FY 2021 (\$735,000) and FY 2022 (\$1.1 million). The majority 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. By FYE, DOLI expended all FY 2021 appropriations totaling \$735,000. The remaining carryforward authority will be available for expenditure through FY 2024. The agency plans to use the remaining state special revenue authority to assist the Unemployment Insurance Division with ongoing operations and the remaining federal authority to assist the Employment Standards Division with federal grants.

Other Bills

Other house and senate bills account for \$1.3 million or less than 1.0% of the total FY 2023 budget authority for DOLI. At the 2023 FYE, DOLI expended approximately \$933,000, or 74.1% of other house and senate bill appropriations. Further detail on the various bills is provided below.

HB 13 – State Employee Pay Plan

HB 13 (2023 Legislature) included a one-time, lump-sum payment to state employees. Full-time employees received a payment of \$1,040, which was prorated for employees that work less than full-time. This payment was effective in the first full pay period following HB 13 being enacted. The Department of Labor and Industry expended \$687,000 in FY 2023 for these lump-sum payouts.

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 \$188,000 of these funds in FY 2023 to carry out the following bills:

- 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 were approximately \$15,000 in FY 2023 and no expenditures were made
- HB 217 – Established licensure for genetic counselors. Appropriations were approximately \$39,000, and \$23,000 was expended in FY 2023
- HB 276 – Added a behavioral health peer support specialist to the Board of Behavioral Health. An appropriation of \$4,000 was given to implement this bill. By FYE, none of the 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 2023. At FYE approximately \$800 was expended
- HB 593 – This bill revised barber and cosmetology laws, including membership, rulemaking, and licensure requirements. Appropriations were approximately \$15,000 and no expenditures were made
- 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, \$96,000 general fund was appropriated. At FYE, \$24,000 was expended. Approximately 225 of such claims were filed with the Bureau, but a 2022 federal court order delayed the adjudication of several categories of these claims, resulting in lower-than-expected expenditures in legal costs
- SB 106 – Created licensure and establishment of qualifications for veterinary technicians. To implement this bill, \$17,000 was appropriated in FY 2023 and no expenditures were made

All of these appropriations are state special revenue except for HB 702, which is general fund. At the 2023 FYE, the agency had expended \$48,000 or 25.7% of these appropriations. Low expenditures were due to there being appropriation authority in HB 2 that covered FY 2023 expenditures.

HB 629 – Job Creation Tax Credit

The 2021 Legislature passed HB 629 which creates a job creation tax credit for employers with qualifying net employee growth. The Department of Labor and Industry is responsible for administration of this program. In FY 2023, approximately \$272,000 was appropriated and \$198,000 was expended.

