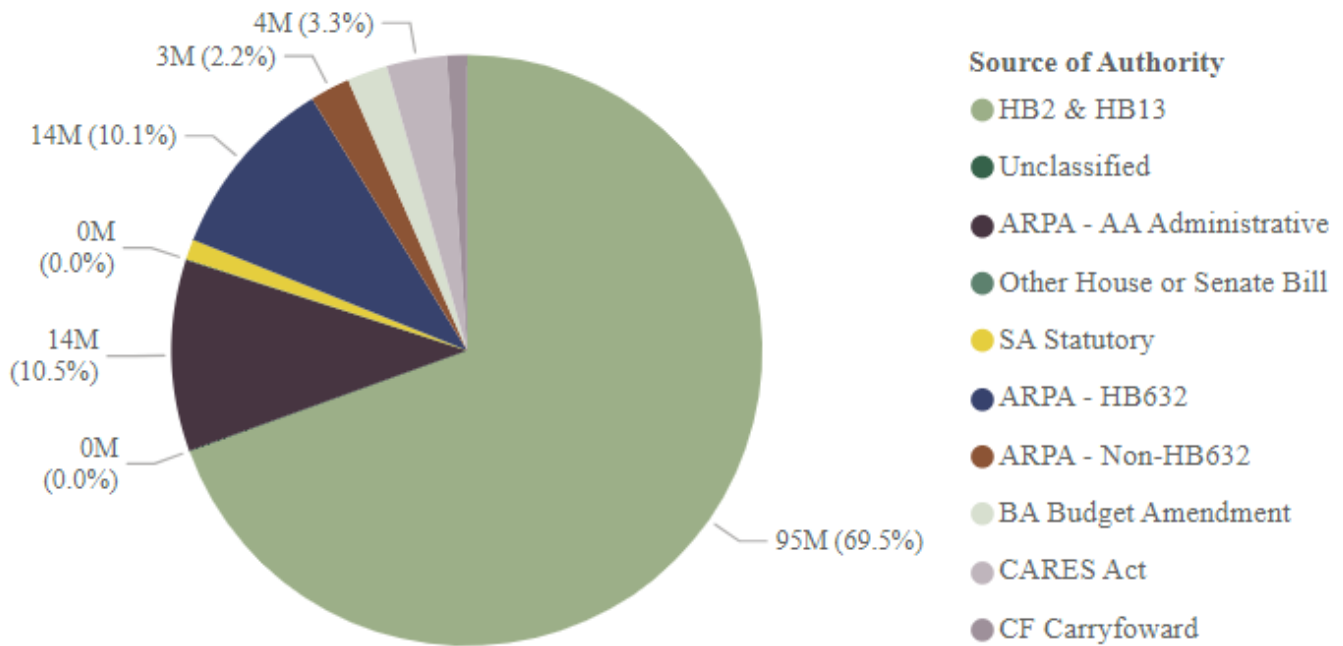


# DEPARTMENT OF LABOR AND INDUSTRY

## TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the Department of Labor and Industry (DOLI) is shown in the pie chart below. HB 2 and HB 13 provide 69.5% 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	Modified Budget	Expended Budget	% Expended
HB2 & HB13	94,772,682	84,724,698	89.4%
BA Budget Amendment	3,028,308	626,554	20.7%
CF Carryforward	1,498,705	853,408	56.9%
Other House or Senate Bill	48,000	13,101	27.3%
SA Statutory	1,504,400	1,244,848	82.7%
Unclassified	39,700		
CARES	4,485,307	232,222	5.2%
ARPA	31,075,808	12,301,515	39.6%
<b>Total</b>	<b>136,452,910</b>	<b>99,996,347</b>	<b>73.3%</b>

## **Budget Amendments**

For FY 2024, the Department of Labor and Industry's (DOLI) budget includes \$3.0 million in budget amendment authority. This authority includes federal authority for workforce development grants, Supplemental Nutrition Assistance Employment and Training Program (SNAP) grants, Disaster Unemployment Assistance (DUA) benefits, on-site consultations for Occupational Safety and Health Administration grants, and the State Appraiser Regulatory Agency Support grant. The largest portion of budget amendment authority is for a workforce development grant called the Partners for Reentry Opportunities in Workforce Development award. This authority consists of \$1.8 million in FY 2024 and will remain available until the end of September 2027. As of fiscal year-end (FYE) 2024, DOLI has expended \$627,000 or 20.7% of budget amendment authority.

## **Carryforward**

Carryforward authority in FY 2024 for the Department of Labor and Industry totals \$1.5 million, including \$1.0 million from FY 2022 and \$459,000 from FY 2023. This authority is spread across multiple divisions within the agency. Regarding the \$1.0 million in carryforward authority from FY 2022, this was 82.1% expended as of FYE 2024. The carryforward authority from FY 2023 is 0.0% expended as of FYE 2024, but will remain available in FY 2025.

