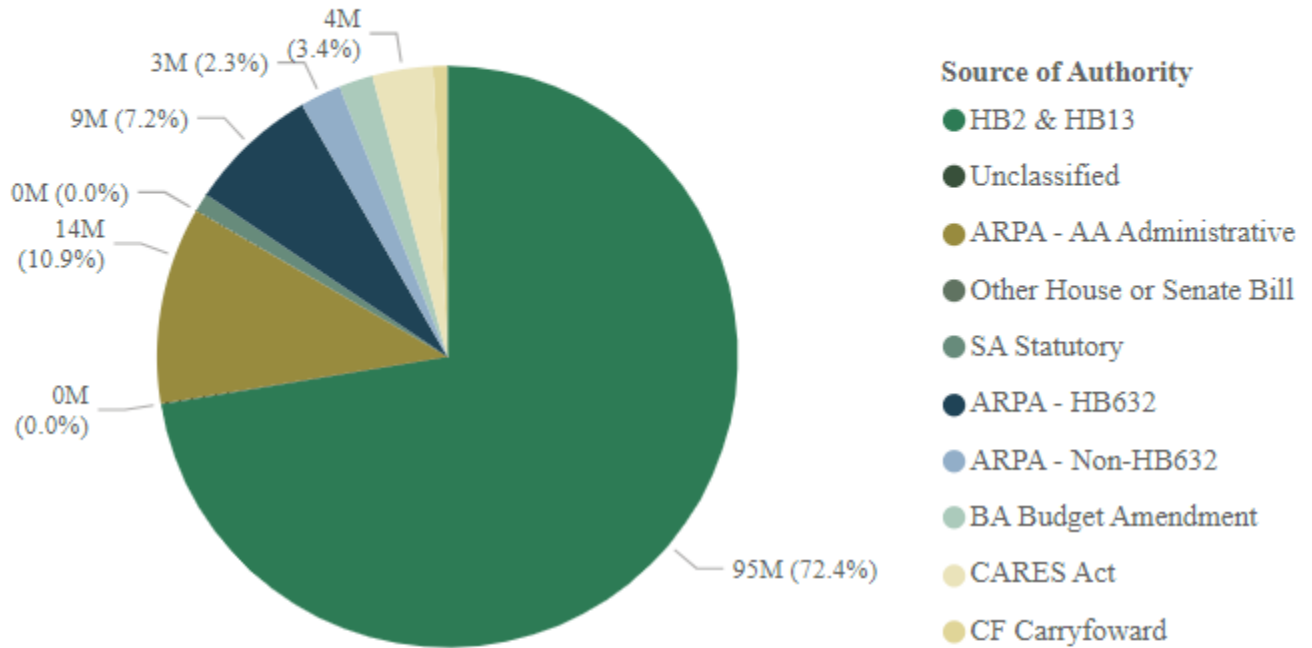


DEPARTMENT OF LABOR AND INDUSTRY

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 provide 72.4% 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	49,048,067	51.8%
BA Budget Amendment	2,492,810	303,439	12.2%
CF Carryforward	1,040,028	10,000	1.0%
Other House or Senate Bill	48,000		
SA Statutory	1,324,400	735,748	55.6%
Unclassified	39,700		
CARES	4,415,568	82,118	1.9%
ARPA	26,771,844	9,161,977	34.2%
Total	130,905,032	59,341,349	45.3%

Budget Amendments

For FY 2024, the Department of Labor and Industry's (DOLI) budget includes \$2.5 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 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 the end of February 2024, DOLI has expended \$303,000 or 12.2% of budget amendment authority.

Carryforward

Carryforward authority in FY 2024 for the Department of Labor and Industry totals \$1.0 million from FY 2022 authority. 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. This authority will remain available until the end of the fiscal year within the Unemployment Insurance Division and the Employment Standards Division. The department has expended \$10,000, or 1.0% of their carryforward authority.

Other Bills

The Department of Labor and Industry has \$48,000 general fund authority for 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 8th grade teacher on each of the seven Indian reservations in Montana and in schools serving members of the Little Shell Chippewa tribe. No expenditures have been made to date as these trainings will be mostly conducted during the summer months.

Statutory Appropriations

Statutory appropriations account for 1.0% of the Department of Labor and Industry's total FY 2024 budget. Of the approximately \$1.3 million budgeted in FY 2024, \$736,000 or 55.6% has been 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 full workers' compensation benefits. This fund receives revenues from the department's collection of penalties from uninsured employers. For FY 2024, \$725,000 was appropriated from the UEF, of which \$503,000 or 69.3% has been expended. The appropriation for the UEF has increased from \$475,000 to \$725,000. As of December 21, 2023, this fund had utilized 76% of their statutory appropriation authority due to monthly benefit disbursement payments. With this, the department increased their authority to accommodate the variability that exists within the benefit payments in this account.