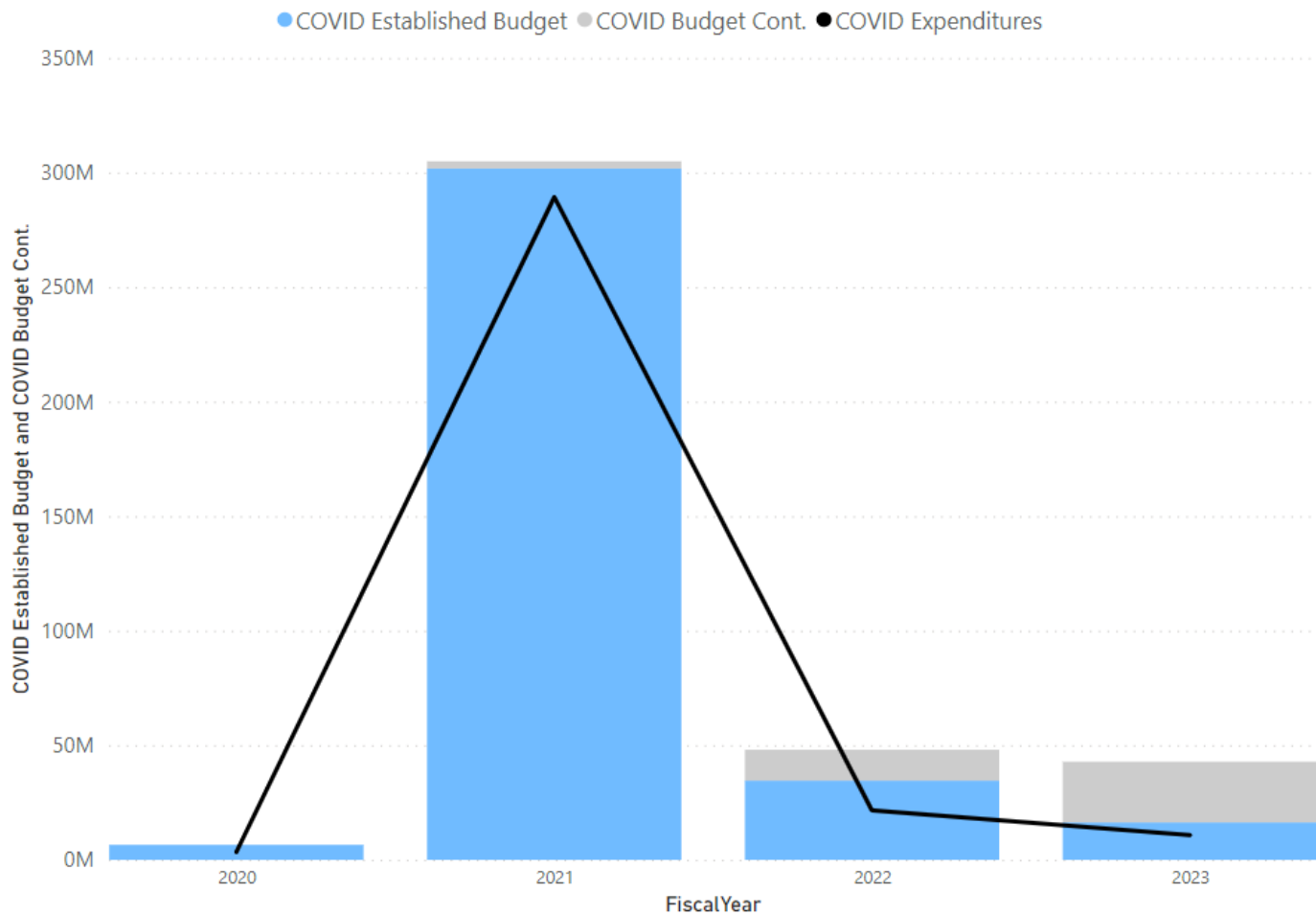
HB 732 – Workers Compensation premiums

The 2019 Legislature passed HB 732 which requires the State of Montana to reimburse employers for the workers’ compensation premiums associated with employees who are enrolled in a work-based learning opportunity program. This act terminated June 30, 2023. In FY 2023, DOLI was appropriated approximately \$11,000 and did not expend any authority, nor receive any requests for reimbursement. During the COVID-19 pandemic, the opportunities for this program was limited. Moving forward, the agency plans on increasing outreach and advertising efforts for this program.

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.

COVID Established Budget, COVID Continuing Budget. and COVID Expenditures by Fiscal Year



The agency received approximately \$313.1 million and expended \$306.3 million or 97.9% 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. The remaining authority is primarily for the administration and payment of pandemic related unemployment insurance programs. Approximately \$6.7 million remained at the 2023 FYE primarily for pandemic unemployment insurance programs, which will expire June 30, 2024.

In the CARES Act II, implemented through HB 630, \$5.3 million was appropriated to DOLI for the administration of the UID and federal unemployment insurance benefit program. Approximately \$2.4 million was made available to DOLI and it was entirely expended by the 2023 FYE. These funds expired on June 30, 2023, at which time the remaining \$2.9 million was never made available to the agency.

The American Rescue Plan Act (ARPA) provided approximately \$42.3 million to the Department of Labor and Industry. The initial appropriation included \$5.5 million for the Office of Community Services (only \$1.8 million was awarded) and \$5.2 million (only \$1.5 million was awarded) for unemployment insurance administration, which was appropriated through HB 632. 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 (\$2.0 million went to the Department of Public Health and Human Services), and \$2.0 million for the Individuals with

Disabilities Employment Engagement Program (went to DPHHS). 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). DOLI reimbursed 137 healthcare workers under this program for a total of \$1.0 million expended. As of the 2023 FYE, \$16.2 million has been expended and \$23.8 million remains available with various end dates as far out as June 30, 2025.