## **Other Bills**

The Department of Labor and Industry has \$48,000 general fund authority from HB 346. This funding is for administering teacher professional development in the tribal computer programming boost scholarship program. The department is responsible for providing funding for at least two high school teachers and one kindergarten through 8<sup>th</sup> grade teacher on each of the seven Indian reservations in Montana and in schools serving members of the Little Shell Chippewa tribe. The tribal relations team within Workforce Services Division will begin reaching out to individual tribal partners to help market and gain participation for this program. Expenditures for this authority are \$13,000, or 27.3% expended as of FYE 2024.

## **Statutory Appropriations**

Statutory appropriations account for approximately 1.1% of the Department of Labor and Industry's total FY 2024 budget. Of the approximately \$1.5 million budgeted in FY 2024, \$1.2 million or 82.7% has been expended. Further discussion of statutory appropriations is provided 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 full workers' compensation benefits. This fund receives revenues from the department's collection of penalties from uninsured employers. For FY 2024, \$905,000 was appropriated from the UEF, of which \$852,000 or 94.1% has been expended. The appropriation authority for this increased \$100,000 since June 1, 2024. This is due to an increase in the needed distributions to cover employees injured on the job.

### ***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 \$376,000 was appropriated in FY 2024, and \$284,000 or 75.6% has been expended.

***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 that the Department of Labor and Industry have a program that monitors, maintains records, and issues civil penalties for incidents where underground facilities are damaged during excavations. In FY 2024, \$124,000 was appropriated, and \$57,000 or 46.0% has been 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 \$100,000 that was appropriated in FY 2024, \$52,000 or 52.3% has been expended.

**Unclassified**

The Department of Labor and Industry has unclassified appropriation authority of \$39,700 because of lower workers' compensation premiums. 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 appropriations are not reduced, instead the Governor's Office of Budget and Program Planning (OBPP) requires state agencies to:

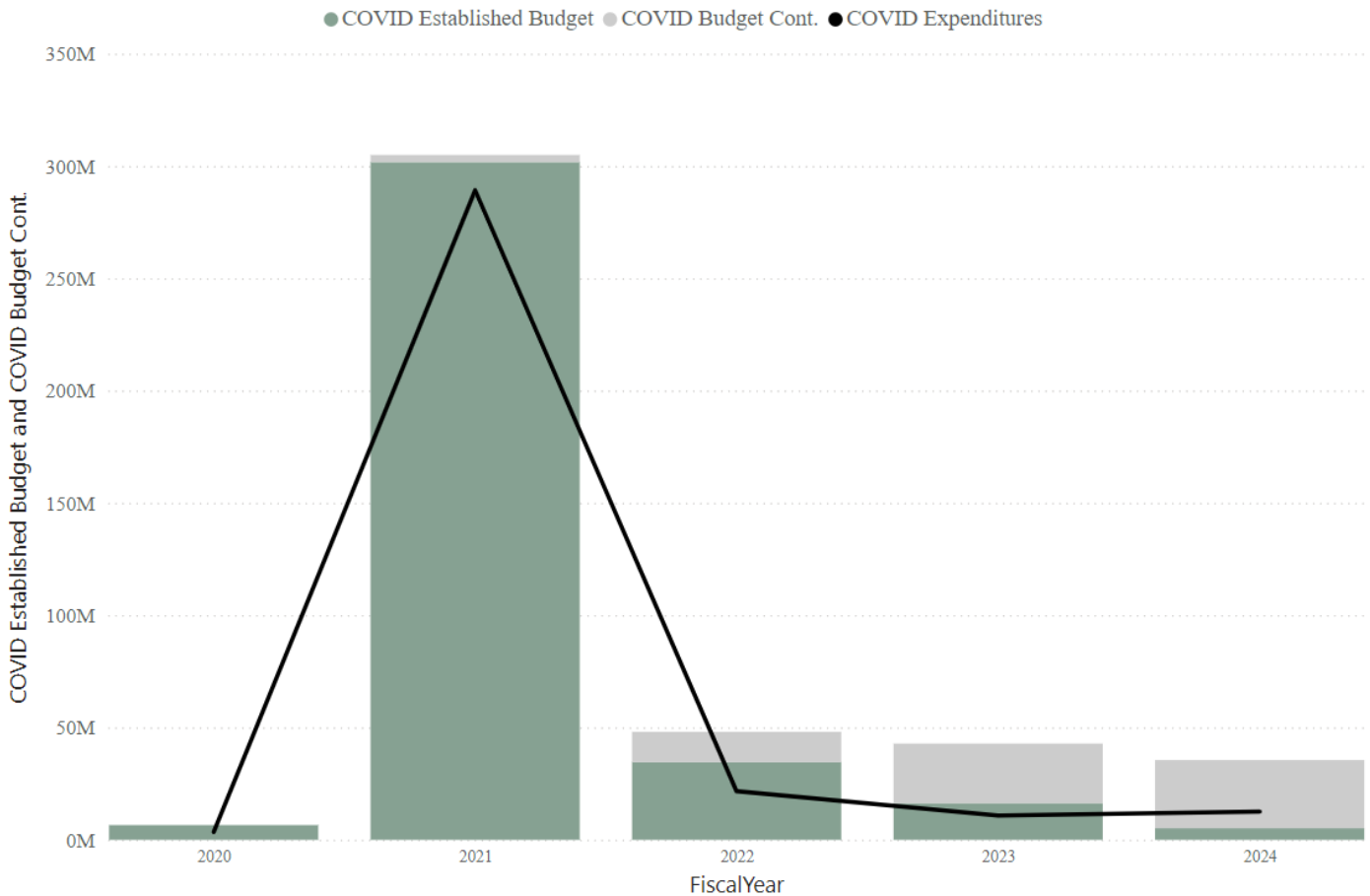
- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries