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 \$154,000 or 41.1% 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 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 2024, \$124,000 was appropriated, and \$48,000 or 39.2% 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, \$31,000 or 30.5% 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:

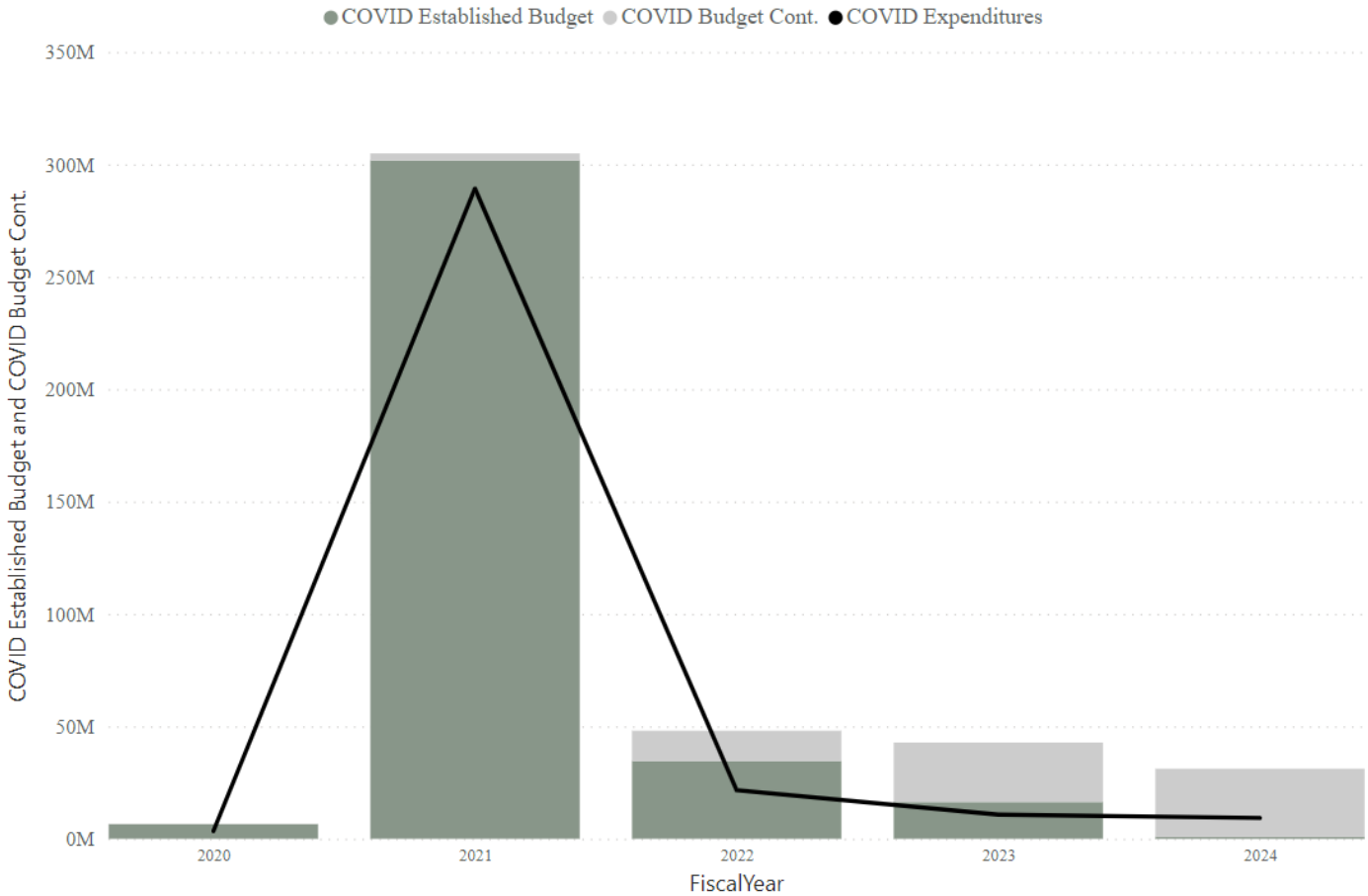
- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries

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 remains in FY 2024 with this funding set to expire June 30, 2024.