Statutory Appropriations

Statutory appropriations account for less than 1.0% of the Department of Labor and Industry's total FY 2023 budget. Of the approximately \$1.4 million budgeted in FY 2023, \$1.1 million or 79.3% was expended. 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 workers' compensation 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 (59.7%). For FY 2023, \$820,000 was appropriated for the UEF, of which \$805,000 or 98.2% was expended.

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 \$370,000 was appropriated in FY 2023, and \$144,000 or 38.8% was expended. Lower expenditures are due to staffing changes as well as application review process efficiencies.

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 2023, \$96,000 was appropriated, and \$70,000 or 72.7% 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. DOLI is required to collect these fees and pass them through to the appraisal subcommittee of the federal Financial Institutions Examination Council. Of the \$87,500 that was appropriated in FY 2023, \$71,000 or 81.2% was expended.

Unclassified

Per 39-71-403(1)(b)(iv), MCA, when workers' compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriation is not reduced, instead the Governor's Office of Budget and Program Planning (OBPP) requires state agencies to:

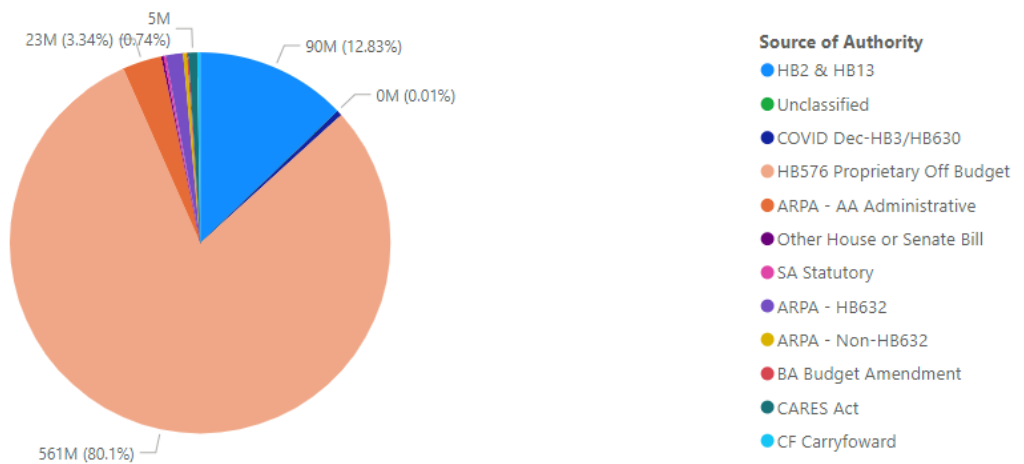
- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries

The offsetting entries are identified as "frozen" appropriations, which means the appropriations will not be spent unless authorized by OBPP. The Governor's Office reduced personal services appropriations by \$70,358 for workers' compensation premium savings.

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	FYE23 Modified Budget	FYE23 Expended Budget	Percent Expended
HB2 & HB13	89,916,225	81,830,432	91.0%
BA Budget Amendment	798,425	594,835	74.5%
CF Carryforward	1,808,562	768,481	42.5%
HB576 Proprietary Off Budget	561,351,918	134,148,797	23.9%
NB Non-Budgeted		264,181	Infinity
Other House or Senate Bill	1,259,401	933,491	74.1%
SA Statutory	1,374,052	1,089,916	79.3%
Unclassified	70,358		
CARES	5,190,194	534,178	10.3%
CARES II	3,090,448	159,431	5.2%
ARPA	35,973,873	10,071,029	28.0%
Total	700,833,457	230,394,772	32.9%

Report Period

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

The Department of Labor and Industry had approximately \$561.4 million in non-budgeted proprietary funding for FY 2023, of which \$134.1 million or 23.9% was expended. Approximately \$534.2 million was for the unemployment insurance (UI) trust fund which distributes UI benefits to claimants. Low expenditures are due to the State of Montana experiencing historically low levels of unemployment. The UI Trust Fund balance as of the end of July 2023 was \$536.1 million. 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 ending FYE modified budget. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority.