The offsetting entries are identified as "frozen" appropriations, which means the appropriations will not be spent unless authorized by OBPP.

## 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 \$306.4 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 \$4.4 million in CARES Act I funding remained throughout FY 2024 with all of it expiring at FYE.

In the CARES Act II, implemented through HB 630 of the 2021 Legislature, \$5.3 million was appropriated to DOLI for the administration of the Unemployment Insurance Division 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. There are no CARES Act II appropriations in FY 2024.

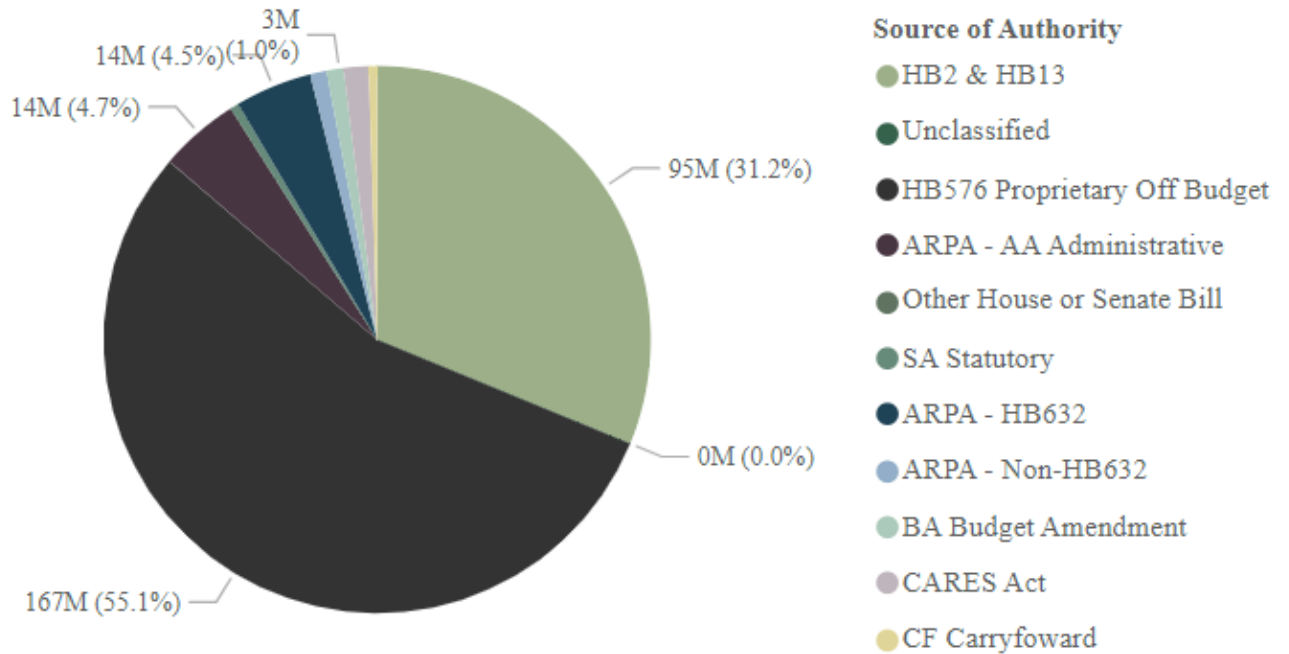
The American Rescue Plan Act (ARPA) provided approximately \$47.5 million to the Department of Labor and Industry. The initial appropriation included \$5.5 million for the Office of Community Services (only \$1.8 million

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 Workforce Services Division 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 \$7.0 million 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. The agency also received \$8.0 million in ARPA funding with an extended expiration. This funding will be used over the span of five years in two different areas within the support for the implementation of service packs, as well as FHS-AWS program. The funding used towards the implementation of service packs will vary between \$700,000 and \$740,000 each year for a total of \$3.6 million over five years. Regarding the FHS-AWS program, this funding will support the payment schedule for the Montana Unemployment System Environment (MUSE). These payments will vary in amount between \$500,000 and \$1.1 million each year for a total of \$5.6 million over five years. As of FYE 2024, \$28.6 million has been expended of the total ARPA funding, with \$18.9 million still available through expiration dates that extend as far out as September 30, 2028.