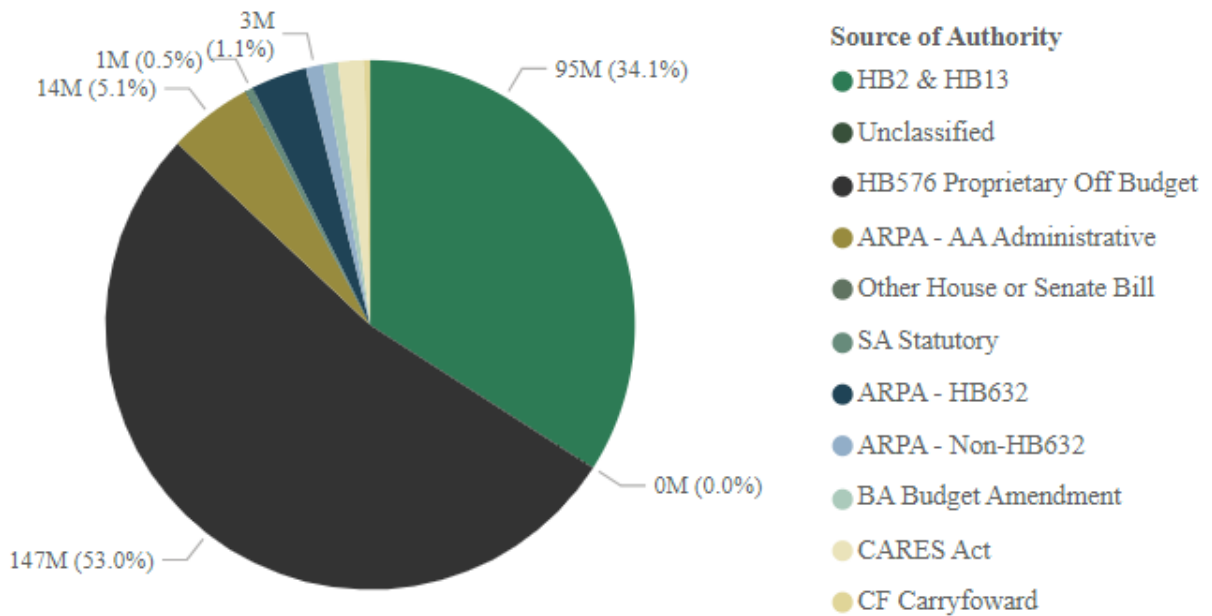
In the CARES Act II, implemented through HB 630, \$5.3 million was appropriated to DOLI for the administration of the Unemployment Insurance Division and federal unemployment insurance benefit program. Approximately \$2.4 million was made available to DOLI and it was entirely expended by the 2023 FYE. 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 \$43.2 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 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 February 29, 2024, \$25.5 million has been expended of the total ARPA funding, with \$17.7 million still available through expiration dates that extend as far out as December 31, 2026.

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	49,048,067	51.8%
BA Budget Amendment	2,492,810	303,439	12.2%
CF Carryforward	1,040,028	10,000	1.0%
HB576 Proprietary Off Budget	147,343,495	90,920,033	61.7%
Other House or Senate Bill	48,000		
SA Statutory	1,324,400	735,748	55.6%
Unclassified	39,700		
CARES	4,415,568	82,118	1.9%
ARPA	26,771,844	9,161,977	34.2%
Total	278,248,527	150,261,382	54.0%

Non-Budgeted Proprietary Fund Authority

The Department of Labor and Industry has approximately \$147.3 million in non-budgeted proprietary funding for FY 2024, of which \$90.9 million or 61.7% has been expended. The unemployment insurance (UI) tax benefit fund, which distributes UI benefits to claimants, makes up \$125.0 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 FY 2024 as of February 29, 2024				
	Appropriations	Expenditures	Remaining Appropriations	Percent Expended
Montana Career Information Systems	\$ 8,594	\$ -	\$ 8,594	0.0%
Unemployment Insurance Benefit Fund	125,000,000	78,735,513	46,264,486	63.0%
Subsequent Injury Trust Fund	1,528,376	688,814	839,562	45.1%
Commissioner's Office/Centralized Services Division	5,356,652	3,027,473	2,329,179	56.5%
Legal Administrative Services	3,364,270	1,977,823	1,386,447	58.8%
Technical Services	4,776,462	1,858,494	2,917,968	38.9%
Technical Services Direct	7,309,141	4,631,916	3,120,312	63.4%
Total	\$ 147,343,495	\$ 90,920,032	\$ 56,423,463	61.7%