Legislative Budget Compared to Modified Budget - HB 2 Only

Agency Name	HB 2 Budget	FYE23 Modified Budget	Net Modifications
☐ Labor & Industry	89,909,301	89,916,225	6,924
COMMISSIONERS OFFICE & CSD	1,122,883	1,576,324	453,441
EMPLOYMENT STANDARDS DIVISION	19,775,080	32,871,910	13,096,830
OFFICE OF COMMUNITY SERVICES	4,130,915	4,126,551	-4,364
TBD - EMPLOYMENT RELATIONS DIVISION	15,317,643	0	-15,317,643
UNEMPLOYMENT INSURANCE DIV	17,718,201	17,655,000	-63,201
WORKERS COMPENSATION COURT	803,739	695,915	-107,824
WORKFORCE SERVICES DIVISION	31,040,840	32,990,525	1,949,685
Total	89,909,301	89,916,225	6,924

Acct & Lvl 1 DESC	HB 2 Budget	FYE23 Modified Budget	Net Modifications
☐ 61000 Personal Services	50,778,659	48,849,881	-1,928,778
☐ 62000 Operating Expenses	28,065,261	29,985,116	1,919,855
☐ 63000 Equipment & Intangible Assets	483,849	160,990	-322,859
☐ 66000 Grants	9,822,636	9,026,406	-796,230
☐ 67000 Benefits & Claims	100,389	20,390	-79,999
☐ 68000 Transfers-out	417,333	624,518	207,185
☐ 69000 Debt Service	241,174	1,248,924	1,007,750

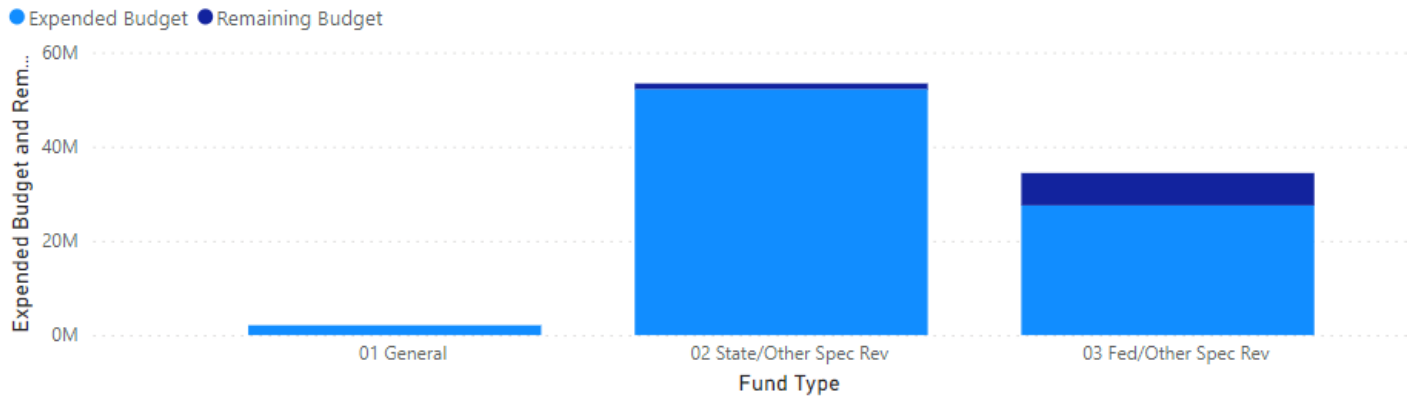
Fund Type	HB 2 Budget	FYE23 Modified Budget	Net Modifications
01 General	2,087,643	2,085,409	-2,234
02 State/Other Spec Rev	53,459,826	53,414,863	-44,963
03 Fed/Other Spec Rev	34,361,832	34,415,953	54,121

In FY 2023, the Department of Labor and Industry made numerous changes to its HB 2 budget, including:

- Reallocation of additional 1.0% vacancy savings – During the 2021 Legislative Session, an additional 1.0% vacancy savings was allocated to the Director’s Office. Language in HB 2 allowed DOLI to reallocate the reduction among the various divisions. The agency redistributed the additional 1.0% vacancy savings to the Employment Standards Division (\$231,000), Workforce Services Division (\$188,000), Unemployment Insurance Division (\$86,000), Workers Compensation Court (\$7,000), and Office of Community Services (\$4,000), thus reducing those programs FY 2023 budget and increasing the Commissioner’s Office and Centralized Services Division budget (\$515,000)
- One reorganization – the Employment Relations Division and the Business Standards Division combined to become what is now known as the Employment Standards Division
- Three program transfers – program transfers included transferring authority to the Human Rights Bureau in the Employment Standards Division to cover a general fund deficit, a transfer of 0.50 FTE and associated funds from the Centralized Services Division to the Unemployment Insurance Division, and a transfer of authority to the Workforce Services Division for an IT system contract
- Ten operating plan transfers – operating plan transfers (OP) were made to properly record expenditures under the correct classification. In total, OP’s increased personal services by \$286,000, benefits and claims by \$3,000, transfers-out by \$158,000, and debt services by \$904,000, while operating expenses were reduced by \$579,000, equipment and intangible assets by \$213,000, and grants by \$559,000
- One agency transfer – the Office of Public Instruction (OPI) transferred 1.00 FTE and associated costs (\$74,830 federal special revenue) to administer the State Approving Agency (SAA) program
- Workers’ compensation premium savings – as previously mentioned, this reduced DOLI’s HB 2 personal services budget by approximately \$2,000 general fund, \$45,000 state special revenue, and \$21,000 federal special revenue

HB 2 APPROPRIATION AUTHORITY

Expended Budget and Remaining Budget by Fund Type - HB 2 Only



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	48,849,881	46,176,527	94.5%
Operating Expenses	29,985,116	27,019,326	90.1%
Equipment & Intangible Assets	160,990	135,203	84.0%
Grants	9,026,406	6,822,517	75.6%
Benefits & Claims	20,390	16,800	82.4%
Transfers-out	624,518	485,703	77.8%
Debt Service	1,248,924	1,175,857	94.1%

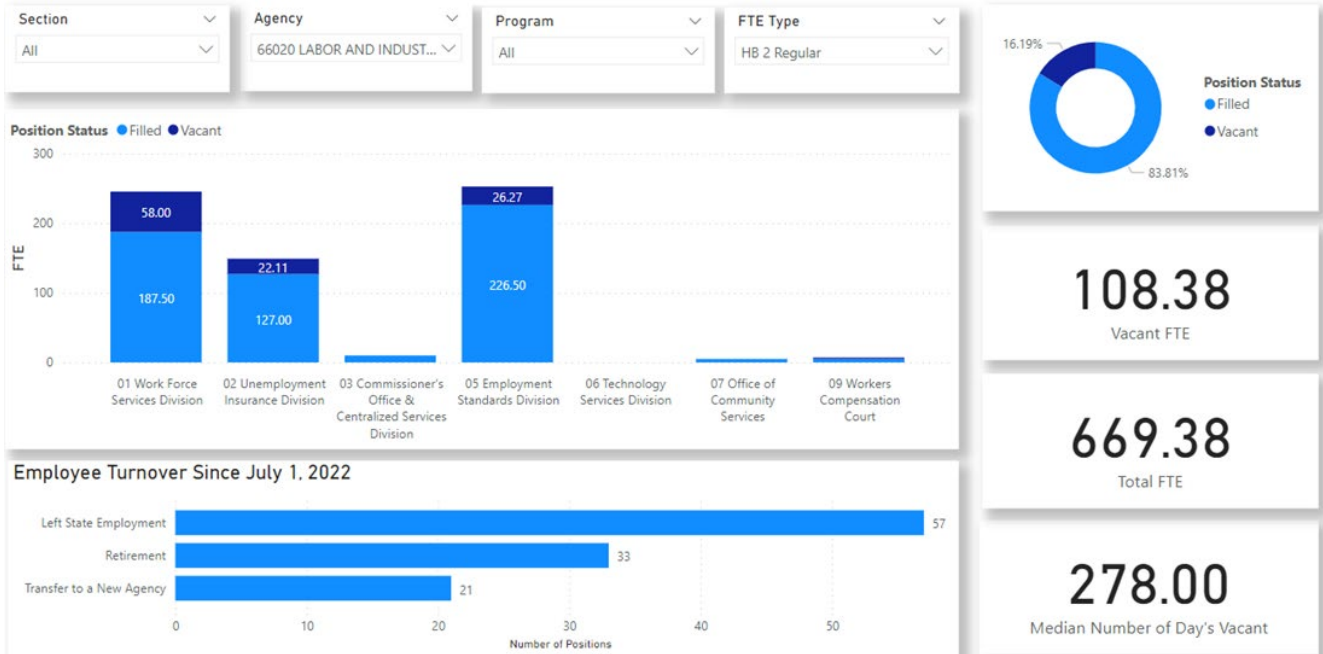
Program Name	Modified Budget	Expended Budget	Percent Expended
COMMISSIONERS OFFICE & CSD	1,576,324	1,451,829	92.1%
EMPLOYMENT STANDARDS DIVISION	32,871,910	32,017,525	97.4%
OFFICE OF COMMUNITY SERVICES	4,126,551	2,720,010	65.9%
TBD - EMPLOYMENT RELATIONS DIVISION	0	0	
UNEMPLOYMENT INSURANCE DIV	17,655,000	14,994,568	84.9%
WORKERS COMPENSATION COURT	695,915	687,212	98.7%
WORKFORCE SERVICES DIVISION	32,990,525	29,960,788	90.8%
Total	89,916,225	81,831,932	91.0%