## 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 & Expended Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	% Expended
HB2 & HB13	94,772,682	84,724,698	89.4%
BA Budget Amendment	3,028,308	626,554	20.7%
CF Carryforward	1,498,705	853,408	56.9%
HB576 Proprietary Off Budget	167,322,760	161,235,477	96.4%
Other House or Senate Bill	48,000	13,101	27.3%
SA Statutory	1,504,400	1,244,848	82.7%
Unclassified	39,700		
CARES	4,485,307	232,222	5.2%
ARPA	31,075,808	12,301,515	39.6%
<b>Total</b>	<b>303,775,670</b>	<b>261,231,824</b>	<b>86.0%</b>

## Non-Budgeted Proprietary Fund Authority

The Department of Labor and Industry has approximately \$167.3 million in non-budgeted proprietary funding for FY 2024, of which \$161.2 million or 96.4% has been expended. The unemployment insurance (UI) tax benefit fund, which distributes UI benefits to claimants, makes up \$142.0 million of the non-budgeted proprietary funding. Remaining authority is for the Commissioner’s Office/Centralized Services Division, subsequent injury trust fund, Technology Services Division, and the Montana Career Information System. The table below shows the budget, expenditures, remaining budget, and percent expended for each of the non-budgeted proprietary funds for FY 2024.

Department of Labor and Industry Non-Budgeted Proprietary Funds As of FYE 2024				
	Appropriations	Expenditures	Remaining Appropriations	Percent Expended
Montana Career Information Systems	\$ 8,594	\$ 875	\$ 7,719	10.2%
Unemployment Insurance Benefit Fund	142,000,000	139,248,071	2,751,929	98.1%
Subsequent Injury Trust Fund	1,528,376	1,042,850	485,526	68.2%
Commissioner’s Office/Centralized Services Division	5,356,652	4,748,950	607,702	88.7%
Legal Administrative Services	3,459,270	3,195,980	263,290	92.4%
Technical Services	4,024,662	2,896,521	1,128,141	72.0%
Technical Services Direct	10,945,206	10,102,230	842,976	92.3%
<b>Total</b>	<b><u>\$ 167,322,760</u></b>	<b><u>\$ 161,235,477</u></b>	<b><u>\$ 6,087,283</u></b>	<b><u>96.4%</u></b>

## 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, 2024, through FYE 2024. 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	HB 2 Budget	Modified Budget	Net Modifications
▲ Labor & Industry	94,772,682	94,772,682	0
▣ 01 WORKFORCE SERVICES DIVISION	30,909,984	30,785,424	-124,560
▣ 02 UNEMPLOYMENT INSURANCE DIV	18,269,219	18,902,289	633,070
▣ 03 COMMISSIONERS OFFICE & CSD	1,589,245	1,308,245	-281,000
▣ 05 EMPLOYMENT STANDARDS DIVISION	38,972,159	38,744,649	-227,510
▣ 07 OFFICE OF COMMUNITY SERVICES	4,283,464	4,283,464	0
▣ 09 WORKERS COMPENSATION COURT	748,611	748,611	0
<b>Total</b>	<b>94,772,682</b>	<b>94,772,682</b>	<b>0</b>

Expenditure Type	HB 2 Budget	Modified Budget	Net Modifications
▣ 61000 Personal Services	51,408,368	49,869,402	-1,538,966
▣ 62000 Operating Expenses	29,291,473	31,510,442	2,218,969
▣ 63000 Equipment & Intangible Assets	2,783,849	2,573,919	-209,930
▣ 66000 Grants	8,845,792	8,245,792	-600,000
▣ 67000 Benefits & Claims	100,389	100,389	0
▣ 68000 Transfers-out	987,333	1,009,586	22,253
▣ 69000 Debt Service	1,355,478	1,463,152	107,674
<b>Total</b>	<b>94,772,682</b>	<b>94,772,682</b>	<b>0</b>

Fund Type	HB 2 Budget	Modified Budget	Net Modifications
▣ 01 General	2,646,116	2,646,116	0
▣ 02 State/Other Spec Rev	57,963,280	57,963,280	0
▣ 03 Fed/Other Spec Rev	34,163,286	34,163,286	0
<b>Total</b>	<b>94,772,682</b>	<b>94,772,682</b>	<b>0</b>

The Department of Labor and Industry made numerous modifications to their HB 2 budget from June 1, 2024, to FYE 2024. One of the modifications made was a program transfer to move \$314,000 of personal services funding and \$236,000 of operating expenses from multiple divisions into the Unemployment Insurance Division to account for a shortfall in personal services as well as an accrual needed for the IT modernization project. The divisions in which the funding moved from was the Workforce Services Division, Commissioner Office, and Employment Standards Division. The final program transfer executed by the agency during this period was done to rebalance technology costs incurred throughout FY 2024. This rebalance was needed as the subclasses in which these technology costs are paid is restricted; this modification rebalances the appropriation amongst the funds in which the costs were experienced.