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 December 1, 2023 through February 29, 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	94,811,048	94,772,682	-38,366
☐ 01 WORKFORCE SERVICES DIVISION	30,546,181	30,534,984	-11,197
☐ 02 UNEMPLOYMENT INSURANCE DIV	18,638,274	18,631,831	-6,443
☐ 03 COMMISSIONERS OFFICE & CSD	1,589,997	1,589,245	-752
☐ 05 EMPLOYMENT STANDARDS DIVISION	38,991,324	38,972,159	-19,165
☐ 07 OFFICE OF COMMUNITY SERVICES	4,296,231	4,295,852	-379
☐ 09 WORKERS COMPENSATION COURT	749,041	748,611	-430
Total	94,811,048	94,772,682	-38,366

Expenditure Type	HB 2 Budget	Modified Budget	Net Modifications
☐ 61000 Personal Services	51,646,734	51,608,368	-38,366
☐ 62000 Operating Expenses	30,201,787	30,153,787	-48,000
☐ 63000 Equipment & Intangible Assets	2,783,849	2,783,849	
☐ 66000 Grants	9,415,792	8,845,792	-570,000
☐ 67000 Benefits & Claims	100,389	100,389	
☐ 68000 Transfers-out	417,333	987,333	570,000
☐ 69000 Debt Service	245,164	293,164	48,000
Total	94,811,048	94,772,682	-38,366

Fund Type	HB 2 Budget	Modified Budget	Net Modifications
☐ 01 General	2,647,404	2,646,116	-1,288
☐ 02 State/Other Spec Rev	57,988,408	57,963,280	-25,128
☐ 03 Fed/Other Spec Rev	34,175,236	34,163,286	-11,950
Total	94,811,048	94,772,682	-38,366

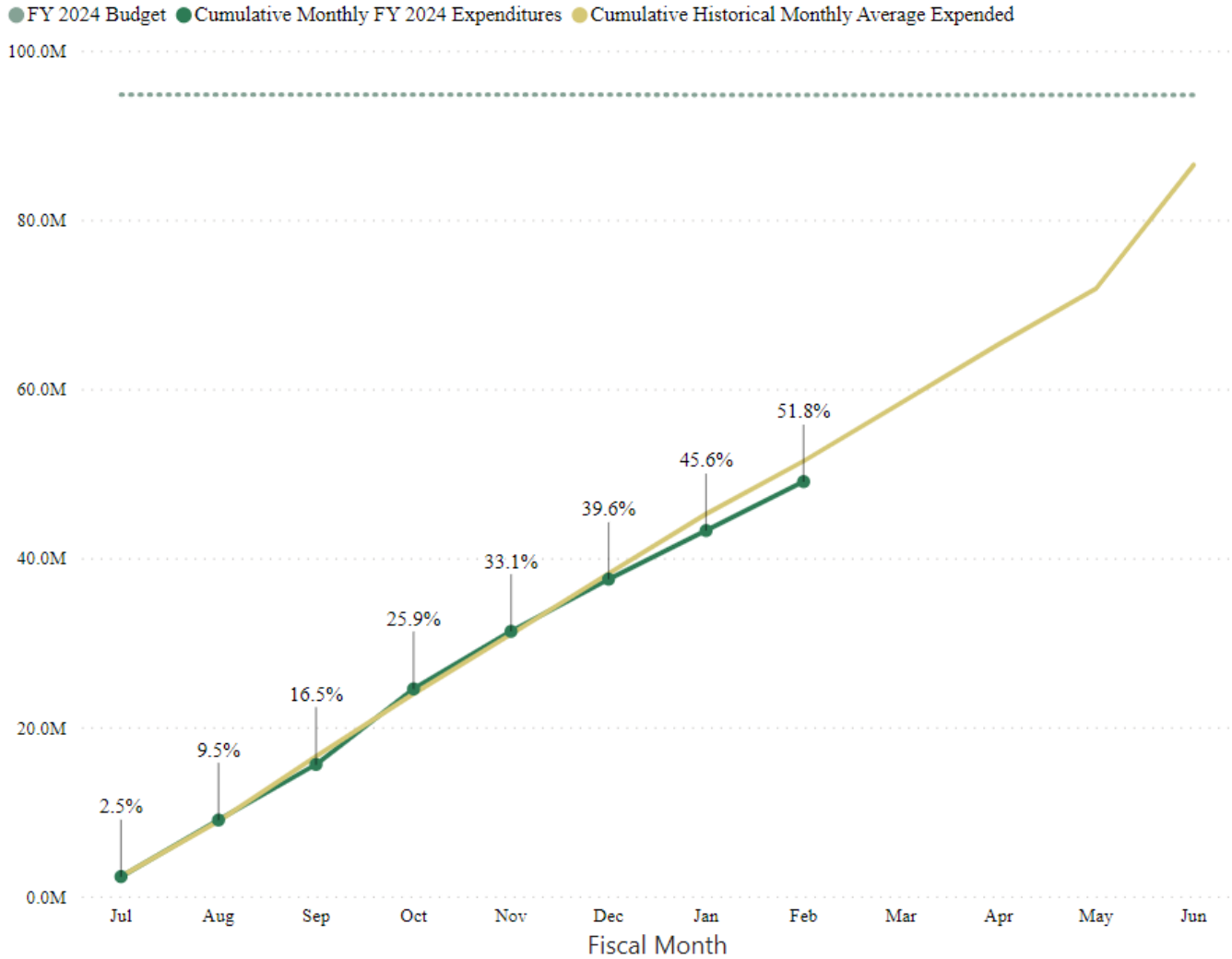
The Department of Labor and Industry made three budget modifications to its FY 2024 budget since December 1, 2023, which include:

- The largest of these budget modifications moved \$570,000 from grants to transfers-out. The Montana State Parks Division of FWP was awarded the AmeriCorps service contract, which runs January through December 2024. DOLI did not have sufficient transfer authority for the service contract, so they moved funding from grants to transfers-out
- The department made a modification of \$48,000 to properly record lease payments within debt service instead recording this under operating expenses, as they have previously done. This modification was made to follow accounting standards related to building lease payments
- The final budget modification made is comprised of numerous workers' compensation reductions throughout each program. The purpose of this budget modification is outlined in the "Unclassified" subsection of the Total Appropriation Authority section. The discrepancy in the value listed as "Unclassified" and the values listed as budget modifications above is due to the above chart accounting only for HB 2 modifications.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through February 29, 2024.

Monthly Expenditures Compared to Historical Average



Program Name	Modified Budget	Expended Budget	% Expended
⊕ 01 WORKFORCE SERVICES DIVISION	30,534,984	15,156,095	49.6%
⊕ 02 UNEMPLOYMENT INSURANCE DIV	18,631,831	9,305,234	49.9%
⊕ 03 COMMISSIONERS OFFICE & CSD	1,589,245	667,741	42.0%
⊕ 05 EMPLOYMENT STANDARDS DIVISION	38,972,159	21,959,961	56.3%
⊕ 07 OFFICE OF COMMUNITY SERVICES	4,295,852	1,515,041	35.3%
⊕ 09 WORKERS COMPENSATION COURT	748,611	443,995	59.3%
Total	94,772,682	49,048,067	51.8%

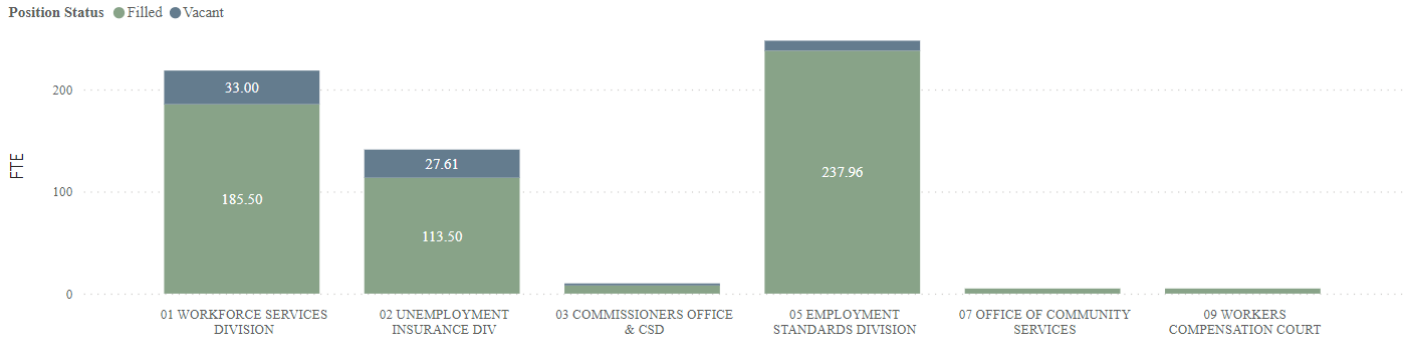
Expenditure Type	Modified Budget	Expended Budget	% Expended
⊕ Personal Services	51,608,368	29,798,101	57.7%
⊕ Operating Expenses	30,153,787	14,392,776	47.7%
⊕ Equipment & Intangible Assets	2,783,849	284,464	10.2%
⊕ Grants	8,845,792	3,342,014	37.8%
⊕ Benefits & Claims	100,389	12,600	12.6%
⊕ Transfers-out	987,333	234,134	23.7%
⊕ Debt Service	293,164	983,978	335.6%
Total	94,772,682	49,048,067	51.8%