The Department of Labor and Industry expended 91.0% of its HB 2 appropriation authority in FY 2023. Expenditures were primarily for personal services and operating expenses. Approximately, 63.8% of the Department of Labor and Industry’s budget is from state special revenue authority. Low expenditures in the Office of Community Services are due to the Conservation Corps grant funding being moved to a direct grant from the federal government. This change has reduced the grant awards from the Office of Community Services. Lower expenditures in the Unemployment Insurance Division were due to there still being federal pandemic authority that has been used instead of HB 2 authority.

Personal Services

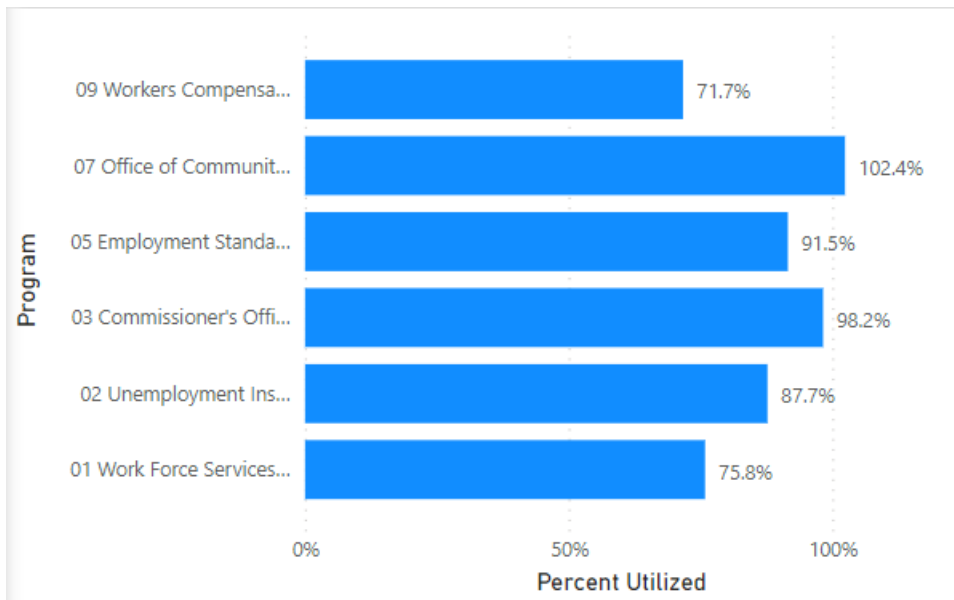
Personal services make up 54.3% of the total HB 2 budget for FY 2023 with \$46.2 million or 94.5% expended by the 2023 FYE. The following chart shows the filled and vacant FTE within the agency as of June 1, 2023.