The agency also made a pair of operating plan changes to their HB 2 budget. The first operating plan change made by DOLI was to rebalance expenditure account levels across various divisions. The two main purposes of the rebalance is to properly record lease payments within debt service, per state accounting standards. The second purpose of this was to move funds to operating expenses in relation to efforts of modernizing various

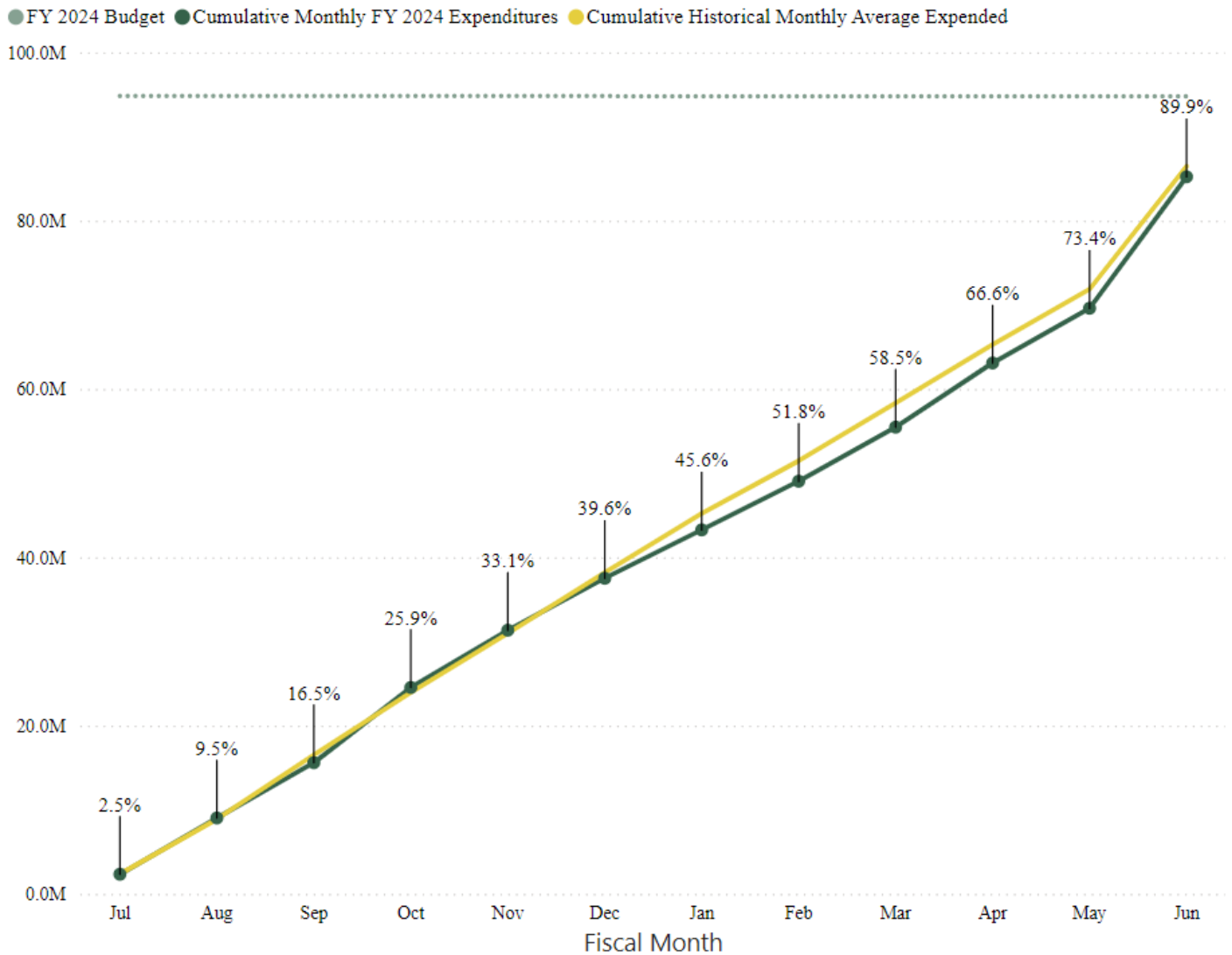


legacy IT systems within the agency. This modification involved moving \$1.7 million in personal services and \$600,000 in grants to operating expenses. This occurred across the Workforce Services, Unemployment Insurance, Commissioners Office, and Office of Community Services Divisions. The final budget modification, and second operating plan change, made by the agency was to balance appropriations between expenditure account types within the Employment Standards Division. This modification moved appropriations between personal services, operating expenses, equipment and intangible assets, transfers, and debt service.

## HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through FYE 2024.

### Monthly Expenditures Compared to Historical Average



Program Name	Modified Budget	Expended Budget	% Expended
☐ 01 WORKFORCE SERVICES DIVISION	30,785,424	28,078,743	91.2%
☐ 02 UNEMPLOYMENT INSURANCE DIV	18,902,289	16,602,221	87.8%
☐ 03 COMMISSIONERS OFFICE & CSD	1,308,245	1,084,207	82.9%
☐ 05 EMPLOYMENT STANDARDS DIVISION	38,744,649	35,083,962	90.6%
☐ 07 OFFICE OF COMMUNITY SERVICES	4,283,464	3,167,396	73.9%
☐ 09 WORKERS COMPENSATION COURT	748,611	708,169	94.6%
<b>Total</b>	<b>94,772,682</b>	<b>84,724,698</b>	<b>89.4%</b>

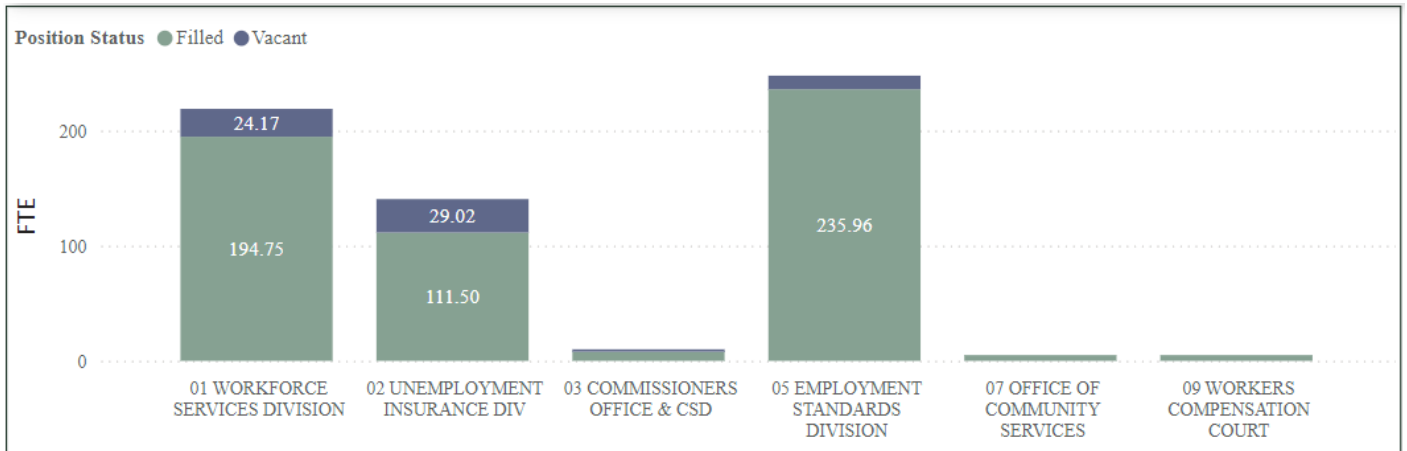
Expenditure Type	Modified Budget	Expended Budget	% Expended
☐ Personal Services	49,869,402	47,943,965	96.1%
☐ Operating Expenses	31,510,442	28,661,958	91.0%
☐ Equipment & Intangible Assets	2,573,919	84,204	3.3%
☐ Grants	8,245,792	6,147,722	74.6%
☐ Benefits & Claims	100,389	16,800	16.7%
☐ Transfers-out	1,009,586	656,731	65.0%
☐ Debt Service	1,463,152	1,213,318	82.9%
<b>Total</b>	<b>94,772,682</b>	<b>84,724,698</b>	<b>89.4%</b>

Fund Type	Modified Budget	Expended Budget	% Expended
☐ 01 General	2,646,116	2,546,997	96.3%
☐ 02 State/Other Spec Rev	57,963,280	53,450,109	92.2%
☐ 03 Fed/Other Spec Rev	34,163,286	28,727,591	84.1%
<b>Total</b>	<b>94,772,682</b>	<b>84,724,698</b>	<b>89.4%</b>

The Department of Labor and Industry has expended 89.4% of their HB 2 appropriations through FYE 2024. The primary source of these expenditures occurred in personal services and operating expenses. Along with that, 73.4% of the total expenditures for the fiscal year were centralized with the Workforce Services Division and Employment Standards Division. Within the equipment & intangible assets expenditure type is a one-time-only appropriation of \$2.3 million for the Weights and Measures Program equipment replacement. The agency is still waiting on equipment that has been ordered and waiting for certain equipment to become available for purchase. According to the agency, they are expecting to utilize this funding by the end of FY 2025.