Fund Type	Modified Budget	Expended Budget	% Expended
⊕ 01 General	2,646,116	1,594,715	60.3%
⊕ 02 State/Other Spec Rev	57,963,280	30,833,598	53.2%
⊕ 03 Fed/Other Spec Rev	34,163,286	16,619,754	48.6%
Total	94,772,682	49,048,067	51.8%

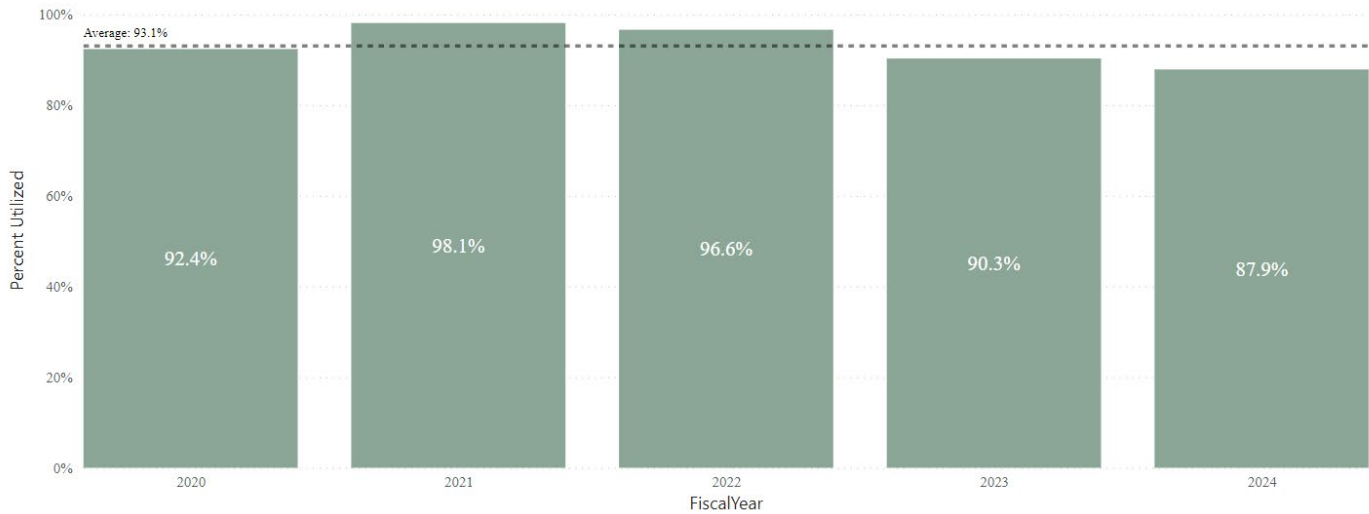
The Department of Labor and Industry has expended 51.8% of its HB 2 appropriation authority in FY 2024. Expenditures were primarily for personal services and operating expenses. Approximately 61.2% of DOLI's budget is from state special revenue authority. Within the Unemployment Insurance Division, lower than average expenditures are due to a decreased percent expended from the employment security account in FY 2024. Within equipment and intangible assets, the department has begun ordering equipment for the Weights and Measures equipment replacement, however the department has not posted these expenses as they have not yet been billed for these orders. These expenses are attributed to the \$2.3 million in one-time-only funding for the Weights and Measures program equipment replacement.

Personal Services

Appropriations for personal services in the Department of Labor and Industry total \$51.6 million and are 57.7% expended through the end of February 2024. The department has 627.38 HB 2 FTE and 88.5% of these positions are filled as of February 1, 2024. The following chart shows the filled and vacant FTE within the agency as of February 1, 2024.



The chart below shows the hourly utilization percentage for the Department of Labor and Industry between July 1 and February 1 for each fiscal year when compared to the available hours for the same time period. Overall, the department has utilized 87.9% of the hours budgeted for FY 2024.



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 72.42 FTE that are vacant, 21.11 FTE have been vacant for more than one year. The majority of the vacancies are in the Workforce Services Division and the Unemployment Insurance Division.