Montana State Agency Vacancies - June 1, 2023 LFD

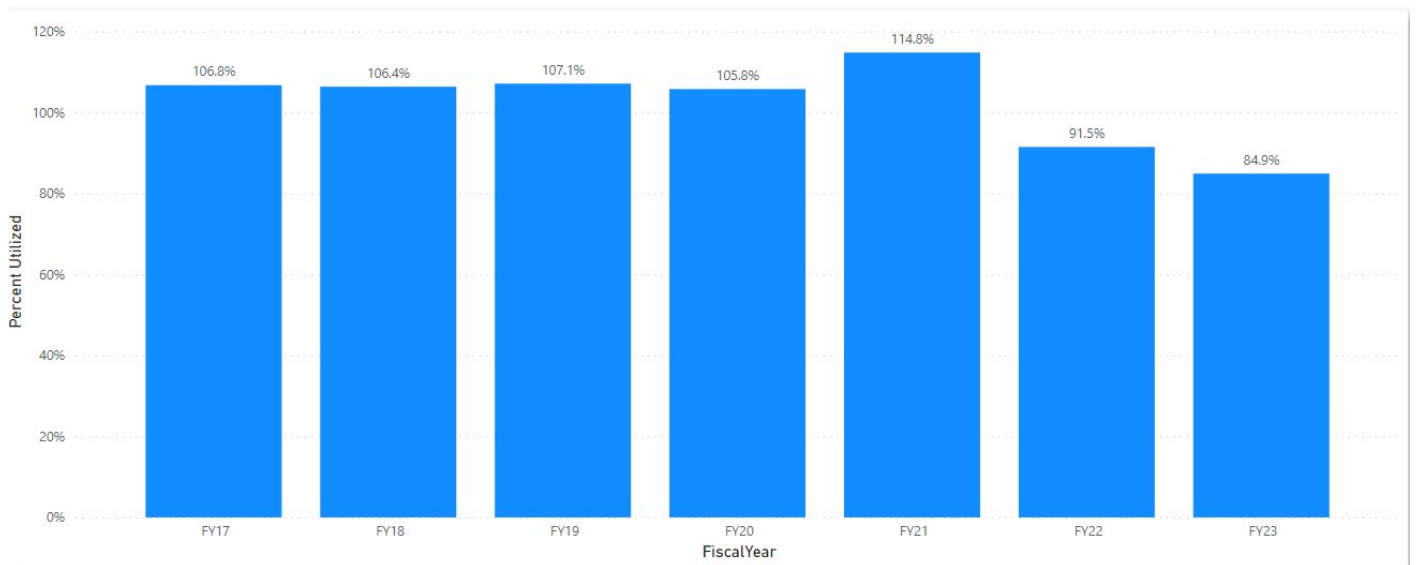


The Department of Labor and Industry had 108.38 FTE vacant out of 669.38 FTE as of June 1, 2023. These vacancies are primarily in the Workforce Services Division for employment specialist positions. These vacancies reflect 42.00 FTE positions that were eliminated during the 2023 Legislative Session that the agency found unnecessary due to operational efficiencies. In FY 2023, DOLI had 57 employees leave state employment, 33 employees retire, and 21 transfer to different agencies within state government. As of August 1, 2023, DOLI had 11 positions being advertised for.

The chart below shows the hourly utilization percentage for each program within the Department Labor during FY 2023.



Overall, the Department of Labor and Industry utilized 84.9% of their budgeted hours in FY 2023. The Workers Compensation Court is a relatively small division with two vacant positions that have not been filled for several years. These two vacant positions are driving the low utilization rate for the division. DOLI plans to eliminate these positions from the Court after reallocating some of the FTE reduction from the 2023 Legislative Session. Additionally, 42.00 FTE were eliminated in the 2023 Legislative Session and were not filled in FY 2023 and are driving the low utilization rates in the Workforce Services Division.



Total hourly utilization for the Department of Labor and Industry has declined in FY 2022 and FY 2023 due to greater employee turnover and vacancies. After an operational review, the agency determined there were 40.00 FTE that were no longer needed in the agency. Many of these positions were vacant through FY 2022 and FY 2023.

OTHER ISSUES

Information Technology Project Expenditures

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 post implementation report indicated that all tests ran successfully with no issues or risks to report.

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). This project has a projected delivery date of October 8, 2023, and an anticipated budget of \$13.9 million. To date, \$7.4 million has been expended for this project.