## Personal Services

HB 2 appropriations for personal services in the Department of Labor and Industry total \$49.9 million and are 96.1% expended through FYE 2024. The department has 628.31 HB 2 FTE and 89.3% of these positions are filled as of July 1, 2024. The following chart shows the filled and vacant FTE within the agency as of July 1, 2024.



The chart below shows the hourly utilization percentage for the Department of Labor and Industry for each fiscal year. Overall, the department utilized 87.9% of the hours budgeted in FY 2024. This is slightly below the five-year average of 89.1% utilization.



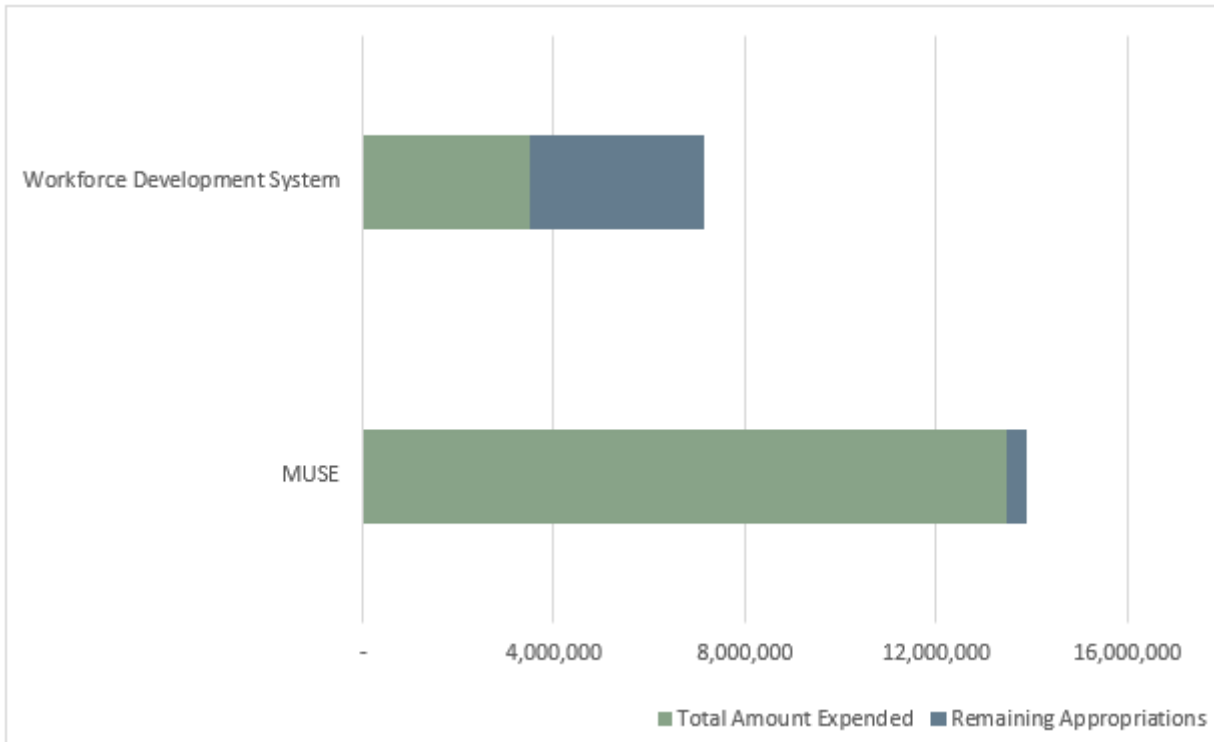
The chart below shows the vacant FTE in each division, the number of months each position has been vacant, and the midpoint hourly pay rate. Of the 65.00 FTE that are vacant, 31.58 FTE have been vacant for more than one year. According to the agency, 26.00 FTE out of the 65.00 FTE vacant are being held vacant to comply with vacancy savings requirements. Along with this, the agency is also keeping 8.00 FTE vacant to be tied to the Pathways and Career Coach programs as this is absorbed by the agency.

Of the remaining vacancies, the majority of these lie in the Unemployment Insurance Division. The agency is currently utilizing a vendor to assess operations within this division. As part of this assessment, the vendor will be conducting a staffing plan which will have an impact on recruiting efforts within the agency at its conclusion. This assessment will take several months to complete. Also, within the Unemployment Insurance Division, higher vacancies are common during this time of the year as this is the off-season for unemployment insurance benefit processing.