In the Workforce Services Division there are 33.00 total vacant FTE. According to the department, there are two primary reasons related to the vacancies in the division:

- The department has experienced difficulties in hiring the employment specialist position (16.00 FTE) because of low wages and/or a lack of candidates as these positions are at locations throughout the state
- The Department of Labor and Industry currently operates the Department of Public Health and Human Services (DPHHS) Pathways program in three of their Job Service Offices, and the SNAP Employment & Training services in one office. DPHHS put out a RFP late in the fall for a statewide contract for these programs. DOLI has been holding some positions vacant as they come open until they have a better understanding of whether they would be selected to serve as this statewide contractor. The department was recently notified that they were not selected, so they are working through that transition now through the end of the fiscal year to understand what the appropriate staffing levels will be in these Job Service Offices

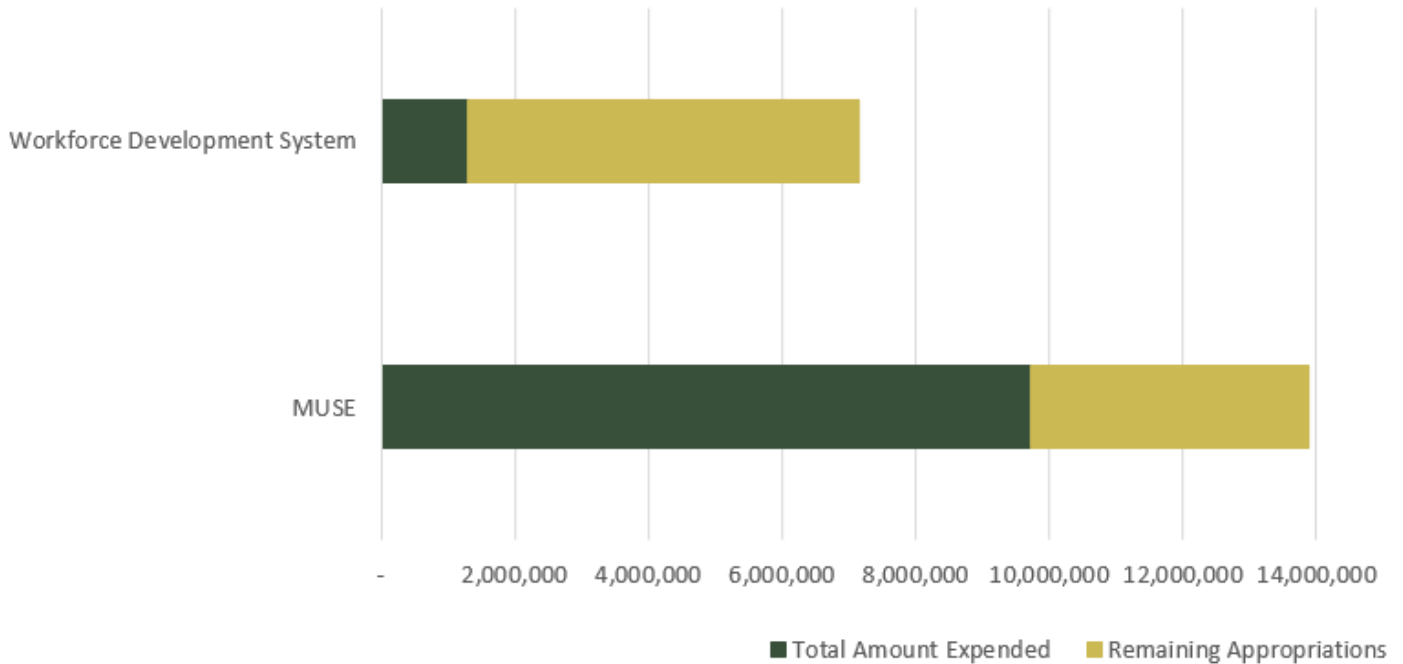
Within the Unemployment Insurance Division there are 27.61 total vacant FTE. According to the agency, the primary reasoning behind this involves the implementation of the new benefit system on October 2, 2023. Since the division went live with this system, the department is currently working to realize efficiencies to better understand their staffing levels.

Vacant Positions Report

DEPT NUM/NAME	FTE	Median Months Vacant	Market Midpoint (Hourly)
⊖ 66020 LABOR AND INDUSTRY	72.42	7.05	28.39
⊖ 01 WORKFORCE SERVICES DIVISION	33.00	7.05	23.03
Administrative Specialist 1	1.00	1.08	26.38
Administrative Specialist 2	5.00	5.67	34.41
Administrative Supervisor	1.00	15.31	40.00
Deputy Bureau Chief	1.00	7.05	40.00
Employment Specialist 1	16.00	7.05	20.94
Employment Specialist Supvr	1.00	24.95	23.03
Financial Manager	1.00	26.72	56.34
Program Executive	1.00	10.56	64.01
Program Manager	1.00	5.57	51.21
Program Specialist 1	1.00	5.67	27.86
Project Management Specialist2	1.00	0.39	38.15
Public Relations Specialist 1	1.00	6.59	30.55
Research Analyst 1	1.00	4.07	27.63
Workforce Programs Supervisor	1.00	7.05	40.00
⊖ 02 UNEMPLOYMENT INSURANCE DIV	27.61	9.80	28.39
Administrative Assistant 2	1.00	3.84	18.15
Administrative Supervisor	1.00	3.61	40.00
Business Analyst 2	1.00	6.52	34.19
Business Analyst Supervisor	1.00	7.05	39.74
Claims Examiner 1	4.00	11.08	18.85
Claims Examiner 2	6.11	16.33	28.39
Claims Examiner 3	1.00	7.97	35.49
Collections Agent 2	2.00	13.02	21.95
Compliance Specialist 3	1.00	13.02	42.55
Compliance Technician 1	1.00	12.10	22.07
Customer Service Assistant 2	1.00	17.48	17.28
Finance All Other	1.00	2.85	23.11
Legal Secretary 1	0.50	4.30	25.51
Operations Research Analyst	1.00	6.66	38.50
Program Manager	1.00	17.31	51.21
Tax Examiner 3	3.00	8.20	35.94
Trainer 2	1.00	15.84	29.91
⊖ 03 COMMISSIONERS OFFICE & CSD	2.00	6.02	56.98
Business Executive	1.00	5.67	75.89
Hearings Officer 1	1.00	6.36	38.08
⊖ 05 EMPLOYMENT STANDARDS DIVISION	9.81	10.26	39.92
Budget Analyst Supervisor	0.81	11.18	37.29
Compliance Specialist 1	1.00	2.92	26.76
Compliance Specialist 3	2.00	31.51	42.55
Mediator 1	1.00	9.34	36.95
Mine Safety Insp & Trainer	1.00	1.08	34.45
Program Executive	1.00	8.89	64.01
Program Manager	2.00	52.34	51.21
Program Specialist 2	1.00	47.90	36.35
Total	72.42	7.05	28.39

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 increase in expenses due to payments to the contractor. The project is progressing as anticipated with the projected implementation being in August 2024. The budget for this project is \$7.1 million; as of February 1, 2024, \$1.3 million has been expended.

Montana Unemployment System Environment (MUSE)

This project was the replacement of the aging unemployment insurance system within the Department of Labor and Industry. The Unemployment Insurance Division, in conjunction with the contractor, have been working to refine processes throughout the system and resolve any bugs present since the system went live October 2, 2023. The department has expended \$9.7 million of the \$13.8 million appropriation for this project; however, they do have \$1.5 million in outstanding invoices to be paid by 2024 FYE.

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) has used contractors in a couple of instances in FY 2024. In one case, the agency had some paralegal services in July where they hired a contractor to work on a specific issue for a short period of time; however, it wasn't related to a vacancy. DOLI paid \$4,049 for this paralegal service in FY 2024. Additionally, DLI has utilized a contracted temp agency to accommodate a vacancy in the administrative assistant/accounting tech role at the front desk of the Walt Sullivan building. Between November 1, 2023 and January 31, 2024, the department has paid \$10,610 to this temp agency. This was required as the position is historically difficult to fill due to the high turnover and low wages. The department has recently contracted an actuary to study the Unemployment Insurance Trust Fund and the Employment Security Account. This contract is not due to a vacancy and there have not been any expenses attributed to this.

For IT services, the agency has four current contracts in FY 2024 and are not due to existing vacancies. Two of the contracts are used for the transition to the new MUSE system as well as support of the old Unemployment Insurance Mistics system; both of these contracts end March 31, 2024. An additional contract helps support system databases throughout DOLI with this contract set to expire at FYE 2024. The final IT contract is for continued maintenance services on the Acella platform within the department. The department has spent a approximately \$468,000 on these contracts in FY 2024.

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 has paid \$142,318 in overtime this fiscal year. The majority of this overtime is within the Unemployment Insurance and Employment Standards divisions. Throughout the winter months it is typical to see an increase in unemployment insurance volume, this has caused overtime to be recorded during this period. Within the Employment Standards Division, the Building Inspection has experienced overtime needs to ensure all inspections are completed. The overall amount of overtime within DOLI is lower than previous years, as shown in the graph below provided by the department.