	FTE	Median Months Vacant	Market Midpoint (Hourly)
<b>66020 LABOR AND INDUSTRY</b>	<b>65.00</b>	<b>10.62</b>	<b>31.97</b>
<b>01 WORKFORCE SERVICES DIVISION</b>	<b>22.17</b>	<b>8.79</b>	<b>27.86</b>
Administrative Assistant 2	1.00	1.44	18.15
Administrative Specialist 1	1.00	6.03	26.38
Administrative Specialist 2	3.00	10.62	34.41
Administrative Supervisor	2.00	16.13	40.00
Business Analyst 2	1.00	0.98	34.19
Employment Specialist 1	4.00	4.89	20.94
Employment Specialist Supvr	1.00	1.90	23.03
Financial Manager	1.00	31.67	56.34
Job Service Supervisor	1.00	1.44	23.03
Program Executive	1.00	15.51	64.01
Program Manager	1.00	3.28	51.21
Program Specialist 1	2.17	12.00	27.86
Project Management Specialist2	1.00	5.34	38.15
Project Management Specialist3	1.00	0.52	47.69
Research Analyst 1	1.00	9.02	27.63
<b>02 UNEMPLOYMENT INSURANCE DIV</b>	<b>29.02</b>	<b>11.61</b>	<b>28.39</b>
Administrative Assistant 2	1.00	8.79	18.15
Administrative Supervisor	1.00	8.56	40.00
Business Analyst 2	1.00	11.48	34.19
Business Analyst Supervisor	1.00	12.00	39.74
Claims Examiner 1	4.00	6.90	18.85
Claims Examiner 2	8.11	14.75	28.39
Claims Examiner 3	1.00	12.92	35.49
Collections Agent 2	2.00	10.85	21.95
Compliance Specialist 3	1.00	17.97	42.55
Customer Service Assistant 2	0.83	22.43	17.28
Finance All Other	1.00	7.80	23.11
Legal Secretary 1	0.42	9.25	25.51
Operations Research Analyst	2.00	6.31	38.50
Program Manager	0.83	22.26	51.21
Tax Examiner 3	3.00	13.15	35.94
Trainer 2	0.83	20.79	29.91
<b>03 COMMISSIONERS OFFICE &amp; CSD</b>	<b>2.00</b>	<b>10.97</b>	<b>56.98</b>
Business Executive	1.00	10.62	75.89
Hearings Officer 1	1.00	11.31	38.08
<b>05 EMPLOYMENT STANDARDS DIVISION</b>	<b>11.81</b>	<b>10.85</b>	<b>36.95</b>
Budget Analyst Supervisor	0.81	16.13	37.29
Collections Agent 2	1.00	0.98	21.95
Compliance Specialist 1	1.00	7.87	26.76
Compliance Specialist 2	1.00	0.98	34.04
Compliance Specialist 3	1.00	60.00	42.55
Compliance Supervisor	1.00	0.52	39.86
Mediator 1	2.00	7.98	36.95
Program Executive	2.00	7.87	64.01
Program Specialist 2	2.00	74.80	36.35
<b>Total</b>	<b>65.00</b>	<b>10.62</b>	<b>31.97</b>

## OTHER ISSUES

### Information Technology Project Expenditures



#### ***Workforce Development System***

The purpose of this project is to build and implement a workforce development case management system on the ServiceNow platform which will replace the legacy workforce case management system. This project is currently in progress with the projected implementation date of August 2024. The budget for this project is \$7.1 million, and \$3.5 million has been expended.

#### ***Montana Unemployment System Environment (MUSE)***

This project is the replacement of the aging unemployment insurance system within the Department of Labor and Industry. The agency currently has yet to receive the final invoices for this project and is expecting the expenses to resemble the appropriated budget more closely. This project is currently in closing and awaiting the six-month post implementation report. The department has expended \$13.5 million of the \$13.9 million appropriation for this project.

## **Appendix A**

**Did the agency utilize contractors in FY 2024? If so, how much did you pay to contractors? How much of the amount paid to contractors do you estimate is due to vacant positions? If contractors were paid because of vacant positions, what are the types of vacant positions that resulted in the need for contractors?**

The Department of Labor and Industry (DOLI) used contractors in a couple of instances in FY 2024. Throughout all of FY 2024, the agency paid \$12.2 million in contracts and accrued an additional \$3.6 million for the MUSE and WOTC 2.0 IT projects. Incorporated within the amount paid to contractors lies \$28,000 that was used for an accounting technician. This contractor was used due to unsuccessful recruitment efforts.

**How much did you pay in overtime? How much of the overtime paid do you estimate is due to vacant positions? If overtime was paid because of vacant positions, what are the types of vacant positions that resulted in the need for overtime?**

DOLI spent \$321,000 on overtime over the course of FY 2024. Of this overtime, 80% of this was utilized in the Unemployment Insurance and Employment Standard Divisions. A segment of this overtime within the Unemployment Insurance Division is due to vacancies throughout the completion of the program assessment, while other portions of this are due to the on-going implementation of the MUSE system. Overtime as part of the Employment Standards Division is the result of the division being at full capacity, as stated by the agency.